



April 28, 2025

To Whom It May Concern:

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(Securities Code: 4549, TSE Prime)  
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**(Development in Previously Disclosed Matter) Notice regarding Status of Discussions  
with Major Shareholder Dalton**

As Eiken Chemical Co., Ltd. (the “Company”) disclosed in its March 24, 2025 press release, “Notice regarding Status of Discussions with Shareholder Dalton” (“March 24 Press Release”), on March 11, 2025, the Company received from Dalton Investments, Inc. (“Dalton”), a joint holder with Nippon Active Value Fund (“NAVF”), which holds 25.77% of the issued and outstanding shares of the Company, a document recommending three (3) new director candidates (“Initially Proposed Candidates”) for election at the Company’s annual general shareholders’ meeting scheduled for June 2025.

In addition, Mr. Jamie Rosenwald, representative of Dalton, explained at a subsequent meeting with the Company on March 19 that if the Company’s board of directors did not decide to nominate the Initially Proposed Candidates as company-proposed director candidates by March 24, then Dalton would submit a shareholder proposal to put on the shareholders’ meeting agenda a proposal for the election of the Initially Proposed Candidates as directors.

Taking into account such circumstances as the fact that the Company did not have sufficient information to determine whether the Initially Proposed Candidates were suitable as Company directors and that in light of the background relating to the Dalton Proposal (defined below) discussed below, accepting the Initially Proposed Candidates into the Company’s board of directors would raise the possibility of a conflict of interest arising between Dalton and the Company’s other shareholders, the Company conveyed to Dalton that it was not able to agree immediately to nominate the Initially Proposed Candidates as company-proposed director candidates; the foregoing circumstances were disclosed in the March 24 Press Release.

Meanwhile, given the limited time available until the annual general shareholders’ meeting, the Company’s nominating committee held interviews with the Initially Proposed Candidates and otherwise moved forward with the gathering of information so that, prior to Dalton’s formal exercise of the shareholder proposal right, the Company could select director candidates thought to be appropriate as Company directors in light of the content and policy direction of the corporate value enhancement strategies

being promoted by the Company.

Under these circumstances, on April 21 of this year, the Company received from Dalton a Statement of Exercise of Shareholder Proposal Right (“Shareholder Proposal”). The Shareholder Proposal proposes six (6) director candidates (the “Candidates”), including the Initially Proposed Candidates that Dalton had previously notified the Company about.

The Company’s board of directors and nominating committee have been carefully gathering information and conducting a thorough review of the content of the Shareholder Proposal and holding individual meetings with the Candidates and are continuing these efforts with caution toward a statement of opinion by the board of directors; as part of these efforts, today, the Company sent to Dalton the attached “Company-Shareholder Agreement (draft)” (the “Agreement”).

The Company’s board of directors and nominating committee believe that for the following reasons, the Agreement will serve as an important basis for making a determination when the Company’s board of directors states its opinion regarding Dalton’s Shareholder Proposal.

- If the Candidates recommended by Dalton hold a majority of the seats on the Company’s board of directors, then it is possible that Dalton will have substantial managerial control over the Company (under the Company’s articles of incorporation, the maximum number of directors is ten (10); if the six (6) director candidates proposed by Dalton are all elected, then persons from Dalton or recommended by Dalton will hold a majority of seats on the Company’s board of directors).
- In nominating the Candidates as Company directors, Dalton will have to agree to a non-disclosure agreement that includes standstill provisions, in order to comply with insider trading regulations.
- Since last year, the Company had intermittently received proposals from Dalton, asking the Company to consider being taken private (the “Dalton Proposal”), and Dalton asked the Company to increase the speed of its consideration, and it was under these circumstances that the Shareholder Proposal was made; the Shareholder Proposal includes a scheme based on a so-called “rollover investment” (where a major shareholder, after selling its shareholding, reinvests in the target company after it has been taken private) by Dalton, and the possibility cannot be denied that a conflict of interest may arise between Dalton and other Company shareholders; in light of this, if the Candidates recommended by Dalton join the board of directors, then those directors who were Candidates will have to recuse themselves from any deliberations or resolutions regarding proposals where there might be a conflict of interest between Dalton and other shareholders (we note that we have received comments from

shareholders as well as PE funds that may become parties to the Dalton Proposal that with a scheme based on rollover investments, there are concerns about the above-discussed conflict of interests).

- Last November, when the Company initially received the Dalton Proposal, it appeared at first glance to be a serious proposal to take the Company private, but after that initial evaluation, with the assistance of the financial advisor hired by the Company, the Company examined in detail the financial model that forms the foundation for the Dalton Proposal, and found that this financial model contains misprints, double-counting of figures, and other inexplicable points. The Company has asked Dalton about the financial model, including these details, but has not received any clear explanation, and these unclear points remain unresolved (it is noted that this financial model, which Dalton presented to the Company as an MBO model framework, has been confirmed to contain many problematic points, including that because of double-counting of figures and erroneous financial and tax processing, and cash flow was erroneously calculated to be more than five billion yen greater per term than it should have been; if this error is corrected, the result is a model based on borrowings on a scale that would cause excessive debt service that, financially, the Company clearly would not be able to cover).

In making an appropriate statement of opinion regarding the Dalton shareholder proposal, from the perspective of resolving the foregoing concerns and fulfilling their duty of accountability to Company shareholders, the Company believes that the Company's board of directors and nominating committee should consider whether or not Dalton agrees to the Agreement as one important basis for making their determinations.

The Company's board of directors and nominating committee, taking into account the response from Dalton, plans to select, through an appropriate process, director candidates thought to be appropriate as Company directors in light of the content and policy direction of the corporate value enhancement strategies that the Company is promoting and to issue in mid-May statements of opinion of the Company's board of directors regarding the Shareholder Proposal.

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Company-Shareholder Agreement (draft)

Dalton Investments Inc. (“Dalton”), as a shareholder that, together with its joint holder, owns 25.77% of the issued and outstanding shares of Eiken Chemical Co., Ltd. (“Eiken”), has made a shareholder proposal to Eiken (“Shareholder Proposal”) for the submission of “The Matter of the Election of Six Directors” as a proposal at Eiken’s 87<sup>th</sup> Annual General Shareholders Meeting, scheduled for June 2025 (“Annual Shareholders’ Meeting”); Dalton agrees that if the Shareholder Resolution passes in whole or in part, in light of the purport of the Financial Instruments and Exchange Act and insider trading regulations, Dalton will execute a non-disclosure agreement with Eiken that includes at least the following standstill provisions, dated the same date as the date of the Annual Shareholders’ Meeting.

1. Dalton shall comply with the Standstill Provisions.
2. In addition to its own compliance with the Standstill Provisions pursuant to the preceding paragraph, Dalton shall not engage in the sharing of information, certain acts of solicitation, coordinated activities (broadly defined collaborative engagement, coordinated buy-up of shares, etc.), or any other similar conduct in relation to Eiken with other investors, private equity funds, investment banks, legal advisors, or other such persons.
3. When there is a likelihood of a conflict of interest between Dalton and other shareholders, directors who were director candidates under the Shareholder Proposal (“Candidates”) (including the case where Eiken, in giving consideration to being taken private, gives consideration to the rollover investment by Dalton and other aspects of the reorganization structure where a conflict of interest is likely to arise between Dalton and other shareholders) shall recuse themselves from the relevant deliberations and resolutions at board of directors meeting and elsewhere.
4. Regarding the matter of whether a conflict between Dalton and other shareholders is likely, the determination of the Eiken board of directors, excluding the directors who were Candidates, shall be respected.

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