



June 6, 2024

Company name: Sakai Chemical Industry Co., Ltd.
Representative: President and Representative
Director, Toshiyuki Yagura
(Code number: 4078 TSE Prime)
Contact: General Manager of Human Resources &
General Affairs, Kouichi Yumioka
Phone number: 072-223-4111

Our View on the ISS Report

Sakai Chemical Industry Co., Ltd. (hereinafter referred to as “the Company”) has obtained information that Institutional Shareholder Services, Inc. (“ISS”), a proxy adviser, is recommending shareholders to vote against Proposal 2, “Election of Eight (8) Directors,” at our 129th Ordinary General Meeting of Shareholders (“the Meeting”) scheduled for June 26, 2024.

The contents of this proposal are stated in the reference materials for the Meeting. We would like to explain our view on the ISS report as follows.

We sincerely ask our shareholders and investors to review this information and understand our position on the proposal.

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1. Reasons for the Decision by ISS

ISS is recommending a vote against Toshiyuki Yagura (President and Representative Director), candidate number 1 for Director, because our average return on equity (ROE) over the past five fiscal years and that for the fiscal year under review (FY 2023) are below 5%, indicating low return on capital.

2. Our View

In May 2024, we announced “**Transformation: BEYOND2030**” (FY 2024–2026), the new mid-term management plan. This plan is positioned as a “transformation” stage (three years) to expand the Company’s corporate value for the year 2030 and for the future beyond that. During this plan period, the Company will concentrate capital investments and human resources on the businesses with high profitability and high investment efficiency, reshuffle our business portfolio, and implement structural reforms to transform ourselves into a highly profitable company.

“**Transformation: BEYOND2030**” focuses on the three key areas as below. With regard to the item (2.) in particular, which aims to achieve an ROE exceeding the cost of capital and improve the PBR, we will promote initiatives with keen attention to capital efficiency to accomplish the ROE target of 8% by FY 2026.

Key Areas for “Transformation: BEYOND2030”

- (1.) Reshuffling business portfolio aimed at shifting to high-value-added products
- (2.) Achieving ROE exceeding cost of capital and improving PBR
- (3.) Reconstructing the management base and accelerating non-financial initiatives through materiality promotion

Numerical Targets for “Transformation: BEYOND2030”

	FY 2023 (actual)	FY 2026
Operating income	2.9 billion yen	9.0 billion yen
ROE	-9%	8%

President Toshiyuki Yagura has been recommended for reappointment by the Nomination and Remuneration Committee, which includes all outside directors, as a “top executive who can complete the transformation for the future with resolution.” We believe that, under his strong determination and leadership, successfully executing “Transformation: BEYOND2030” will lead to sustainable profit growth and increased corporate value for the Company over the medium to long term.

(Reference information)

- Regarding the composition of the Board of Directors
There are currently eight directors (including three outside directors). If Proposal 2, “Election of Eight (8) Directors,” is approved as proposed, the Board will consist of eight directors (including four outside directors). We will increase the number of outside directors by one, aiming to enhance and strengthen corporate governance, achieve sustainable profit growth, and increase corporate value over the medium to long term.
- Follow the link below for the details of “Transformation: BEYOND2030.”
<https://www.sakai-chem.co.jp/en/wp/wp-content/uploads/2024/05/Notice-Regarding-the-New-Mid-Term-Management-Plan-Transformation.pdf>