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Securities code: 4362

June 8, 2023

To our shareholders:

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

Notice of the 155th Annual General Meeting of Shareholders

We are pleased to announce that the 155th 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 Thursday, June 22, 2023, at 5:40 p.m. (JST) in accordance with the following guidance.

- 1. Date** Friday, June 23, 2023, 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 155th fiscal year (from April 1, 2022 to March 31, 2023)
2. Report on the Non-Consolidated Financial Statements for the 155th fiscal year (from April 1, 2022 to March 31, 2023)

Matters to be resolved

< Company proposals >

- Proposal No. 1** Appropriation of Surplus
Proposal No. 2 Election of Six Directors
Proposal No. 3 Election of One Audit & Supervisory Board Member

< Shareholder Proposals >

- Proposal No. 4** Revision of Amount of Remuneration for Restricted Share-Based Remuneration Plan
Proposal No. 5 Purchase of Treasury Shares
Proposal No. 6 Amendment of Articles of Incorporation Regarding Number of Outside Directors

4. Matters Decided upon Convocation

1. If there is no indication of approval or disapproval for each proposal, 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 Article 16 of the Articles of Incorporation of the Company. Therefore, the documents we will send are part of the documents audited by the Audit & Supervisory Board Members and the Financial Auditor when preparing the audit report.
- 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 (Japanese only).
- 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 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 3.0%, 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 ¥29 per share (aggregate amount of ¥661,463,813) shall be paid to shareholders at the end of the fiscal year under review. Accordingly, including the interim dividend of ¥28 per share, the annual dividends per share will be ¥57.

The effective date (starting date of payments) of the year-end dividend will be Monday, June 26, 2023.

Proposal No. 2 Election of Six Directors

The term of office of all six Directors will expire at the conclusion of this meeting. Therefore, the Company proposes the election of six 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)	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	36,761 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	Susumu Yano (April 19, 1955)	Apr. 1978 Joined the Company Apr. 2000 General Manager of Pharmaceutical Manufacturing Department Nov. 2002 General Manager of Pharmaceutical Plant June 2003 Corporate Officer Deputy Senior General Manager of Manufacturing & Technology Division and General Manager of Takasago Plant June 2004 Director Senior General Manager of Manufacturing & Technology Division June 2006 Representative Director, President June 2020 Representative Director, Chairman June 2022 Director, Chairman (current position) (Significant concurrent positions outside the Company) Outside Director of NICHIRIN CO., LTD.	78,641 shares
(Reasons for election) Mr. Susumu Yano has made a significant contribution to enhancing the corporate value of the Company Group (the "Group") and has worked on strengthening the Group's governance structure through leading and supervising the Group's overall management since the time when he assumed the position of Representative Director, President in 2006, Representative Director, Chairman in 2020, then Director, Chairman in 2022, serving as chairman of the Board of Directors. 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	Masanobu Kawabayashi (September 5, 1955)	Apr. 1974	Joined the Company	32,000 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 Company Production Management (current position)	
<p>(Reasons for election)</p> <p>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.</p>				
4	Yukihiro Ohashi (July 26, 1960)	Sept. 2000	Joined the Company	65,789 shares
		Sept. 2005	General Manager of Cosmetic Ingredients Research Laboratory Office	
		June 2006	General Manager of Cosmetic Ingredients Research Laboratory Department (current position)	
		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 (current position)	
		June 2021	Director, Senior Corporate Officer (current position)	
		Apr. 2023	Senior General Manager of Research Laboratory Division (current position)	
<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 as a result of the organizational reforms in April 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>				

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	Chihiro Murase (June 17, 1945) [Outside]	<p>Mar. 1968 Joined Daito Chemix Corporation</p> <p>June 1992 Director</p> <p>June 2000 Managing Director</p> <p>Apr. 2002 Representative Director and President</p> <p>June 2002 Representative Director and President & Chief Executive Officer</p> <p>June 2008 Director of the Company (current position)</p> <p>June 2009 Retired from Representative Director and President & Chief Executive Officer of Daito Chemix Corporation</p>	0 shares
(Reasons for election and outline of expected role) Mr. Chihiro Murase 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.			
6	Susumu Ota (October 13, 1952) [Outside]	<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.</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) Outside Audit & Supervisory Board Member of YMC CO., LTD.</p>	0 shares
(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.			

- (Notes)
1. There is no special interest between any of the candidates and the Company.
 2. Candidates Mr. Chihiro Murase and Mr. Susumu Ota are candidates for Outside Director.
 3. The Company has submitted notification to the Tokyo Stock Exchange that candidates Mr. Chihiro Murase and Mr. Susumu Ota 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.
 4. At the conclusion of this meeting, candidate Mr. Chihiro Murase's tenure as Outside Director of the Company will have been 15 years, and candidate Mr. Susumu Ota's tenure as Outside Director of the Company will have been 2 years.
 5. 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. Chihiro Murase and Mr. Susumu Ota. 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:

- (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 Director 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 Director is approved under this proposal, each candidate will continue to be the insured. The Company plans to renew the said insurance policy in November 2023.

Proposal No. 3 Election of One Audit & Supervisory Board Member

Among four Audit & Supervisory Board Members, the term of office of Mr. Kiyoshi Horie will expire at the conclusion of this meeting. Therefore, the Company proposes the election of one Audit & Supervisory Board Member.

The consent of the Audit & Supervisory Board has been obtained for this proposal. The candidate for Audit & Supervisory Board Member is as follows.

Name (Date of birth)	Career summary, position in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
Kiyoshi Horie (August 7, 1952)	Apr. 1979 Joined the Company	14,441 shares
	Jan. 2000 General Manager of the Household Products Research Laboratory	
	Mar. 2000 General Manager of Kobe Plant	
	Sept. 2001 General Manager of the Industrial Chemicals Laboratory	
	Apr. 2004 General Manager of Industrial Chemicals Division	
	June 2004 Corporate Officer	
	Sept. 2005 General Manager of Development Laboratory	
	June 2006 Deputy Senior General Manager of Manufacturing & Technology Division and General Manager of Material Technology Department	
	June 2008 Senior General Manager of Manufacturing & Technology Division and General Manager of Kakogawa-Higashi Plant	
	Apr. 2009 Deputy General Manager of Manufacturing & Technology Division and General Manager of Kakogawa-Higashi Plant	
June 2011 Standing Audit & Supervisory Board Member (current position)		
<p>(Reasons for election)</p> <p>Mr. Kiyoshi Horie 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 2011. The Company has nominated him as a candidate for Audit & Supervisory Board Member for another term to capitalize on his abundant experience and broad insight for the Company's audits.</p>		

(Notes) 1. There is no special interest between the candidate and the Company.

2. Limited liability agreements with Audit & Supervisory Board Members

The Company specifies that the liability of 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 Audit & Supervisory Board Members to limit their liability for damages for the Company caused by negligence of their duties within a certain range. The Company has entered into a limited liability agreement with candidate Mr. Kiyoshi Horie, and if his reelection is approved, the Company plans to continue the said 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 Audit & Supervisory Board Member performs duties that have caused the liability in good faith and without gross negligence.
3. 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 the candidate is approved under this proposal, the

candidate to be reelected will continue to be the insured. The Company plans to renew the said insurance policy in November 2023.

(Reference)

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

	Name	Corporate management	ESG and sustainability	Manufacturing, technology and research	Sales and marketing	Finances and accounting	Internationality and diversity	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"/>
	Susumu Yano	<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"/>		<input type="radio"/>	
	Chihiro Murase	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<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"/>
Candidate for Audit & Supervisory Board Member and 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 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 Revision 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, 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, in order to add Outside Directors to the Directors of the Company that are target of the restricted share-based remuneration plan (all Directors including Outside Directors shall be hereinafter referred to as the “Target Directors”), provide even more incentive to sustainably enhance the corporate value of the Company and promote the further sharing of value between the Target Directors and shareholders, monetary remuneration claims shall be newly granted for granting restricted shares up to a maximum of ¥250 million per year or 100,000 shares to the Target Directors. The transfer restriction period shall be three years from the time of granting. 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, and the design shall also be such that, 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 Company has introduced a restricted share-based remuneration plan (“Plan”), but the amount is extremely small, and Outside Directors are excluded from being Target Directors. It cannot be said that the purpose of the restricted share-based remuneration system, which is to share value between Directors and shareholders, is sufficiently achieved.

The standard for effective share-based remuneration to share value between directors and shareholders is considered to be equivalent to three times fixed remuneration. In the 154th term (April 1, 2021 to March 31, 2022) of the Company, fixed remuneration of approximately ¥102 million was paid annually to the Company’s Directors (including Outside Directors). Therefore, even if remuneration under the restricted share-based remuneration plan were ¥50 million, it would only be about 50% of fixed remuneration. At this pace, it will take six 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 of time.

In addition, it is believed that the Company should establish shareholding guidelines for the restricted share-based remuneration plan, and has set the target for officers to acquire treasury stock during their term of office to be equivalent to three times their fixed basic compensation, and disclose the acquisition status of its treasury shares by individual officers in its Corporate Governance Report submitted to the Tokyo Stock Exchange.

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

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.

Proposal No. 5 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 2,281,000 ordinary shares of the Company for a maximum total purchase amount of ¥5,702,500,000 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 December 19, 2022, the Company resolved to acquire treasury stock by December 20, 2022, with a maximum number of 950,000 shares to be acquired and at a maximum acquisition price of ¥2,184,050,000, and, based on the resolution, the Company acquired 819,800 shares of treasury stock at a purchase price of ¥1,884,720,200 on December 20, 2022, which, from the viewpoint that the Company has implemented measures for enhancement of shareholder returns and improvement of capital efficiency, is to some extent commendable. Although the Company's stock price has been on a gradual upward trend since December 20, 2022, 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 (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. 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 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 December 2022, the Company acquired a total of 819,800 of its own shares for a total purchase amount of ¥1,884,720,200 on the Tokyo Stock Exchange off-auction own share repurchase trading system (ToSTNeT-3) on December 20, 2022. In addition, we have continued to work to improve shareholder returns by increasing the dividend per share as follows.

○ Changes in dividends per share

FY2017 Actual amount	FY2018 Actual amount	FY2019 Actual amount	FY2020 Actual amount	FY2021 Actual amount	FY2022 Planned
¥28/share	¥30/share	¥33/share	¥35/share	¥54/share	¥57/share

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, including capital expenditures, for further growth, and by setting an ROIC target, we will also aim at growth that emphasizes capital efficiency. In addition, by changing the DOE from the current target of 3.0% to a target of 3.5%, we will work to further enhance 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 ¥5,702,500,000 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 investment for future growth, based on the status of trading in the Company's shares and the share price.

Proposal No. 6 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 The Company shall have not more than 9 Directors.	(Number of Directors) Article 19 1. The Company shall have not more than 9 Directors.
<u>2 [Newly established]</u>	<u>2 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 six 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. 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

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 diversity and 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.