

April 22, 2024

1 chrome 10-1, Nishiki, Naka-ku, Nagoya-shi,
Aichi 460-0003, Japan
NIPPO LTD.
Representative Director and President, Mr. Yasuchika Iwasa,

CC: The Board of Directors,
NIPPO LTD.
(the “**Board**”)

Shareholder’s Proposal

Global ESG Strategy (“**we**”) hereby requests that the agenda items set out in I. below be added to the agenda (the “**Agenda**”) for, and the proposal (the “**Proposal**”) as set out in II. below in relation to such agenda items be submitted to, the 73th annual general shareholders meeting of NIPPO LTD. (the “**Company**”), which is to be held in June 2024 (the “**AGM**”). We make these requests as a shareholder of the Company who has held 1% or more of all voting rights of, or 300 or more voting rights of, the Company continually for six months prior to the date hereof based on Article 303 (2) of the Companies Act. We hereby also request that the Company notify its shareholders of the content of the Proposal in accordance with Article 303 (2), Article 305 (1), Article 325-3 (1)(iv), and Article 325-4 (4) of the Companies Act and Article 93 of the Enforcement Order of the Companies Act.

I. Agenda Items

Agenda Item 1:	Appropriation of surplus
Agenda Item 2:	Amendments to the Articles of Incorporation (Policy on Dividend of Surplus)
Agenda Item 3:	Abolition of Anti-Takeover Measures
Agenda Item 4:	Amendments to the Articles of Incorporation (Interviews with Shareholders by Directors)

II. Outlines of the Proposal and Reasons of the Proposal

1. Agenda Item 1: Appropriation of surplus

(1) Outline of the Proposal

Surplus shall be appropriated as follows:

This Proposal is proposed independently from and in addition to the proposal for appropriation of surplus at the AGM by the Board of the Company or other shareholders of the Company, if any.

- (a) Type of dividend property
Cash
- (b) Dividend per share
The amount after deducting the dividend per common share under the proposal for appropriation of surplus submitted by the Board of the Company or other shareholders of the Company to, and approved by, the AGM from 163 yen (if the Board of the Company or other shareholders of the Company do not submit a proposal for appropriation of surplus to the AGM, 163 yen)
- (c) Matters concerning the allotment of distributed property and total amount
Dividend per share in (b) above per common share of the Company (the total amount of dividends shall be the amount calculated by multiplying the dividend per share multiplied by the number of issued and outstanding shares of the Company (excluding treasury shares) as of March 31, 2024)
- (d) Effective date of the appropriation of surplus
Date of the AGM

(2) Reasons for the Proposal

This March, the Company revised its Medium-Term Management Plan¹ and announced that it will make a 600 million investment in human capital and growth, bringing up the

¹ “Medium-Term Management Plan 2025” dated March 25, 2024 <https://www.nip.co.jp/ir/.assets/cyukei2025.pdf>

dividend payout ratio to 50% and continuously increase dividends. Previously, although the Company held approximately 290 million yen of net cash positions², it strongly argued to us that being in a net cash position is the most appropriate capital composition of the Company, so we value that the Company announced a financing plan that will have them in a net debt position.

Still, the Company will continue to maintain a significant financial capacity, and the financial plan is not sufficiently effective. It still deviates from the “management considering the cost of capital and profitability based on the balance sheet” asked by the TSE³, and since no sufficient investment plan has been presented at this point, we propose 100% dividend payout as a bold shareholder return measure. Based on the assumption of a dividend payout ratio of 100% and dividend yield of 3.0%, the stock price of the Company is expected to rise to approximately 5,450 yen (3x the current stock price).

2. Agenda Item 2: Amendments to the Articles of Incorporation (Policy on Dividend of Surplus)

(1) Outline of the Proposal

In “Chapter 6. Accounting” of the Articles of Incorporation, add the following provision as Article 35, and move each of the provisions that follow (Article 35 et seq.) down by one article.

If any formal adjustment (including adjustment to the article numbering) is required on the provisions described in this Proposal due to the approval of other proposals at the AGM (including those proposed by the Company), the provisions concerning this Proposal shall be replaced with the provisions after the necessary adjustments have been made.

(Policy on the Appropriation of Surplus)

Article 35.

The Company adopts a dividend policy for FY2024 and FY2025 that, the annual dividend amount shall be the higher of: (i) 100% dividend payout ratio (calculated by dividing the total amount of distributions by the net current profit (consolidated)), and (ii) 10% DOE (Dividend-on-Equity) (calculated by dividing the total amount of distributions by net assets (consolidated)), and to the extent permitted by law, determine the annual dividend amount in accordance with such dividend policy.

(2) Reasons for the Proposal

² Net cash is consolidated figures as of the end of December 2023

³ “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” P1 <https://www.jpx.co.jp/english/news/1020/dreu250000004n19-att/dreu250000004n8s.pdf>

Although the Company's investment plan and shareholder returns show improvement under the revised Medium-Term Management Plan, it still retains excessive cash and the plan is insufficient. In addition to the proposal for distributing 100% dividend payout for FY2023, we propose to maintain the same level of distributions for the period up to FY2025 and to add the dividend payout ratio and DOE to the dividend determination policy as temporary measures for returning the accumulated internal reserves to the shareholders.

We have rationally verified the financial impact of the proposed distribution policy based on conservative assumptions, such as the sales/profit plan in the Medium-Term Management Plan and capital expenditures of an amount equal to depreciation and amortization expenses, the net D/E ratio will be 0.2x, the net debt/EBITDA will be 0.9x, and the net asset ratio will be 47% as at the end of FY2025. The Company has indicated to us that bank financing is available up to 4-5x the net debt/EBITDA, so it is clear that the Proposal will not harm the Company's financial soundness, and the Company will continue to have sufficient financial capacity.

Projected changes in financial indicators if the Company's dividend policy is adopted	FY2023	FY2024	FY2025
Dividend per share (yen)	74	76	78
Dividend payout ratio	50.3%	50.0%	50.0%
DOE	4.6%	4.5%	4.4%
Net cash (million yen)	1,112	(178)	(1,449)
Net D/E	(0.08)	0.01	0.09
Net debt/EBITDA	(0.36)	0.06	0.45
Net asset ratio	51.6%	52.2%	52.7%

Projected changes in financial indicators if the proposed dividend policy is adopted	FY2023	FY2024	FY2025
Dividend per share (yen)	163	162	161
Dividend payout ratio	110.8%	106.6%	103.2%
DOE	10.0%	10.0%	10.0%
Net cash (million yen)	1,112	(988)	(3,043)
Net D/E	(0.08)	0.07	0.21
Net debt/EBITDA	(0.36)	0.31	0.94
Net asset ratio	51.6%	49.4%	47.5%

3. Agenda Item 3: Abolition of Anti-Takeover Measures

(1) Outline of the Proposal

Abolish the countermeasures to large-scale purchases of Company shares (takeover defense measures) introduced pursuant to the Board meeting of the Company held on April 23, 2019 and continued pursuant to the resolution of the 68th Ordinary General Meeting of Shareholders, and most recently continued pursuant to the Board meeting and the 72nd Ordinary General Meeting of Shareholders held on May 19, 2023.

(2) Reasons for the Proposal

With changes in laws and regulations concerning large-scale acquisition of shares, the development and spread of the Corporate Governance Code⁴, Guidelines for Corporate Takeovers⁵, and the mainstreaming of acquisitions oriented toward the development of the company after acquisition, takeover defense measures have lost their significance, and fewer companies are adopting them.

⁴ Corporate Governance Code Principle 1.5 “Anti-takeover measures must not have any objective associated with the entrenchment of the management or the board.”

⁵ Ministry of Economy, Trade and Industry “Guidelines for Corporate Takeovers – Enhancing Corporate Value and Securing Shareholders’ Interests–” dated August 31, 2023
<https://www.meti.go.jp/press/2023/08/20230831003/20230831003-b.pdf>

Although the Company abolished a similar plan in 2009, stating that it would “return to the principle of capitalism”⁶ that a company is owned by its shareholders, 10 years later, the Company “reintroduced” takeover defense measures based on the resolution of the Board for contingency reasons, in response to a takeover bid by a specific shareholder, which is extremely antiquated. Whether or not the increase of influence by a specific shareholder contributes to the corporate value and the common interests of the shareholders of the Company shall be determined by the shareholders themselves. The takeover defense measures of the Company are on the premises that the General Meeting of Shareholders of the Company may resolve to abolish such measures⁷. Pursuant to such provision, we propose to abolish the takeover defense measures of the Company.

4. Agenda Item 4: Amendments to the Articles of Incorporation (Interviews with Shareholders by Directors)

(1) Outline of the Proposal

In “Chapter 4. Directors and Board of Directors” of the Articles of Incorporation, add the following provision as Article 29, and move each of the provisions that follow (Article 29 et seq.) down by one article. If any formal adjustment (including adjustment to the article numbering) is required on the provisions described in this Proposal due to the approval of other proposals at the AGM (including those proposed by the Company), the provisions concerning this Proposal shall be replaced with the provisions after the necessary adjustments have been made.

(Director Meetings with Shareholders)

Article 29.

The Directors of the Company shall, if a shareholder holding three (3) percent or more of the voting rights of the Company or a person with the necessary authority for investing in the shares of the Company with respect to the shares of the Company held by such shareholder pursuant to a discretionary investment management contract or other contract or the provisions of law (hereinafter referred to as the “Manager”) makes a request for an individual meeting, respond to such meeting request within twenty (20) business days; provided, however, if an individual meeting cannot be held within such period due to unavoidable reasons, it shall notify the shareholder or the Manager that made such request within five (5) business days, and separately set the date and time of the individual meeting. A Director (excluding an audit member) shall respond to an individual meeting request at least once every quarter per shareholder or Manager, and a Director who is an audit member shall respond at least once a year.

(2) Reasons for the Proposal

⁶ “Non-continuance of the Countermeasures to Large-Scale Purchases of the Shares, etc., of the Company (takeover defense measures)” dated May 15, 2009”

⁷ Takeover Defense Measures, 2. Plan Details, (3) Effective Term, Abolition and Modification of the Plan

We have made repeated requests to the Company for an individual meeting with all the Directors prior to the AGM, but were only able to have individual meetings with some of the Directors. The Corporate Governance Code provides that listed companies should engage in constructive dialogue with shareholders even outside the general shareholder meeting to increase corporate value⁸. Furthermore, the principle of shareholder equality allows different treatment based the number of shares to a reasonable extent, and does not preclude individual meetings with major shareholders in conducting dialogue from the perspective of improving corporate value. By clearly stipulating in the Articles of Incorporation the Directors' obligation to respond to individual meetings with major shareholders and implementing it, not only will the Company's corporate value will be improved through the promotion of constructive dialogue with shareholders, but will also be groundbreaking as an expression of transparency and open attitude of the Company's management. By demonstrating internally and externally that the Company is a pioneer among other listed companies, the Company's stock price will be well-valued by the market.

END

⁸ Corporate Governance Code, General Principle 5

Global ESG Strategy

Name: Yasuto Monden
Title: Director