



May 13, 2025

To Whom It May Concern:

Company Name: Eiken Chemical Co., Ltd.
Representative: Tsugunori Notomi, President & CEO
(Securities Code: 4549, TSE Prime)
Inquiries: Tomohiro Kudo, Executive Officer,
Business Administration Department
Manager
Tel.: 03-5846-3379

**Notice regarding Receipt of Shareholder Proposal Document
relating to the Company's Annual General Shareholders Meeting
and the Opinion of the Company's Board of Directors**

On April 11, 2025, Eiken Chemical Co., Ltd. (the "Company") received from Company shareholder AVI JAPAN OPPORTUNITY TRUST PLC ("Proposing Shareholder") a document ("Shareholder Proposal Document") stating that it will make a shareholder proposal ("Shareholder Proposal") at the Company's 87th Annual General Shareholders Meeting scheduled for June 24, 2025.

The Company, having given repeated consideration to the content of the Shareholder Proposal, resolved at the Board of Directors meeting held today to oppose the Shareholder Proposal, hereby gives notice as follows.

1. Shareholder Proposal

(1) Proposing Shareholder

Name: AVI JAPAN OPPORTUNITY TRUST PLC

(2) Agenda items s

- (i) The Matter of Partial Amendment of the Articles of Incorporation
- (ii) The Matter of Buyback of Own Shares

(3) Details of the Proposals and Reasons Behind Them

As explained in the Attachment "Shareholder Proposal Details".

The text of the Attachment "Shareholder Proposal Details" is a direct, unedited citation of the relevant portion of the Shareholder Proposal Document submitted by the Proposing Shareholder.

2. Opinion of the Company's Board of Directors Regarding the Shareholder Proposal
Proposal (i) The Matter of Partial Amendment of the Articles of Incorporation

(1) Opinion of the Company's Board of Directors

The Company's board of directors opposes the Shareholder Proposal.

(2) Reason for Opposition

The Shareholder Proposal seeks amendment of the articles of incorporation so that dividends of surplus etc. are decided by a resolution of the general shareholders meeting. The Company believes that dividends of surplus etc. should be considered and decided in conjunction with management policy and management strategy, after first taking into account capital allocation etc., and that having the board of directors, which includes directors who as executive officers have a deep understanding of business details and the competitive environment surrounding each business, decide dividend amounts in a flexible manner contributes to the medium-to-long-term enhancement of corporate value and shareholder value, and it is for that reason that such decisions are made by a resolution of the board of directors, not the general shareholders meeting.

The Company considers return of profit to shareholders to be one of the highest-priority business goals, and the basic policy of the Company is to take into account the sufficiency of internal reserves necessary for strengthening financial footing and carrying out proactive business development, and then implement a stable dividend policy. In light of the foregoing policy, the Company has targeted a dividend payout ratio (consolidated) of 30% or greater, and with the purpose of even greater return of profit to shareholders and improved capital efficiency, the Company has decided that from the term ending in March 2026 onwards that the shareholder return policy will aim for a total return ratio of at least 50%, and clarified that the amount returned will be increased in accordance with the growth of business. The Company also announced on October 31, 2024 that it would buy back up to 2 million of own shares at a cost of up to 5 billion yen to improve capital efficiency and return more profit to shareholders as part of the capital policy, and the board of directors has otherwise made appropriate and flexible decisions on dividends of surplus etc. from the viewpoint of enhancing corporate value and shareholder value in the medium-to-long term.

Explaining the reason for proposing the Shareholder Proposal, the Proposing Shareholder asserts that in principle, the general shareholders meeting has the authority to make decisions on the use of surplus under the Companies Act and that the Company's current practice eliminates deliberations on dividends of surplus at the general shareholders meeting and exclusively grants the authority to make distribution decisions

to the board of directors. However, when the “company with committees” system was introduced in 2005 (renamed to the current “company with a nominating committee, etc.” system in 2014), there was a move to promote the spread of a monitoring-type board of directors (monitoring board) by increasing the number of outside directors and the argument was advanced regarding the distribution of authority between the general shareholders meeting and the board of directors, that more of the authority should be delegated to the latter; in light of this, the Company, with the majority of its board of directors being outside directors (five out of the eight) and as a company with a nominating committee etc., believes that authorizing the board of directors to make decisions regarding dividends of surplus etc. and establishing rules enabling flexible decision-making are consistent with what a company with a nominating committee, etc. as contemplated under the Companies Act should be.

Furthermore, currently, the Ministry of Economy, Trade and Industry’s “Study Group on Corporate Governance toward the Enhancement of Earning Power” is promoting the spread of monitoring boards through such steps as the reassessment of the authority to make final decisions regarding director candidates at a company with a nominating committee, etc.; under these conditions, uniformly perceiving the grant to directors of the exclusive authority to make decisions on dividends of surplus etc. in a negative light without giving consideration to such factors as the ratio of independent outside directors or organizational design would seem likely to go against the recent movement of promoting the spread and acceptance of monitoring boards and strengthening effective corporate governance.

In light of the foregoing, the Company’s board of directors opposes the Shareholder Proposal.

Proposal (ii) The Matter of Buyback of Own Shares

(1) Opinion of the Company’s Board of Directors

The Company’s board of directors opposes the proposal of the Shareholder Proposal.

(2) Reason for Opposition

The Company considers it to be extremely important to allocate funds in a well-balanced manner to growth investments such as capital investment, research and development, and technology acquisition, to working capital on hand, and to return of profits to shareholders, and in the medium-term management plan disclosed on May 13, 2025, a cash allocation has been formulated for sustainable enhancement of the Company’s corporate value and disclosed, under which, even as borrowings are utilized

both a proactive investment strategy and ongoing strengthening of shareholder return are attained.

With this policy, in view of the Company's medium-to-long-term management strategy and management environment, the Company is paying interim and year-end dividends, flexibly buying back own shares, and otherwise seeking to improve the return to shareholders and capital efficiency. As part of this effort, on October 31, 2024, the Company announced the buyback of up to 2 million own shares at a cost of up to 5 billion yen during the period between November 1, 2024 and July 31, 2025.

Meanwhile, the Shareholder Proposal seeks, in addition to the share buyback above, an additional buyback of up to 1.7 million own shares at a cost of up to 3 billion yen within one year from the end of the annual general shareholders meeting. If such share buyback is set into action, there is a danger of a certain loss of flexibility in investment activities going forward to be carried out by the Company in accordance with the medium-term management plan, impairing the Company's medium-to-long-term corporate value and shareholder value.

For the foregoing reasons, the Company's board of directors opposes the Shareholder Proposal.

Attachment “Shareholder Proposal Details”

*The relevant statements in the Shareholder Proposal submitted by the Proposing Shareholder are posted in the original text (in Japanese).

1. Agenda items to be proposed
 - (1) Partial amendment of articles of incorporation
 - (2) Acquisition of own shares

2. Summary of proposals and reasons for submission
 - (1) Partial amendment of articles of incorporation
 - ① Summary of proposal

Delete Article 39, Paragraph 3 of the articles of incorporation. Note that if as a result of the passing of other proposals at the Annual General Meeting of Shareholders (including proposals presented by the Company), formal adjustments to the text of this Proposal become necessary (including without limitation any revision of discrepancies in the numerals in the provisions), the text of this Proposal is to be amended to read as the text after necessary adjustments have been made.

This Proposal is to be resolved before the proposal of “(2) Acquisition of own shares”, and will come into effect at the point in time it is passed at the Annual General Meeting of Shareholders.

Content of amendment

The content of the amendment is as follows.

(Underlining indicates the proposed amended portion.)

Current articles of incorporation	Proposed amendment
<p>Article 39. Dividends from Surplus etc.</p> <p>1. The Company may determine the matters set forth in the item of Article 459, Paragraph 1 of the Companies Act by a resolution of the Board of Directors.</p> <p>2. The Company shall distribute dividends from surplus (“Dividends”) in cash to shareholders or registered share pledgees who are listed or recorded in the shareholders registry as of the close of March 31 or September 30 of each year.</p> <p>3. <u>The Company shall not determine the matters set forth in the items of Article 459, Paragraph 1 of the Companies Act by a resolution of a general meeting of shareholders.</u></p>	<p>Article 39. Dividends from Surplus etc.</p> <p>1. The Company may determine the matters set forth in the item of Article 459, Paragraph 1 of the Companies Act by a resolution of the Board of Directors.</p> <p>2. The Company shall distribute dividends from surplus (“Dividends”) in cash to shareholders or registered share pledgees who are listed or recorded in the shareholders registry as of the close of March 31 or September 30 of each year.</p> <p>(Deleted)</p>

② Reason for the proposal

Under the Companies Act, the general rule is that matters such as distribution of dividends from surplus are to be decided at general meetings of shareholders (Article 454, Paragraph 1 of the Companies Act), but the current articles of incorporation of the Company do not allow for discussions relating to dividends from surplus at general meetings of shareholders, and grants the authority to make decisions on dividends exclusively to the board of directors. Such a provision misses important opportunities for the Company’s board of directors to properly understand, and reflect in its dividend policies, the intent of shareholders.

Further, according to a study concerning general meetings of shareholders conducted from July 2023 to June 2024 (Japan Institute of Business Law, “General Meetings of Shareholders White Paper 2024 Edition”, *Junkan Shoji Homu* Vol. 2376, p. 43 and onwards), of the 1,902 listed companies that responded, only 233 (12.3%) granted the authority relating to disposal of surplus exclusively to the board of directors, and the number of listed companies that had provisions in their articles of incorporation that disallowed resolutions of general meetings of shareholders relating to disposal of surplus was very rare, at only one-eighth of all such companies.

In light of the foregoing, and at the same time, for the Company's board of directors to be able to consider the flexibility of the Company's capital policies when managing crises etc., it is proposed that Article 39, Paragraph 3 of the Company's current articles of incorporation that states "The Company shall not determine the matters set forth in the items of Article 459, Paragraph 1 of the Companies Act by a resolution of a general meeting of shareholders" be deleted. By doing so, under the amended articles of incorporation, both general meetings of shareholders and the board of directors will have the authority to make decisions on matters such as dividends from surplus, and Article 39 of the articles of incorporation will become a provision that takes into account reflecting the intent of shareholders and the flexibility of capital policies.

(2) Acquisition of own shares

① Summary of proposal

Subject to the approval of the proposal of "(1) Partial amendment of articles of incorporation", pursuant to Article 156, Paragraph 1 of the Companies Act, within one year from the time of the close of the Annual General Meeting of Shareholders, acquire a total of 1,700,000 shares of the Company's ordinary shares by delivering monies for the total acquisition price of up to 3 billion yen (if, however, the total acquisition price permitted under the Companies Act (the "Distributable Amount" specified in Article 461 of the Companies Act) is less than such amount, the maximum acquisition price permitted under the Companies Act).

② Reason for proposal

The Company's management vision is "Eiken Group is dedicated to leveraging expertise as a medical testing pioneer in order to increase corporate value by protecting the health of the public with products and services that customers can trust." In response to the COVID-19 pandemic which shook the world in 2020, the Company started selling COVID-19 detection reagents in April 2020, set up a stable supply system for testing by monthly production of 500,000 tests from September 2020, and otherwise contributed to measures to combat COVID-19. Through such corporate efforts, for the March 2022 term, the Company recorded operating profits of 8.39 billion yen, a record high.

However, in the interim business plan (March 2023 term to March 2025 term) announced in April 2022, the Company had set an operating profit target of 6.25 billion yen for the March 2025 term, but the business performance for the immediate future is forecasted as 3.21 billion yen, and it is expected that the Company will realize operating profits in an amount that is only about half of what was set in the initial plan. In particular, for reasons such as pre-bidding purchase restraints in Europe and inventory adjustments of fecal occult blood test reagent, the Company's primary product, in the Company's announcement on October 31, 2024, a significant downward revision was made to the full-year forecast for operating profits from 5.66 billion yen to 3.21 billion yen

(-43%), and in the three-day period after the announcement, share prices dropped by 11%. Looking at the TSR (total shareholder return), which is an indicator of total returns to investors, at the end of March 2025, the three-year return was TOPIX + 47% to + 43% of the Company shares, and the five-year return was TOPIX + 113% to + 31% of the Company shares, which were much lower than the benchmark from a medium- and long-term perspective.

To break through such a situation, for the sustainable growth of the Company's corporate value over the medium- and long-term, employee benefits, , investments to enhance research, development, and capacity, investments in existing businesses, and other investments to grow the Company's business are some matters that are of utmost importance to management. If any surplus remains after such business investments, it would be appropriate to carry out shareholder returns in a flexible manner and improve capital efficiency. The Company's business condition and financial condition are at levels that are adequately sound, and the balance of the Company's interest-bearing debts is in a so-called "net cash" state that is less than the amount of the Company's cash and deposits. The Company has surplus cash and deposits after carrying out investments necessary for the growth of its business, and even if it considers a flexible M&A or other options, it is believed that the current cash and deposits at hand in the amount of 7.9 billion yen, and its ability to procure interest-bearing debt, are more than sufficient. For these reasons, the Proposer believes that by the Company acquiring its own shares, it would be possible to improve capital efficiency, enhance corporate value, and enhance the common interests of shareholders.

From the foregoing, the Proposer proposes that within one year from the close of the Annual General Meeting Shareholders, the Company acquire a total of 1,700,000 shares of the ordinary shares of the Company for a total acquisition price of up to 3 billion yen.

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