News Release

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For Immediate Release

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Notice Concerning Completion of Exercise of the Fourth Series Stock Acquisition Rights and Issuance of New Shares

Sakai Chemical Industry Co., Ltd. (the "Company") hereby announces that SH1, L.P. (principal investor: IA Partners I Investment Limited Partnership) has submitted an exercise request for all of the fourth series stock acquisition rights the Company issued in June 2023 (the "Stock Acquisition Rights"). SH1, L.P. is the allottee of the Stock Acquisition Rights. The Company expects the exercise to be completed and the new shares to be issued by October 26, 2026.

I. Completion of Exercise of the Fourth Series Stock Acquisition Rights

1.	Name	Sakai Chemical Industry Co., Ltd. Fourth series stock acquisition rights
2.	Number of shares issued since the beginning of the month	1,012,600 shares
3.	Number of stock acquisition rights exercised since the beginning of the month, and as a percentage of the total number issued	10,126 units (100.0% of the total number issued)
4.	Number of unexercised stock acquisition rights as of the end of the previous month	10,126 units
5.	Number of unexercised stock acquisition rights as of the date of this release	0 units
6.	Total amount exercised since the beginning of the month, and as a percentage of the total issue amount	1,999,885,000 yen (100.0% of the total issue amount)
7.	Amount remaining unexercised as of the end of the previous month	1,999,885,000 yen
8.	Amount remaining unexercised as of the date of this release	0 yen

(Note) Total number of issued shares as of the end of the month preceding the month covered by this release: 17,518,987 (including 2,202,559 treasury shares)

Reference

1. Business alliance with IA Partners Inc. and fundraising

The Company entered into a business alliance agreement with IA Partners Inc. ("IA Partners") on May 22, 2023. As stated in the "Notice Concerning Issuance of Fourth Series Unsecured Convertible Bonds with Stock Acquisition Rights and Fourth Series Stock Acquisition Rights through Third-Party Allotment," announced the same day, the Company allotted the Stock Acquisition Rights to SH1, L.P., a fund to which IA Partners provides services.

The business alliance was established to enhance corporate value through IA Partners' support for the Company's growth strategy. To date, the Company has received support aimed at enhancing its group's corporate value, primarily in terms of formulating medium-term management plans and examining and implementing portfolio strategies. When preparing medium-term management plans, the Company received support as it considered measures and approaches related to M&A, finance and IR, and QCD improvement, as well as customer and portfolio strategies. The Company regards its Medium-Term Management Plan "Transformation: BEYOND 2030" (FY2024–FY2026), which was formulated with this support, as a stage of transformation for the future and sets out three key initiatives: (i) business portfolio restructuring aimed at shifting to high-value-added products; (ii) achieving ROE that exceeds the cost of capital and improving PBR; and (iii) rebuilding the management foundation via materiality promotion and accelerating non-financial initiatives. Although the Company projects operating profit for FY2026, the final year of the plan, will diverge significantly from its 9.0 billion-yen target, the Company has executed its planned exit from the pigment-grade titanium dioxide business, and efforts to strengthen the earning power of businesses considered for efficiency improvement and other businesses have produced meaningful results. Accordingly, the Company is achieving steady progress through its business portfolio transformation initiatives.

The Company has strengthened its shareholder return policy by adopting stable dividends based on a DOE guideline of 3% and a flexible approach to share buybacks.

Furthermore, the Company projects the cumulative total amount of shareholder returns over the Medium-Term Management Plan's three-year period will substantially exceed its upwardly revised forecast of 8.0 billion yen. The Company will continue striving to improve capital efficiency while balancing growth investments with shareholder returns and focusing on achieving its ROE target of 8%.

The aforementioned business alliance agreement had a three-year term from the date of execution and has therefore expired. The Company has held ongoing discussions with IA Partners regarding the exercise and timing of the Stock Acquisition Rights, and IA Partners has now requested to exercise such rights as described above.

2. Use of proceeds

The Company plans to reserve the entire 1,999,885,000 yen raised through exercise of the Stock Acquisition Rights for M&A. It intends to allocate these funds to M&A that contributes to business expansion, mainly in growth businesses.

As of the date of this release, no decision has been made on the specific details or amount of any M&A. If the reserved funds are not allocated to M&A by the exercise deadline set at the time the Stock Acquisition Rights were issued (December 31, 2027), or if any portion remains unallocated, the Company will also consider allocating them to higher-risk investments (R&D investment and new business investment).

3. Dividend forecast for the current fiscal year

Exercise of the Stock Acquisition Rights will increase the total number of issued shares. However, the Company does not intend to revise its dividend forecast (annual dividend of 160.00 yen per share) announced on August 7, 2026.

Note: This document has been translated from the Japanese original for reference purposes only.
In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.