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Notice Concerning Opinion of the Company's Board of Directors on the Shareholder Proposal

Dai Nippon Toryo Co., Ltd. (the "Company") has received a document from its shareholder stating that it will submit a shareholder proposal (the "Shareholder Proposal") at the Ordinary General Meeting of Shareholders to be held on June 24, 2025 (the "General Meeting"). However, the Company hereby announces that it resolved to oppose the Shareholder Proposals at its Board of Directors' meeting held today, as described below.

1. Details of the Shareholder Proposal

- (1) Proposing shareholder
One shareholder (as an individual shareholder, the Company will refrain from disclosing the name of the proposing shareholder).
- (2) Agenda
Agenda Item 1: Appropriation of Surplus
- (3) Details and reasons for the Shareholder Proposal
As described in the Appendix, "Details of Shareholder Proposal." The Appendix "Details of Shareholder Proposal" contains the relevant parts of the document related to the Shareholder Proposal in its original form.

2. Opinion of the Company's Board of Directors on the Shareholder Proposal

- (1) Appropriation of Surplus
 - i. Opinion of the Company's Board of Directors

The Board of Directors opposes the Shareholder Proposal.

- ii. Reason for opposition

The Shareholder Proposal proposes setting a dividend per share of the Company's common stock equivalent to 5% of net assets per share. Based on this, the proposed dividend per share will be ¥114¹, resulting in the total dividend amount will be approximately ¥3.2 billion. After thorough consideration by the Company's Board of Directors, the Company has decided to oppose this proposal for the following reasons.

¹ This is the amount obtained by multiplying the net assets per share calculated in accordance with the "Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2) and the "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4) by 0.05 and rounding down to the nearest whole number.

The Company considers the determination of dividend payments to its shareholders to be one of the most important management issues in order to achieve management that takes into account capital costs and stock prices. The Company's basic policy is continuing to pay stable dividends in line with business performance while striving to strengthen its corporate structure and maintain sound financial condition.

As outlined in the medium-term management plan announced by the Company in May 2024 (the "2026 Medium-Term Management Plan"), the Company acknowledges that PBR, an important indicator of the stock price, remains low, as highlighted by the proposing shareholders. The Company believes this low PBR is a result of its current capital profitability and future growth potential not fully meeting the expectations of the stock market.

The Company recognizes that ongoing improvement in the profitability of its core businesses and proactive investment in businesses with growth potential are vital for the sustainable enhancement of corporate value. In the 2026 Medium-Term Management Plan, the Company has set a policy of implementing growth investments (capital expenditures and M & A, etc.) totaling approximately ¥20 billion over the next three years, with the aim of expanding its business foundation and further improving profitability. As a concrete initiative, the Company acquired Shinto Paint Co., Ltd. ("Shinto Paint"), whose primary business area is the Japanese paint market in fiscal 2024, and welcomed Shinto Paint into the Group. The Company has already established a committee for business partnership with Shinto Paint and is actively exploring specific measures to enhance mutual corporate value for both companies. Through this partnership, the Company will pursue synergies in the short term by improving the efficiency of raw materials procurement and complementing mutual product lineups. In the medium to long term, the Company will work to strengthen its competitiveness and create new growth opportunities by optimizing production systems, accelerating jointly developed new products, and technological innovations. The Company is actively investing in its lighting equipment business, which is the most profitable business within the Group. Specifically, its subsidiary engaged in this area has constructed a new head office equipped with technology center functions in fiscal year 2024. This initiative aims to strengthen product development capabilities, enhance logistics efficiency, and improve the workplace environment. Additionally, the Company is planning and promoting the reconstruction of factories to fundamentally improve production efficiency and secure future production capacity. Through these strategic investments within the Group, the Company intends to establish a solid foundation for future sustainable growth.

In addition, in the 2026 Medium-Term Management Plan, the Company has outlined its policy to fundamentally improve capital efficiency through the efficient utilization of interest-bearing liabilities and the reduction of cross-shareholdings while ensuring financial stability by enhancing its ability to generate operating cash flow. In fiscal 2024, the Company has already sold cross-shareholdings valued at ¥2.8 billion. From the next fiscal year onward, the Company will continue to review and flexibly implement the sale and reorganization of cross-shareholdings and idle assets to enhance capital efficiency further and strengthen its financial position.

As for shareholder returns, the Company has introduced DOE (Dividend on equity ratio) as a new shareholder return indicator to enhance shareholder value through stable and consistent dividend increases.

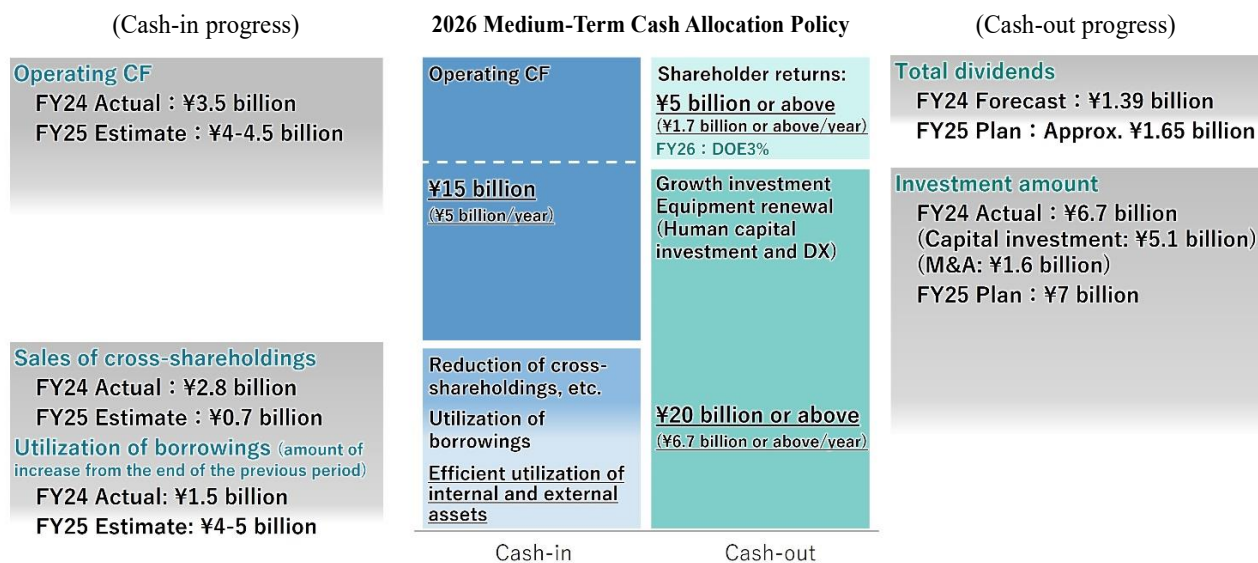
The Company has set a target of 3.0% by fiscal 2026 and 5.0% by fiscal 2029 for the dividend ratio against consolidated shareholders' equity at the end of the previous fiscal year. Over the three years covered by the 2026 Medium-Term Management Plan, the Company plans to distribute approximately ¥5 billion in dividends. The dividend per share for fiscal 2024 is ¥49, as proposed by the Company's Board of Directors in the first proposal of the General Meeting, and the planned dividend per share for fiscal 2025 will be ¥58. Both amounts were calculated based on the amount by multiplying 3.0% of the consolidated shareholders' equity as of the end of the previous fiscal year. These dividend levels reflect the Company's steady implementation of its shareholder return policy, which aims to restrain excessive capital accumulation while enhancing returns in line with the constant growth of consolidated shareholders' equity.

On the other hand, the dividend equivalent to 5% of the DOE proposed by the shareholders totals approximately ¥3.2 billion annually. Implementing this dividend immediately would make it challenging to secure the funds needed for the growth investments outlined in the ongoing 2026 Medium-Term Management Plan, potentially impacting the execution of these investments. If planned growth investments cannot be executed as intended, it could result in the loss of anticipated medium- to long-term revenue growth opportunities, potentially hindering future increases in corporate and shareholder value. In addition, a sudden increase in the dividend level that significantly surpasses the Company's initial plans could reduce its financial capacity necessary to address unexpected changes in the business environment, potentially affecting the Company's financial stability and making it challenging to maintain stable and consistent shareholder returns.

To achieve management goals that take into account capital costs and stock prices, the Company recognizes that it is essential to enhance profitability, which is the source of corporate value creation, and increase market expectations for future profit growth. The key to this is the growth investment outlined in the 2026 Medium-Term Management Plan. The Company believes that enhancing the equity spread by increasing ROE and lowering capital costs will result from these efforts. The Company is committed to maximizing corporate value through the consistent implementation of the 2026 Medium-Term Management Plan, ongoing improvements in capital efficiency, and productive dialogue with its shareholders. The Company's shareholder return policy aims to pursue an optimal balance between necessary growth investments and stable, consistent returns for shareholders by consistently implementing the DOE target of 3.0% outlined in the 2026 Medium-Term Management Plan. The Company firmly believes that this approach will benefit our shareholders from a medium- to long-term perspective.

For the reasons stated above, the Company's Board of Directors opposes the Shareholder Proposal.

Reference: The Company's Cash Allocation Policy and Status of Progress



(Note) The figures outlined in the cash-in and cash-out progress are derived from the Company's consolidated scope as of May 2024, at the time the 2026 Medium-Term Management Plan was formulated. The investment results for fiscal 2024 include the acquisition costs of Shinto Paint but do not account for the Company's operating cash flows (CF), borrowings, shareholder returns, and investments on a consolidated basis.

(Appendix) “Details of the Shareholder Proposal”

I. Proposed Agenda

1. Appropriation of Surplus

II. Details and Reasons for the Shareholder Proposal

1. Appropriation of Surplus

[Details of the Proposal]

(1) Type of dividend property

Cash

(2) Matters related to the allotment of dividend property and the total amount

The dividends per share of common stock (the “dividends per share”) obtained by subtracting the amount of dividends per share of common stock based on the proposal on appropriation of surplus proposed by the Company’s Board of Directors (the “Company Proposal on Appropriation of Surplus”) resolved at the 142nd General Meeting, from ¥107.

If the amount equivalent to 5% of the net assets per share for the fiscal year ended March 2025 differs from ¥107, initially stated ¥107 shall be replaced with the amount equivalent to 5% of the net assets per share for the fiscal year ended March 2025.

(Any amounts less than one yen will be rounded down.)

The total amount of dividends will be obtained by multiplying the number of shares eligible for dividends as of the record date for voting rights at the Company’s 142nd General Meeting.

(3) Effective date of dividends of surplus

The day following the date of the Company’s 142nd General Meeting

If the Company Proposal on Appropriation of Surplus is proposed at the 142nd General Meeting, this proposal will be presented as an additional proposal that is independent of and compatible with the proposal.

[Reason for proposal]

This proposal is to set the full-year dividend per share at 5% of net assets per share (DOE of 5%).

The Company announced the 2026 Medium-Term Management Plan in May 2024. However, as of April 2025, PBR remains at approximately 0.5 times, indicating that the market valuation is still depressed. This situation is attributable to low capital efficiency and inadequate returns for shareholders, which are both factors contributing to the suppressed valuation.

In terms of capital efficiency, ROE for the most recent fiscal year was 7.7%, which is close to the general cost of shareholders’ equity of 8%. In reality, however, profits were temporarily inflated due to gains on sale of land and securities. On a core business basis, ROE remains below 5%.

In terms of shareholder returns, a return ratio of 3% of net assets is becoming the standard for DOE. However, the current policy of targeting a shareholder equity ratio of 3% by fiscal year 2026 does not meet market expectations at both the level and the speed.

It is imperative to avoid a decline in capital efficiency caused by excessive accumulation of net assets and to enhance the valuation of shares through dividends. Based on the above, the proposing shareholder suggests implementing a dividend equivalent to DOE of 5% based on net assets.