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To all parties concerned,

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Notice on the Opinion of the Board of Directors on the Shareholder Proposal

The Company has received a written notice from a shareholder (the “Shareholder Proposal Document”) stating its intention to submit a shareholder proposal (the “Shareholder Proposal”) regarding the agenda items and proposals for the 150th Ordinary General Meeting of Shareholders scheduled to be held on March 27, 2025 (the “Ordinary General Meeting of Shareholders”). At the Board of Directors meeting held today, the Board of Directors resolved to oppose the Shareholder Proposal. Accordingly, the Company hereby announces the following.

1. Proposing Shareholder

Shareholder: Nippon Active Value Fund plc

2. Details of the Shareholder Proposal

(1) Agenda Items

- (i) Revision of the amount of remuneration under the Restricted Share Remuneration System
- (ii) Acquisition of treasury stock
- (iii) Amendment to the Articles of Incorporation with respect to Number of External Directors

(2) Details of the Proposal

The details of the proposal are as set out in the attached “Details of the Shareholder Proposal.”

The attached “Details of the Shareholder Proposal” contains relevant excerpts from the Shareholder Proposal Document submitted by the proposing shareholder in their original form.

3. Opinion of the Board of Directors on the Shareholder Proposal

(1) “Revision of the amount of remuneration under the Restricted Share Remuneration System”

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

The Board of Directors opposes the Shareholder Proposal regarding the “Revision of the amount of remuneration under the Restricted Share Remuneration System.”

(ii) Reason for Opposition

The Company’s director remuneration system is designed based on the fundamental policy of ensuring a remuneration level that enables the Company to secure and retain the necessary management personnel. Under that policy, remuneration is structured according to the nature of each director’s duties. For executive directors, it serves as an incentive to drive medium- to long-term corporate value enhancement, while for outside directors, it is aligned with their respective duties.

The remuneration structure for the Company’s directors (excluding outside directors) consists of basic salary, bonuses, and share remuneration. The Company has introduced the Restricted Share Remuneration System with the aim of providing incentives to enhance the Company’s medium- to long-term performance and sustain corporate value growth, while also promoting greater alignment of interests with shareholders. Furthermore, the remuneration structure for outside directors consists solely of the basic salary, as outside directors are responsible for overseeing the execution of duties by the Company’s executives.

The Company has established a Nominating and Remuneration Committee, in which outside directors and outside audit & supervisory board member, who are independent board members, constitute the majority of members. That committee is intended to ensure objectivity and transparency in decisions regarding directors’ remuneration. The design of the directors’ remuneration system is determined by the Board of Directors based on advice from the Nominating and Remuneration Committee. Additionally, when determining the details of the remuneration of an individual director, the Nominating and Remuneration Committee conducts a comprehensive review, including assessing consistency with the aforementioned policy. The Board of Directors and the Representative Director make decisions while respecting the results of deliberations by the Nominating and Remuneration Committee.

The Company’s directors’ remuneration system is determined by taking into account factors such as the Company’s performance and operations, as well as economic conditions and the remuneration levels of other companies in the same industry and of similar size. Under that system, the shareholder proposal to set, separately from the

annual amount of base salary and to grant monetary compensation claims for the grant of restricted shares, the maximum amount of compensation to directors (excluding outside directors) at 440 million yen in total per year and the maximum number of shares to be granted at 176,000 shares, and the maximum amount of compensation to outside directors at 60 million yen in total per year and the maximum number of shares to be granted at 24,000 shares is an excessively large remuneration limit that lacks balance at this time given the Company's size and performance level, and the remuneration levels of companies in the same industry and of similar size. Additionally, with respect to the grant of restricted share remuneration to outside directors, the Company believes that such a grant may not be appropriate given that outside directors are responsible for overseeing the execution of duties by the Company's executives.

The Board of Directors therefore opposes the Shareholder Proposal regarding the "Revision of the amount of remuneration under the Restricted Share Remuneration System."

(2) Acquisition of treasury stock

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

The Board of Directors opposes the shareholder proposal regarding the "Acquisition of treasury stock."

(ii) Reason for Opposition

Under its corporate philosophy that "the finest quality is the best service," the Company believes that a manufacturer's mission is to continuously refine its technological capabilities and bring new products to market. Based on this belief, the Company has long allocated approximately 5% of its net sales to research and development investments aimed at new product development and quality improvement. As a result, the Company has been able to continuously bring high-value-added, high-quality products to market. This approach has allowed the Company to develop hit products that have contributed to sustained sales over the long term. The Company's products are not brought to market within a single year or just a few years; rather, they are the result of long-term research and development efforts. The Company operates under a business model that requires significant time from development to commercialization, which is one of its defining characteristics.

The Company views its ability to develop new products—made possible by sustained long-term investment in research and development—as the foundation of its growth. For this reason, its financial and capital strategies are designed with a long-term perspective spanning several decades.

The Company has also continuously paid dividends for 77 years since 1948. Moreover, during a span of 22 years from 2002 to 2024, the Company has maintained a progressive dividend policy without any reductions. The Company has also increased its dividends for 15 consecutive years since 2010. Additionally, the Company has continuously conducted share buybacks, as noted in the [Reference] section below. The shareholder return target of at least 7.5 billion yen set in the “Medium-Term Management Plan 2022–2024” has also been significantly exceeded, reaching 10.5 billion yen. In this way, the Company is steadily implementing both growth investments aimed at its envisioned future and shareholder returns.

The Company maintains cross-shareholdings as part of its business strategy for purposes such as ensuring stable and continuous financial relationships, securing financing, forming business alliances, maintaining and strengthening business relationships, and ensuring stable procurement of raw materials. In addition, even in cases where there is no direct business relationship, the Company might hold shares if it determines, from a medium- to long-term perspective, that those holdings are necessary from the perspective of the development and growth of its business. The Board of Directors conducts an annual review of those holdings, and the Company continues to hold shares only if it determines that doing so continues to be reasonable based on the results of those reviews.

While the Company is implementing the above growth investments and shareholder return initiatives, the proposed acquisition of treasury stock at approximately 15 billion yen within one year under the shareholder proposal could undermine the financial resources for growth investments and hinder the sustainable enhancement of the Company’s medium- to long-term corporate value. As a result, the Company has determined that this proposal would not be in the best interests of its shareholders. The Company believes that the acquisition of treasury stock should not be carried out based on the timing and amount specified in the shareholder proposal but should instead be conducted by taking a comprehensive approach that considers factors such as performance, financial conditions, and share price levels.

The Board of Directors therefore opposes the shareholder proposal regarding the “Acquisition of treasury stock.”

[Reference] Status of Treasury Stock Acquisitions by the Company

	2020	2021	2022	2023	2024
Shares Acquired (shares)	289,300	141,100	958,900	660,600	643,700
Acquisition Amount (million yen)	451	174	1,257	925	1,540

(3) “Amendment to the Articles of Incorporation with respect to Number of External Directors”

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

The Board of Directors opposes the shareholder proposal regarding the “Amendment to the Articles of Incorporation with respect to Number of External Directors.”

(ii) Reason for Opposition

The Company has established a Nominating and Remuneration Committee to ensure objectivity and transparency in the nomination of directors and decisions regarding their remuneration. Matters related to director nomination proposals submitted to General Meetings of Shareholders, the appointment of the Representative Director and directors with titles, as well as the nomination of other directors and delegated executive officers, are determined by the Board of Directors based on advice from the Nominating and Remuneration Committee. Additionally, the Nominating and Remuneration Committee is structured so that a majority of the directors who are members are outside directors who are independent directors. To further strengthen external perspectives, independent outside audit & supervisory board members also serve as committee members.

The Company believes that it is important for the Board of Directors to be composed in a well-balanced manner with members who possess sufficient knowledge, experience, and capabilities. Candidates for director are appointed while considering the balance of those skills and diversity. When nominating candidates for internal director, the Company considers factors such as outstanding character, extensive experience and knowledge, expertise, management capabilities, and a strong sense of ethics. Candidates are appointed while ensuring balance and diversity across the Board of Directors as a whole. For outside directors, the Company appoints candidates who possess knowledge, experience, and expertise in corporate management and who can contribute to the Company’s sustainable growth and the enhancement of its medium- to long-term corporate value. At the Ordinary General Meeting of Shareholders, the Company will designate four out of the nine proposed director candidates as outside director candidates.

The Company’s Board of Directors is composed of internal directors who have extensive experience, expertise, and deep familiarity with the Company’s operations, along with multiple outside directors who possess knowledge, experience, and expertise in corporate management. The Company believes that the Board is structured with an appropriate number of members to ensure a balanced mix of skills and diversity, allowing for active discussions.

As explained above, the Board of Directors, composed of the director candidates proposed by the Company, maintains sufficient independence and is optimally structured with members who possess sufficient knowledge, experience, and capabilities. The

Company believes that it has already established a governance structure that contributes to its sustainable growth and the enhancement of its medium- to long-term corporate value, without the need to amend the Articles of Incorporation as proposed in the Shareholder Proposal. On the other hand, establishing a provision in the Articles of Incorporation as proposed in the Shareholder Proposal could instead limit the range of director candidates and potentially hinder the ability to evaluate and structure the optimal Board of Directors as needed in the future.

The Board of Directors therefore opposes the shareholder proposal regarding the “Amendment to the Articles of Incorporation with respect to Number of External Directors.”

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(Attachment, “Details of the Shareholder Proposal”)

* Excerpts from the Shareholder Proposal Document submitted by the proposing shareholder are presented in their original form.

I. Proposed Agenda Items

1. Revision of the amount of remuneration under the Restricted Share Remuneration System
2. Acquisition of treasury stock
3. Amendment to the Articles of Incorporation with respect to Number of External Directors

II. Outline of and Reasons for Proposals

1. Revision of the amount of remuneration under the Restricted Share Remuneration System

(1) Outline of the Proposal

To grant monetary compensation claims for the grant of restricted shares under the restricted share compensation plan (the “Plan”), the amount of compensation to Directors (excluding External Directors and Directors who are members of the Audit and Supervisory Committee) who are subject to the Plan shall be set separately from the annual amount of base salary and shall not exceed 440 million yen in total per year, and the maximum number of shares to be granted shall be 176,000 shares. In addition, to grant monetary compensation claims for the grant of restricted shares, the amount of compensation to External Directors and Directors who are members of the Audit and Supervisory Committee subject to the Plan shall be set at a total annual amount not exceeding 60 million yen, and the maximum number of shares to be granted shall be 24,000 shares. The Board of Directors shall determine the specific timing and allocation of payment.

(2) Reason for the Proposal

At the Company’s 145th Ordinary General Meeting of Shareholders held in March 26, 2020, a resolution was passed to set the annual total amount of compensation for the grant of restricted stock to Directors (excluding External Directors) at JPY 100 million or less, but this amount is extremely small, and since External Directors are excluded from the Eligible Directors, it cannot be said that the purpose of the restricted stock compensation system, i.e., the alignment of interest between Directors and shareholders, is sufficiently promoted.

Looking at the actual grant results for the Company’s 149th fiscal year (from January 1, 2023 to December 31, 2023), restricted stock compensation was equivalent to JPY 27

million compared to the fixed compensation of JPY 226 million, which is only 11.95% of the fixed compensation. At this pace, it will take approximately 25 years to reach three times the amount of fixed remuneration, which is considered to be a standard for effective stock remuneration to align interest between Directors and shareholders. For the purpose of alignment of interest between Directors and shareholders, restricted stock compensation is meaningless unless it is granted during a Director's term of office, but since it cannot be based on a 25-year term of office, a certain amount must be granted in a shorter period of time.

In addition, we believe that the Company should establish stock ownership guidelines for the restricted stock compensation plan and set the target for acquisition of the Company's own shares by Directors during their term of office at an amount equivalent to three times the fixed base compensation, and disclose the status of acquisition of the Company's own shares by individual Directors in the corporate governance report submitted to the Tokyo Stock Exchange by the Company.

2. Acquisition of treasury stock

(1) Outline of the Proposal

Pursuant to Article 156, Paragraph 1 of the Companies Act, within one year from the conclusion of this Ordinary General Meeting of Shareholders, the Company will acquire up to 6,168,000 shares of its common stock for a total acquisition price of 15,420,000,000 yen by means of cash payment.

(2) Reason for the Proposal

The Company's stock price has been stagnant during 2024. The Company has approximately 52.1 billion yen in cash and 23.8 billion cross holdings, and its capital efficiency is inadequate. Therefore, in order to further increase the Company's shareholder return and improve capital efficiency, we believe that the Company should adopt measures to acquire approximately 10% of its total outstanding shares as treasury stock and cancel such treasury stock under Article 178 of the Companies Act.

3. Amendment to the Articles of Incorporation with respect to Number of External Directors

(1) Outline of Proposal

Article 19 of the Company's Articles of Incorporation shall be amended as follows in order to have a majority of the Company's External Directors.

Before Amendment

Article 19 Number of Directors

1. The number of Directors of the Company shall be eleven (11) or less.

2. (Newly established)

After Amendment

Article 19 Number of Directors

1. The number of Directors of the Company shall be eleven (11) or less.

2. A majority of the Company's Directors shall be External Directors as defined in Article 2, Paragraph 1, Item 15 of the Companies Act.

(2) Reason for the Proposal

Principle 4-8 of the Corporate Governance Code states that “Independent external directors should fulfill their roles and responsibilities so as to contribute to the sustainable growth of the company and the enhancement of its corporate value over the medium to long term. Prime market listed companies should appoint at least one-third or more independent external directors with sufficient such qualities. Notwithstanding the above, Prime Market listed companies that consider it necessary to appoint a majority of independent external directors by comprehensively taking into account the industry, size, business characteristics, institutional design, and environment surrounding the company should appoint a sufficient number of independent external directors. In addition, Principle 4-7 of the Corporate Governance Code states that one of the roles and responsibilities of independent external directors is to “appropriately reflect the opinions of minority shareholders and other stakeholders in the Board of Directors from a standpoint that is independent of management and controlling shareholders.”

Although the Company has three external directors out of nine directors, which satisfies the requirement of one-third or more, we believe that the Company can improve capital efficiency, return profits to shareholders, and establish a governance structure that contributes to the Company’s sustainable growth and medium to long-term corporate value by more proactively having a majority of external directors on the Board.

In addition to the number of external directors, we believe that the qualifications of external directors should be such that they can contribute to the Company’s sustainable growth and medium to long-term improvement of corporate value, and in this regard, the Company should consider appointing equity analysts with a high level of experience and skills. The appointment of “highly experienced and skilled equity analysts” will bring the perspective of outside investors and shareholders to the Board of Directors, and at the same time, we believe it is an effective means of contributing to the enhancement of corporate value through sound risk-taking. Although the Boards of Directors of listed companies and investors/shareholders share the same goal of increasing corporate value over the long term, unfortunately in Japan, the two are often viewed as adversaries. We believe that having

directors with the experience and skills mentioned above participate in Board discussions and decision-making will help to make the relationship between the Board and the stock market more constructive through sound risk-taking and capital allocation, as well as better communication with the market. It is often explained that bankers and accountants are responsible for the finance portion of the Board's skill matrix, but from the perspective of promoting "sound risk-taking," we believe that expertise in accounting and debt markets alone is not sufficient, and that is where the appointment of equity market professionals is significant.

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