

May 13, 2025

To whom it may concern

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Notice Regarding the Board of Directors' Opinion on Shareholder Proposal

NIHON NOHYAKU CO., LTD. ("we" or the "Company") hereby announces that, as previously disclosed in the notice titled "*Notice Regarding the Receipt of a Shareholder Proposal*" dated April 16, 2025, we received a shareholder proposal dated April 15, 2025 from a shareholder (the "Proposing Shareholder") setting forth agenda items (the "Shareholder Proposal") for the 126th Ordinary General Meeting of Shareholders scheduled to be held on June 18, 2025 (the "General Meeting").

Following carefully deliberation, the Company's Board of Directors resolved its position on the Shareholder Proposal at its meeting held today, as outlined below.

1. Proposing Shareholder
City Index Eleventh Co., Ltd.
2. Agenda proposed in the Shareholder Proposal
Agenda 1: Amendment to the Articles of Incorporation to establish a special committee tasked with protecting minority shareholders and evaluating measures to enhance shareholder value
Agenda 2: Amendment to the Articles of Incorporation to require that a majority of the member of the Board of Directors be outside directors
3. Details and rationale for the Shareholder Proposal
The details and rationale for the Shareholder Proposal are provided in the attached document titled "*Shareholder Proposal*."
Please note that the attached document contains relevant excerpts from the original submission by the Proposing Shareholder, reproduced in their original form with only minor formatting adjustments to formatting for clarity.
4. Opinion of the Board of Directors Regarding the Shareholder Proposal
The Board of Directors opposes all agenda items and proposals set forth in the Shareholder Proposal.
5. Rationale for the Board of Directors' Opposition

(1) Regarding Agenda 1

The Proposing Shareholder appears to have submitted Agenda 1 with reference to Supplementary Principle 4-8 (3) of the Corporate Governance Code. However, if the Company's director election proposals to be presented at the upcoming General Meeting are approved, the Board of Directors will consist of six (6) Independent Outside Directors out of a total of eleven (11) members, thereby

fulfilling the expectations set forth in the aforementioned Supplementary Principle.

The Company's Board of Directors is expected to be composed of individuals with expertise in corporate management, industry knowledge, sustainability, finance and accounting, as well as governance and risk management—skills essential for the sound and effective management of the Company. Each nominee possesses a background and experience that enable them to contribute to the sustainable enhancement of shareholder value through their participation in both decision-making and oversight functions. Furthermore, several Outside Director nominees possess track records as executives of other companies, and the Board expects to benefit from their objective advice and oversight.

In our view, the Company's current Board structure already provides the requisite experience and capabilities to consider matters related to minority shareholder interests and the enhancement of shareholder value. The Board, being the Company's highest decision-making body for management, should continue to serve as the primary forum for such deliberations.

Additionally, the Company has established a Governance Committee, an advisory body to the Board of Directors, chaired by an Independent Outside Director and consisting of a majority of Independent Outside Directors. This committee addresses governance-related matters with a focus on protecting the interests of minority shareholders. The Company has also established a framework in which meetings composed solely of Independent Outside Directors are held annually, providing a forum for open discussions regarding the Company's governance and operation matters. Feedback from these discussions is regularly shared with Executive Directors and is also incorporated into the Board's evaluation of its effectiveness. We plan to continue and further strengthen this initiative.

If the proposals to be submitted by the Company at the General Meeting are approved, the Company plans to appoint one of the Outside Director nominees as Chairperson of the Board, thereby further enhancing the Board's supervisory function over management.

Given the above, the Company believes there is no need to establish a new permanent body such as the "Special Committee" proposed in the Shareholder Proposal. The Board of Directors, with diverse external perspectives, already fulfills the role of providing appropriate advice and recommendations in the best interest of shareholders. Enhancing the use and effectiveness of the Board itself—rather than creating additional institutions—is the most effective structure for enhancing shareholder value and ensuring clear accountability. Furthermore, the Company has continuously strengthened its IR and SR (Investor Relations and Shareholder Relations) activities to foster dialogue with shareholders and investors. Feedback from these activities has been regularly reported to the Board of Directors and integrated into decision-making.

The capital and business alliance between the Company and its parent company (the "Alliance") not only provides significant benefits to the Company but also ensures that the opinions of the Outside Directors are incorporated into discussions regarding the recognition of these benefits. Through the Alliance, the Company has been able to strengthen its financial foundation to support its growth strategy, enabling the acceleration of R&D and business expansion through M&A and other initiatives with a long-term perspective. Synergies have been achieved through the provision of technologies such as synthetic reactions, dispersion technology, and analytical capabilities, as well as through the exchange of researchers with expertise in various fields. These initiatives have contributed to the advancement of the life science businesses of both companies and to the enhancement of corporate value. As a tangible result of the Alliance, in our R&D activities, we have identified promising antiparasitic compounds (*Note) aimed at developing veterinary pharmaceuticals. Four patent applications related to these compounds were internationally published by the World Intellectual Property Organization (WIPO) on July 6, 2023, marking a tangible result of the collaboration.

All transactions between the Company and its parent company, including the overall status and individual dealings, are regularly reported to the Board of Directors, and are discussed, including by

Outside Directors, as needed.

The proposed amendment to the Articles of Incorporation under Agenda 1 is, by its nature, not suitable for inclusion in the Articles. Implementing such an amendment could result in rigidity in the decision-making process, thereby hindering management flexibility.

Specifically, the revised Articles proposed in the Shareholder Proposal designate “the sale of the Company's shares by the controlling shareholder” and “the possibility of the Company becoming a wholly-owned subsidiary” as matters to be considered by the Special Committee. These matters are primarily for the parent company to evaluate and are not appropriate for proactive deliberation by the Company. If a takeover proposal were to be made, the Company could then establish an appropriate structure for consideration in accordance with its content. This approach aligns with the "Fair M&A Guidelines" published by the Ministry of Economy, Trade and Industry in 2019, which do not require the establishment of a standing committee like the Special Committee proposed.

Moreover, matters such as “the continuous enhancement of shareholder value while maintaining the Company's listing” listed as matters for the Special Committee’s consideration, include numerous specifics inherently belonging to the scope of the Board’s management discretion. How such matters are examined and determined should be decided by the Board of Directors based on the prevailing circumstances, given that the Board possesses the most appropriate expertise and information.

For the reasons stated above, the Company’s Board of Directors opposes Agenda 1.

**Note:* The global market for veterinary antiparasitic products exceeds ¥1 trillion and continues to expand due to growing societal demand. The Alliance is expected to significantly contribute to the development of the Company’s life science business.

(2) Regarding Agenda 2

To further enhance corporate governance, as stated above, the Company has established a Governance Committee, an advisory body to the Board of Directors, chaired by an Independent Outside Director and consisting of a majority of Independent Outside Directors. The selection of candidates of Directors (excluding Audit and Supervisory Committee Members) and the Audit and Supervisory Committee is made by the Board of Directors, based on advice and recommendations from the Governance Committee. The Director candidates to be proposed at the upcoming General Meeting of Shareholders have followed this selection process.

If the Company’s director election proposals to be presented at the upcoming General Meeting are approved, the Board of Directors will consist of six (6) Independent Outside Directors out of a total of eleven (11) members. As a result, the Company will fulfill the expectations set forth in Supplementary Principle 4-8 (3) of the Corporate Governance Code, as mentioned in the shareholder proposal under Agenda 2. Furthermore, if the proposals to be submitted by the Company at the General Meeting are approved, the Company plans to appoint one of the Outside Director nominees as Chairperson of the Board, thereby further enhancing the Board’s supervisory function over management.

In this way, the Board of Directors consists of a balanced mix of internal Directors with deep knowledge and experience in the Company’s operations and Outside Directors with expertise in corporate management, providing diverse perspectives for active discussions. The composition of the Board has been carefully considered, ensuring its effectiveness.

Furthermore, if a provision such as the one suggested in the Shareholder Proposal were to be incorporated into the Articles of Incorporation, it would, in practice, make it nearly impossible to appoint Directors in a manner that deviates from this rigid framework. However, determining the most suitable composition of the Board should be a flexible and responsive decision made by the

Board of Directors, taking into account the circumstances of the Company at any given time. Enshrining such a provision as a rigid rule in the Articles of Incorporation would not only lack merit but could also create significant drawbacks. Moreover, the optimal composition of the Board should be reviewed annually, with the Board making the decision based on market conditions and practical changes, guided by the recommendations of the Governance Committee.

For the reasons stated above, the Company's Board of Directors opposes Agenda 2.

[Attached Document: Shareholder Proposal]

*The relevant sections of this shareholder proposal document, as submitted by the Proposing Shareholder, are published here in their original form with formatting adjustments.

Agenda for Shareholder Proposal

1. Amendment to the Articles of Incorporation to establish a special committee tasked with protecting minority shareholders and evaluating measures to enhance shareholder value
2. Amendment to the Articles of Incorporation to require that a majority of the member of the Board of Directors be outside directors

Details of the Proposals

The following two proposals (the “Amendment Proposals”) may require formal adjustments to the chapters or articles of the Articles of Incorporation, including corrections to chapter and article numbers, depending on the approval or rejection of other proposals (including company-proposed agenda items) at this annual general meeting. In such cases, the chapters and articles related to the Amendment Proposals shall be read as the revised chapters and articles after the necessary adjustments have been made.

1. Amendment to the Articles of Incorporation to establish a special committee tasked with protecting minority shareholders and evaluating measures to enhance shareholder value

The proposal suggests adding a new chapter and articles to the current Articles of Incorporation, with the existing Chapter 7 being moved to Chapter 8, and renumbering Articles 31 through 34 to Articles 32 through 35, as outlined below.

- **Chapter 7: Special Committee for Protecting Minority Shareholders and Reviewing Measures to Enhance Shareholder Value**

Article 31, Section 1: The Board of Directors of the Company shall establish a Special Committee (the "Committee") to protect minority shareholders and review measures to enhance shareholder value while the Company has a controlling shareholder.

Article 31, Section 2: The Committee will consist of all outside directors of the Company.

Article 31, Section 3: The Committee shall independently examine the desirability of the controlling shareholder's ownership of the Company's shares, and in order to protect minority shareholders, it shall review measures to enhance the Company's shareholder value, including the sale of the Company's shares by the controlling shareholder, the possibility of the Company becoming a wholly-owned subsidiary, and the continuous enhancement of shareholder value while maintaining the Company's listing. The Committee shall present its findings and recommendations to the Board of Directors at least once a year and shall also provide explanations to shareholders.

Article 31, Section 4: The Committee will meet at least once per quarter. Decisions will be made by the majority of Committee members present, with quorum requiring the attendance of a majority of Committee members.

Article 31, Section 5: The details regarding the Committee's convening procedures, term of office, and other matters will be governed by the rules established by the Committee itself.

Article 31, Section 6: The Committee may, as necessary, utilize external advisors.

Article 31, Section 7: Any reasonable expenses related to the Committee's operations will be borne by the Company.

2. Amendment to the Articles of Incorporation to require that a majority of the member of the Board of Directors be outside directors

The proposal suggests adding the following provision to Article 18 of the current Articles of Incorporation.

- **Article 18, Section 3:** The majority of the Company's directors shall be independent outside directors.

Rationale for the Proposals

1. Amendment to the Articles of Incorporation to establish a special committee tasked with protecting minority shareholders and evaluating measures to enhance shareholder value

This proposal seeks to ensure that the Company, a listed subsidiary of ADEKA Corporation ("ADEKA"), takes proactive steps to protect minority shareholders and enhance shareholder value. Following ADEKA's acquisition of the Company through a tender offer and third-party allotment of new shares in 2018, there were criticisms regarding the potential disregard for minority shareholder interests. Despite the Company's management expressing a desire to build a stable and strong relationship with ADEKA to enhance earnings power, the Company's return on equity (ROE) has not exceeded 8% since then, leading to a stagnation in the stock price and a persistent price-to-book ratio (PBR) below 1.

Over time, the government and the Tokyo Stock Exchange have urged the elimination of parent-subsidary listings, yet the Company's management has failed to respond adequately, neglecting the protection of minority shareholders.

Given this situation, the current decision-making process is unlikely to lead to positive changes. The establishment of a Special Committee will allow the Company to address minority shareholder interests independently, without undue influence from ADEKA, while also working towards improving shareholder value and addressing the parent-subsidary listing issue.

2. Amendment to the Articles of Incorporation to require that a majority of the member of the Board of Directors be outside directors

This proposal aims to ensure the protection of minority shareholders by aligning with Supplementary Principle 4-8 (3) of the Corporate Governance Code, which recommends that the majority of the Board of Directors be independent outside directors.

The Board's failure to protect minority shareholders is evident in its approval of ADEKA's acquisition of the Company and the subsequent decline in stock price. While the Company has provisions in place to establish a Special Committee in cases where there is a conflict of interest between the controlling shareholder and minority shareholders, the ongoing examination of measures to enhance shareholder value involves constant conflicts between the interests of the controlling shareholder and minority shareholders.

By amending the Articles of Incorporation to require a majority of independent outside directors, the Company will better ensure the protection of minority shareholders and establish a Board that can operate independently of the controlling shareholder, ultimately leading to the enhancement of shareholder value.