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May 9, 2025

For immediate release

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Notice Regarding Opinion of the Board of Directors on Shareholder's Proposals

Nitta Corporation (the "Company") hereby announces that it received a written letter seeking to make shareholder proposals (the "Written Shareholder's Proposals") on the agenda items at the 96th Ordinary General Meeting of Shareholders (the "Shareholder's Proposals") scheduled for June 26, 2025 (the "96th Ordinary General Meeting"). In response, the Board of Directors of the Company resolved at a meeting held on May 9, 2025 its opinion on the Shareholder's Proposals. Details are as follows.

1. Proposing shareholder
   Name of the shareholder: Dalton Kizuna (Master) Fund LP

2. Description of the Shareholder's Proposals
   (1) Agenda items
   (i) Amendment to the Articles of Incorporation Regarding Disclosure of Action to Implement Management that is Conscious of Cost of Capital and Stock Price
   (ii) Distribution of Surplus
   (iii) Approval of the Amount of Remuneration for the Restricted Share-based Remuneration Plan
   (iv) Amendment of the Articles of Incorporation Regarding the Proportion of Outside Directors

   (2) Description of the proposals
   As described in the Appendix, "Description of Shareholder's Proposals."
   Note that the Appendix, "Description of Shareholder's Proposals," is a faithful translation of the original Written Shareholder's Proposals.

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

Agenda item (i): Amendment to the Articles of Incorporation Regarding Disclosure of Action to Implement Management that is Conscious of Cost of Capital and Stock Price

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

The Board of Directors of the Company opposes the Shareholder’s Proposal.

(2) Reason for opposition

The Shareholder’s Proposal requests that a chapter be newly added to the Articles of Incorporation concerning initiatives related to the Tokyo Stock Exchange’s request for “action to implement management that is conscious of cost of capital and stock price.” However, under the Companies Act of Japan, the Articles of Incorporation shall stipulate the fundamental rules on the purpose, organization, activities, and other such matters of a company. Meanwhile, to implement management that is conscious of cost of capital and stock price, it is essential for a company to respond to changes in its market environment and business strategies in a prompt and flexible manner. Therefore, we believe that it is not appropriate to add the provision as proposed in the Shareholder’s Proposal to the Articles of Incorporation, which are the fundamental rules of the company.

The Company announced its action to be taken to implement management that is conscious of cost of capital and stock price on November 2, 2023. At the same time, we formulated Phase 2 of the SHIFT2030 Medium- to Long-Term Business Plan and announced it on April 1, 2025.

According to the Tokyo Stock Exchange’s request, a PBR below 1x is one indication that the company has not achieved return on capital that exceeds its cost of capital, or that investors are not seeing enough growth potential. In order to address this issue, we have set forth the following initiative policies to improve PBR: (i) growth strategy, (ii) improving capital efficiency, and (iii) strengthening shareholder returns.

In particular, to improve capital efficiency, the Company will reallocate resources by optimizing its business and product portfolio, improve business ROIC, and reduce cross-shareholdings, among other initiatives.

The Company will maximize corporate value by steadily implementing the growth strategy set forth in Phase of the SHIFT2030 Medium- to Long-Term Business Plan and by promoting management that emphasizes capital efficiency and shareholder returns.

In addition, we have recognized the fact that our profit structure is greatly affected by equity in earnings of affiliates is an important perspective for investors. Therefore, the Company will support the growth of equity-method affiliates, while disclosing their returns on capital.

As stated above, the Company has been actively undertaking concreate initiatives for “action to implement management that is conscious of cost of capital and stock price.” We will also endeavor to disclose information on our initiatives in a timely and appropriate manner so that shareholders and other stakeholders can understand progress made on such initiatives.

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

Agenda item (ii): Distribution of Surplus

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

The Board of Directors of the Company opposes the Shareholder’s Proposal.

(2) Reason for opposition

Recognizing returns of profits to shareholders to be a key management topic, the Company has established the basic policy of paying appropriate dividends that reflect financial results while continuing to strengthen and enhance its corporate foundations. In addition, as part of the initiatives to implement management that is conscious of cost of capital and stock price, the Company modified its shareholder return policy to further clarify its approach of strengthening shareholder returns and disclosed the modified policy on November 2, 2023.

During the period from FY2023 through the end of Phase 2 (FY2023 through FY2027) of the SHIFT2030 Medium- to Long-Term Business Plan, the Company will follow the above basic policy and continue stable, steadily increases in dividends (of at least 10 yen/share per year during the period), targeting a consolidated payout ratio of at least 30% and a dividend-on-equity (DOE) ratio of at least 2.5%.

Based on this shareholder return policy, the Company plans to pay a total of 74 yen per share, including an ordinary dividend of 69 yen per share and a commemorative dividend for the 140th anniversary of founding of 5 yen per share, as the year-end dividend for FY2024, resulting in the annual dividend forecast of 140 yen per share.

In line with this shareholder return policy, the Company has been implementing a stable dividend policy over a certain period of time for shareholders and intends to aim to sustainably enhance returns of profits going forward. The Shareholder's Proposal proposes the Company distribute 100% of its net income per share for the current term, effectively achieving a dividend payout ratio of 100%. Although increasing dividends from a short-term perspective like this proposal may contribute to short-term shareholders' interest, it could also hinder the enhancement of the Company's corporate value over the medium to long term. Therefore, we believe that such dividend increases will not lead to the maximization of shareholder value over the medium to long term.

The Board of Directors of the Company believes that it is important for the Company to secure funds to support its future business development and growth, emphasizing the maximization of shareholder value from a medium- to long-term perspective. Short-term dividend increases have a risk of hurting medium- to long-term shareholders' interest and may impede the implementation of future growth investments and business strategies. Therefore, we have judged that it is vital to retain our existing dividend policy that aims for stable and steady increases in dividends, while maintaining a solid financial foundation.

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

Agenda item (iii): Approval of the Amount of Remuneration for the Restricted Share-based Remuneration Plan

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

The Board of Directors of the Company opposes the Shareholder's Proposal.

(2) Reason for opposition

The Company's basic policy for Directors' remuneration plan is that the remuneration system will provide Directors with incentive to steadily achieve yearly performance targets and to promote appropriate management, and will make Directors sufficiently aware of sustainable improvement in corporate value over the medium to long term through the achievement of medium- to long-term business plan.

Remuneration for the Company's Directors excluding Outside Directors consists of fixed remuneration, performance-linked remuneration, and restricted share-based remuneration. The objective of the fixed remuneration is to pay the monetary remuneration as basic remuneration to ensure that recipients fully demonstrate qualities and abilities for driving corporate growth and meet their responsibilities. The performance-linked remuneration is monetary remuneration paid in accordance with each fiscal year's performance evaluation as an incentive to encourage appropriate management and the steady achievement of the fiscal year's performance targets. The restricted share-based remuneration is a remuneration plan introduced in FY2019, under which monetary remuneration claims are paid as assets in kind related to the granting of restricted shares, for the purpose of providing Directors with incentive to sustainably enhance the Company's corporate value, while promoting further value sharing between Directors and shareholders.

In addition, in order to ensure objectivity and transparency in determining remuneration, etc. for Directors, the Company has established the Nomination and Compensation Committee (the "Committee"), where Independent Outside Directors constitute the majority. Matters including the basic policy, remuneration plans, remuneration levels, and remuneration composition of Directors' remuneration are determined by the Board of Directors based on advice given by the Committee.

In determining the amount of remuneration for individual Directors, the Committee conducts comprehensive examinations on the details of such remuneration, including the consistency with the above-mentioned policy. Meanwhile, the Board of Directors determines the amount of remuneration for individual Directors in view of economic conditions and remuneration levels of other companies in the same industry and those of similar size, as well as the Company's business performance and business conditions based on the Committee's reports and advice.

The Shareholder's Proposal proposes that monetary remuneration claims be granted to the eligible Directors, etc., in an amount not exceeding 300 million yen per year, for the purpose of granting up to 91,000 shares of restricted shares. The plan shall be designed as a performance-linked incentive plan that includes metrics such as ROE and TSR (Total Shareholder Return), where, if the performance targets are fulfilled, restricted shares equivalent to three times the fixed remuneration will be granted cumulatively over the next three years.

However, the details of the Shareholder's Proposal deviate substantially from the Company's basic policy for Directors' remuneration, significantly skewing the balance among the basic remuneration, performance-linked remuneration, and share-based remuneration paid as non-monetary remuneration, etc., with too much weight on share-based remuneration. Therefore, we believe the proposed plan is not appropriate for the remuneration system for Directors of the Company.

The Company reviews its corporate governance on a regular basis, and will continue examinations to find better measures on what Directors' remuneration should be from a perspective of making such remuneration an incentive to improve the Company's performance and to increase its corporate value over the medium to long term.

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

Agenda item (iv): Amendment of the Articles of Incorporation Regarding the Proportion of Outside Directors

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

The Board of Directors of the Company opposes the shareholder's proposal.

(2) Reason for opposition

The Company established the Nomination and Compensation Committee, chaired by an independent outside director and consisting of a majority of independent outside directors, as an advisory body for the Board of

Directors, to assure impartiality and fairness in selecting directors. The selection of candidates for the Board of Directors is determined by the Board of Directors based on the advice and proposals of the Nomination and Compensation Committee. The same procedure has been applied to the selection of the candidates to be presented to the 96th Ordinary General Meeting.

The Company has defined the requisite skills of the members of the Board so that the Board as a whole provides the required skills, knowledge, and experience, while ensuring diversity among its members. The Nomination and Compensation Committee selects candidates for the Board of Directors to strike a satisfactory balance between internal human resources familiar with the Company's duties and outside human resources who provide highly specialized skills and experience. The Committee pays due consideration to the Japan's Corporate Governance Code, as well as the Company's succession plan and skill certification standards and makes recommendations and offers advice to the Board of Directors on such basis.

The composition of our Board of Directors has wide-ranging support among our shareholders. Each proposal for the election of directors at our June 2024 Ordinary General Meeting of Shareholders had an approval rate of 95% or better.

At the 96th Ordinary General Meeting, the composition of the Board of Directors proposed by the Company will consist of three independent outside directors among the eight directors. This meets the Corporate Governance Code requirement for prime market listed companies, requiring at least one-third of directors be comprised of independent outside directors. The three independent outside directors—a corporate executive, an attorney, and a certified public accountant—are highly specialized and experienced professionals who offer deep insights into corporate governance. One is a woman.

Our Board of Directors has confirmed and determined that the Board of Directors composed of the candidates proposed by the Company will maintain adequate independence; is ideally equipped to execute and supervise Company management and to achieve the goals of SHIFT2030, the Company's medium- and long-term management plan, in accordance with the Company's group philosophy; and will contribute to the Company's sustainable growth and enhancement of corporate value over the medium to long term. This is part of efforts to confirm that our governance structure serves the best interests of our shareholders.

We believe the inclusion of a provision in the Articles of Incorporation as proposed by this shareholder may, to the contrary, limit the scope of selection of director candidates and hinder efforts to identify the optimal composition of the Board of Directors.

For these reasons, the Board of Directors opposes this shareholder's proposal.

(Appendix, “Description of Shareholder’s Proposal”)
* This is a faithful translation of the original Proposing Shareholder’s proposal.

I. Proposed Agenda Items

1. Amendment to the Articles of Incorporation Regarding Disclosure of Action to Implement Management that is Conscious of Cost of Capital and Stock Price
2. Distribution of Surplus
3. Approval of the Amount of Remuneration for the Restricted Share-based Remuneration Plan
4. Amendment to the Articles of Incorporation Regarding the Composition of Outside Directors

II. Summary and Reason for Proposal

1. Amendment to the Articles of Incorporation Regarding Disclosure of Action to Implement Management that is Conscious of Cost of Capital and Stock Price

(1) Summary of Proposal

Add the following provision to the Company’s Articles of Incorporation.

(The underlined parts indicate the amendments.)

Before amendment	After amendment
<u>(Newly established)</u>	<u>Chapter 7 Disclosure</u> <u>(Disclosure Regarding Management Conscious of Cost of Capital and Stock Price)</u> <u>Article 43: As long as the Company remains a listed company, it shall verify the appropriateness of its initiatives and disclosures based on the “Key Points and Examples Considering The Investor’s Point of View in Regard to Management Conscious of Cost of Capital and Stock Price” (hereinafter referred to as the “Key Points and Examples”) published by the Tokyo Stock Exchange on February 1, 2024, and disclose the details of such initiatives in accordance with the items set forth in the Key Points and Examples in its Corporate Governance Report and on the Company’s website.</u>

(2) Reason for Proposal

Our firm agrees with the purpose of the “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” (hereinafter referred to as the “TSE Request”) that the Tokyo Stock Exchange requested of all listed companies on the Prime and Standard Markets as of March 31, 2023. In addition, in order to ensure that responses to the TSE Request are not merely formalities but are highly effective, we believe it is important to continuously verify initiatives based on the “Key Points and Examples Considering the Investor’s Point of View in Regard to Management Conscious of Cost of Capital and Stock Price” (hereinafter referred to as the “Key Points and Examples”) published by the Tokyo Stock Exchange on February 1, 2024.

The Company has already disclosed its initiatives in response to the TSE Request, and we particularly commend the disclosure of its efforts to improve capital efficiency, such as quantitative targets for business ROIC and investment decisions conscious of the capital cost of 7% in Phase 2 of the SHIFT2030 Medium- to Long-Term Business Plan. However, the Company’s PBR has remained around the 0.6x level, significantly below 1x, indicating that the stock market evaluates the Company’s stock price below its liquidation value. According to the TSE Request, a PBR below 1x is one indication that the company has not achieved return on capital that exceeds its cost of capital, or that investors are not seeing enough growth potential. In order to appropriately respond to the TSE Request, the Company is required to take further initiatives and put them into practice.

The Company’s main pillar of earnings comes not only from operating income, which is revenue earned by each business segment, but also from equity in earnings of affiliates, which is revenue from equity-method affiliates. Therefore, investors evaluate the Company by taking these affiliates into account. However, the Company’s quantitative targets do not include disclosure of ROE, an indicator of the Company’s overall capital efficiency. This is insufficient as a disclosure that considers the investor’s point of view, the intended purpose of the TSE Request. In addition, while the Company discloses items related to cash allocation, it does not provide specific figures for shareholder returns, growth investment funds, or working capital. This represents an insufficient disclosure from the perspective of whether the balance sheet is in an efficient state, a viewpoint mentioned in the Key Points and Examples. We believe that by disclosing these specific details, the Company can better meet the expectations of shareholders and investors who take a medium- to long-term view, in line with the purpose of the TSE Request.

2. Distribution of Surplus

(1) Summary of Proposal

(i) Type of dividend assets

Cash

(ii) Allocation of dividend assets and the total amount of dividends

The amount obtained by subtracting the dividend proposed by the Company (the “Company’s Proposed Dividend”) from 347 yen per share of the Company’s common stock shall be added to the Company’s Proposed Dividend and distributed as dividends.

The Company’s Proposed Dividend refers to the amount of dividend per share of the Company’s common stock based on the proposal for distribution of surplus, as proposed by the Board of Directors and approved at this Ordinary General Meeting of Shareholders. Furthermore, if the amount obtained by multiplying the net income per share for the 96th fiscal year by 100% (rounded down to the nearest whole number; hereinafter referred to as the “Actual EPS 100% Amount”) and subtracting the interim dividend of 66 yen differs from 347 yen, the aforementioned 347 yen shall be replaced with the amount obtained by subtracting the interim dividend of 66 yen from the Actual EPS 100% Amount.

The total dividend amount shall be the amount calculated by multiplying the aforementioned dividend amount per share of common stock by the number of shares eligible for dividend as of March 31, 2025.

(iii) Effective date of distribution of surplus

The business day following the date of this Ordinary General Meeting of Shareholders

Note that this proposal is being submitted as an additional proposal that is independent of, and compatible with, any proposal for distribution of surplus submitted by the Company at this Ordinary General Meeting of Shareholders.

(2) Reason for Proposal

This proposal to distribute 347 yen per share of common stock as an annual dividend is based on the idea that the Company should distribute 100% of its net income, effectively achieving a dividend payout ratio of 100%. As of December 31, 2024, the Company holds 37.3 billion yen in cash, deposits, securities, and investment securities (bonds), and an additional 13.7 billion yen in strategic shareholdings. The total of these assets amounts to approximately 51.0 billion yen, equivalent to about 50% of the Company's market capitalization as of March 31, 2025. The accumulation of cash assets beyond the Company's operational needs leads to a decline in capital efficiency and impairment of corporate value. Furthermore, the Company's PBR remains around 0.6x, significantly below 1x, indicating that the Company's shares are valued below their liquidation value. It is unacceptable for shareholders to leave such undervaluation unaddressed.

The Company's current dividend policy targets a consolidated payout ratio of at least 30% or higher and a dividend-on-equity (DOE) ratio of at least 2.5%, achieving continued stable, steady increases in dividends (of at least 10 yen/per share per year during the period). However, under this dividend policy, the Company's equity capital will continue to increase, leading to further accumulation of cash assets and a decline in capital efficiency. Therefore, to improve the situation of PBR being below 1x and to promote management that is more conscious of stock price performance, we propose that the Company return 100% of its net income to shareholders as dividends, thereby reducing cash assets, enhancing capital efficiency, and ultimately increasing shareholder value.

3. Approval of the Amount of Remuneration for the Restricted Share-based Remuneration Plan

(1) Summary of Proposal

At the Ordinary General Meeting of Shareholders held on June 25, 2020, it was approved that the maximum amount of remuneration for the Company's Directors shall be up to 300 million yen per year (including 30 million yen for Outside Directors). Separately, at the Ordinary General Meeting of Shareholders held on June 21, 2019, it was approved that share-based remuneration shall be limited to 100 million yen per year, with a maximum of 50,000 shares granted annually (Outside Directors are not eligible for the grant). However, it is now proposed that monetary remuneration claims be granted to the Company's Directors and Executive Officers eligible for the restricted share-based remuneration plan, in an amount not exceeding 300 million yen per year, for the purpose of granting up to 91,000 shares of restricted shares.

The specific timing and allocation of the grant will be determined by the Board of Directors. However, the plan shall be designed as a performance-linked incentive plan that includes metrics such as ROE and TSR (Total Shareholder Return), where, if the performance targets are fulfilled, restricted shares equivalent to three times of the fixed remuneration will be granted cumulatively over the next three years.

(2) Reason for Proposal

We believe that one of the fundamental weaknesses of Japanese boards of directors is the low level of shareholdings by individual directors, which results in a lack of alignment with shareholders' perspectives. At the Company as well, each director holds only a limited number of shares, and the majority of their economic benefits consists of fixed base remuneration. While part of the remuneration is linked to performance, we believe that the core purpose of restricted share-based remuneration—sharing value with shareholders—is not being fully achieved. It is essential to provide directors with economic incentives that promote the sustainable enhancement of corporate value and to align their interests with those of shareholders, so that the benefits of increased corporate value can be shared together.

The guideline for effective share-based remuneration to promote value sharing between directors and shareholders is generally considered to be an amount equivalent to three times the fixed remuneration. Although the Company has introduced a restricted share-based remuneration plan, in the 95th fiscal year (from April 1, 2023 to March 31, 2024), Directors (excluding Outside Directors) received 128 million yen in fixed remuneration, while share-based remuneration amounted to only 40 million yen, just 31% of fixed remuneration. At this pace, it would take approximately 10 years for Directors to accumulate shareholdings equivalent to three times their fixed remuneration, the level considered effective for value sharing between directors and shareholders. Restricted share-based remuneration is meaningless if not granted during the Directors' term of office. Accordingly, it is necessary to grant such shares at a meaningful scale within a shorter time frame.

In Europe and the United States, nearly all major listed companies have adopted shareholding guidelines requiring executives to hold a certain amount of shares that is deemed necessary to ensure value-sharing with shareholders for a specified period of time. After a grace period of several years, it is common practice for top management to hold shares equivalent to three to five times their base remuneration, and even for outside directors to hold shares equal to at least one time their remuneration. We believe that the Company's Directors and other members of management should also aim to achieve a level of share ownership that is in line with global standards, rather than remain bound by past norms. To that end, we propose that the Company should demonstrate its commitment through appropriate disclosure and formulate shareholding guidelines.

4. Amendment of the Articles of Incorporation Regarding the Proportion of Outside Directors

(1) Description of the proposal

The proposal is to amend Article 18 of the Company's Articles of Incorporation as follows to require that the majority of the Company's directors be outside directors.

(The proposed change is underlined.)

Before change	After the proposed change
(Number of directors) Article 18. The Company shall have no more than nine directors. 2 (Newly Established)	(Number of directors) Article 18. The Company shall have no more than nine directors. 2 As long as the Company remains a listed company, a majority of the directors of the Company shall be outside directors as defined in Article 2, paragraph 1, item 15 of the Companies Act.

(2) Reasons for the proposal

We believe that board diversity and independence are essential to the management of today's listed companies. A board with diversity is able to make management decisions from a broader range of perspectives, resulting from differences in skills, experience, age, nationality, and gender.

Principle 4.8 of Japan's Corporate Governance Code states the following: "Independent 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 of their directors as independent directors (two directors if listed on other markets) 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 (at least one-third of directors if listed on other markets) as independent 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 directors." In addition, Principle 4.7 of the Corporate Governance Code states that one of the roles and responsibilities of independent outside directors is "Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders."

Currently, three of the Company's eight directors are outside directors. This meets the requirements of the principles of the Corporate Governance Code. However, we believe we would be better positioned to establish a more proactive governance structure if the majority of directors were outside directors. Doing so would increase capital efficiency and shareholder returns and more effectively contribute to the Company's sustainable growth and medium- to long-term corporate value.

In addition to their number, the qualifications of the outside directors must be such that they can contribute to the Company's sustainable growth and corporate value over the medium to long term. In this regard, the Company should consider appointing women and highly experienced and skilled analysts.

We believe that the appointment of “highly experienced and skilled analysts” is an effective way to bring the perspective of outside investors and shareholders to the board of directors, while at the same time contributing to the enhancement of corporate value through sound risk-taking. Although the board of directors of a listed company and investors/shareholders share the same goal of long-term enhancement of corporate value, unfortunately in Japan, they are often perceived as being in opposition to each other. Involving directors with the experience and skills mentioned above in board discussions and decision-making would make the relationship between the board and the stock market more constructive through sound risk-taking, capital allocation and better communication with the market. Often it is explained that bankers and accountants are responsible for the finance portion of the skills matrix, but we believe that, from the perspective of promoting “sound risk-taking”, expertise in accounting and debt markets alone is not sufficient, and that is where the significance of equity market professionals lies.