**Morioka** To enable such a trial, I think a realistic approach would be to first clarify our overall basic human capital policy as a management policy, then have relevant departments bring their initiatives together and start with a system of repeated implementation and verification.

## Bringing human capital management to the front lines

**Morioka** I also want to ensure each initiative reaches the front lines. Resource constraints limit the ability of the corporate divisions or the Human Capital Committee alone to reach every frontline employee directly. We need to create a system that communicates management's intentions all the way to frontline employees through managers such as heads of manufacturing sites, plant managers, and section managers.

**Hamazaki** That is an important perspective. The head office may draw the blueprint, but we need to build in the layers responsible for communicating it to the front lines from the outset. A shared picture keeps implementation close to the intended direction, even when planners and implementers differ.

**Morioka** As we implement initiatives, I want to avoid their being seen as "just another unnecessary task." I want managers to be able to explain in their own words that the Human Capital Committee did not simply come down from above but arose from an awareness of internal issues. We need to design initiatives with the training needed to enable this.

**Hamazaki** People will not produce results if they feel they are simply being made to do something. They need to truly understand and accept that these initiatives are a means of achieving the growth of both the Company and individual employees. In turn, that leads to a healthy kind of rigor. Human capital management is about creating a state in which each individual understands their role and can fully exercise their abilities. This requires maintaining contact points for information, questions, and advice. Information gaps lead to indifference; a lack of access to advice leads to isolation. Any effective channel can be used, including web-based tools, one-on-one meetings, or chats.

**Morioka** This may still be an area where we have weaknesses. We started the monthly *Syain kai meetings* to share management information and promote communication among employees. However, for employees working shifts on the manufacturing floor, it is difficult to participate in real time, and we cannot say that enough of them are watching the archived sessions either. Until now, we have focused on delivering information. But I now realize that what matters is taking the recipients' perspective and ensuring everyone has access to information. I want to increase two-way points of contact, such as one-on-one meetings, mentoring, and easily accessible consultation channels, and create an environment where information gaps and isolation do not arise.

## Toward 2030: Strengthening the unique execution ability of the Sakai Chemical Group

**Morioka** Through human capital management, the Sakai Chemical Group aims to build an organization that develops and makes the most of people and enables employees to work with energy and happiness. The next Medium-Term Management Plan will call for strengthening Group governance. We are now moving to the stage of broadening our perspective from Sakai Chemical itself to the entire Group. We will also work to determine the extent to which talent development, engagement, systems, and regulations should form a common Group foundation, and where decisions should be left to each company based on its circumstances.

**Hamazaki** This is the stage where we further broaden our perspective from Sakai Chemical itself to the entire Group, and from individual initiatives to the design of organizations and systems. We need to operate our financial strategy and our non-financial strategy, including human capital, as the two wheels of management and to portray and convey that overall picture as simply as possible. Then, by positioning human capital management as an important strategic theme for the President and the Executive Officer Council, and having the President personally take the lead, it can become a force for moving the entire Group forward.

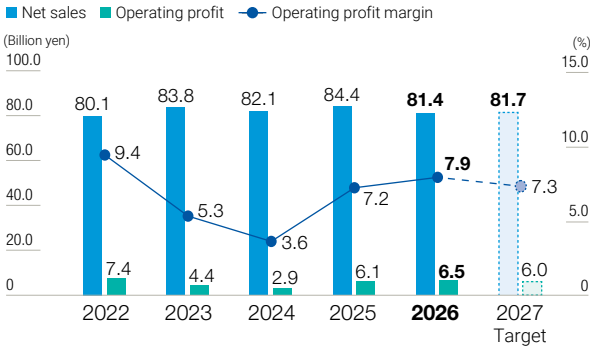
**Morioka** The President has put transformation at the heart of the current Medium-Term Management Plan and is advancing a variety of initiatives. Executive officers also have many opportunities to discuss matters together, and I feel communication within the Company has become more open than before. At a time when the Company must change to survive, I believe now is our opportunity to advance human capital management.

**Hamazaki** We also need to refine the Company's future vision and mission into simpler words. If every employee can explain in their own words what the Company aims to achieve and why it exists, this will foster a shared source of cohesion and contribute to stronger branding. It may sound idealistic, but it is important to set our vision and continue conveying it. If the vision we are aiming for is clear, our human capital initiatives will also connect to the execution of our management strategy.

**Morioka** Human capital management will never be genuine unless we have the resolve to rebuild the Company starting with our people. Together with our employees, we will create a Sakai Chemical Group where employees can take pride in what they do and feel that their work is making a real difference, and where people outside the Company think, "We would like to take on a challenge together with this company." That is the resolve I have reaffirmed through this dialogue. Thank you very much for your time today.

**Hamazaki** As an Outside Director, I want to ask the questions that need to be asked, closely monitor the changes at our Company, and support the Company as it moves forward. I want us to be a company that genuinely puts the ideas of developing people and making the most of people into practice. I will do my part to make that happen. Thank you very much.

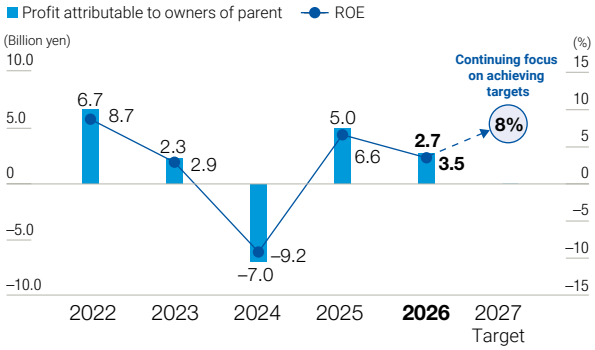
### Net sales / Operating profit / Operating profit margin




(Years ended March 31)

Although net sales declined year on year to ¥81.4 billion, operating profit increased to ¥6.5 billion and the operating profit margin improved to 7.9%, reflecting the effects of price revisions and business structural reforms. Profitability continues to improve steadily.

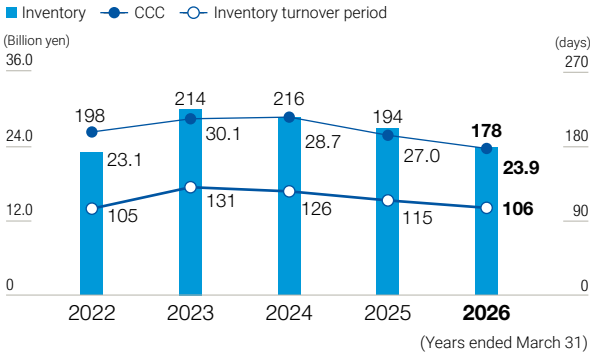
### Profit attributable to owners of parent and ROE




(Years ended March 31)

As a result of a rigorous reassessment of the future profitability of the cosmetic materials business, we recorded ¥2.9 billion in impairment losses on manufacturing facilities. While this temporarily lowered net income and ROE, we are steadily advancing business portfolio reform and working to strengthen our earnings foundation and improve capital efficiency.
ROE: Return on Equity.

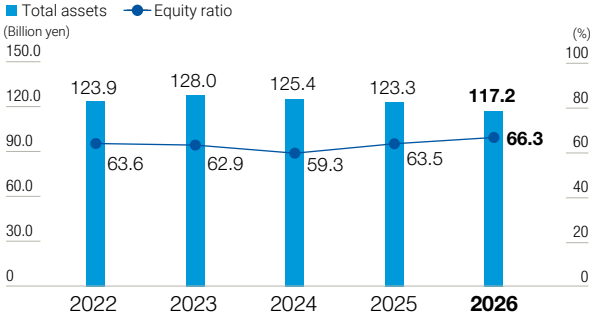
### Inventory / Inventory turnover period / CCC




(Years ended March 31)

In the fiscal year ended March 31, 2026, by shortening accounts receivable collection periods and optimizing inventories through revised target inventory levels and inventory reductions, we reduced the CCC by 16 days (an improvement of ¥5.1 billion on a cash flow basis).
CCC: Cash conversion cycle
(accounts receivable turnover period + inventory turnover period - accounts payable turnover period)

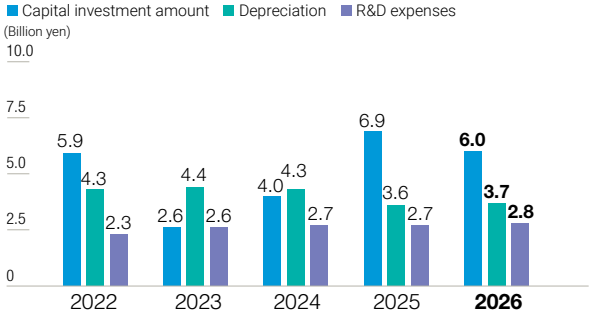
### Total assets and equity ratio




(Years ended March 31)

We are maintaining financial stability by keeping an equity ratio of between 60% and 69%.

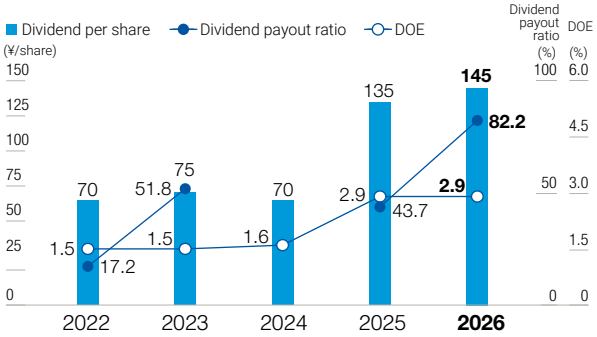
### Capital investment amount / Depreciation / Research and development expenses




(Years ended March 31)

In the fiscal year ended March 31, 2026, we made growth investments primarily in cosmetic materials and organic chemicals for use in active pharmaceutical ingredients and intermediates. Research and development expenses have remained relatively stable.

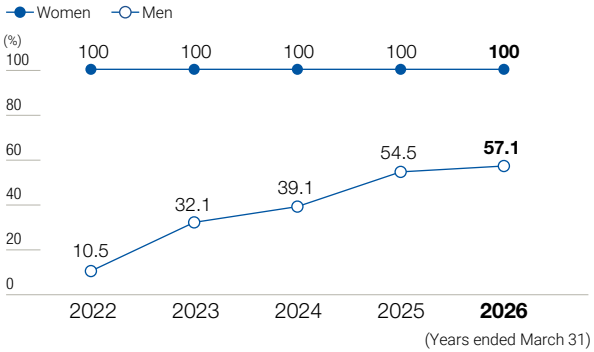
### Dividend per share / Dividend payout ratio / DOE




(Years ended March 31)

We aim to realize a total of more than ¥8.0 billion in dividends over the three-year period of the Medium-Term Management Plan. As a first step, we have set forth a basic dividend policy of achieving stable dividends based on the guideline of 3% DOE. In the fiscal year ended March 31, 2026, reflecting strong progress in improving profitability, we increased the annual dividend by ¥10 per share to ¥145 per share (totaling ¥2.2 billion).

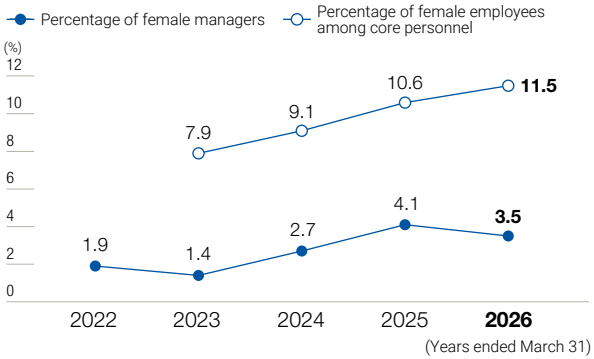
### Childcare leave usage rate for both men and women (non-consolidated)




(Years ended March 31)

All eligible women are taking childcare leave. The percentage of men taking childcare leave is increasing, due in part to increased understanding from the workplace. In the fiscal year ended March 31, 2026, we achieved our target of at least 50%.

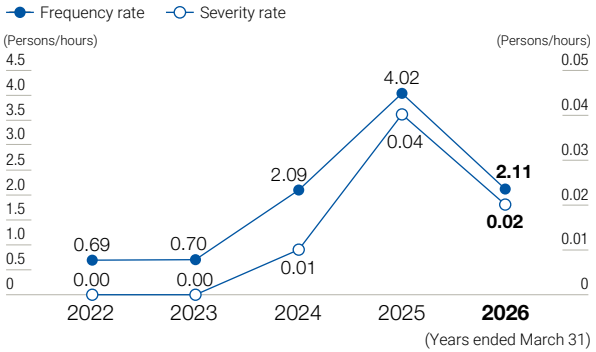
### Percentage of female managers / Percentage of female employees among core personnel (non-consolidated)




(Years ended March 31)

Even though the absolute number of female employees remains small, the ratio of women in management and the ratio of women among core personnel are also trending upward. We are developing systems that enable women to advance their careers by realizing their full abilities.
Core personnel: Mid-level employees and above (including managers)

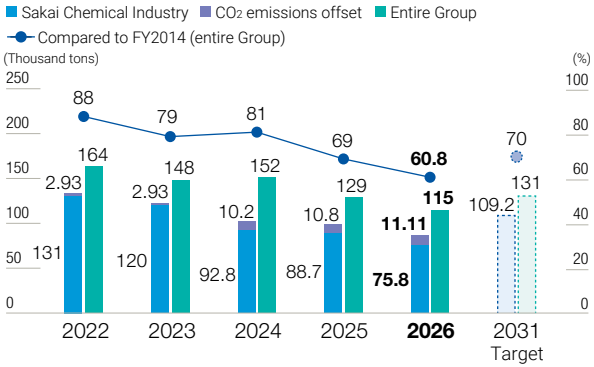
### Frequency rate / Severity rate (non-consolidated)




(Years ended March 31)

In the fiscal year ended March 31, 2026, 3 work-related accidents resulting in leave occurred (of which 2 involved 4 or more days of lost work). This is a decrease compared to 6 cases (of which 4 involved 4 or more days of lost work) in the fiscal year ended March 31, 2025, but preventing occupational accidents remains an important issue. In addition to our existing occupational health and safety activities, from the fiscal year ended March 31, 2026, we have introduced and will continue disaster-prevention training utilizing VR (virtual reality) technology, and we will carry out activities aimed at building a safety culture.

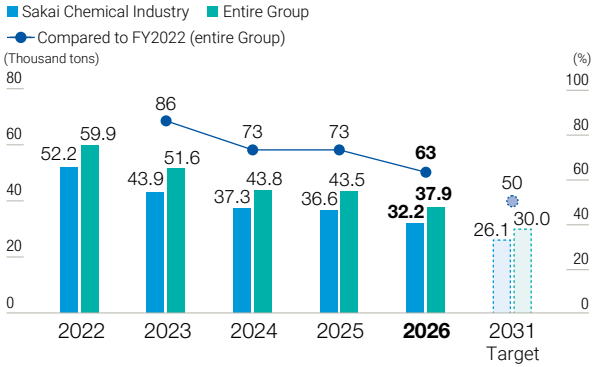
### $CO_2$ emissions / $CO_2$ compared to 2014




(Years ended March 31)

In the fiscal year ended March 31, 2026, our $CO_2$ emissions totaled 115,000 tons, which means that we achieved the reduction target for the fiscal year ending March 31, 2031, ahead of schedule.
We will continue to work on reducing emissions across the Sakai Chemical Group by promoting the use of carbon-offset city gas and expanding the adoption of renewable energy.

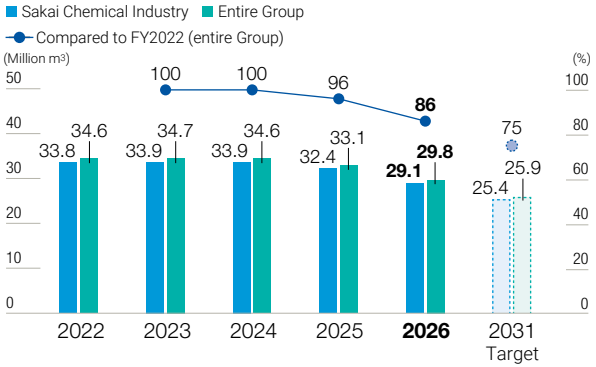
### Industrial waste emissions / Compared to 2022




(Years ended March 31)

In the fiscal year ended March 31, 2026, our industrial waste emissions totaled 37,900 tons, a decrease of 5,600 tons compared with the previous fiscal year. The main factor was a decrease in waste sludge originating from the titanium dioxide manufacturing process, which accounts for the majority of emissions. This reduction in emissions resulted from the termination of the pigment-grade titanium dioxide business.

### Water usage / Compared to 2022

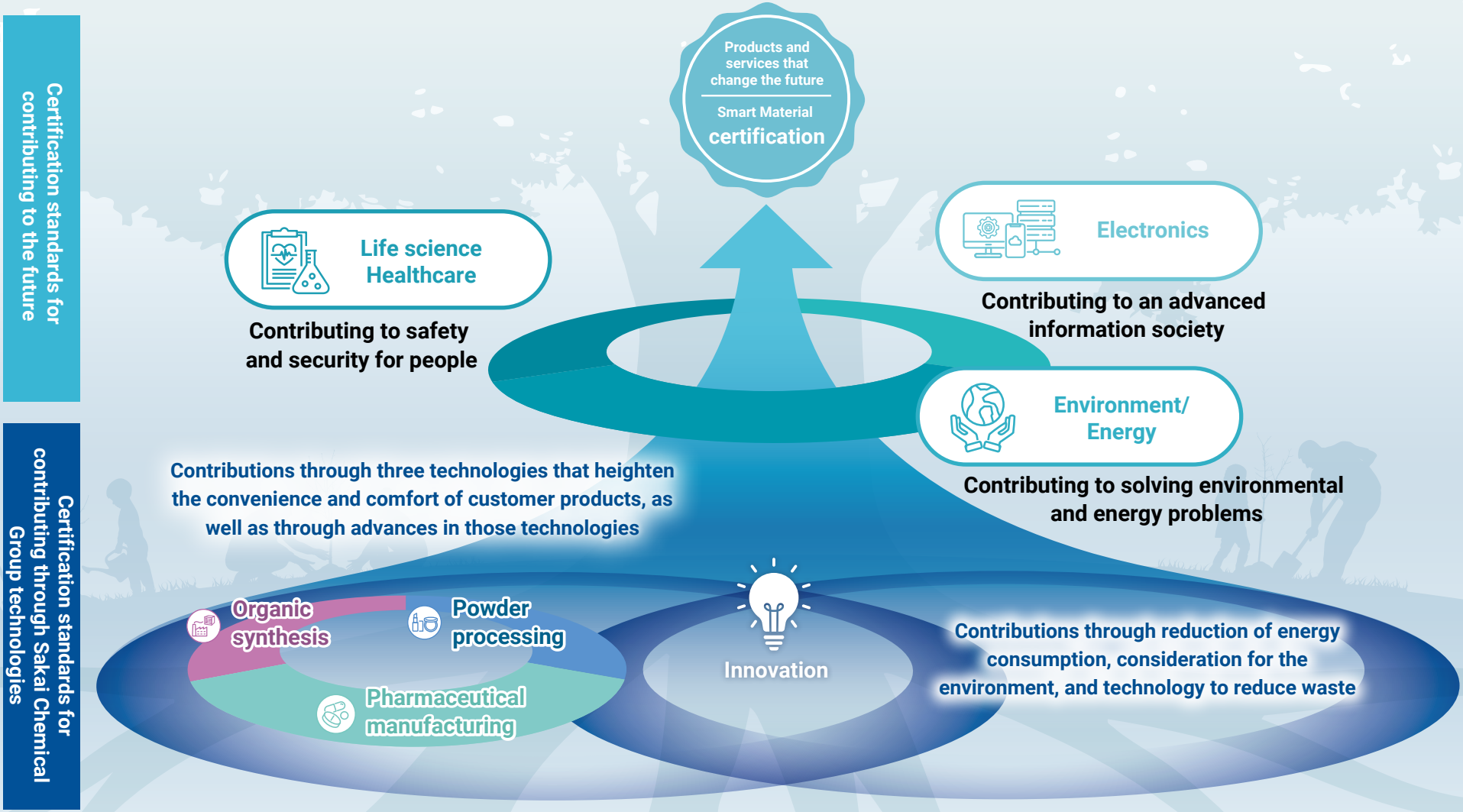



(Years ended March 31)

In the fiscal year ended March 31, 2026, our water usage totaled 29,800,000 cubic meters. The main factor was a decrease in the use of industrial water and seawater originating from the titanium dioxide manufacturing process, which accounts for the majority of water usage. This reduction resulted from the termination of the pigment-grade titanium dioxide business.

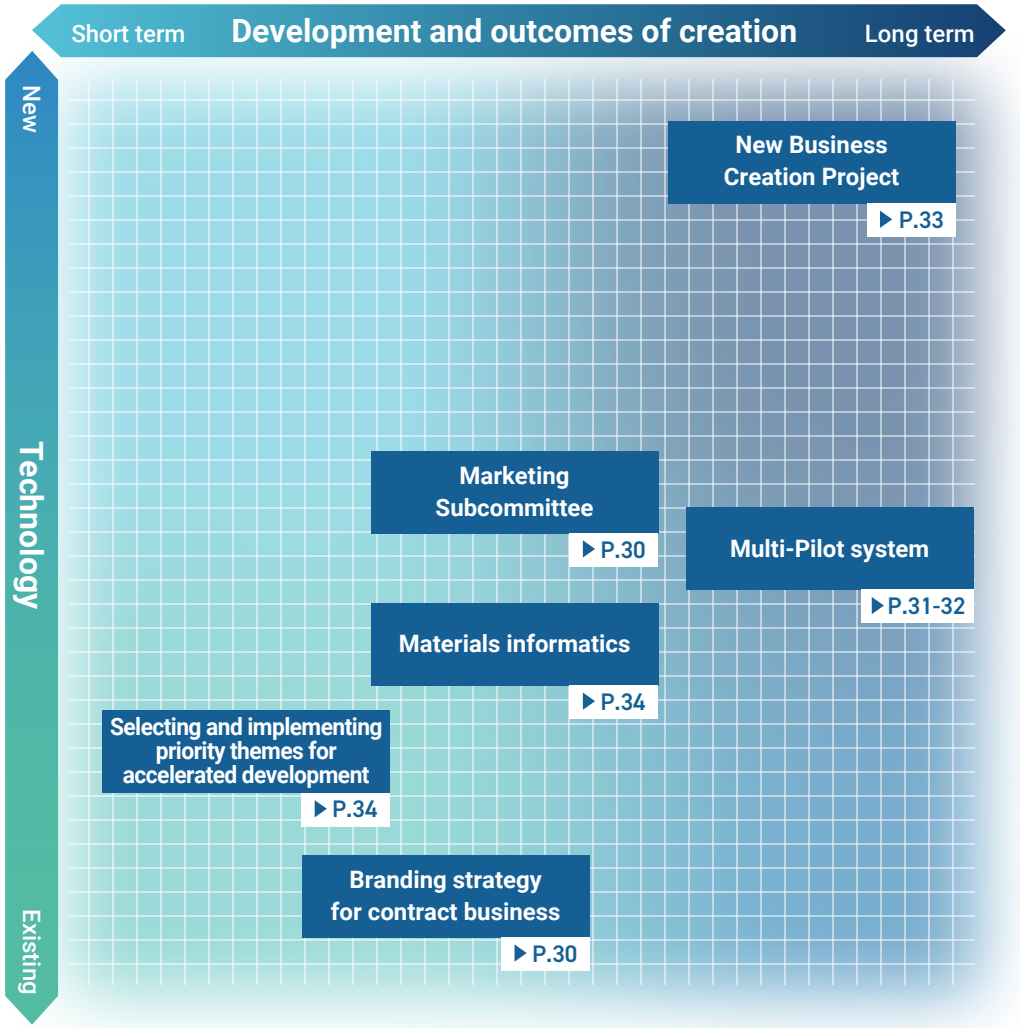
# What is Smart Material?

Smart Material products and services embody the Sakai Chemical Group's philosophy of "Chemistry for a Friendly Future." They contribute to solving social issues and provide innovative value by leveraging the technological strengths of the Sakai Chemical Group.
Smart Materials are certified based on the Sakai Chemical Group's research and development policy. Through this certification, we will contribute to the future of the environment and energy, electronics, and life sciences and healthcare fields.



# Innovation strategy / New business creation

The Sakai Chemical Group creates and delivers new value to society through technology development and services based on customer needs, offering unique, high-value-added solutions. Through these efforts, we will create innovations that enable sustainable growth.




## Launch five certified Smart Material products and services by FY2030

### Three launched by April 2026

**Lumate** ▶P.27

**Multhiol** ▶P.28

**SZR** ▶P.29

4

5



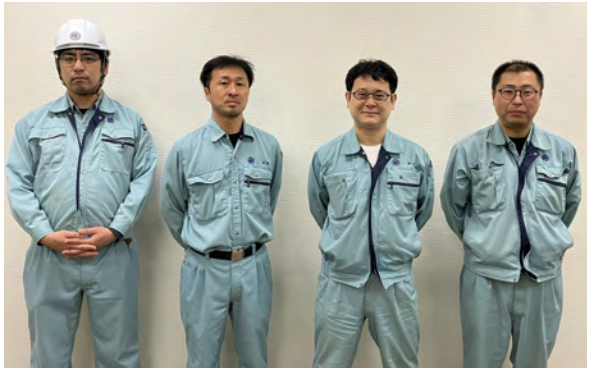

Smart Material certified products

# Cosmetic fluorescent material: Lumate

**From protecting against UV rays to using them. New beauty value created through fluorescent technology.**

**[Reasons for certification]** Lumate is a cosmetic ingredient that goes beyond the conventional concept of protecting against UV rays to create new value through proprietary fluorescent technology that absorbs ultraviolet light and converts it into visible light. It was certified as a Smart Material in recognition of its ability to balance safety-conscious elemental design and high functionality, as well as the Sakai Chemical Group's successful application of the fluorescent synthesis technology it has developed to cosmetic applications.

**[Applicable certification criteria]** Contribution to the life sciences and healthcare fields; application of powder processing technology



Sakai Chemical Industry Co., Ltd.

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Pilot Plant Group
Production Technology Department
Production Technology Division

**Yuya Yamamoto**

**Takuro Ashida**
Group 1
Corporate Research Laboratories,
Research & Development Division

**Shigeo Tominaga**

## Can we make UV rays work for us?

"UV rays are harmful to the skin." In cosmetics, including sunscreens, UV protection has traditionally been based on the premise of blocking UV rays. What if, instead of blocking UV rays, we could absorb them and convert them into different light? Could that lead to the creation of new beauty value? The development of Lumate began from ideas born from unconventional questions.

## From cross-industry technology to skin-ready materials

Lumate has its roots in fluorescent technology developed for display devices such as plasma displays. Fluorescent materials have the property of absorbing light and emitting it at different wavelengths. Since fluorescent materials for industrial applications could not be used in cosmetics as is, the first challenge was to ensure their safety.

The initial hurdle was to create a material composed solely of elements that could be used on the skin. To achieve this, the team steadily worked through each possible approach, including selecting suitable elements, studying crystal structures and adjusting particle size, and repeating prototyping and evaluation to refine the material for cosmetic applications.

## Technology refined through dialogue with the market

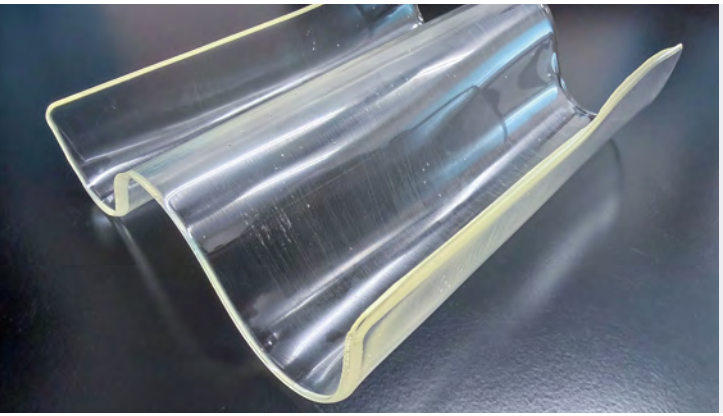
Lumate is not a material that was developed entirely within the laboratory. The sales division repeatedly gathered feedback from the market through exhibitions and visits to cosmetics manufacturers, feeding those insights back into the R&D process.

Development began with a red phosphor, but feedback from the market that "red alone is difficult to use" led to the addition of green and blue to the lineup. By bringing together the three primary colors of light, a wide range of expressions through different combinations became possible. When the three colors were unveiled at a cosmetics industry exhibition in 2015, they attracted interest from a large number of visitors, greatly expanding Lumate's potential in the market.

## Technology refined through perseverance becomes a business

Development was by no means smooth, and at one point we even considered terminating the theme. Even so, the response received at exhibitions and discussions with researchers at cosmetic manufacturers helped drive development forward.

After repeated improvements and proposal activities, this material has been incorporated into products from a major cosmetics manufacturer since 2019. Today, Lumate has been put into practical use as a unique material that transforms UV rays into beauty value. As an outstanding example of technology developed in one field being applied to a new market, Lumate has become a product that symbolizes innovation by the Sakai Chemical Group.



Smart Material certified products

# Multhiol® series of thiol curing agents

**Water-resistant, with tunable hardness. A new curing agent expanding the possibilities of adhesives used with electronic devices.**

**[Reasons for certification]** Multhiol is a thiol curing agent that overcomes the water- and heat-resistance challenges associated with conventional ester-thiol-based adhesives, while enabling impact resistance and hardness to be tailored to specific applications. Multhiol has been highly regarded for its successful mass production and contribution to improving the reliability of adhesives for electronic devices, thereby supporting communications technology and the IoT society through materials.
**[Applicable certification criteria]** Contribution to the electronics field; application of organic synthesis technology



Sakai Chemical Industry Co., Ltd.

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**Tatsuro Hisa**
Research & Business Development Department
Research & Development Division

**Miho Kishi**
Ishizu & Tadaoka Factory

## Development began with the market need for water resistance

The development of Multhiol began with a request from a customer that manufactures adhesives for electronic devices, who wanted a thiol-based material with improved water resistance. In electronic devices such as smartphones, resistance to moisture can determine product reliability, making materials that are vulnerable to water a critical weakness. Multhiol was developed to overcome the poor water resistance of conventional thiol-based materials, providing excellent water resistance while also allowing hardness to be tailored to the application.

## From “can be made” to “can be stably mass-produced”

Multhiol differs significantly from conventional thiol products in its fundamental material design, including its raw materials and manufacturing method. While it could be produced at laboratory scale, scaling up to mass production made it difficult to control reaction heat, resulting in variations in quality. The team therefore developed a new process to stabilize the reaction and verified its feasibility and safety for industrial production step by step. In this way, production technology evolved from a level at which Multhiol could be produced in the laboratory to a level at which it could be reliably and consistently mass-produced at plants.

## Taking on the challenge of creating unprecedented production facilities

Establishing the new process as a mass-production facility required overcoming numerous challenges, including equipment design, safety measures, and compliance with the Fire Service Act. Through repeated trial and error with equipment manufacturers, the team developed a dedicated explosion-proof structure and safety design from the ground up. Even after the equipment was installed, they continued to address issues that only became apparent during actual operation, making repeated modifications and improvements.

Precisely because there was no precedent to follow, the unity of the members involved in development and manufacturing made it possible to establish a stable mass-production system.

## Multiple grades meet diverse market needs

The Multhiol series currently comprises multiple grades with different numbers of thiol groups (-SH groups). By adjusting the number of thiol groups, it is possible to alter the way molecules bond with one another and optimize properties such as flexibility, impact resistance, and strength according to the application.

For example, applications requiring drop resistance demand flexibility, while those requiring rigidity demand hardness. In this way, the properties required of an adhesive vary depending on its application. Multhiol meets these diverse requirements while also providing water resistance. These capabilities have been highly regarded, leading to growing adoption by adhesive manufacturers around the world and contributing to the enhanced functionality and reliability of electronic devices.



Smart Material certified products

# Zirconium oxide dispersion SZR

**Making the most of particles as they are. Proprietary dispersion technology expands the possibilities of optical materials.**

**[Reasons for certification]** SZR is a material that achieves both high transparency and a high refractive index by uniformly dispersing highly crystalline zirconium oxide nanoparticles.
It is used in applications such as coating agents for spectacle lenses, contributing to improved product visibility. In recognition of both its contribution to products that support people's daily lives and its application of proprietary powder processing technology, SZR was certified as a Smart Material.
**[Applicable certification criteria]** Contribution to the life sciences and healthcare fields; application of powder processing technology



Sakai Chemical Industry Co., Ltd.

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**Takanori Morita**
Manager, Technology Section
Plant No.1Sakai
Manufacturing Site

**Shigenori Ibata**
General Manager,
Research and Business Development Department
Research & Development Division

## Starting from the concept of dispersion

Development of SZR began in 2006. At the time, Sakai Chemical had adopted a policy of expanding its expertise in zirconium compounds. Market research subsequently revealed the potential for applications in optical fields such as anti-reflective coatings.

Optical applications require a material with a higher refractive index than resin to be dispersed within the resin while maintaining transparency. The team therefore aimed to provide the material not in the conventional form of a powder, but as a dispersion. By 2008, the basic process had been established at laboratory scale. Development then progressed on a proprietary process that simultaneously synthesizes and disperses particles through wet process.

## The biggest difference is doing only what is essential

SZR's greatest feature is its ability to stably disperse single-nanometer-sized particles measuring 3 to 5 nm* by utilizing the repulsive forces between the particles, without surface treatment or the use of dispersants. Providing the particles in what might be called their natural state is a major strength, allowing customers to freely design surface treatments and formulations according to their applications. The lineup covers a broad range of water-based (acidic and alkaline) and alcohol-based products. Among these, the water-based alkaline type is a highly distinctive product with few comparable offerings from other companies.

This alkaline type was born from an unexpected phenomenon encountered during development. A prototype initially regarded as a failure was found to become transparent during the disposal process, leading the team to focus on this phenomenon and develop it into a new product. By combining multiple forms of expertise accumulated over many years, including production conditions far more rigorous than typically anticipated, precise parameter settings, and specific additive usage, the team has established a technology that is difficult to replicate.

## A once-stalled project began moving again with the market

Development did not proceed smoothly. At one point, the project was put on hold after it was determined that there were no further elements to develop and no prospect of sales. The turning point came with the launch of a joint task force within the Sakai Chemical Group, following the adoption of our products by a leading manufacturer of eyeglass lenses. We proactively approached various lens manufacturers, successfully securing multiple projects and gathering a wealth of information. This adoption allowed us to gain a deeper foothold in the eyeglass lens industry, giving us immediate visibility into the necessary information and specifications. The technology itself had not changed dramatically; rather, strengthening connections with the market became the turning point that set the stalled project in motion once again.

Building on its expertise in powders, the Sakai Chemical Group expanded its technological capabilities into dispersions. By identifying the needs of the eyeglass lens industry, creating new value, and opening up a new market, SZR is a product that has transformed proprietary technology into new business value.

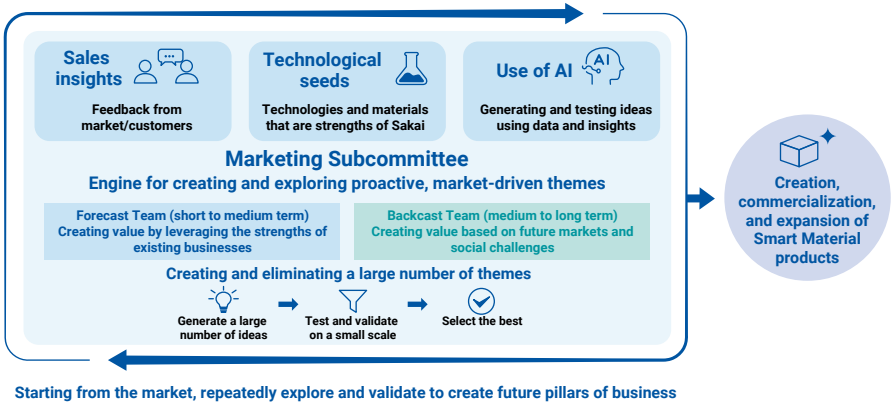
* A nanometer (nm) is one millionth of a millimeter.

## Marketing Subcommittee

# A subcommittee that creates market-oriented themes

### Initiatives

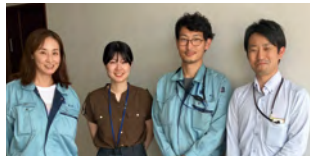
Sales and R&D personnel come together across departmental boundaries to create new business themes by combining challenges faced by markets and customers with the technological seeds held by the Sakai Chemical Group. The Forecast Team, which builds on existing strengths, and the Backcast Team, which aims to create future markets, explore themes that can lead to high profitability. By generating and repeatedly testing a large number of ideas, the teams assess the potential for commercialization.




Starting from the market, repeatedly explore and validate to create future pillars of business

## From “intuition and experience” to “strategy and validation”

The Marketing Subcommittee does not simply start from technological seeds; instead, it aims to apply technology based on the value sought by the market. Rather than relying on the experience and intuition of those in charge, it combines the market and customer challenges identified by the sales teams on the front line with R&D expertise, refining business themes through repeated hypothesis testing and validation. By working across departmental boundaries to take on the challenge of creating Smart Material products with an eye on future markets, the Marketing Subcommittee will support the Sakai Chemical Group’s next stage of growth.



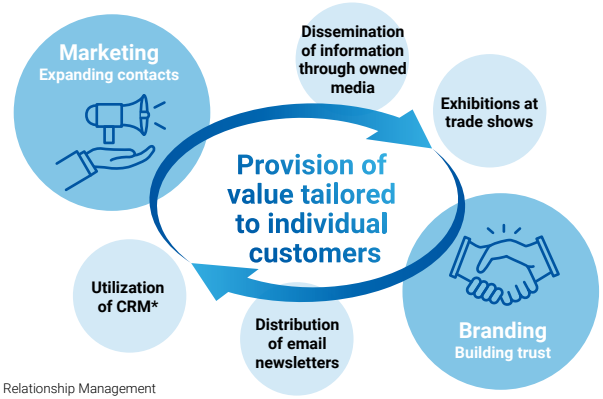
## Branding strategy at Nippon Color Industry Co., Ltd.

# Building a brand that customers think of first

### Initiatives

Nippon Color Industry Co., Ltd. primarily provides contract processing services for inorganic and organic products. To respond to changing markets and the digital environment and strengthen customer touchpoints, the company is advancing marketing and branding as two complementary pillars, establishing a framework that simultaneously enables new customer acquisition and deeper relationships with existing customers.

**A cyclical strategy of marketing and branding**




* CRM = Customer Relationship Management

## Communication that creates ongoing customer touchpoints

To create ongoing points of contact with customers, the company distributes a weekly email newsletter. Rather than focusing solely on promoting its products, Nippon Color Industry provides practical information and knowledge about chemistry, building regular contact with customers and aiming to create relationships in which the company is remembered when needed and naturally relied upon. This customer-oriented approach to communication design was recognized in an award program run by Synergy Marketing, Inc. for outstanding email marketing.






# A Multi-Pilot system that accelerates strategies for agile creation of high-value-added products

## Building an organization to establish a Multi-Pilot system

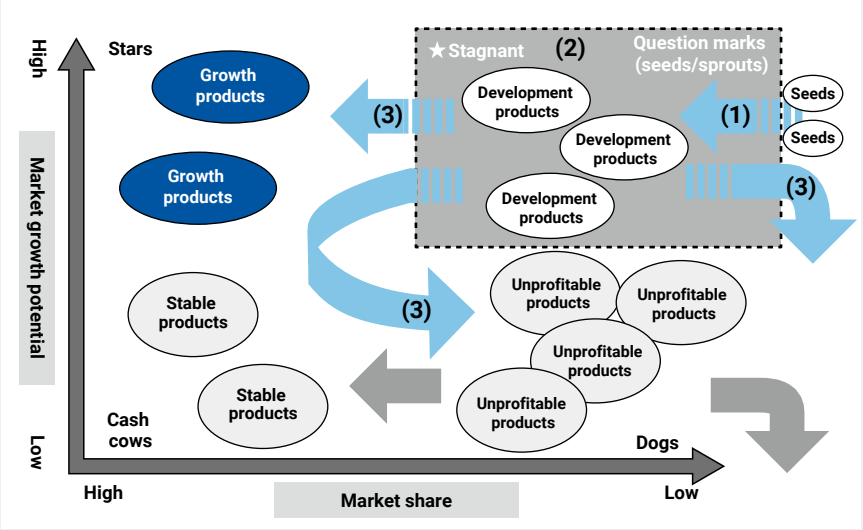
The Sakai Chemical Group's existing businesses have grown through continuous production using large-scale production facilities and economies of scale. However, intensifying global competition and the rise of manufacturers in emerging countries have accelerated commoditization and price competition. To remain competitive in this environment, the Group must shift to a strategy that enables it to agilely create high-value-added products based on the latent needs of customers.

The core of this strategy is the Smart Material concept, and the Multi-Pilot system is a mechanism for accelerating it. While broadly exploring promising themes based on the premise of creating a large number of themes and rapidly eliminating those that fail, the Group quickly repeats small-lot, high-mix prototyping and validation to identify the path to winning. Serving as a bridge that connects laboratory-scale expertise to mass production, the Multi-Pilot system will dramatically accelerate the speed of development.

### Leveraging the agility of the Multi-Pilot system to prototype Smart Material seeds, assess the future value of their sprouts, and rapidly make decisions on which to pursue and which to discard

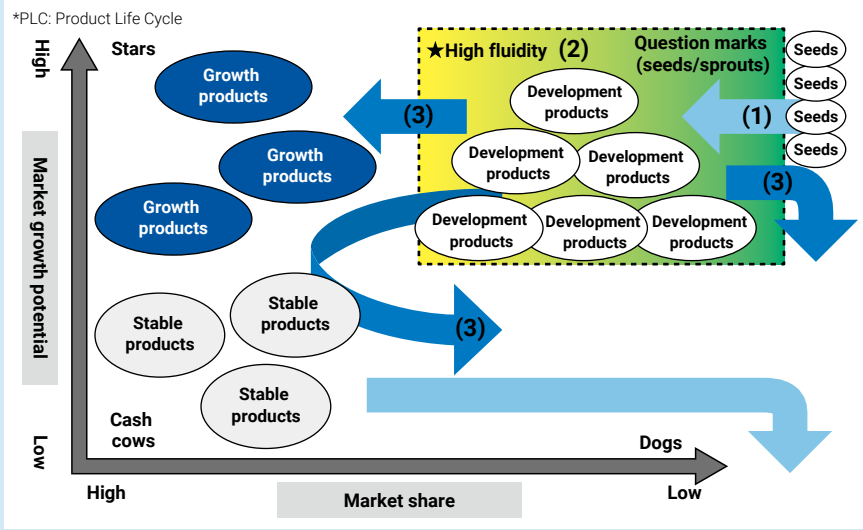
**Current issues**

**(1) The pool of development products (Smart Material) is small**
**(2) Assessment of future value is slow**
**(3) Numerous constraints at existing plants prevent a decision on commercialization or discontinuation**




**Future**

**(1) Agile prototyping and proposals enable the mass production of fresh Smart Material sprouts**
**(2) Development Council rapidly assesses their value and makes decisions**
**(3) Seamless transfer of themes enables rapid commercialization**

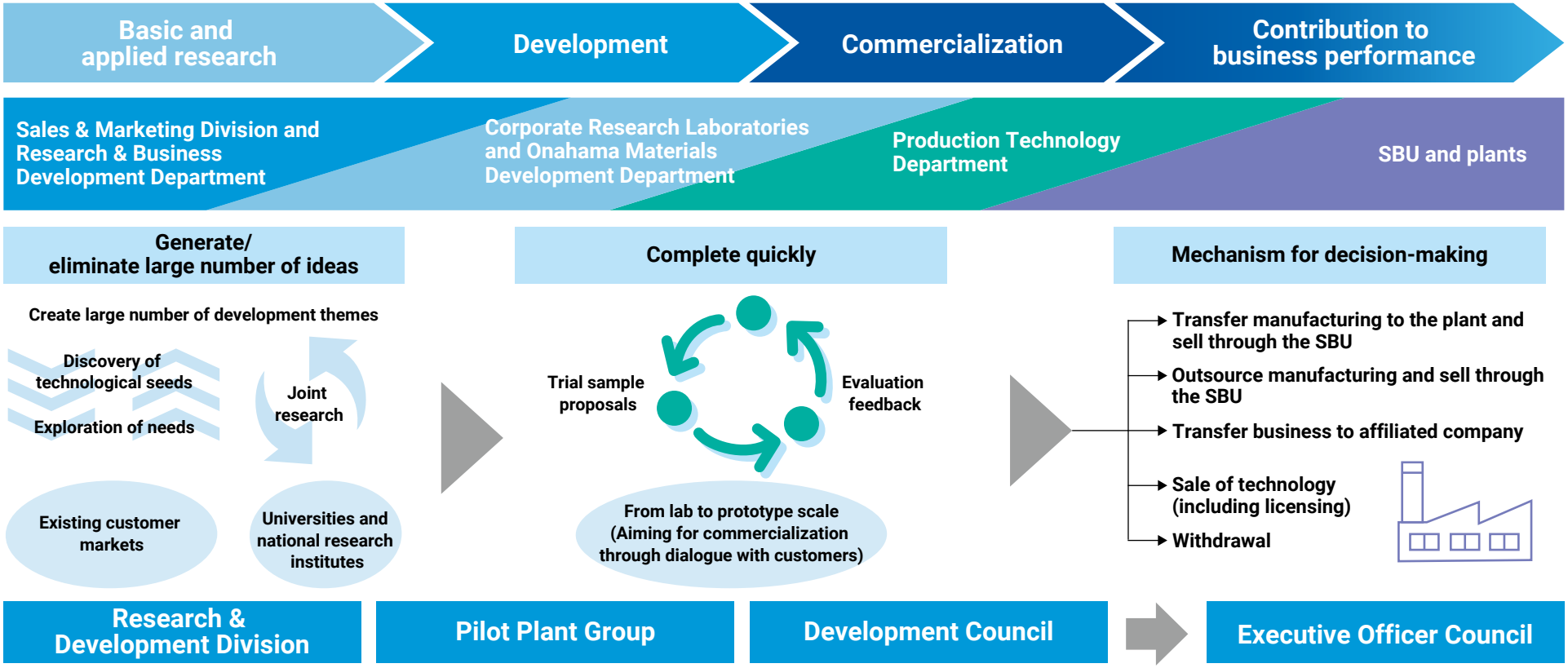


## Building an organization

The Group is developing the organizational structure needed to support the Multi-Pilot system. In October 2025, as the first step in establishing this framework, the Company created a new Pilot Plant Group within the Production Technology Department. Members have also been selected from the R&D Division, enabling production engineering perspectives to be incorporated from the initial stages. This avoids siloed optimization for individual themes and enables precise development design premised on shared use across multiple themes.

A joint task format has been adopted for operations. Members selected from each group of the Corporate Research Laboratories of Sakai Chemical Industry Co., Ltd. and the Pilot Plant Group work together across organizational boundaries on prototyping and validation. By gaining experience across multiple themes, members of the Pilot Plant Group are developing their ability to perform multiple roles while accumulating know-how for a future production system capable of handling small lots and a wide variety of products.

### R&D framework



# New Business Creation Project

The Sakai Chemical Group New Business Creation Project, launched in August 2023, has been working to create unprecedented value in three key fields: environment and energy, electronics, and life sciences and healthcare. In the fiscal year ended March 2026, the project expanded to include four Group companies and evolved into its second phase. Led primarily by younger and mid-level employees, its members are taking on the challenge of creating new businesses.

A key focus of this project is co-creation that transcends the boundaries between companies and business fields. By combining the knowledge of experienced members with the free and flexible ideas of younger and mid-level members, the project is seeking to create business ideas that go beyond conventional approaches. Through a process in which members themselves formulate hypotheses, test them, and develop them into proposals, the project is strengthening both the human resources and foundations that support the Group's earning power.

By bringing together the technologies, customer bases, and development expertise of Group companies, the project is working to create value that would be difficult for any one company to achieve alone. Building on the hypothesis testing previously conducted in life sciences and healthcare under the New Business Creation Project, we have launched a new cross-Group project. This project aims to develop products that combine the strengths of each company and is now progressing toward commercialization. Collaboration that transcends corporate boundaries is enabling faster development and multifaceted solutions to challenges.

Through these initiatives, the Group aims to create three new businesses that each achieve a 30% share in a global market of ¥10 billion by 2030, with an operating profit margin of 30%.



New Business Creation Project (second phase)






Cross-Group project in healthcare field

# Enhancing competitiveness through priority themes for accelerated development and materials informatics

As part of efforts to realize our Medium-Term Management Plan "Transformation: BEYOND 2030," the Sakai Chemical Group is implementing development initiatives that respond rapidly to market needs. At the core of these initiatives are priority themes for accelerated development, with clear development deadlines set and resources concentrated on these themes.

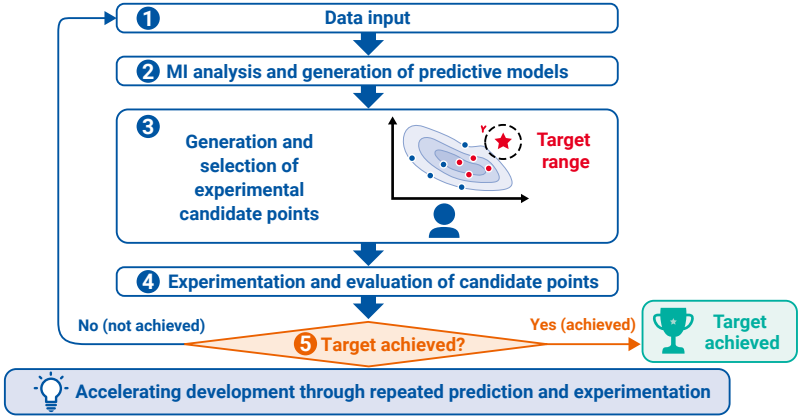
The engine driving these initiatives is data-driven research and development utilizing materials informatics (MI). By combining the expertise of our engineers with data science and quantitatively identifying factors that affect quality and the ranges within which conditions can be controlled, we are working to establish highly reproducible processes. Accumulated experimental data and predictive models serve as knowledge assets that contribute to strengthening our competitiveness over the medium to long term.

In the first fiscal year of utilizing MI, we applied it to the development of non-nano zinc oxide, which is a priority theme for accelerated development. By accelerating scale-up through a dramatic improvement in development speed and design accuracy, we were able to achieve a smooth transfer to the business division.

**Results of reduced development lead time**




**Using MI to accelerate material development**




## [Priority themes for accelerated development: Case study]

### Small mistake leading to a major breakthrough —The story of non-nano zinc oxide development



**Yui Nishikawa**
Onahama Materials Development Department
Research & Development Division, Sakai Chemical Industry Co., Ltd.

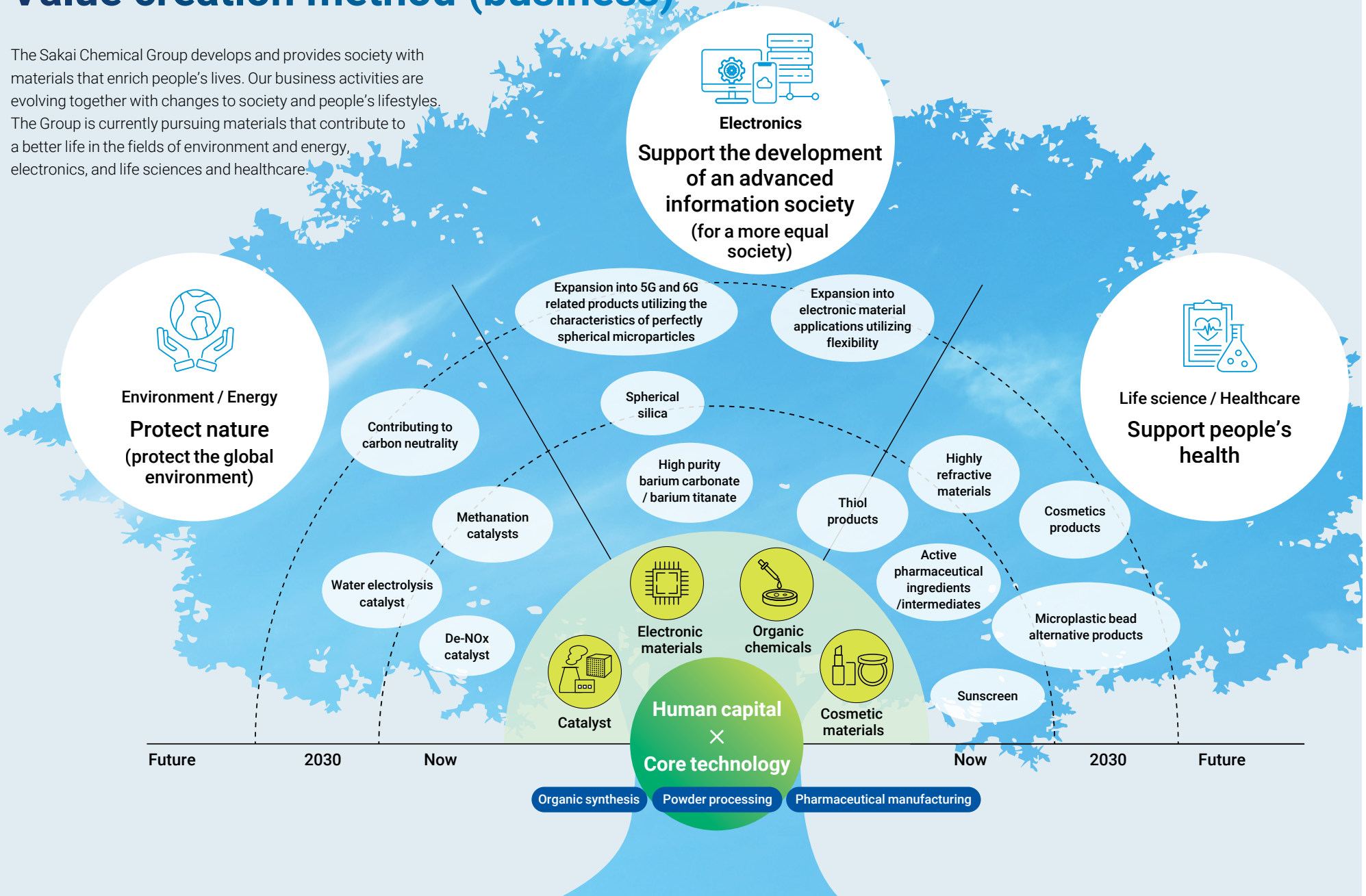
In response to the European Union (EU) regulations on nanomaterials, we began developing non-nano zinc oxide at the request of the cosmetic materials business. As a priority theme for accelerated development, the project was subject to a strong request from the business division for rapid development. The greatest challenge was controlling the particle size to achieve the transparency required for sunscreens while avoiding the nano range. Initially, we did not know which process parameters had an impact, so we conducted dozens of experiments and rounds of verification.

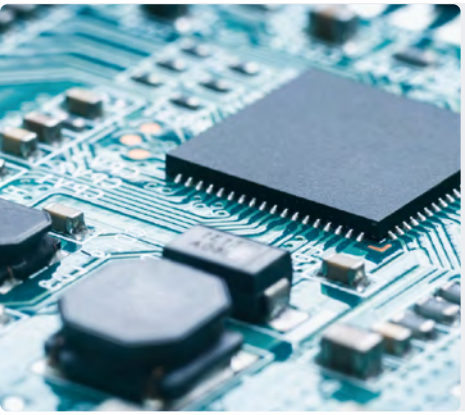
The breakthrough came with a small mistake during one experiment. When the time between mixing the raw materials and raising the temperature was unintentionally extended, we observed that the reaction mixture changed to a cream-like consistency and that the particle size became larger than usual. This led us to realize that it might be possible to avoid the nano range while maintaining transparency, allowing us to identify the critical parameters. We then used MI to efficiently narrow down the interactions with secondary parameters and the optimal range of conditions. Ultimately, we established a synthesis technology that enables tight control of the particle size distribution. By combining existing patents and process know-how with dedicated equipment to develop proprietary manufacturing processes, we have achieved a competitive advantage that is difficult for other companies to replicate.

We were able to reduce the development period from project initiation to transfer to the business division to less than half the usual time. In addition to the use of MI, a key factor was the enhanced collaboration between the development and business divisions made possible by designating the project as a priority theme for accelerated development. We steadily carried out the project by confirming our direction each time experimental results became available and sharing a plan developed by working backward from the deadline. I believe that we succeeded thanks to our ability to observe conditions without overlooking unexpected phenomena and then form hypotheses, a development structure with close cooperation between the development and business divisions, and the use of MI.

# Value creation method (business)

The Sakai Chemical Group develops and provides society with materials that enrich people's lives. Our business activities are evolving together with changes to society and people's lifestyles. The Group is currently pursuing materials that contribute to a better life in the fields of environment and energy, electronics, and life sciences and healthcare.





## Electronic materials

Electronics

# Achieving competitive advantage through technology and growing in high-value-added markets

Business activities:
High-purity dielectrics (functional materials that determine the performance of electronic components)
High-purity dielectric materials (basic raw materials used to produce dielectrics)

**Sales / operating profit**

| Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 | Fiscal year ending March 31, 2027 (plan) |
|---|---|---|
| Sales ¥10,014 million | Sales ¥11,377 million | Sales ¥11,500 million |
| Operating profit ¥1,493 million | Operating profit ¥1,816 million | Operating profit ¥2,400 million |

**Recognition of the business environment for the fiscal year ending March 31, 2027 (as of May 2026)**
AI-related fields remain strong, supported by growing demand for data centers.
Automotive applications also continue to perform steadily.

## Driving medium- to long-term growth through the two pillars of dielectrics and dielectric materials

In electronic materials, we are creating value by establishing dielectrics and dielectric materials as the two pillars of our business foundation, with each playing a distinct role.

By continuing to stably supply an established range of products with consistent quality, dielectric materials have enabled us to build a broad customer base.

Dielectrics are a product group that demonstrates a competitive advantage in fields requiring high functionality and reliability, and we position them as a core business that will drive future growth.

## Aiming for growth by shifting towards high-value-added fields

The multilayer ceramic capacitor (MLCC) market is clearly segmented from the high end to the low end according to applications and required characteristics, with different competitive factors in each segment.

In the high-end segment, high reliability, support for miniaturization, and other advanced technical requirements are demanded for automotive and communications infrastructure applications, making quality and performance key differentiating factors. In the low-end segment, meanwhile, price competition is the primary focus, and the competitive environment is becoming increasingly severe.

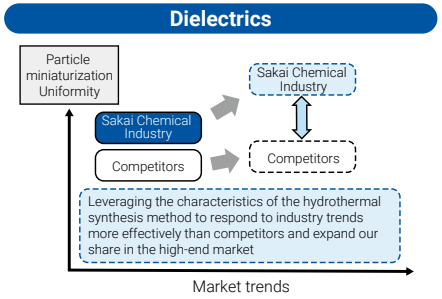
In recent years, changes in the market structure, including the rise of Chinese manufacturers, have also significantly transformed the competitive environment among MLCC manufacturers. In light of these conditions, the Sakai Chemical Group is shifting away from pursuing greater sales volumes and toward business management that prioritizes profitability through changes in its sales mix (product mix). We aim to achieve growth by advancing this shift toward high-value-added fields.

## Strengthening our competitive advantage through proprietary hydrothermal synthesis technology

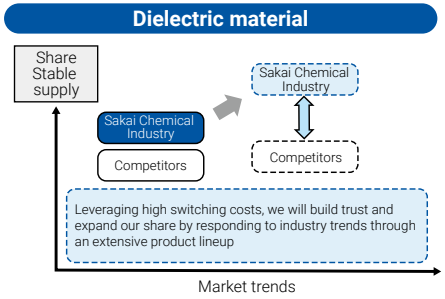
The source of the Sakai Chemical Group's competitive advantage lies in its dielectric manufacturing technology based on the hydrothermal synthesis method. With superior particle uniformity and high crystallinity, this technology enhances customer value by enabling the miniaturization, higher capacitance, and greater reliability of MLCCs. Going forward, we will promote the mass production and expansion of sales of high-value-added products using this technology, while accelerating product improvements based on customer evaluations to strengthen our presence and further enhance our competitive advantage in the high-end market.

In dielectric materials, we will leverage our supply capabilities and extensive product lineup to progressively shift toward higher-value-added products and improve profitability.

**Meeting MLCC industry trends through distinct strengths**




As the functionality of electronic devices becomes increasingly advanced, MLCCs are becoming smaller with even higher performance. This is an area in which the hydrothermal synthesis method can demonstrate advantages through its strengths in miniaturization and uniformity




As new electronic devices are introduced, MLCCs are required to deliver high quality and reliability. This is an area in which consistent material quality and stable supply provide a competitive advantage



## Cosmetic materials

Life science and healthcare

# Restrengthening our business foundation and aiming to return to a growth trajectory

Business activities:
Manufacturing and sales of ultrafine zinc oxide, ultrafine titanium dioxide, flake-shaped barium sulfate, etc.

**Sales / operating profit**

| Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 | Fiscal year ending March 31, 2027 (plan) |
|---|---|---|
| Sales ¥2,676 million | Sales ¥1,720 million | Sales ¥2,000 million |
| Operating profit ¥293 million | Operating loss (¥437 million) | Operating loss (¥400 million) |

**Recognition of the business environment for the fiscal year ending March 31, 2027 (as of May 2026)**

The sunscreen market continues to grow. However, amid the trend toward cost reduction, adoption of less expensive organic UV absorbers has been increasing relative to more expensive inorganic UV scattering agents.

## Hit hard by changes in market structure

Due to the slowdown in the macroeconomy, particularly in China, consumers in the premium sunscreen market have become more reluctant to purchase. This has caused the primary demand area to shrink for the Sakai Chemical Group. At the same time, the proportion of applications using organic UV absorbers increased, and the shift toward inorganic scattering agents, which we had expected to progress, also slowed more than anticipated. These changes in the market structure resulted in a substantial decline in revenue.

As for internal factors, in addition to an increase in manufacturing costs resulting from lower operating rates, we also recorded costs associated with suspending processes and inventory valuation losses. This resulted in performance significantly below the targets of the Medium-Term Management Plan.

## Recovering orders through proposals and supply improvements, and strengthening competitiveness through digitalization

We have identified the early recovery of the top line as our highest priority. The Sakai Chemical Group is accelerating the acquisition of new product adoptions through strategic pricing proposals aligned with market conditions, while expanding sales channels to new applications and customers. On the manufacturing side, we will strengthen our equipment maintenance system and standardize work procedures to stabilize production and improve supply reliability. Through these efforts, we will ensure that we reliably meet customer needs, leading to increased orders.

Over the medium to long term, we will drive productivity improvements and shorten manufacturing lead times, centered on the digitalization of quality control. This will enable us to enhance our competitiveness in quality, cost, and delivery. In the future, we will expand these efforts to the digitalization of overall manufacturing management to improve the efficiency of business operations.

**Leveraging the Group's strengths to chart a path toward renewed growth**

Growing social interest in UV protection and the trend toward prioritizing safety and environmental considerations will remain unchanged over the medium to long term. Accordingly, demand for inorganic materials will continue to exist. The Sakai Chemical Group's powder processing technologies cultivated over many years and its high-level quality management system that meets global standards are assets that will provide a significant competitive advantage when the market begins to recover.

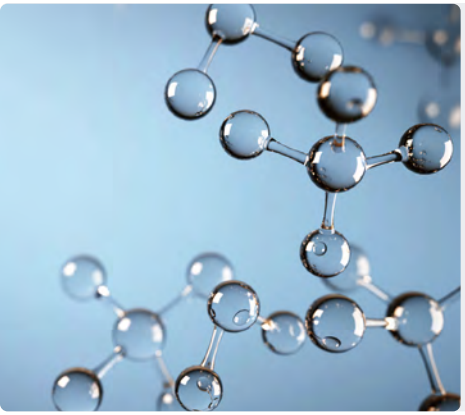
The cosmetic materials business is an essential part of our future, embodying the Sakai Chemical Group's contribution to beauty and health in the life sciences and healthcare field on which the Group is focusing. We view the current difficult situation as a period of transformation to fundamentally strengthen the business. By refining our fundamental value, we will work toward a steady recovery in performance and renewed growth.

In February 2026, construction of the multi-product cosmetic materials plant was completed. In addition to supplying makeup and skincare product materials in which the Sakai Chemical Group has strengths, such as flake-shaped barium sulfate and spherical calcium carbonate, we will also make proposals tailored to market needs.

Ultrafine zinc oxide adopted for sunscreen applications has the potential to be used in a wide range of applications beyond its UV-blocking properties. With this in mind, we will also pursue applications outside cosmetics.



Multi-product cosmetic materials plant



## Organic chemicals

Electronics / Life sciences and healthcare

### Leveraging our strengths in organic sulfur compounds to enhance our earning power in high-value-added fields

Business activities: Manufacturing and sales of sulfur compounds, active pharmaceutical ingredients, and pharmaceutical intermediates

**Sales / operating profit**

| Fiscal year ended March 31, 2025 | | Fiscal year ended March 31, 2026 | | Fiscal year ending March 31, 2027 (plan) | |
|---|---|---|---|---|---|
| Sales | ¥6,638 million | Sales | ¥7,185 million | Sales | ¥8,000 million |
| Operating profit | ¥770 million | Operating profit | ¥721 million | Operating profit | ¥1,000 million |

**Recognition of the business environment for the fiscal year ending March 31, 2027 (as of May 2026)**

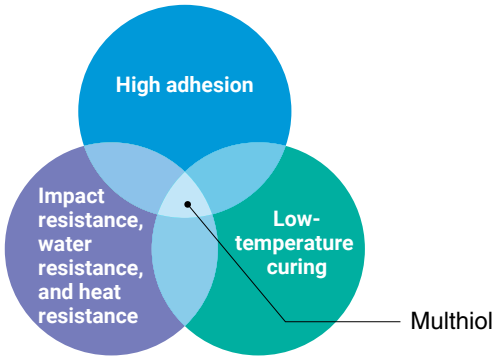
The optical materials market is expected to remain steady. Contract manufacturing of key products in the field of active pharmaceutical ingredients/intermediates is forecasted to decline due to intensifying competition.

## Opening up new markets for Multhiol by focusing on high value-added fields

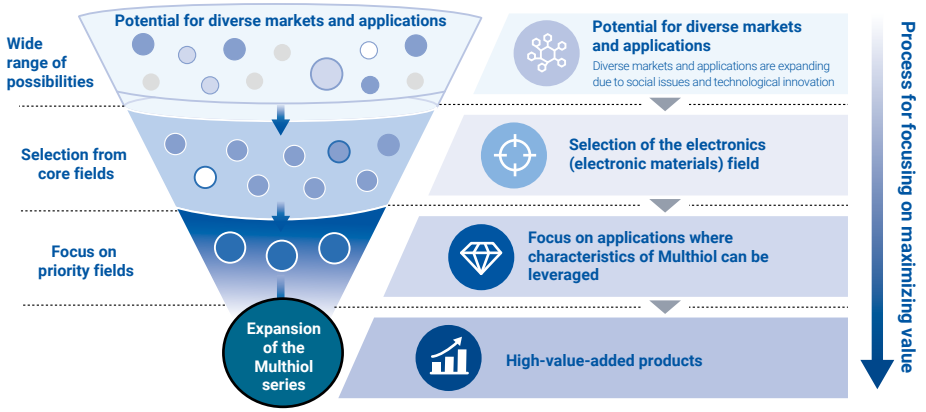
As electronic components become smaller and demand for high reliability increases, quality requirements for adhesives for electronic materials using multifunctional thiols are becoming increasingly stringent.

Multhiol has been increasingly adopted as a high-value-added material for adhesives due to the high reactivity and adhesion properties inherent to multifunctional thiols, as well as the water resistance, heat resistance, and impact resistance it provides. We will continue developing Multhiol in line with market needs while pursuing the expansion of usage focused on high-value-added fields where more advanced quality is required. We will also work to develop new markets and applications.

**Multhiol's strengths in meeting the performance requirements for adhesives for electronic materials**




**Realizing high-value-added products by narrowing focus from a wide range of possibilities to applications in the electronics field where the characteristics of Multhiol can be leveraged**




## Initiatives to reduce the environmental impact of our core product BMPA

We are currently continuing to consider measures to ensure a stable supply and increase production of the optical functional material BMPA (β-mercaptopropionic acid). At the same time, we are also working to reduce chemical oxygen demand (COD) in wastewater. By strengthening the supply capacity of our core product while reducing our environmental impact, we will contribute not only to earnings, but also to the global environment and local communities.



Progress of portfolio reform

## Katayama Seiyakusyo Co., Ltd.

**Contract manufacturing of active pharmaceutical ingredients and intermediates**

# Accelerating transformation into a CDMO and evolving into a trusted partner for pharmaceutical companies

## Becoming a CDMO for small molecule drugs that maximizes the revenue generation period for customers

Institutions that pharmaceutical companies outsource to for the development and manufacture of pharmaceuticals include contract manufacturing organizations (CMOs), which specialize in manufacturing, and contract development and manufacturing organizations (CDMOs), which provide integrated support from development through manufacturing. Compared with CMOs, CDMOs are characterized by their ability to provide comprehensive support ranging from designing methods for synthesizing compounds and confirming their safety to obtaining data for regulatory submissions and carrying out commercial production. CDMOs eliminate switching costs and accelerate development because there is no need to change outsourcing partners midway through the process. For pharmaceutical companies seeking to maximize revenues within the patent period of a new drug, CDMO capabilities can significantly reduce the time and effort required and minimize the time to market (see figure).

Although the small molecule drug market is growing at a slower pace than the biopharmaceutical market, small molecule drugs are widely used around the world due to their ease of administration and low manufacturing costs. They continue to account for a substantial share of the overall market. Katayama Seiyakusyo Co., Ltd. is moving rapidly to strengthen its capabilities as a specialized contract organization in this field.

## Preparing for the future by strengthening and stabilizing profitability through a two-pronged approach of offense and defense

Katayama Seiyakusyo Co., Ltd. currently recognizes a structural challenge in its dependence on core products and customers. The company is making it an urgent priority to transition away from this dependence. In response to this challenge, it is promoting the provision of integrated services through the transformation into a CDMO. At the same time, it is focusing on enhancing its ability to secure development projects that will become seeds of future revenue and improving the health of its product portfolio.

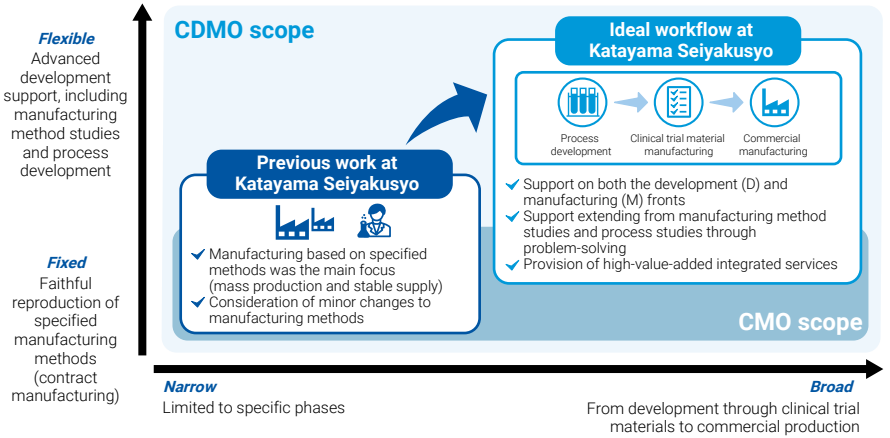
In addition to establishing a reliability assurance system and building an analytical equipment infrastructure capable of supporting data integrity (DI), the Research and Development has introduced analytical method development software and process modeling software. This has enabled the company to establish a system that can support customers not only in manufacturing, but also from drug discovery through regulatory approval applications. On the manufacturing side, the company worked to expand its services into milling processes, an area in which it had not been able to proactively engage. With this in mind, it has introduced equipment such as wet milling machines. These changes enable it to provide value across a broader range of processes.

Even so, some time is required for development projects to produce results. Accordingly, the company is also working to secure commercial projects, which can be brought onstream relatively quickly, while adjusting the balance of our product portfolio.

In addition to strengthening its current revenue base while cultivating future sources of revenue, Katayama Seiyakusyo Co., Ltd. is also looking toward medium- to long-term growth. In response to the advancement of continuous manufacturing technologies in the pharmaceutical industry, by working with external partners, it is acquiring technologies for continuous manufacturing across the entire manufacturing process, from reactions through downstream processing. It is also promoting the internal use of generative AI, based on an initiative proposed by a group of volunteers composed primarily of young employees. The company is taking measures to minimize the risk of information leakage and ensuring a secure environment. With the aim of improving productivity and the quality of its work, the company is using generative AI for applications such as simple document creation, research, and brainstorming.

While balancing the steady enhancement of existing services with embracing the challenge of responding to changes in the environment, Katayama Seiyakusyo Co., Ltd. will steadily move toward the future as a CDMO supporting the pharmaceutical industry.

**From the conventional CMO structure to a CDMO structure providing integrated services from development through manufacturing**





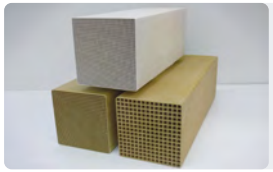
## Zinc

**Business strategy**

We are working to improve the profitability of general-purpose products while promoting a shift toward high-value-added products. In the fiscal year ended March 31, 2026, we expanded sales for heat-dissipation materials used in electronic components while working to improve profitability.

**Future initiatives**

We will continue to leverage zinc oxide's characteristic heat-dissipation properties and expand the range of particle sizes we offer. Through these efforts, we aim to increase our market share in high-value-added applications while also developing new customers.



## Catalysts

**Business strategy**

We are working to improve production efficiency and expand into new growth areas. In the fiscal year ended March 31, 2026, we improved profitability thanks to strong performance by nickel catalysts for hydrogenated petroleum resins, supported by the effects of consolidating production bases and other measures.

**Future initiatives**

In addition to strengthening the profitability of existing products, from a medium- to long-term perspective, we will promote the commercialization of catalysts related to carbon neutrality and explore the creation of businesses that contribute to "environment and energy," which is one of the fields we are focusing on.



## Plastic additives

**Business strategy**

Because our business is susceptible to fluctuations in housing starts and demand for public works, we plan to increase earnings by expanding our overseas business, particularly in the rapidly growing markets of Southeast Asia. In the fiscal year ended March 31, 2026, our Vietnamese subsidiary (Sakai Chemical (Vietnam) Co., Ltd.) strengthened its sales structure by opening the Hanoi Sales Office.

**Future initiatives**

Our manufacturing and sales bases in Japan, Vietnam, and Thailand will work together to improve production efficiency globally. We will also expand sales of Ca-Zn-based stabilizers and composite flame retardants, particularly in the growing Southeast Asian market.



## Inorganic chemicals

**Business strategy**

In our inorganic chemicals business, we are reviewing our product portfolio and improving business efficiency. In the fiscal year ended March 31, 2026, we worked to enhance profitability through improvements to our barium sulfate products. Sales of zirconium oxide dispersions for eyeglass lenses also remained strong.

**Future initiatives**

We will strengthen earnings by shifting toward high-value-added products. For barium sulfate products, we aim to expand our market share in fine-particle products for water-based automotive paints. For zirconium oxide dispersions, we will expand into electronic device applications.

## Stable businesses




### Hygienic products

**Business strategy**

We are further strengthening sales and marketing to better understand customer needs, while deepening coordination between manufacturing and sales and continuing to promote sales of new materials and expansion into new fields. In the fiscal year ended March 31, 2026, sales of materials for adult diapers, feminine care products, and pet care products remained strong in Japan. Overseas, in Indonesia, where we have a manufacturing and sales base for breathable films, we were affected by sluggish customer sales. In response, we worked to reduce costs, including by bringing the production of raw materials in-house.

**Future initiatives**

In Japan, we will strengthen sales of hygiene products for which stable demand is expected. For breathable films, we will strive to maintain stable operations and expand sales in priority markets such as Japan and the Middle East.



### Contract processing

**Resino Color Industry Co., Ltd.**

We are strengthening our technology development structure and pursuing market development. In the fiscal year ended March 31, 2026, we promoted the creation of new projects and expanded sales of technology-driven products by reorganizing our technology departments and strengthening our market research capabilities.

Going forward, we will pursue new customer development using exhibitions, e-commerce sites, and other channels, while expanding sales of high-value-added products and strengthening our overseas business.

**Nippon Color Industry Co., Ltd.**

We are pursuing both new contract manufacturing projects and higher equipment utilization. In the fiscal year ended March 31, 2026, we acquired new customers through sales activities utilizing web marketing and exhibitions, resulting in earnings that exceeded our plan. Going forward, we will promote the use of digital technologies and generative AI while strengthening our quality control system to enhance the competitiveness of our contract manufacturing business.

## Medical business



Life science / Healthcare

### Medical

**Business strategy**

In the medical business, we have identified the launch and development of new businesses and a review of our business portfolio as urgent priorities. We positioned the fiscal year ended March 31, 2026 as a preparation period for these initiatives.

**Future initiatives**

While promoting transformation, we will first develop our medical devices and beauty products, which we have identified as growth areas, so that they become core pillars of the business.

For medical devices, we are expanding sales channels for the flexible endoscope washer-disinfector CleanTop KD-1 SAKURA by broadening its range of applications. In addition to its existing applications in gastroenterology, we will accelerate its use in new areas such as otolaryngology to further grow the business.

For beauty products, we renewed the SolPro Plus White, a UV protection supplement (drinkable capsule), which marked its 10th anniversary. We also renewed the SolPro Plus White UV Cream cosmetic product. Furthermore, we launched a brand website based on the brand concept “Everlasting Beauty, Now and Forever.” Through this website, we aim to increase brand awareness and further enhance the brand image.

We will pursue the creation of new businesses based on novel ideas that are not constrained by our existing medical business.



SOLPRO 10th anniversary

2D barcode for SolPro Plus brand website

## TOPIC ❶ Sakai Trading Co., Ltd.

### Expanding its global network with India as a new growth platform

In October 2025, Sakai Trading Co., Ltd. opened an India Liaison Office in Chennai, India, as part of efforts to establish a business foundation in the growing Indian market. With its population and economy continuing to grow, India is attracting attention as a market from the perspective of the China Plus One strategy. By establishing a local presence, the company is strengthening relationships with customers and partners, gathering market information, and exploring business opportunities.

Chennai is a region with a growing concentration of industries and offers an excellent environment for conducting business activities. Through activities rooted on-site, the company aims to accurately understand business practices that differ from those in Japan, as well as customers' issues and needs, and create new business opportunities by translating these insights into faster and more specific proposals.

India is also an important hub for building a network with an eye toward Asia, the Middle East, and Africa. Drawing on the experience in overseas business that Sakai Trading Co., Ltd. has cultivated to date, the company will continue to expand its global network and contribute to the sustainable growth of the Sakai Chemical Group.





**Tomoaki Tanaka** (left)
Representative, India Liaison Office
Sakai Trading Co., Ltd.

In addition to expanding existing businesses, the company will establish a revenue base by creating new businesses and contribute to the growth of the Sakai Chemical Group as a whole, while also looking ahead to establishing a local subsidiary in the future.

## TOPIC ❷ Sakai Chemical (Vietnam) Co., Ltd.

### Expanding our market share in the growing Vietnamese market

The Sakai Chemical Group's plastic additives business aims to expand its market share in the rapidly growing Southeast Asian market through a three-location structure spanning Japan, Thailand, and Vietnam. At the center of these efforts, Sakai Chemical (Vietnam) operates primarily in the PVC Ca-Zn stabilizer business in the Vietnamese market, which continues to experience high economic growth. The stabilizer business requires a rapid response tailored to each customer's formulation and processing conditions. The company's strengths lie in the ability of its highly capable local staff to make proposals closely tailored to on-site conditions. Local staff leverage the technology and know-how developed in Japan.

In May 2025, the company opened the Hanoi Sales Office to develop the northern market, where the presence of the Sakai Chemical Group had previously been insufficient. Centered on local staff from northern Vietnam, the office conducts market research to accurately identify needs and has established a sales structure capable of providing attentive service and technical proposals. This has enabled the Sakai Chemical Group to extend its strength in locally rooted sales to the northern Vietnamese market. This marks a full-fledged step toward expanding its market share in the region.

**Ms. Hang**
Through four years of studying in Japan, I learned about Japan's commitment to quality and its business culture. Drawing on that experience, through my work at a Japanese-affiliated company that values quality, trust, and long-term partnerships, I hope to contribute to the growth of our customers and connect that to the sustainable growth of the Sakai Chemical Group.

**Ms. Ngoc**
The opening of the Hanoi Sales Office is a major step forward. Personally, every day is an opportunity to learn and grow. As a bridge connecting our customers with the Sakai Chemical Group, I will build relationships of trust and develop the office into a cohesive and professional team.



Sakai Chemical (Vietnam) Co., Ltd.
**Tong Thi Hang** (left)
**Dang Thi Bich Ngoc** (right)

# Achieving profitability by building on small improvements to become an even better company

## —Transformation at Osaki Industry Co., Ltd.—

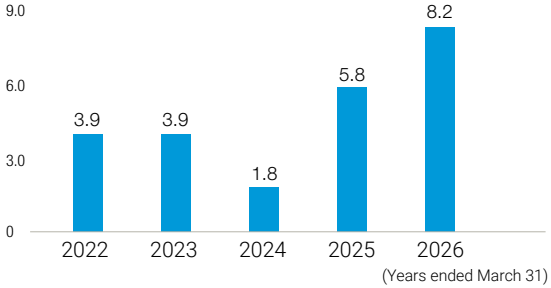
Osaki Industry Co., Ltd., a member of the Sakai Chemical Group, has significantly improved its profitability in recent years. The driving force behind this has not been a new business or a flashy technological innovation. Based on the belief that customers are an asset of the company, each employee has considered how to continue being chosen by those customers. Under the motto of constantly striving to be even better, they have implemented small and incremental improvements. By using the profits generated through these improvements to improve the working environment, return value to employees, and invest in further growth, the company has created a virtuous cycle that generates the next round of profits. Osaki Industry Co., Ltd. has improved its performance not by increasing its workforce, but by changing the awareness and actions of each individual employee. Its transformation continues as it strives to become a better company.

### About Osaki Industry

Osaki Industry was established in 1961 when the Hiroshima Plant of Sakai Chemical Industry Co., Ltd. was spun off as an independent company. Today, it operates three businesses: construction materials, chemical products, and contract manufacturing. In the construction materials business, the company supports traffic safety and welfare infrastructure through LINEPHALT®, Japan's first road-marking paint, and STEP-GUIDE®, a marking system for guiding people with visual impairments. In the chemical products business, the company develops, manufactures, and sells inorganic and organic fine chemical products. In contract manufacturing, it flexibly responds to customer needs from laboratory scale to mass production by drawing on chemical technologies and equipment capabilities cultivated over more than 60 years.

### Changes by the numbers

**Operating profit per employee at Osaki Industry Co., Ltd. (million yen / person)**




As the result of positive changes under the motto of constantly striving to become an even better company, productivity per employee has increased significantly since the fiscal year ended March 31, 2025, the first year of the Medium-Term Management Plan. The company has grown into an organization that supports the profitability of the Sakai Chemical Group.

### Three turning points driving transformation

#### 01 Transition to an integrated in-house structure from manufacturing to sales

As the company originated as the Hiroshima Plant of Sakai Chemical Industry Co., Ltd., it did not originally have a sales department. After taking responsibility for sales as well, the company was able to visualize its profit structure and became more conscious of selling prices. Employees also began proactively considering how to generate more profit and changed the way they worked by devising approaches to price negotiations and decisions to withdraw from businesses.

#### 02 Faster response (5% increase in work productivity)

To deepen relationships of trust with customers and create greater value together, each employee has made thorough efforts to improve productivity by making the most of limited management resources. The company has also regularly reviewed its operations and reduced unnecessary assets, enabling it to identify what needs to be done and execute it quickly.

#### 03 Building a frank and open culture

Osaki Industry has promoted dialogue both inside and outside the company and encouraged employees to communicate frankly about what needs to be said, regardless of whom they are speaking to. By engaging in thorough dialogue whenever there are questions or concerns, employees have become better able to translate discussions into more effective decision-making and action.