

Securities code: 4362
June 6, 2025

To our shareholders:

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

Notice of the 157th Annual General Meeting of Shareholders

We are pleased to announce that the 157th 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>

If you are unable to attend on the day of the meeting, you can exercise your voting rights via the internet or postal mail in advance, so please refer to the following Reference Documents for the General Meeting of Shareholders and exercise voting rights on the internet, etc. or send the enclosed voting form by no later than Monday, June 23, 2025, at 5:40 p.m. (JST) in accordance with the following guidance.

- 1. Date** Tuesday, June 24, 2025, 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 157th fiscal year (from April 1, 2024 to March 31, 2025)
2. Report on the Non-Consolidated Financial Statements for the 157th fiscal year (from April 1, 2024 to March 31, 2025)

Matters to be resolved

< Company Proposals >

Proposal No. 1 Appropriation of Surplus

Proposal No. 2 Election of Five Directors

Proposal No. 3 Election of Three Audit & Supervisory Board Members

< Shareholder Proposals >

Proposal No. 4 Purchase of Treasury Shares

Proposal No. 5 Amendment of Articles of Incorporation Regarding Number of Outside Directors

Proposal No. 6 Approval of Amount of Remuneration for Restricted Share-Based Remuneration Plan

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 via the internet, etc. and in writing, 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, the following items are not included in the documents we send under the provisions of laws and regulations and the Articles of Incorporation of the Company.

(1) "Company Systems and Policies" and "Operation of Systems to Ensure Appropriateness of Business" in the Business Report

(2) "Consolidated Statement of Changes in Net Assets" and "Notes to Consolidated Financial Statements" in the Consolidated Financial Statements

(3) "Statement of Changes in Net Assets" and "Notes to Non-Consolidated Financial Statements" in the Non-Consolidated Financial Statements

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.
- Emergency supplies have been added to shareholder benefits. Please note that in the event of an earthquake disaster, priority will be given to supplying the affected areas, so there may be a delay in the delivery of shareholder benefits.
- Please allow plenty of time for your visit, as congestion is expected on the Osaka Metro Chuo and Midosuji lines due to the Osaka-Kansai Expo.

Reference Documents for the General Meeting of Shareholders

Proposals and References

< Company Proposals (Proposals No. 1 through 3) >

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 ¥37 per share (aggregate amount of ¥832,454,342) shall be paid to shareholders at the end of the fiscal year under review. Accordingly, including the interim dividend of ¥37 per share, the annual dividends per share will be ¥74.

The effective date (starting date of payments) of the year-end dividend will be Wednesday, June 25, 2025.

Proposal No. 2 Election of Five Directors

The term of office of all five 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	44,068 shares
		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	President and CEO (current position)	
		Oct. 2021	Senior General Manager of Lipid Division	
	(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 President and CEO 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	36,859 shares
		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)	
	(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, and then assuming the position of Director, Executive Corporate Officer since 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	Sept. 2000	Joined the Company	70,207 shares
		Sept. 2005	General Manager of Cosmetic Ingredients Research Laboratory Office	
		June 2006	General Manager of Cosmetic Ingredients Research Laboratory Department	
		June 2008	Corporate Officer	
		Apr. 2009	Deputy Senior General Manager of Research Laboratory Division	
		Apr. 2011	Senior General Manager of Cosmetics Ingredients Division	
		June 2011	Director (current position)	
		May 2013	General Manager of Research Laboratory	
		June 2021	Director, Senior Corporate Officer	
		Apr. 2023	Senior General Manager of Research Laboratory Division (current position)	
		June 2024	Director, Executive Corporate Officer (current position)	
			In charge of group R&D (current position)	
(Reasons for election) Mr. Yukihiro Ohashi has reflected knowledge and experience gained so far for the Company's overall management as Director as well as supervised the R&D area, after assuming Corporate Officer in 2008, serving as Director, Corporate Officer and Director, Senior Corporate Officer, and then assuming the position of Director, Executive Corporate Officer in 2024. 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.				
4	Susumu Ota (October 13, 1952) [Outside] [Independent] Male	Apr. 1975	Joined Toray Industries, Inc.	0 shares
		June 2006	Director of Toray Industries (Malaysia) Sdn. Bhd., and President of Penfibre Sdn. Bhd.	
		June 2013	CEO & COO of Kansai TEK Co., Ltd. (currently Toray Engineering West Co., Ltd.)	
		Jan. 2015	CEO & COO of Toray Engineering Co., Ltd.	
		June 2019	Advisor	
		June 2021	Director of the Company (current position)	
			(Significant concurrent positions outside the Company)	
			Outside Audit & Supervisory Board Member of YMC CO., LTD.	
(Reasons for election and outline of expected role) 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.				

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) [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 Outside Director and Audit and Supervisory Committee Member of Dynapac Co., Ltd. (current position)</p> <p>June 2024 Director of the Company (current position)</p> <p>(Significant concurrent positions outside the Company)</p> <p>Representative Director and President of Stand by C Woman Co., Ltd.</p> <p>Outside 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 nominated her as a candidate for Outside Director for another term.</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 candidates Mr. Susumu Ota and Ms. Eriko Matsuwaka have been designated as independent officers as provided for by the aforementioned exchange. If these candidates are reelected, they will continue to be independent officers.
 - At the conclusion of this meeting, candidate Mr. Susumu Ota's tenure as Outside Director of the Company will have been 4 years, and candidate Ms. Eriko Matsuwaka's tenure as Outside Director of the Company will have been 1 year.
 - 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 candidates for Outside Director Mr. Susumu Ota and Ms. Eriko Matsuwaka. If these candidates' reelections are approved, the Company plans to continue the said limited liability agreement with them.

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, each candidate to be reelected will continue to be the insured. The Company plans to renew the said insurance policy in November 2025.
 - Ms. Eriko Matsuwaka's name in the family register is Ms. Eriko Matsumoto.

Proposal No. 3 Election of Three Audit & Supervisory Board Members

Of the four Audit & Supervisory Board Members, the term of office of Mr. Masanori Mitsuki, Mr. Tetsuo Masuda and Mr. Kazufumi Suzuki will expire at the conclusion of this meeting. Therefore, the Company proposes the election of three Audit & Supervisory Board Member.

The consent of the Audit & Supervisory Board has been obtained for this proposal.

The candidates for Audit & Supervisory Board Member are as follows.

The Nomination and Remuneration Committee where Independent Outside Directors hold a majority have discussed the nomination of the candidates for Audit & Supervisory Board Member for whom the consent of the Audit & Supervisory Board was obtained.

Candidate No.	Name (Date of birth)	Career summary, position in the Company, and significant concurrent positions outside the Company		Number of the Company's shares owned
1	Masanori Mitsuki (January 20, 1958) Male	Apr. 1982 June 2007 June 2017	Joined the Company General Manager of Environment, Safety & Quality Assurance Department Standing Audit & Supervisory Board Member (current position)	9,490 shares
	(Reasons for election) Mr. Masanori Mitsuki has strived to enhance the effectiveness of audit mainly by giving proper recommendations based on physical inspection on the site, while capitalizing on abundant knowledge and experience about the Company's businesses after assuming Standing Audit & Supervisory Board Member in 2017. The Company believes that he can capitalize on his abundant experience and broad insight for the Company's governance, and has nominated him as a candidate for Audit & Supervisory Board Member for another term.			
2	Tetsuo Masuda (October 29, 1945) [Outside] [Independent] Male	Apr. 1970 Apr. 1992 Apr. 2004 Apr. 2005 Jan. 2007 Apr. 2007 June 2017 (Significant concurrent positions outside the Company) Representative Partner, Nakanoshima Chuo Law Office	Registered with Osaka Bar Association Vice President, Osaka Bar Association Executive Director, Japan Federation of Bar Associations Chairman, Osaka Bar Association Vice President, Japan Federation of Bar Associations Representative Partner, Nakanoshima Chuo Law Office (current position) President, Kinki Federation of Bar Associations Director, Japan Federation of Bar Associations Audit & Supervisory Board Member (current position)	0 shares
	(Reasons for election) Mr. Tetsuo Masuda is an attorney who has supervised directors and provided accurate advice and recommendations from an independent and neutral standpoint, and the Company nominated him as a candidate for outside Audit & Supervisory Board Member because the Company expects him to utilize his abundant experience and broad insight to strengthen the governance of the Company.			

Candidate No.	Name (Date of birth)	Career summary, position in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
3	Kazufumi Suzuki (February 11, 1976) [Outside] Male	<p>Apr. 1998 Joined Nissho Iwai Corporation (currently Sojitz Corporation)</p> <p>Oct. 2013 General Manager of Development Department, Taiyo Koko Co.</p> <p>June 2014 Director and General Manager of Development Department</p> <p>June 2015 Managing Director, General Manager of Sales Department, General Manager of Tokyo Branch, and General Manager of Development Department</p> <p>June 2017 Director, Vice President</p> <p>June 2018 President (current position)</p> <p>June 2021 Audit & Supervisory Board Member (current position)</p> <p>(Significant concurrent positions outside the Company)</p> <p>President, Taiyo Koko Co.</p> <p>Outside Director, Toho Metal Co.</p> <p>Outside Director, Nichirin Co.</p>	0 shares
	<p>(Reasons for election)</p> <p>Mr. Kazufumi Suzuki is a manager who has supervised directors and provided accurate advice and recommendations, and the Company nominated him as a candidate for outside Audit & Supervisory Board Member because the Company expects him to utilize his abundant experience and broad insight to strengthen the governance of the Company.</p>		

- (Notes)
1. There is no special interest between any of the candidates and the Company.
 2. Candidates Mr. Tetsuo Masuda and Mr. Kazufumi Suzuki are candidates for Outside Audit & Supervisory Board Members.
 3. If candidate Mr. Tetsuo Masuda is reelected, he will be an independent officer as provided for by the Tokyo Stock Exchange.
 4. At the conclusion of this meeting, candidate Mr. Tetsuo Masuda's tenure as Audit & Supervisory Board Member of the Company will have been 8 years, and candidate Mr. Kazufumi Suzuki's tenure as Audit & Supervisory Board Member of the Company will have been 4 years.

5. Limited liability agreements with Audit & Supervisory Board Members

The Company specifies that the liability of Outside Audit & Supervisory Board Members 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 Audit & Supervisory Board Members 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 Audit & Supervisory Board Members. The Company has entered into a limited liability agreement with candidates for Outside Audit & Supervisory Board Members Mr. Tetsuo Masuda and Mr. Kazufumi Suzuki. If these candidates' reelections are approved, the Company plans to continue the said limited liability agreement with them. If the election of Mr. Masanori Mitsuki is approved, the Company plans to enter into the same limited liability agreement with him.

The outline of this agreement is as follows:

- (i) 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.
 - (ii) The aforementioned limitation of liability shall apply only when an Outside Audit & Supervisory Board Member performs duties that have caused the liability in good faith and without gross negligence.
6. 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 Audit & Supervisory Board Member is approved under this proposal, each candidate to be reelected will continue to be the insured. The Company plans to renew the said insurance policy in November 2025.

(Reference)

Skill matrix of candidates for Director and Audit & Supervisory Board Member 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	○	○		○	○	○	○
	Masanobu Kawabayashi	○		○			○	
	Yukihiro Ohashi		○	○	○			
	Susumu Ota	○	○	○	○		○	○
	Eriko Matsuwaka	○				○		
Candidate for Audit & Supervisory Board Member and Audit & Supervisory Board Members	Kiyoshi Horie			○	○		○	
	Masanori Mitsuki		○	○				
	Tetsuo Masuda		○					○
	Kazufumi Suzuki	○	○		○	○	○	○

< Shareholder Proposals (Proposals No. 4 through 6) >

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

Proposal No. 4 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 ¥6,342,000,000 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

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. 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, 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. 4

(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 on April 30, 2025, the Company is purchasing treasury shares for a total purchase amount of maximum ¥2,000,000,000 on the Tokyo Stock Exchange between May 7, 2025, and April 28, 2026. In addition, we have continued to work to improve shareholder returns as follows.

Trend of shareholder returns

Classification	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025	Fiscal year ending March 31, 2026 Forecast
DOE	3.0%	3.0%	3.5%	3.5%	4.3% (approximate)
Annual dividends per share	¥54	¥57	¥70	*1 ¥74	*2 ¥94
Purchase of treasury shares	¥0.27 billion	¥1.89 billion	¥0.99 billion	—	*3 ¥2.00 billion
Dividend payout ratio	37%	33%	48%	43%	*2 53%
Total return ratio	45%	79%	77%	43%	—

- *1. The annual dividends per share for the fiscal year ended March 31, 2025, is subject to approval of the Company Proposal at the 157th Annual General Meeting of Shareholders.
- *2. The annual dividends per share and dividend payout ratio for the fiscal year ending March 31, 2026, are forecasts.
- *3. At the meeting of the Board of Directors held on April 30, 2025, the Company has resolved the purchase of treasury shares for a total purchase amount of maximum ¥2,000,000,000 between May 7, 2025, and April 28, 2026.

The Company has set the highest priority on continuing to contribute to the creation of a sustainable society and 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. As stated in the “Notice Concerning Revision of Medium-term Management Plan” published on April 30, 2025, in capital investment, we have changed the plan into construct a new plant for around 8.6 billion yen for “functional esters for cosmetics,” which are expected to see a further increase in demand in overseas markets going forward. As a result, we have revised our forecast for total capital investment during the Medium-term Management Plan period (FY2023 to FY2026) from the initial plan of 12 billion yen to 16 billion yen. We have also revised our DOE target from the initial plan of “approx. 3.5%” to “approx. 4.3%,” thereby further strengthening 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 ¥6,342,000,000 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.

Proposal No. 5 Amendment of Articles of Incorporation Regarding Number of Outside Directors

(1) Outline of the Proposal

Article 19 of the Company's Articles of Incorporation shall be amended as follows in order to make the Company's Outside Directors a majority.

Before amendment	After amendment
(Number of Directors) Article 19 1. The Company shall have not more than 9 Directors. 2. <u>[Newly established]</u>	(Number of Directors) Article 19 1. The Company shall have not more than 9 Directors. 2. <u>The majority of the Directors of the Company shall be Outside Directors as stipulated in Article 2, paragraph (1), item (xv) of the Companies Act.</u>

(2) Reasons for the Proposal

Principle 4-8 of the Corporate Governance Code states, "Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid- to long-term. Companies listed on the Prime Market should therefore appoint at least one-third of their directors as independent directors that sufficiently have such qualities. Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors." In addition, Principle 4-7 of the Corporate Governance Code states that, one of the roles and responsibilities of an independent outside director is "appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders."

Of its five Directors, two are Outside Directors, and thus the Company meets the requirements for a ratio of one-third or greater. However, we believe that we can increase capital efficiency, return profits to shareholders and establish a governance system that contributes to the sustainable growth of the Company and the improvement of corporate value over the medium to long term by assertively appointing a majority of Outside Directors.

In addition to the aspect of number of Outside Directors, as for the quality thereof, we need personnel capable of contributing to the sustainable growth of the Company and the improvement of corporate value over the medium to long term, and we believe that the hiring of skilled analysts with experience should be considered.

It is believed that the appointment of "personnel with extensive experience and skills as analysts" brings the perspective of outside investors and shareholders to the Board of Directors, and at the same time is an effective means of contributing to the enhancement of corporate value through sound risk-taking. While the board of directors and investors/shareholders of listed companies originally share the same goal of improving corporate value over the long term, unfortunately in Japan they are often seen as being in an adversarial relationship. The participation of Directors with the above experience and skills in the discussions and decision-making of the Board of Directors will contribute to building an inherently positive and constructive relationship between the Board of Directors and the stock market through sound risk-taking, capital allocation, and better communication with the market. The explanation is often given that people with bank backgrounds and accountants are responsible for the finance part of the skills matrix of directors, but from the perspective of encouraging "sound risk-taking," expertise in accounting and debt markets alone is insufficient. We believe this is the significance of appointing equity market experts.

Opinion of the Board of Directors of the Company Regarding Proposal No. 5

(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 has established a Nomination and Remuneration Committee, in which Independent Outside Directors make up the majority, as an advisory body to the Board of Directors in order to ensure the transparency and fairness of the Company's decision-making regarding the election and dismissal of senior management and the nomination of candidates for Director and Audit & Supervisory Board Member. When appointing directors, the Nomination and Remuneration Committee holds discussions on the number of persons and candidates that the Company considers proper, based on skills and experience that should be emphasized in light of the Company's business environment and business characteristics, then submits these to the Board of Directors for decisions, and then these are submitted to the general meeting of shareholders.

The Company has appointed Outside Directors who have a wealth of knowledge and experience in business areas of the Company, who have been giving us great advice about management overall from broad viewpoints. In addition, they have a high degree of independence in relation to the interests of the Company and are working to strengthen our supervisory functions from the perspective of general shareholder protection.

We believe that the Board of Directors composed of candidates of the Directors proposed by the Company has an optimal composition with expertise in line with the business environment and characteristics of the Company.

On the other hand, we believe that the inclusion of a provision like this shareholder proposal in the Articles of Incorporation may rather restrict the scope of election of Director candidates and hinder the formation of an optimal Board of Directors.

Proposal No. 6 Approval of Amount of Remuneration for Restricted Share-Based Remuneration Plan

(1) Outline of the Proposal

The maximum amount of remuneration for Directors of the Company was approved as ¥250 million per year, and separately from this, introduction of a restricted share-based remuneration plan for Directors other than Outside Directors, with the total number of monetary claims provided based on the plan being within ¥50 million per year, and the total number of shares of common stock newly issued or sold by the Company being up to 100,000 shares per year, at the Annual General Meeting of Shareholders held on June 23, 2022.

Now, instead of above-mentioned Restricted Share-Based Remuneration Plan, monetary remuneration claims shall be granted for granting restricted shares up to a maximum of ¥250 million per year or 100,000 shares to all Directors including Outside Directors of the Company.

The specific timing of payment and allocation shall be determined by the Board of Directors, but it shall be designed to function as a performance-linked incentive plan, including ROE and TSR (Total Shareholder Return), if business performance criteria are satisfied, restricted shares equivalent to three times cumulative fixed remuneration shall be granted in three years' time.

(2) Reasons for the Proposal

The biggest weakness of Japanese boards of directors is the small amount of stock held by each director, which results in a lack of a shareholder perspective. At the Company, each Director also holds a small amount of stock, and the most of the directors' economic benefits are basic remuneration as fixed remuneration. Although some remuneration is linked to the business performance results, the purpose of share-based remuneration, which is to share value with shareholders, is insufficient. It is necessary to give directors an economic incentive to continuously increase the corporate value and to share the benefits of increased corporate value with shareholders by integrating their interests with those of shareholders.

The standard for effective share-based remuneration to share value between directors and shareholders is considered to be equivalent to three times fixed remuneration. Although the Company introduced Share-Based Remuneration Plan, in the 156th term (April 1, 2023 to March 31, 2024) of the Company, fixed remuneration of approximately ¥88 million was paid annually to the Company's Directors (excluding Outside Directors). The remuneration under the restricted share-based remuneration plan were ¥24 million, it would only be about 27% of fixed remuneration. At this pace, it will take eleven years to reach the equivalent of three times fixed compensation, which is considered an effective target of share-based compensation for sharing value with directors and shareholders. Restricted share-based compensation is meaningless unless it is granted during the term of office of Directors, so it is necessary to grant a certain amount in a shorter period.

In addition, almost all major listed companies in Europe and the United States have adopted stock ownership guidelines that stipulate a certain period of continuous holding of a certain amount of shares that are considered necessary to share value with shareholders. In most cases, after a grace period of several years, top management receives three to five times their base remuneration, and outside directors receive one time their remuneration. We propose to Directors and other managements that we should aim for a level of ownership that is not less than the global standards, without being bound by past conventions, and demonstrate that commitment through appropriate disclosure, and we believe that stock ownership guidelines should be established.

Opinion of the Board of Directors of the Company Regarding Proposal No. 6

(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

Regarding the determination of the amount of remuneration for Directors, based on the policy of increasing the motivation of senior management and Directors to improve business performance, and to contribute to the increase of corporate value over the medium to long term, the Company has held continued discussions through the Nomination and Remuneration Committee, where Independent Outside Directors make up a majority, and submitted a proposal for introduction of a share-based remuneration plan using restricted shares in order to give incentives aiming at sustainable improvement of corporate value and promote sharing of value with shareholders to the Annual General Meeting of Shareholders in June 2022, after passing a resolution at the Board of Directors meeting. In introducing the plan, we examined the appropriateness of introducing the plan by analyzing the overall compensation level and the ratio of each type of compensation, etc., referring to executive compensation survey data from an external research organization.

Remuneration for the Company's Directors (excluding Outside Directors) consists of basic remuneration determined according to position and responsibilities, performance-linked bonuses aimed at increasing awareness of improving business performance each fiscal year, and restricted share-based remuneration that provides incentives for sustained improvement of corporate value.

Basic remuneration is calculated in consideration of the required roles and responsibilities. The performance-linked bonus is calculated based on an assessment of comprehensive contribution to the Company, including the level of achievement against targets and growth rate compared with results in the previous fiscal year for consolidated EBITDA (operating profit before depreciation and amortization) and consolidated profit, results for DOE (dividend on equity), the performance of departments supervised, and the level of progress toward ESG targets. In addition, the total amount of monetary claims to be paid to the target Directors for granting restricted shares shall be up to ¥50 million per year, and the total number of common shares newly issued or sold by the Company shall be up to 100,000 shares per year, which has been approved at the Annual General Meeting of Shareholders held in June 2022.

Under the share-based remuneration plan based on this shareholder proposal, the total amount of remuneration for Directors subject to the restricted share-based remuneration plan is set at up to ¥250 million per year, and designed to grant restricted shares equivalent to three times the fixed remuneration in three years.

In the remuneration system introduced by the Company, when 100% of the evaluation indicators, etc. are achieved, the benchmark ratio is "basic remuneration: performance-linked bonus: stock remuneration = 55:35:10." This benchmark ratio is the result of careful consideration based on the actual circumstances of the Company, in order to achieve a good balance of short-term and medium- to long-term incentives, and as such, it is believed to be appropriate.

On the other hand, the shareholder proposal lacks balance between basic remuneration and performance-linked bonuses, deviates significantly from the Company's basic policy on remuneration for Directors, and is considered an excessive remuneration framework.

In addition, while the shareholder proposal states that a restricted share-based remuneration plan will be introduced for all Directors, including Outside Directors, from the viewpoint that the Company appointed Independent Outside Directors with the aim that the managerial and supervisory functions of the Board of Directors would be reinforced, the policy is thus not to include them in the restricted share-based remuneration plan.