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May 19, 2025

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Name of representative : Hiroshi Baba, President and Representative Director, CEO
(Securities code: 4212; Prime Market)
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Notice Regarding Opinions of the Board of Directors of the Company on the Shareholder's Proposals

The Company received a written document (hereinafter referred to as the “Shareholder Proposal Document”) of intent for a shareholder's proposals regarding agenda items for the 91st Ordinary General Meeting of Shareholders that is scheduled on June 25, 2025 (hereinafter referred to as the “Shareholder's Proposals”) from NIPPON ACTIVE VALUE FUND PLC, a shareholder of the Company (hereinafter referred to as the “Proposing Shareholder”). The Company hereby announces that, at the meeting of the Board of Directors of the Company held today, the Board resolved to oppose the Shareholder's Proposals as outlined below.

1. Proposing Shareholder

Shareholder name: NIPPON ACTIVE VALUE FUND PLC

2. Details of the Shareholder's Proposals

(1) Agenda items

(i) Acquisition of treasury shares

(ii) Amendment to the Articles of Incorporation regarding the number of Directors and Outside Directors

(iii) Approval of remuneration amounts related to the restricted stock compensation plan

(2) Description of proposals

As described in the attached document “Details of the Shareholder's Proposals.”

In addition, the attached document “Details of the Shareholder's Proposals” is the original wording of the relevant descriptions in the Shareholder Proposal Document submitted by the Proposing Shareholder.

3. Opinions of the Board of Directors of the Company on the Shareholder's Proposals

(1) Acquisition of treasury shares

(i) Opinions of the Board of Directors of the Company

The Board of Directors opposes the Shareholder's Proposal.

(ii) Reason for Opposition

The Company is working on sustainable corporate value improvement by allocating management resources with a balance between human resources, investing in growth, and return of profits in mind, based on SJC Group Vision 2030 and Medium-term Management Plan 2027. The Company also positions the return of profits to our shareholders as one of the most important management measures and formulated and published a new shareholder return policy on May 13, 2024, striving for enhancement of shareholder return and improvement of capital efficiency.

Under the relevant policy for dividends, while giving overall consideration to business results and future capital demand, we will implement progressive dividends—a dividend policy to maintain or increase dividends without a reduction in dividend in principle—as a basic policy during the period of SJC Group Vision 2030 (until March 31, 2030) and aim to maintain a consolidated dividend payout ratio of 40% or higher. In addition, regarding the acquisition and cancellation of treasury shares, we view it as an effective way to return profits to our shareholders, and we will carry out the acquisition and cancellation of treasury shares appropriately as necessary, taking into consideration the business environment and financial situation. We aim to maintain a total return ratio of 100% or higher, which includes dividends of surplus and treasury shares acquisitions, through the fiscal year ending March 31, 2027.

Based on the relevant policy, the Company repurchased 1.8 million treasury shares (total 4,207 million yen) in the fiscal year ended March 31, 2025 as well as executing cancellation of 1.5 million shares. The Company also raised the full-year dividend to ¥70 per share, an increase of ¥5 from the previous fiscal year (increased for the 16th consecutive fiscal year). Therefore, the consolidated dividend payout ratio was 62.5%, and the total return ratio was 180.3%.

Additionally, a full-year dividend of ¥72 per share with an increase of ¥2 from the previous fiscal year is predicted in the fiscal year ending March 31, 2026, and repurchase of 1 million treasury shares (maximum amount: ¥2.5 billion) was resolved at the Board of Directors meeting held on May 13, 2025. The Company will strive to achieve these goals. The total return ratio based on the forecast of the consolidated results for the fiscal year ending March 31, 2026 published on May 13, 2025, is expected to be approximately 108%.

While we are working on specific initiatives, recognizing the importance of human resources, investing in growth, and shareholder returns as stated above, we consider that repurchasing treasury shares in the scale of the Shareholder's Proposal within a year is not beneficial at this time.

We believe that the repurchase of treasury shares should be determined on the basis of the medium- to long-term management strategy and capital policy, including consideration for the total return ratio, as well as actual business performance and should be implemented after consideration of appropriate timing, number of shares, etc. while taking the stock price, trading conditions of the Company's shares, etc. into account. Since Article 35 of the Company's Articles of Incorporation stipulates that the acquisition of treasury shares may be carried out based on resolution of the Board of Directors meeting by market transactions, etc., implementation of repurchase of treasury shares will be reviewed at the Board of Directors meetings and implemented as necessary.

Therefore, the Board of Directors of the Company opposes the Shareholder's Proposal.

(2) Amendment to the Articles of Incorporation regarding the number of Directors and Outside Directors

(i) Opinions of the Board of Directors of the Company

The Board of Directors opposes the Shareholder's Proposal.

(ii) Reason for Opposition

The Company recognizes that efficient management is indispensable to respond to the drastically changing business environment and that establishing corporate governance is important to improve management transparency and to promote prompt decision-making. Based on the principles of the corporate governance code, we will strive to further improve the efficiency of the corporate governance system.

The Company believes that to facilitate prompt decision-making regarding management, it is appropriate for the Board of Directors to be composed of a small number of members. For Directors, the Company has a policy to appoint members based on suitability, such as knowledge, experience, ability, and personality, under the belief that the balance of knowledge, experience, and ability of the Board of Directors as a whole and the diversity of its values will contribute to the sustainable enhancement of the Company's corporate value. In order to ensure objectivity and fairness in the appointment of Directors, candidates are determined through reviews by the Nomination and Remuneration Committee, composed of a majority of Independent Outside Directors and chaired by an Independent Outside Director. We also select candidates for Directors based on the Skills Matrix which identifies knowledge, experience, and skills particularly expected of officers, considering a balance of the Board of Directors as a whole, with a focus on enacting the basic policies (maximizing the value of human capital, expanding through growth strategies, promoting sustainability management, and engaging in management with an awareness of capital costs and stock price) in the SJC

Group Vision 2030 and Medium-term Management Plan 2027.

For Independent Outside Directors, the Company appoints a sufficient number of Independent Outside Directors, ensuring they make up at least one-third (1/3) of the board, taking into account industry, scale, business characteristics, organizational structure, and the surrounding corporate environment comprehensively, with the expectation of fulfilling a contributory role and responsibilities for the Company's sustainable growth and enhancement of corporate value in the medium- to long-term from an objective and independent standpoint.

Currently, as the Company appoints four (4) Outside Directors and active discussions are taking place at the Board of Directors meetings from a broad array of perspectives based on shareholder and investor viewpoints, we believe that the governance is functioning effectively. Additionally, the composition of Directors proposed by the Company at the Ordinary General Meeting of Shareholders includes four (4) Independent Outside Directors among eight (8) directors, who supervise management execution for achievement of the Company's long-term vision SJC Group Vision 2030 and Medium-term Management Plan 2027, and we believe that the composition of Directors is optimally structured with diverse expertise for sustainable growth and enhancement of corporate value in the medium- to long-term.

By contrast, if a provision similar to the Shareholder's Proposal is included in the Articles of Incorporation, it will limit the range of director candidates as securing the number of personnel is prioritized. We believe that this may prevent the optimal composition of the Board of Directors, and thus it is not appropriate.

Therefore, the Board of Directors of the Company opposes the Shareholder's Proposal.

In addition, prior to the review of the Directors' opinion, details of the Shareholder's Proposal were reviewed by the Nomination and Remuneration Committee, and the Board of Directors resolved the Board of Directors' opinion based on the committee's recommendation.

(3) Approval of remuneration amounts related to the restricted stock compensation plan

(i) Opinions of the Board of Directors of the Company

The Board of Directors opposes the Shareholder's Proposal.

(ii) Reason for Opposition

The Company's remuneration system for Directors is linked to shareholder returns to serve as an incentive to sustainably enhance corporate value, and the remuneration of each Director is determined appropriately based on their position, responsibilities, and other relevant factors. Remuneration for Directors responsible for business execution consists of basic remuneration, bonuses, and restricted stock compensation, while remuneration for Outside Directors consists of basic remuneration and restricted stock compensation, all of which is paid within the range of the total amount of remuneration approved at the Ordinary General Meeting of Shareholders. The basic remuneration for Directors shall be determined within the remuneration limit approved at the Ordinary General Meeting of Shareholders, based on monthly remuneration

per their position and responsibilities, and shall be revisited as necessary in consideration of business performance, the level of other companies, social conditions, and other factors. In addition, for short-term performance-linked remuneration, a bonus is paid as monetary remuneration at a certain time each year. Among the Directors responsible for business execution, in order to maximize the incentive for improving corporate value through achievement of performance targets for each fiscal year, the amount to be paid is decided with overall consideration for operating profit and other important performance indicators of the Company and the Group, as well as other factors such as the conditions of the departments which each Director is responsible for. Furthermore, with the aim of promotion of further value sharing with our shareholders by granting incentives that contribute to enhancement of performance and corporate value in the medium- to long-term, Directors (including Outside Directors) are provided with ordinary shares of the Company with restrictions on their transfer during the term of office at a certain time each year, setting the number of shares according to their position, responsibilities, and other relevant factors.

To ensure objectivity and transparency in the decision on Directors' remuneration, etc., the Nomination and Remuneration Committee, composed of a majority of Independent Outside Directors and chaired by an Independent Outside Director, is established as an advisory body to the Board of Directors. Decisions regarding planning of the remuneration system for Directors are made at the Board of Directors meetings, based on the review details from the Nomination and Remuneration Committee, and decisions on the details of individual director's compensation, etc. are made at the Board of Directors meetings, after review by the Nomination and Remuneration Committee and based on the committee's recommendation.

As above, the remuneration system for Directors of the Company has been determined according to objective procedures after considering the Company's business performance and management, as well as economic conditions, levels, etc. of peer companies in the same industry and scale, and we believe the system has an appropriate level and structure. Under this system, we consider that the Shareholder's Proposal is an excessive stock compensation framework lacking balance at present, compared to the remuneration level and structure set by the Company.

Therefore, the Board of Directors of the Company opposes the Shareholder's Proposal.

In addition, prior to the review of the Directors' opinion, details of the Shareholder's Proposal were reviewed by the Nomination and Remuneration Committee, and the Board of Directors resolved the Board of Directors' opinion based on the committee's recommendation.

For remuneration linked to medium- to long-term performance, the Company employs a framework of stock compensation for directors responsible for business execution in which ordinary shares of the Company with restrictions on transfer during the term of office are provided at a certain time each year, setting the number of shares according to factors including medium-term growth in corporate value and shareholder value. However, considering the current level of capital efficiency, the Company determined that this is not a

situation in which remuneration can be provided in the current year. The Company sincerely accepts the details of the Shareholder's Proposal and continues to discuss, at the Board of Directors meetings and based on the Nomination and Remuneration Committee and its recommendation, not only the balance and level of the remuneration structure, but also the optimal structure of the compensation system as an incentive for value sharing with shareholders and enhancement of performance in the medium- to long-term, including the stance on the number of the Company's shares held by Directors.

Attached document “Details of the Shareholder's Proposals”

Note: The original wording of the relevant descriptions in the Shareholder Proposal Document submitted by the Proposing Shareholder is published as it is.

1 Acquisition of Treasury Shares

(1) Outline of the Proposal

Pursuant to Article 156, Paragraph 1 of the Companies Act, the Company shall acquire up to 3,181,000 shares of its common stock for monetary consideration within one year from the conclusion of this Ordinary General Meeting of Shareholders, with the total acquisition cost not to exceed 7,952,000,000 yen.

(2) Reasons for the Proposal

As Sekisui Jushi’s stock price has remained sluggish since last year, it appears that the market continues to view the Company’s response measures as insufficient. In light of the above, and with a view to further enhancing shareholder returns and improving capital efficiency, it is proposed that the Company acquire approximately 10% of its total issued shares as treasury shares and cancel them pursuant to Article 178 of the Companies Act.

2 Amendment to the Articles of Incorporation regarding the number of Directors and Outside Directors

(1) Outline of the Proposal

In order to limit the number of Directors of the Company to ten (10) and to require Outside Directors to make up the majority, Article 18 of the Articles of Incorporation shall be amended as follows:

Before Amendment	After Amendment
(Number of Directors) Article 18 1 The Company shall have three (3) or more Directors. 2 In the event that a Director resigns during their term of office, a substitute shall be elected. However, unless the number of Directors falls below the statutory minimum, the Board of Directors may, by resolution, defer or forgo the election of a substitute.	(Number of Directors) Article 18 1 The Company shall have three (3) <u>to ten (10)</u> Directors. 2 In the event that a Director resigns during their term of office, a substitute shall be elected. However, unless the number of Directors falls below the statutory minimum, the Board of Directors may, by resolution, defer or forgo the election of a substitute.

3 (Newly established)	3 The majority of the Company's directors shall be Outside Directors as defined in Article 2, Paragraph 1, Item 15 of the Companies Act.

(2) Reasons for the Proposal

Principle 4.8 of Japan's Corporate Governance Code (Effective Use of Independent Outside Directors) states the following: "Independent Outside 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 (1/3) of their directors as Independent Outside 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 Outside 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 Outside Directors." Furthermore, Principle 4.7 of the same 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 Board of Directors from a standpoint independent of the management and controlling shareholders."

The Company currently has eight (8) Directors, of whom four (4) are Outside Directors, thereby meeting the requirement that at least one-third (1/3) be Outside Directors. However, it is considered that establishing a governance structure in which a majority of directors are Outside Directors would contribute to improved capital efficiency and shareholder returns, while supporting the Company's sustainable growth and the enhancement of its medium- to long-term corporate value.

Furthermore, it is essential not only to consider the number of Outside Directors but also to ensure that such individuals possess the qualities necessary to contribute to the Company's sustainable growth and the enhancement of its medium- to long-term corporate value. In this regard, it is proposed that the Company consider appointing analysts with extensive experience and high-level skills.

The appointment of individuals with strong experience and expertise as analysts is considered an effective means of enhancing corporate value through sound risk-taking, while also bringing the perspective of external investors and shareholders into the Board of Directors. Ideally, the Board of Directors of a listed company and its investors/shareholders should share the common objective of enhancing corporate value over the long term. However, in Japan, these parties are often perceived to be in opposition. The participation of Directors with the aforementioned experience and skills in Board discussions and decision-making is expected to foster a more constructive relationship between the Board of Directors and the capital markets, by promoting sound risk-taking, appropriate capital allocation, and improved communication with the market. Although finance-related roles in director skill matrices are often filled by individuals with backgrounds in banking or accounting, such expertise alone—focused on accounting or debt markets—is considered insufficient from the

standpoint of encouraging sound risk-taking. In this context, the appointment of professionals with expertise in the equity markets is considered meaningful.
In addition, it is proposed that the number of Directors be limited to no more than ten (10), in line with general practice among other listed companies.

3 Approval of remuneration amounts related to the restricted stock compensation plan

(1) Outline of the Proposal

At the Ordinary General Meeting of Shareholders held on June 28, 2007, a resolution was adopted that the maximum annual remuneration for Directors shall not exceed 400 million yen, with a limit of 30 million yen for Outside Directors. Furthermore, at the Ordinary General Meeting of Shareholders held on June 25, 2024, it was approved that remuneration for Outside Directors shall be increased to a maximum of 50 million yen per year. Separately, at the same meeting, it was also approved that the annual amount of restricted stock compensation for Directors shall be up to 50 million yen (of which up to 8 million yen is for Outside Directors), and that the maximum number of shares to be granted shall be 12,000 shares per year (of which up to 2,000 shares are for Outside Directors).
This proposal seeks approval to replace the current restricted stock compensation with a monetary compensation claim for the purpose of granting restricted stock, up to an annual amount of 200 million yen (of which up to 50 million yen is allocated for Outside Directors), with a maximum of 80,000 shares granted annually (of which up to 20,000 shares are for Outside Directors).
The specific timing and allocation of the grants shall be determined by the Board of Directors. The proposed plan is designed as a performance-linked incentive system incorporating ROE and total shareholder return (TSR) metrics. Moreover, subject to meeting performance criteria, the total number of restricted shares granted over the next three years shall be designed to amount to the equivalent of three times the fixed remuneration.

(2) Reasons for the Proposal

It is considered that one of the major weaknesses of Board of Directors in Japanese companies is the limited shareholding by individual directors, which results in a lack of alignment with shareholder interests. The Company is no exception; most of the directors' economic interests are concentrated in fixed remuneration, with only a limited portion linked to performance. As such, the purpose of equity-based remuneration—sharing value with shareholders—is currently insufficiently achieved. There is a need to provide directors with economic incentives that drive the sustainable enhancement of corporate value and align their interests with those of shareholders, allowing them to jointly benefit from increases in corporate value.
As a general benchmark, stock compensation equivalent to three times the amount of fixed remuneration is considered effective in sharing value with shareholders and Directors. While the Company has introduced a stock compensation plan, in the 90th Term (from April 1, 2023 to March 31, 2024), fixed remuneration paid to Directors (excluding Outside Directors) amounted to 79 million

yen, while stock-based remuneration was only 17 million yen—equivalent to 21.5% of fixed remuneration At this pace, it would take approximately 14 years for Directors to accumulate stock compensation equal to three times their fixed remuneration, a level deemed effective for sharing value with shareholders and Directors. Stock compensation must be granted during a director's tenure to have the intended effect. Therefore, it is necessary for the Company to implement a certain level of stock grants within a shorter time frame.

In the United States and Europe, nearly all major listed companies have adopted stock ownership guidelines that require the continuous holding of a certain amount of shares for a specified period, in order to ensure sharing value with shareholders. After a grace period of several years, most guidelines require top executives to hold shares equivalent to three to five times their base salary, and even Outside Directors are generally required to hold shares equivalent to one year's remuneration. Accordingly, it is proposed that the Company break away from past norms and adopt stock ownership guidelines applicable to its Directors and other members of senior management. Such guidelines should aim to achieve globally competitive levels of ownership and demonstrate commitment through appropriate disclosure.