



May 9, 2025

To whom it may concern

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**Notice Regarding Receipt of Written Notification on the Submission of Shareholder Proposals
and Opinions of the Board of Directors**

Stella Chemifa Corporation (hereinafter the “Company”) has received a written notification from Nippon Active Value Fund plc, a shareholder of the Company (hereinafter the “Proposing Shareholder”), dated April 23, 2025, indicating its intention to submit shareholder proposals (hereinafter the “Shareholder Proposals”) at the 82nd Ordinary General Meeting of Shareholders scheduled to be held on June 27, 2025 (hereinafter the “Ordinary General Meeting of Shareholders”) (including subsequent amendments, hereinafter the “Notification of Shareholder Proposals”).

The Company hereby announces that its Board of Directors, at a meeting held today, resolved to reject all of the Shareholder Proposals, as described below.

1. Shareholder Proposals

(1) Proposing Shareholder

Shareholder Name: Nippon Active Value Fund plc

(2) Proposals

Proposal 1: Amendment to the Articles of Incorporation regarding the decision-making organization for the distribution of surplus

Proposal 2: Acquisition of treasury stock

Proposal 3: Amendment to the Articles of Incorporation regarding the number of Outside Directors

Proposal 4: Approval of compensation amounts for the restricted stock compensation plan

(3) Details of the Shareholder Proposals

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

Note that the attached document “Details of the Shareholder Proposals” is a copy of the relevant parts of the Notification of Shareholder Proposals submitted by the Proposing Shareholder, as originally written.

2. Opinions of the Board of Directors of the Company on the Shareholder Proposals

The Board of Directors of the Company **opposes all of the Shareholder Proposals.**

Proposal 1: Amendment to the Articles of Incorporation regarding the decision-making organization for the distribution of surplus

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

The Board of Directors opposes the proposal.

(2) Reason for the opposition

The proposal seeks to amend the Articles of Incorporation to allow the distribution of surplus to be determined by a resolution of the General Meeting of Shareholders in the event that shareholders propose such a distribution. However, the Company believes that decisions regarding the distribution of surplus should be made in an agile and flexible manner, taking into comprehensive consideration the Company's management strategy for enhancing medium- to long-term corporate value and the balance of interests of its shareholders, as well as the Company's financial condition and business environment. Therefore, the Articles of Incorporation stipulate that such decisions shall be made by a resolution of the Board of Directors, rather than by a resolution of the General Meeting of Shareholders, as a matter of management judgment.

In May 2023, the Company established a new shareholder return policy targeting a total return ratio of 100%, and it actually achieved a total return ratio over 100% in the two most recent fiscal years ended March 2024 and March 2025. Additionally, in the Fourth Medium-Term Management Plan announced on May 9, 2025 (fiscal years ending March 2026 to March 2028, hereinafter the "Medium-Term Management Plan"), the Company published its more detailed shareholder return policy, including (1) targeting a total return ratio of 100% or more in the three-year cumulative period covered by the Medium-Term Management Plan, and (2) setting a minimum annual dividend of 170 yen per share. In this way, the Company clarified that it would focus on improving capital efficiency while expanding growth investments and shareholder returns to achieve an optimal financial position.

The Company's Board of Directors has been making appropriate decisions regarding the distribution of surplus in light of the enhancement of medium- to long-term corporate value and shareholder value and has been steadily working to enhance shareholder returns, as exemplify by the achievement of its total payout ratio target. The Company believes that decisions regarding the distribution of surplus should be made by the Board of Directors in an agile and flexible manner, taking comprehensively into consideration its management strategy and business environment from a medium- to long-term perspective. Therefore, the Company believes that amending the Articles of Incorporation to allow the distribution of surplus to be determined by a resolution of the General Meeting of Shareholders, rather than a resolution of the Board of Directors, may impair the agility and flexibility of the Board of Directors' decision-making regarding the distribution of surplus.

Consequently, the Board of Directors of the Company opposes the proposal.

Proposal 2: Acquisition of treasury stock

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

The Board of Directors opposes the proposal.

(2) Reason for the opposition

The Company has formulated a cash allocation policy (hereinafter the "cash allocation policy") for the period from the fiscal year ending March 2026 to the fiscal year ending March 2028 in the Medium-Term Management Plan. The cash allocation policy stipulates that, while making appropriate use of interest-bearing debt in due consideration of the management strategy and the business environment, the Company

shall focus on improving capital efficiency as well as expanding growth investments and shareholder returns. For details of the cash allocation policy, please refer to the Medium-Term Management Plan.

In the Medium-Term Management Plan, the Company has already announced that the minimum dividend per share would be 170 yen per year. Besides the announced dividend amount, the proposal requests that the Company acquire up to 1,297,000 shares (approximately 10% of the total number of issued shares) for a maximum of 5,577 million yen within one year from the conclusion of the Ordinary General Meeting of Shareholders. The proposed acquisition of 5,577 million yen worth of treasury stock proposed in the proposals is clearly excessive, as it exceeds twice the Company's estimated profit attributable to owners of parent of 2.7 billion yen for the fiscal year ending March 2026. Furthermore, since the proposal requires a quick implementation within one year from the conclusion of the Ordinary General Meeting of Shareholders, the Company concluded that the proposal was made based on a short-term perspective.

The proposal contradicts the Company's cash allocation policy formulated with a view to balancing growth investment and shareholder returns from a medium- to long-term perspective. If the Company were to acquire treasury stock on the scale proposed in the proposal, the Company will be forced to reconsider and revise the assumptions underlying the Medium-Term Management Plan that it formulated after giving thorough consideration to its management strategy and business environment. Therefore, the Company believes that there is a risk that the proposal could significantly impair the Company's medium- to long-term corporate value and shareholder value.

Consequently, the Board of Directors of the Company opposes the proposal.

(Reference: Status of shareholder returns)

	FYE 3/2023	FYE 3/2024	FYE 3/2025	The Fourth Medium-Term Management Plan (FYE 3/2026–FYE 3/2028)
Dividend per share	60 yen	154 yen	170 yen	minimum of 170 yen
Acquisition of treasury stock	1.35 billion yen	—	1.04 billion yen	—
Total return ratio	91.4%	101.5%	107.0%	100% or more in the three-year cumulative period

Proposal 3: Amendment to the Articles of Incorporation regarding the number of Outside Directors

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

The Board of Directors opposes the proposal.

(2) Reason for the opposition

From the perspective of improving transparency and objectivity, the Company has established the Nomination Advisory Committee and Compensation Advisory Committee as a voluntary advisory organization to the Board of Directors, with a majority of its members consisting of Independent Outside Directors. When nominating Directors, the Nomination Advisory Committee and Compensation Advisory Committee considers factors including the Company's management strategy and business environment to identify skills that should be prioritized and then deliberates on appropriate persons who will contribute to enhancing corporate value and their composition. The results of these deliberations are reported to the Board of Directors for a resolution and then submitted to the General Meeting of Shareholders for approval.

Currently, the composition of the Company's Board of Directors consists of 13 Directors members, of which 5 are independent Outside Directors members. This composition meets the corporate governance code requirements for Prime Market-listed companies to have Outside Directors with independence

comprising at least one-third or more of the Board of Directors, and each Director possesses diverse skills and backgrounds, including those with corporate management experience, lawyers, and certified public tax accountants. Consequently, the Company believes that the Board of Directors possesses sufficient independence and diversity necessary to supervise the execution of management, and will contribute to the sustainable improvement of the Company's corporate value and thereby to the interests of its shareholders.

On the contrary, establishing in the Articles of Incorporation a provision such as that proposed by the proposal may, in fact, restrict the range of candidates for Directors, and as a result, may hinder consideration of the optimal composition of the Board of Directors and candidates for Directors as circumstances change.

Consequently, the Board of Directors of the Company opposes the proposal.

Proposal 4: Approval of compensation amounts for the restricted stock compensation plan

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

The Board of Directors opposes the proposal.

(2) Reason for the opposition

To ensure the steady implementation of measures outlined in the Medium-Term Management Plan and to enhance corporate value on a sustainable basis, the Company has established a compensation plan for Directors that clearly aligns compensation with performance and promotes value sharing with shareholders. The basic policy for determining the compensation of individual Directors is to set appropriate levels based on their respective responsibilities, experience, and contributions. Specifically, the compensation of Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors, hereinafter "Executive Directors") shall consist of basic compensation as fixed compensation, performance-based compensation, and stock-based compensation. For Directors who are Audit and Supervisory Committee Members and Outside Directors, who are responsible for supervisory functions, only basic compensation shall be paid in consideration of their duties.

Regarding non-monetary compensation as a medium- to long-term incentive, the Company has introduced the Board Benefit Trust to strengthen the link between the compensation for Executive Directors and the Company's business performance and share value, and to encourage Executive Directors to contribute to the improvement of medium- to long-term business performance and increase corporate value by making them share together with shareholders not only the benefits of share price increases, but also the risks of share price decreases. Thus, the Company believes that the current compensation plan sufficiently ensures value sharing between its Directors and shareholders.

The Company believes that it is important to ensure the appropriateness of the amount of compensation paid to Directors and the transparency of the decision-making process in determining compensation for Directors. Therefore, the Nomination Advisory Committee and Compensation Advisory Committee, which is a voluntary advisory organization to the Board of Directors, determines compensation for Directors after deliberations. As mentioned above, the Company believes its current compensation plan has appropriateness and transparency, and it provides incentives to Directors to promote the enhancement of corporate value on a sustainable basis, and is appropriate for realizing value sharing with its shareholders. On the contrary, the proposal proposes to grant monetary compensation claims for the grant of restricted shares with a maximum annual amount of 500 million yen and a maximum number of 100,000 shares to the eligible Directors, etc., and to design this as a performance-based incentive plan based on indicators including Return On Equity (ROE) and Total Shareholder Return (TSR). Furthermore, the proposal

proposes that, if the performance criteria are met, restricted stock equivalent to three times the fixed compensation will be granted cumulatively over the next three years. The content of the proposal deviates from the Company's basic policy on the compensation for Directors, which was determined by reference to the compensation levels of other companies with a similar business scale or in similar industries, and the Company believes that the proposal is inappropriate as it constitutes an excessive stock-based compensation plan that significantly lacks balance between basic compensation, performance-based bonuses, and stock-based compensation as non-monetary compensation.

Consequently, the Board of Directors of the Company opposes the proposal.

Item 1 Proposals

- 1 Amendment to the Articles of Incorporation regarding the decision-making organization for the distribution of surplus
- 2 Acquisition of treasury stock
- 3 Amendment to the Articles of Incorporation regarding the number of Outside Directors
- 4 Approval of compensation amounts for the restricted stock compensation plan

Item 2 Outlines of and reasons for the proposals

- 1 Amendment to the Articles of Incorporation regarding the decision-making organization for the distribution of surplus

(1) Outline of the proposal

Amend Article 34 of the Articles of Incorporation as follows.

Before the amendment	After the amendment
(Decision-making organization for the distribution of surplus) Article 34 The Company shall determine the matters specified in each item of Article 459, Paragraph 1 of the Companies Act, including the distribution of surplus, by a resolution of the Board of Directors, unless otherwise provided for by laws and regulations, without a resolution of the Ordinary General Meeting of Shareholders.	(Decision-making organization for the distribution of surplus) Article 34 The Company <u>can</u> determine the matters specified in each item of Article 459, Paragraph 1 of the Companies Act, including the distribution of surplus, by a resolution of the Board of Directors, unless otherwise provided for by laws and regulations, without a resolution of the Ordinary General Meeting of Shareholders.

(2) Reason for the proposal

The Company's Articles of Incorporation stipulate that the decision-making organization for the distribution of surplus earnings, etc. shall be determined by a resolution of the Board of Directors, which restricts shareholders' rights regarding the distribution of surplus earnings, etc. Therefore, the Company should amend the Articles of Incorporation so that, if there is a proposal from shareholders, the decision-making organization for the distribution of surplus earnings, etc. can be determined by a resolution at the Ordinary General Meeting of Shareholders, in addition to its determination by a resolution of the Board of Directors.

- 2 Acquisition of treasury stock

(1) Outline of the proposal

Pursuant to Article 156, Paragraph 1 of the Companies Act, the Company shall acquire its own common stock within one year from the conclusion of the Ordinary General Meeting of Shareholders, with a total number of shares not exceeding 1,297,000 shares and a total acquisition price not exceeding 5,577,000,000 yen, in exchange for cash.

(2) Reason for the proposal

Although the Company's stock price has been gradually trending upward since last year, we believe that the market considers the Company's measures to be insufficient. Therefore, in order to further enhance the Company's shareholder returns and capital efficiency, we consider that the Company should adopt a measure to acquire approximately 10% of its total outstanding shares as treasury stock and to cancel them in accordance with Article 178 of the Companies Act.

3 Amendment to the Articles of Incorporation regarding the number of Outside Directors

(1) Outline of the proposal

To ensure that Outside Directors constitute a majority of the Board of Directors, Article 17 of the Articles of Incorporation should be amended as follows.

Before the amendment	After the amendment
(Number of Directors) Article 17 1. The number of Directors (excluding Directors who are Audit and Supervisory Committee Members) of the Company shall not be more than twelve (12), and the number of Directors who are Audit and Supervisory Committee Members of the Company shall not be more than eight (8). <u>2. (Newly established)</u>	(Number of Directors) Article 17 1. The number of Directors (excluding Directors who are Audit and Supervisory Committee Members) of the Company shall not be more than twelve (12), and the number of Directors who are Audit and Supervisory Committee Members of the Company shall not be more than eight (8). <u>2. A majority of the Directors of the Company shall be Outside Directors as specified in Article 2, Paragraph 1, Item 15 of the Companies Act.</u>

(2) Reason for the proposal

Corporate Governance Code Principle 4-8 stipulates that Independent Outside Directors should fulfill their roles and responsibilities to contribute to a company's sustainable growth and to enhance its medium- to long-term corporate value, and companies listed on the Prime Market should appoint Independent Outside Directors with sufficient qualifications to fulfill such roles and responsibilities to constitute at least one-third of the Board of Directors. Regardless of this, it also stipulates that Prime Market-listed companies that consider it necessary to appoint a majority of Independent Outside Directors, taking into comprehensive consideration of the industry, scale, business characteristics, organizational structure, and environment surrounding them, should appoint a sufficient number of Independent Outside Directors. In addition, Principle 4-7 of the Corporate Governance Code states that one of the roles and responsibilities of Independent Outside Directors is to appropriately reflect the opinions of minority shareholders and other stakeholders in the Board of Directors from a position that is independent of management and controlling shareholders.

The Company has five Outside Directors among its 13 Directors, which satisfies the requirement of more than one-third, but we believe that by taking a more proactive approach to ensure that a majority of Directors are Outside Directors, the Company can improve its capital efficiency, enhance shareholder returns, and establish a governance structure that contributes to its sustainable growth and to enhancing its corporate value in the medium- to long-term.

Besides the issue of the number of Outside Directors, we believe that the qualifications of Outside Directors are important. The Company should appoint individuals who can contribute to the Company's sustainable growth and to enhancing its corporate value in the medium- to long-term. In this regard, we believe that the Company should consider appointing analysts with advanced experience and skills.

We believe that hiring individuals with extensive experience and skills as analysts will bring the perspective of external investors and shareholders to the Company's Board of Directors, while also serving as an effective means of enhancing corporate value through sound risk-taking. In principle, the Board of Directors of listed companies and their investors/shareholders share the same goal of enhancing long-term corporate value. However, unfortunately, in Japan, the two parties are often regarded as being in opposition to each other. We believe that the participation of Directors with the above-mentioned experience and skills in discussions and decision-making by the Board of Directors will contribute to sound risk-taking and capital allocation, as well as to better communication with the market, thereby restoring the relationship between the Board of Directors and the stock market to its originally intended

constructive one. It is often explained that former bankers or accountants are responsible for the finance part in the skill matrix of the Boards of Directors, but from the perspective of promoting sound risk-taking, expertise in accounting or debt markets alone is insufficient. We believe it is meaningful to appoint experts in equity markets to address this.

4 Approval of compensation amounts for the restricted stock compensation plan

(1) Outline of the proposal

The maximum amount of compensation for the Company's Directors was resolved at the Ordinary General Meeting of Shareholders held on June 16, 2016, to be 450 million yen per year for Directors (excluding Directors who are Audit and Supervisory Committee Members) and 60 million yen per year for Directors who are Audit and Supervisory Committee Members. Besides this, at the Ordinary General Meeting of Shareholders held on June 20, 2018, it was resolved to grant stock acquisition rights as stock options to Directors (excluding Directors who are Audit and Supervisory Committee Members). Additionally, separate from the above, at the Ordinary General Meeting of Shareholders held on June 19, 2020, it was resolved to introduce a stock grant trust and to set the maximum amount of cash to be contributed to such trust at 180 million yen for five fiscal years from the fiscal year ended March 31, 2021, to the fiscal year ended March 31, 2025.

Now, the Company shall grant to its Directors, including Outside Directors, monetary compensation claims for the granting of restricted stock with a maximum annual amount of 500 million yen and a maximum number of 100,000 shares, in addition to the above-mentioned amount of annual compensation.

The specific timing and allocation of payments will be determined by the Board of Directors. The new plan shall be designed as a performance-based incentive plan based on indicators including Return On Equity (ROE) and Total Shareholder Return (TSR), and it shall be designed to grant restricted stock equivalent to three times the fixed compensation cumulatively in the next three years, provided that the performance criteria are met.

(2) Reason for the proposal

We believe that the biggest weakness of Boards of Directors in Japan is the low level of shareholding among directors, which results in them lacking a shareholder perspective. At the Company, shareholding by its Directors is low, and the majority of its Directors' economic interests are in the form of basic compensation as fixed compensation. Although some compensation is linked to the achievement of performance targets, we believe that Directors' value sharing with shareholders, which is the purpose of share-based compensation, is insufficient. It is necessary to provide economic incentives to the Company's Directors to promote the sustainable improvement of corporate value and to share the results of this improvement of corporate value with shareholders by aligning their interests with those of shareholders.

The benchmark for effective stock-based compensation that aims to promote value sharing between Directors and shareholders is considered to be three times the amount of fixed compensation. The Company has implemented a stock compensation plan. However, in the 81st fiscal year (April 1, 2023, to March 31, 2024), while the Company paid fixed compensation of 139 million yen annually to its Directors (excluding Directors who are Audit and Supervisory Committee Members), stock compensation was only 18 million yen, accounting for just 13% of fixed compensation. At this ratio, it would take approximately 23 years to reach the benchmark for effective stock-based compensation to promote value sharing between Directors and shareholders, equivalent to three times the fixed compensation. Since stock compensation is meaningless unless it is granted during the term of office of Directors, it is necessary to grant a certain amount of stock compensation in a fairly short period of time.

In addition, in Europe and the United States, almost all major listed companies have adopted shareholding guidelines that stipulate that a certain amount of shares, which are considered necessary for value sharing with shareholders, must be held for a certain period of time. With a grace period of several years, most cases involve three to five times the basic salary for top management and one times the salary even for Outside Directors. We propose that the Company's Directors and other members of management should aim to achieve a level of shareholding that meets global standards, without being bound by past conventions, and demonstrate their commitment through appropriate disclosure, and that the Company should establish shareholding guidelines.