



MEMBERSHIP

February 14, 2024

To whom it may concern,

Company name: artience CO., LTD.  
Representative: Satoru Takashima, President and  
Representative Director  
(Code No. 4634 Tokyo Stock Exchange Prime Market)  
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### Notice Regarding Opinions of the Board of Directors on Shareholder Proposal

artience Co., Ltd. (hereinafter “the Company”) has received a letter (hereinafter the “Shareholder Proposal Letter”) from its shareholder NORTHERN TRUST CO.(AVFC) RE NVI01 (agent: Nippon Value Investors KK (hereinafter the "Proposing Shareholder") to the effect that a shareholder proposal (hereinafter the “Shareholder Proposal”) will be submitted as an agenda item at the 186th Annual General Meeting of Shareholders to be held on March 26, 2024. However, the Company hereby announces that, at a meeting of the Board of Directors held today, it resolved to oppose the Shareholder Proposal as described below.

1. Details and reasons for the Shareholder Proposal
  - (1) Agenda  
Purchase treasury shares
  - (2) Details of the agenda  
As stated in the attached "Details of the Shareholder Proposal." The Attachment “Details of the Shareholder Proposal” is the original text of the relevant parts of the Shareholder Proposal Letter, which has been submitted by the Proposing Shareholder.
2. Opinions of the Board of Directors regarding the shareholder proposal
  - (1) Opinion of the Company’s Board of Directors  
The Board of Directors opposes the Shareholder Proposal.
  - (2) Reason for the opposition  
The Company changed its trade name to artience Co., Ltd. in January 2024 in order to become

a company that will deliver the “value that resonates with the senses” and moves people’s hearts and minds in response to the changes in values demanded by society, and formulated "artience 2027," a new medium-term management plan (hereinafter the "Medium-term Management Plan") and announced the plan today (Details of the plan are to be announced on February 19). In the Medium-term Management Plan, we are emphasizing business activities with business portfolio transformation, maximizing capital efficiency and cash flow, and the establishment of corporate foundations and sustainability management practices as key management issues, with the aim of maximizing corporate value while contributing to a future where all people can live enriched lives and a sustainable society over the medium to long term based on the trust we have built up over the years.

For our business portfolio transformation, we plan to create key sources of revenue by focusing our management resources on the Mobility & Battery Related Businesses and Display & Advanced Electronics Related Businesses, which are strategic priority business groups, while striving to increase the profitability of existing businesses by expanding business in overseas growth areas and promoting structural reforms, including bold resource allocation.

During the period of the Medium-term Management Plan, we plan to invest a total of 60 billion yen, significantly exceeding the 46.8 billion yen, which is the investment amount in the previous medium-term management plan, including 30 billion yen to be invested in the business of CNT dispersion for lithium-ion batteries (LiB), a business related to mobility and batteries, in addition to capital investments of 30 billion yen mainly targeting existing businesses. We aim to record net sales of 400 billion yen and operating profit of 25 billion in the fiscal year ending December 31, 2026 by making existing businesses more profitable through these active investments and steadily capturing increasing demand in the rapidly growing global EV-related market.

Meanwhile, given that improving capital efficiency and securing cash flows are important management issues in order to support these growth initiatives, we plan to reduce the working capital of the entire Group through cash conversion cycle (CCC) improvement activities, promote business efficiency through the introduction of business-specific ROIC, and sell assets. Particularly with regard to cross-shareholdings, we sold cross-held shares of 13.1 billion yen during the period of the previous medium-term management plan, and the ratio obtained by dividing the sum of "investment securities held for purposes other than pure investment purposes" and "deemed shares held" in the securities report by net assets was 7.9% as of the end of December 2023. In addition, during the period the Medium-term Management Plan, we are firmly maintaining our policy of reducing cross-shareholdings, including our plan to sell shares worth 10 billion yen or more.

We also recognize shareholder returns as an important management issue. The Company's basic policy with regard to dividends is to continuously pay stable dividends while ensuring a

stable business foundation over many years. We are also making efforts for shareholder returns through the flexible share buybacks while comprehensively taking into account cash flows, internal reserves, and the share price level, etc. During the period of the previous medium-term management plan, we purchased treasury shares of 10.7 billion yen, in addition to paying a stable annual dividend of 90 yen per share, resulting in shareholder returns that far exceeded the total return ratio of 50%. In the Medium-term Management Plan, we have set a total return ratio of 50% or more as the target shareholder returns and plan to make further growth investments and share buybacks in a flexible manner when sufficient profits are secured while maintaining stable dividends as a basic policy. With regard to share buybacks, given that Article 7 of the Company's Articles of Incorporation stipulates that we may buy back treasury shares by resolution of the Board of Directors, we have a system that allows us to flexibly buy back treasury shares based on resolutions of the Board of Directors without requiring a resolution at a general meeting of shareholders. We have been carrying out share buybacks based on timely and appropriate judgments, as shown in the track record of our share buybacks during the period of the previous medium-term management plan mentioned above.

We believe that the steady implementation of these policies will lead to the Company's medium- to long-term growth and will ultimately contribute to enhancing corporate value and benefiting the shareholders. Therefore, in the Medium-term Management Plan, we have set an ROE of 7.0% or more, which exceeds the cost of capital and an ROE of 10% as targets for the fiscal year ending December 31, 2029 when investment recovery is expected to progress.

In contrast, the Shareholder Proposal calls for the buyback of approximately 15.4 billion yen of own shares within one year from the conclusion of the 186th Annual General Meeting of Shareholders, using the proceeds from the sale of cross-shareholdings as capital. Regarding cross-shareholdings, although we verify the economic rationality of each individual stock from a medium- to long-term perspective at the Board of Directors to promote the reduction of the number of stocks whose holdings have become less meaningful, we believe that timely and appropriate judgments should be made regarding the target of the sale and the scale and timing of the sale.

In addition, while we intend to achieve a total return ratio of 50% or more regarding shareholder returns, we believe that a share buyback of approximately 15.4 billion yen as stated by Proposing Shareholder is too excessive, given that, including the dividend amount based on the forecast dividend of 90 yen per share, shareholder returns would be 20 billion yen or more, which is more than 200% of our planned profit of 10 billion yen for the fiscal year ending December 31, 2024, and equivalent to approximately 16% of the 9.5 billion yen cash inflow (operating cash flows, financing by setting the right to demand earnings distribution, sale of cross-

shareholdings, etc.) during the period of the Medium-term Management Plan. We also believe that carrying out share buybacks on this scale in one year will not help enhance the corporate value over the medium to long term, nor will it lead to the common interests of shareholders. Therefore, we believe that the scale and timing of share buybacks should be determined and implemented by comprehensively taking into account factors such as cash flows, share price levels, and the balance with growth investments.

For all these reasons, the Board of Directors of the Company opposes the Shareholder Proposal.

[Attachment]

## Details of the Shareholder Proposal

\*The relevant parts of the Shareholder Proposal submitted by the Proposing Shareholder are posted in their original text, with the exception of formatting changes.

### Purchase treasury shares

#### 1. Details of proposal

Within one year of the conclusion of this Annual General Meeting of Shareholders pursuant to Article 156, Paragraph 1 of the Companies Act, the Company should purchase shares of its common stock by the delivery of cash, up to a total of 5,845,700 shares and a total acquisition price of 15,386,400,000 yen (however, when the total acquisition price permitted by the Companies Act (the "distributable amount" as defined in Article 461 of the Companies Act) is less than the said amount, the upper limit of the acquisition price permitted by the Companies Act).

#### 2. Reason for proposal

- The proposed amount of share buybacks of approximately 15.4 billion yen in the agenda is equivalent to approximately 10% of the Company's retained earnings as of the end of September 2023. The agenda item is a proposal intended to optimize the situation in which, while our ROE remains at a low level of around 4%, the Company is allocating approximately 24% of its net assets to cross-shareholdings, etc. (approximately 61.5 billion yen as of the end of September 2023).
- Approximately two-thirds of the Company's cross-shareholdings appear to be shares of TOPPAN Holdings, Inc., the Company's largest shareholder, and the rationale for holding its shares is considered to be uncertain.
- To improve the Company's capital efficiency, it would be desirable to drastically reduce the cross-shareholdings mentioned above and use the proceeds from the sale to acquire treasury shares. This would allow the Company to make solid progress toward optimizing capital efficiency.