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Securities code: 4362

June 10, 2024

To our shareholders:

Hiroshi Yano
Representative Director, President
NIPPON FINE CHEMICAL CO., LTD.
4-9, Bingomachi 2-chome, Chuo-ku, Osaka

Notice of the 156th Annual General Meeting of Shareholders

We are pleased to announce that the 156th Annual General Meeting of Shareholders of NIPPON FINE CHEMICAL CO., LTD. (the “Company”) will be held as set forth below.

The Company takes measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. (excluding voting form) in electronic format, so kindly access the Company’s website below to review the information.

The Company’s website: <https://www.nipponseika.co.jp/> (in Japanese)

Please access the above website and select “IR” and then “General Meeting of Shareholders” to review.

For items subject to measures for electronic provision, the Company also posts this information in electronic format on the website of the Tokyo Stock Exchange (TSE).

To access this information from the latter website, access the TSE website (Listed Company Search) by using the internet address shown below, enter “NIPPON FINE CHEMICAL” in the “issue name (company name)” or “4362 [half-width characters]” in securities “Code,” and click “Search,” and then click “Basic information” and select “Documents for public inspection/PR information.”

TSE website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese)

If you are unable to attend on the day of the meeting, you can exercise your voting rights via postal mail or the internet in advance, so please refer to the following Reference Documents for the General Meeting of Shareholders and send the enclosed voting form or exercise voting rights on the internet, etc., by no later than Tuesday, June 25, 2024, at 5:40 p.m. (JST) in accordance with the following guidance.

- 1. Date** Wednesday, June 26, 2024, at 10:00 a.m. (JST)
- 2. Venue** Nihon Mengyo Club (Cotton Industry House) New Building 7th Floor
5-8, Bingomachi 2-chome, Chuo-ku, Osaka

3. Purposes

Matters to be reported

1. The Business Report, the Consolidated Financial Statements and the Audit Results Report of the Financial Auditor and the Audit & Supervisory Board on the Consolidated Financial Statements for the 156th fiscal year (from April 1, 2023 to March 31, 2024)
2. Report on the Non-Consolidated Financial Statements for the 156th fiscal year (from April 1, 2023 to March 31, 2024)

Matters to be resolved

< Company Proposals >

Proposal No. 1 Appropriation of Surplus

Proposal No. 2 Election of Five Directors

< Shareholder Proposal >

Proposal No. 3 Purchase of Treasury Shares

4. Matters Decided upon Convocation

1. If there is no indication of approval or disapproval for each proposal on the voting form when exercising voting rights in writing, it will be treated as an indication of approval for the Company's proposal and an indication of opposition to the shareholder's proposal.
 2. If you exercise your voting rights both in writing and via the internet, etc., we will treat the exercise of your voting rights via the internet, etc. as valid. In addition, if you exercise your voting rights multiple times via the internet, etc., we will treat the last exercise as the valid exercise of your voting rights.
- When attending this meeting in person, please submit the enclosed voting form at the reception.
 - Regarding this General Meeting of Shareholders, regardless of whether or not there is a request for documentary delivery, we have uniformly sent a document that describes the items subject to measures for electronic provision.
 - Of the items subject to measures for electronic provision, "Notes to the Consolidated Financial Statements" and "Notes to the Non-Consolidated Financial Statements" are not included in the documents we send under the provisions of laws and regulations and the Articles of Incorporation of the Company. The Audit & Supervisory Board Members and the Financial Auditor have audited the documents subject to audit, including the above items.
 - If revisions to the items subject to measures for electronic provision arise, a notice of the revisions and the details of the items before and after the revisions will be posted on the Company's website and the TSE website described above (in Japanese).
 - We do not provide souvenirs to shareholders attending this General Meeting of Shareholders. Your understanding will be highly appreciated.

Reference Documents for the General Meeting of Shareholders

Proposals and References

< Company Proposals (Proposals No. 1 and 2) >

Proposal No. 1 Appropriation of Surplus

Returning profits to shareholders is one of the Company's important priorities. In this regard, the Company seeks to increase the consolidated basic earnings per share. The Company targets a basic policy to achieve a benchmark DOE (dividend on equity) of 3.5%, and aim to improve and stabilize the level of dividends to pay dividends of surplus.

Based on the dividend policy, the year-end dividend shall be paid in cash and the dividend of ¥35 per share (aggregate amount of ¥787,181,745) shall be paid to shareholders at the end of the fiscal year under review. Accordingly, including the interim dividend of ¥35 per share, the annual dividends per share will be ¥70.

The effective date (starting date of payments) of the year-end dividend will be Thursday, June 27, 2024.

Proposal No. 2 Election of Five Directors

The term of office of all six Directors will expire at the conclusion of this meeting. Therefore, the Company proposes the election of five Directors (including two Outside Directors).

The candidates for Director are as follows.

The Nomination and Remuneration Committee where Independent Outside Directors hold a majority has discussed the nomination of candidates for Director in order to capitalize on the knowledge and advice of Independent Outside Directors as well as to ensure the fairness, transparency and objectiveness of the procedures.

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
1	Hiroshi Yano (June 29, 1964) Male	Apr. 1989 Joined the Company Sept. 2006 General Manager of Planning Office June 2010 Corporate Officer Apr. 2011 General Manager of Corporate Planning Office June 2015 Director Senior General Manager of Fine Chemicals Department Apr. 2017 General Manager of Lipid Division June 2020 Representative Director, President (current position) Oct. 2021 Senior General Manager of Lipid Division	40,655 shares
(Reasons for election) Mr. Hiroshi Yano has worked on strengthening the Company's governance structure through leading and supervising the Company's overall management as Representative Director, President since 2020 after assuming the position of Corporate Officer in 2010. He also has experience serving as Director, Corporate Officer. The Company has judged that it can hope that he will be able to contribute to enhancing the Company's sustained corporate value based on these abundant experience and in-depth insight about the overall businesses and therefore nominated him as a candidate for Director for another term.			
2	Masanobu Kawabayashi (September 5, 1955) Male	Apr. 1974 Joined the Company Mar. 2005 General Manager of Takasago Plant June 2008 Corporate Officer Oct. 2008 Senior General Manager of Manufacturing & Technology Division June 2010 Director (current position) June 2015 Director, Executive Corporate Officer (current position) June 2017 Group Production Management (current position) Apr. 2024 In charge of Plant Engineering Department (current position)	34,589 shares
(Reasons for election) Mr. Masanobu Kawabayashi has reflected knowledge and experience gained so far for the Company's overall management as Director as well as supervised the manufacturing technology area after assuming Corporate Officer in 2008, serving as Director, Corporate Officer in 2010, and then assuming the position of Director, Executive Corporate Officer in 2015. The Company has judged that it can hope that he will be able to contribute to enhancing the Company's sustained corporate value based on these abundant experience and in-depth insight about the overall businesses and therefore nominated him as a candidate for Director for another term.			

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
3	Yukihiro Ohashi (July 26, 1960) Male	<p>Sept. 2000 Joined the Company</p> <p>Sept. 2005 General Manager of Cosmetic Ingredients Research Laboratory Office</p> <p>June 2006 General Manager of Cosmetic Ingredients Research Laboratory Department</p> <p>June 2008 Corporate Officer</p> <p>Apr. 2009 Deputy Senior General Manager of Research Laboratory Division</p> <p>Apr. 2011 Senior General Manager of Cosmetics Ingredients Division</p> <p>June 2011 Director (current position)</p> <p>May 2013 General Manager of Research Laboratory (current position)</p> <p>June 2021 Director, Senior Corporate Officer (current position)</p> <p>Apr. 2023 Senior General Manager of Research Laboratory Division (current position)</p>	67,938 shares
<p>(Reasons for election)</p> <p>Mr. Yukihiro Ohashi has reflected knowledge and experience gained so far for the Company's overall management as Director as well as supervised the cosmetic ingredients area, and then the R&D area since 2023, after assuming Corporate Officer in 2008, serving as Director, Corporate Officer in 2011, and then assuming the position of Director, Senior Corporate Officer in 2021. The Company has judged that it can hope that he will be able to contribute to enhancing the Company's sustained corporate value based on these abundant experience and in-depth insight about the overall businesses and therefore nominated him as a candidate for Director for another term.</p>			
4	Susumu Ota (October 13, 1952) [Outside] [Independent] Male	<p>Apr. 1975 Joined Toray Industries, Inc.</p> <p>June 2006 Director of Toray Industries (Malaysia) Sdn. Bhd., and President of Penfibre Sdn. Bhd.</p> <p>June 2013 CEO & COO of Kansai TEK Co., Ltd. (currently Toray Engineering West Co., Ltd.)</p> <p>Jan. 2015 CEO & COO of Toray Engineering Co., Ltd.</p> <p>June 2019 Advisor</p> <p>June 2021 Director of the Company (current position)</p> <p>(Significant concurrent positions outside the Company)</p> <p>Outside Audit & Supervisory Board Member of YMC CO., LTD.</p>	0 shares
<p>(Reasons for election and outline of expected role)</p> <p>Mr. Susumu Ota has abundant knowledge and experience about corporate management. The Company has considered it as his expected role to present a long-term vision and give proper opinions from a perspective different from the Company's previous idea regarding the Company's management as well as to seek to reinforce the supervisory function of the Board of Directors with high independence and therefore nominated him as a candidate for Outside Director for another term.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
5	Eriko Matsuwaka (July 25, 1978) [New election] [Outside] [Independent] Female	<p>Oct. 2000 Joined ChuoAoyama Audit Corporation (currently PricewaterhouseCoopers Japan LLC)</p> <p>Apr. 2004 Registered as a Certified Public Accountant</p> <p>Nov. 2005 Joined Nippon Yusen Kabushiki Kaisha</p> <p>Jan. 2017 Founder and Representative Director and President of Stand by C Woman Co., Ltd. (current position)</p> <p>Mar. 2020 Director and Audit and Supervisory Committee Member of Dynapac Co., Ltd. (current position)</p> <p>(Significant concurrent positions outside the Company) Representative Director and President of Stand by C Woman Co., Ltd. Director and Audit and Supervisory Committee Member of Dynapac Co., Ltd.</p>	0 shares
<p>(Reasons for election and outline of expected role)</p> <p>Ms. Eriko Matsuwaka is a certified public accountant well versed in corporate accounting and has abundant knowledge and experience about corporate management. The Company has considered it as her expected role to present a long-term vision and give proper opinions from a perspective different from the Company's previous idea regarding the Company's management as well as to seek to reinforce the supervisory function of the Board of Directors with high independence and therefore newly nominated her as a candidate for Outside Director.</p>			

- (Notes)
- There is no special interest between any of the candidates and the Company.
 - Candidates Mr. Susumu Ota and Ms. Eriko Matsuwaka are candidates for Outside Director.
 - The Company has submitted notification to the Tokyo Stock Exchange that candidate Mr. Susumu Ota has been designated as an independent officer as provided for by the aforementioned exchange. If he is reelected, he will continue to be an independent officer. If candidate Ms. Eriko Matsuwaka is elected, she will be an independent officer as well.
 - At the conclusion of this meeting, candidate Mr. Susumu Ota's tenure as Outside Director of the Company will have been three years.
 - Limited liability agreements with Outside Directors

The Company specifies that the liability of Outside Directors can be exempted within the range provided for by the Companies Act so that they can properly perform their expected duties as well as stipulates in its current Articles of Incorporation that the Company can enter into agreements with Outside Directors to limit their liability for damages for the Company caused by negligence of their duties within a certain range to make it more smoothly to bring in competent human resources suitable for Outside Directors. The Company has entered into a limited liability agreement with candidate for Outside Director Mr. Susumu Ota. If his reelection is approved, the Company plans to continue the said limited liability agreement with him. If the election of candidate for Outside Director Ms. Eriko Matsuwaka is approved, the Company plans to enter into the said limited liability agreement with her.

The outline of this agreement is as follows:

 - This agreement limits liabilities provided for by Article 423, paragraph (1) of the Companies Act to the total of the amounts stipulated in each item of Article 425, paragraph (1) of the aforementioned Act.
 - The aforementioned limitation of liability shall apply only when an Outside Director performs duties that have caused the liability in good faith and without gross negligence.
 - The Company has entered into a directors and officers liability insurance (D&O insurance) policy with an insurance company as stipulated in Article 430-3, paragraph (1) of the Companies Act. Under the said insurance policy, legal compensation for damages and damages for litigation expenses to be shouldered by the insured shall be supplemented.

The insured on the said insurance policy shall be Directors and Audit & Supervisory Board Members of the Company and its subsidiaries (excluding its overseas subsidiaries). If the election of each candidate for Director is approved under this proposal, candidates to be reelected will continue to be the insured and new candidate Ms. Eriko Matsuwaka will be newly insured. The Company plans to renew the said insurance policy in November 2024.
 - Ms. Eriko Matsuwaka's name in the family register is Ms. Eriko Matsumoto.

(Reference)

Skill matrix of candidates for Director and Audit & Supervisory Board Members

	Name	Corporate management	Sustainability and ESG	Manufacturing, R&D and quality	Business strategy and marketing	Finances and accounting	Global	Legal affairs and risk management
Candidates for Director	Hiroshi Yano	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Masanobu Kawabayashi	<input type="radio"/>		<input type="radio"/>			<input type="radio"/>	
	Yukihiro Ohashi		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>			
	Susumu Ota	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>
	Eriko Matsuwaka	<input type="radio"/>				<input type="radio"/>		
Audit & Supervisory Board Members	Kiyoshi Horie			<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	
	Masanori Mitsuki		<input type="radio"/>	<input type="radio"/>				
	Tetsuo Masuda		<input type="radio"/>					<input type="radio"/>
	Kazufumi Suzuki	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

< Shareholder Proposal (Proposal No. 3) >

The shareholder proposal is provided as written on the shareholder proposal form submitted by the shareholder who submitted the proposal.

Proposal No. 3 Purchase of Treasury Shares

(1) Outline of the Proposal

Pursuant to the provisions of Article 156, paragraph (1) of the Companies Act, the Company shall purchase a total of up to 2,537,000 ordinary shares of the Company for a maximum total purchase amount of ¥7,611,000,000 in exchange for the delivery of cash, within one year from the conclusion of this Annual General Meeting of Shareholders.

(2) Reasons for the Proposal

By resolution of the Board of Directors on October 30, 2023, the Company resolved to acquire treasury shares between November 1, 2023 and March 29, 2024, with a maximum number of 350,000 shares (1.53% of the total number of issued shares (excluding treasury shares)) to be acquired at a maximum acquisition price of ¥1.0 billion. We believe these measures are worthy of some recognition from the viewpoint that the Company has implemented measures for enhancement of shareholder returns and improvement of capital efficiency. However, the Company's stock price has been stagnant for the past year, and it can be said that the market perceives the Company's countermeasures as still insufficient. In addition, while the Company has no debt or other borrowings, its balance sheet has expanded more than necessary, with cash and deposits of approximately ¥10.3 billion and investment securities, including cross-shareholdings, of ¥12.3 billion in the financial results for the six months ended September 30, 2023, diluting its ROE, which measures its return on equity, and thereby causing the market to undervalue its quality business.

Therefore, in order to enhance shareholder returns and improve capital efficiency further, it is believed that the Company should purchase approximately 10% of the total number of issued shares (excluding treasury shares) as treasury shares, and take measures to cancel them pursuant to the provisions of Article 178 of the Companies Act.

Opinion of the Board of Directors of the Company Regarding Proposal No. 3

(1) Opinion of the Board of Directors of the Company

The Board of Directors of the Company **opposes this shareholder proposal.**

(2) Reasons for Opposition

The Company recognizes that the purchase of treasury shares is effective for enhancing capital efficiency and shareholder returns, as well as the execution of flexible capital policies in response to changes in the management environment. Recently, pursuant to a resolution at a meeting of the Board of Directors held in October 2023, the Company acquired a total of 350,000 of its own shares for a total purchase amount of ¥985,975,000 on the Tokyo Stock Exchange between November 1, 2023 and January 31, 2024. In addition, we have continued to work to improve shareholder returns as follows.

Trend of shareholder returns

Classification	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ending March 31, 2025 Forecast
Annual dividends per share	¥35	¥54	¥57	*1 ¥70	*2 ¥74
Purchase of treasury shares	–	¥0.27 billion	¥1.89 billion	¥0.99 billion	–
Dividend payout ratio	30%	37%	33%	48%	*2 48%
Total return ratio	30%	45%	79%	77%	–

- *1. The annual dividends per share for the fiscal year ended March 31, 2024 is subject to approval of the Company Proposal at the 156th Annual General Meeting of Shareholders.
- *2. The annual dividends per share and dividend payout ratio for the fiscal year ending March 31, 2025 are forecasts.

The Company has set ROIC (return on invested capital) of 8.0% (FY2022: 7.9%) as a target indicator for the final year of the medium-term management plan (FY2026) starting in April 2023. In the medium-term management plan, we plan to make more aggressive investments in human capital, fixed assets and R&D for further growth, and by setting an ROIC target, we will also aim at growth that emphasizes capital efficiency. In addition, last year, by changing the DOE from the former target of 3.0% to a target of 3.5%, we have further enhanced shareholder returns. Furthermore, setting a goal of reducing the ratio of cross-shareholdings to 17% or less by the end of FY2026 (FY2022: about 25%), we will meet the expectations of our stakeholders by securing the funds obtained from the sale of cross-shareholdings to maintain financial stability, while also allocating in a well-balanced manner to growth investments and shareholder returns.

The Company believes that, taking into consideration the liquidity of the Company's shares, the purchase of ¥7,611,000,000 of treasury shares in one year on the market is not realistic, and if a proposal like this is passed, there is not only a risk that the financial resources for growth investment would be harmed and the medium-to long-term growth and enhancement of corporate value of the Company would stall, there is also a risk that financial stability would be harmed, which could harm shareholders' interests as a result. The Company believes that the purchase of treasury shares should be performed at an appropriate time, while taking into consideration the balance with investments in human capital, fixed assets and R&D for future growth, based on the status of trading in the Company's shares and the share price.