

To Our Shareholders

Awaji-cho 2-5-11, Chuo-ku, Osaka  
**KYOKUTO KAIHATSU KOGYO CO., LTD.**  
Tatsuya Nunohara, President

## **NOTICE OF THE 89<sup>th</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

We would like to inform you that the 89th Annual General Meeting of Shareholders will be held as follows.

In convening this General Meeting of Shareholders, we take measures for providing information that constitutes the content of Reference Documents for the General Meeting of Shareholders, etc. in electronic format (matters for which the measures for providing information in electronic format are to be taken) and has posted it on the Company's website, etc. Please access either of the following websites and review it.

The Company's website

<https://www.kyokuto.com/ir/sokai.html>



Matters for which the measures for providing information in electronic format are to be taken are also provided electronically on Tokyo Stock Exchange (TSE) website.

Access the TSE website by using the Internet address shown below, enter "Kyokuto Kaihatsu" in "Issue name (company name)" or the Company's securities code "7226" in "Code," and click "Search." Then, click "Basic information" and select "Documents for public inspection/PR information." Under "Filed information available for public inspection," click "Click here for access" under "[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting]."

[Tokyo Stock Exchange website (TSE Listed Company Search)]

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>



In addition, measures for providing information in electronic format are also taken on the following website.

[Website providing materials for the General Meeting of Shareholders]

<https://d.sokai.jp/7226/teiji/>



If you are unable to attend in person, you may use one of the methods below to exercise your voting rights. We ask that you exercise your voting rights by 5:30 p.m. on Tuesday, June 25, 2024 (JST), after having considered the accompanying "Reference Material for the General Meeting of Shareholders."

[Exercising voting rights in writing (by mail)]

Please indicate your approval or disapproval for each of the proposals on the enclosed form for exercising voting rights and ensure that we receive it no later than the above-mentioned deadline.

[Exercising voting rights over the Internet]

Please access our designated voting website (<https://evote.tr.mufg.jp/>) from a computer or smartphone and use the Login ID and Temporary Password printed on the enclosed form for exercising voting rights (in case of a smartphone, there is no need to input if you read the QR code for login), and follow the onscreen instructions to enter your approval or disapproval for each of the proposals. In addition, if using the Internet to exercise your voting rights, we request that you kindly read the “Guide to Exercising your Voting Rights via the Internet” (pages 4 to 5).

### Notice of Meeting

1. **Date and Time** 10 a.m. Wednesday, June 26, 2024 (JST)
2. **Venue** 3-3-45 Umeda, Kita-ku, Osaka  
Hotel Monterey Osaka, 14th Floor, Roumeikan

### 3. Objectives of Meeting

- Reporting**
1. 89<sup>th</sup> business period (from April 1, 2023 to March 31, 2024)  
Report on contents of Business Report, Consolidated Financial Statement, and results of Audit on Consolidated Financial Statement by accounting auditors and the board of corporate auditors
  2. 89<sup>th</sup> business period (from April 1, 2023 to March 31, 2024)  
Report on contents of Financial Documents

### Agenda

#### <Company Proposals (Proposal 1 to Proposal 2)>

**Proposal 1** Appropriation of retained earnings

**Proposal 2** Election of eight (8) Directors

#### <Shareholder Proposals (Proposals 3)>

**Proposal 3** Appropriation of retained earnings

- 4. Decisions on convocation**
- (1) If you exercised your voting rights in writing (by mail) and there is no indication of approval or disapproval of a proposal in the voting form, we will treat it as an indication of approval for the Company proposals and an indication of disapproval for the shareholder proposal.
  - (2) If you exercised your voting rights multiple times via the Internet, the voting rights exercised last shall be treated as the valid vote.
  - (3) If you exercised your voting rights both in writing and via the Internet, the voting rights exercised via the Internet shall be treated as the valid vote regardless of the day and time of arrival.
  - (4) If you wish to exercise your voting rights in a non-uniform manner (voting for and against the same proposal), please notify the Company of your intention to exercise your voting rights in a non-uniform manner and the reasons for such intention no later than three days prior to the General Meeting of Shareholders.

- 
- If you plan to attend the meeting in person, please submit the enclosed Exercise of Voting Rights form to the receptionist at the meeting.
  - Should there be any revisions to matters for which the measures for providing information in electronic format are to be taken, a notice to that effect as well as the old information and revised information will be posted on the each of the aforementioned websites shown on page 1.
  - The documents describing matters for which the measures for providing information in electronic format are to be taken of this General Meeting of Shareholders have been mailed to all shareholders, regardless of whether they have requested such delivery. However, the Notes to Consolidated Financial Statements and the Notes to Non-Consolidated Financial Statements are excluded from the documents, as provided for by the relevant laws and regulations and Article 16 of the Articles of Incorporation of the Company. The Consolidated Financial Statements and the Non-Consolidated Financial Statements audited by Corporate Auditors and the Accounting Auditor are the materials listed in the documents, and the Notes

to Consolidated Financial Statements and the Notes to Non-Consolidated Financial Statements which are posted on the each of the websites shown above.

### Guide to Preliminary Questions

The Company is accepting questions from shareholders in advance of the 89th Annual General Meeting of Shareholders at the following website.

Website for submission of preliminary questions: <https://v.sokai.jp/7226/2024/kyokuto/>

Deadline: By 5:30 p.m. on Wednesday, June 19, 2024



- When logging in, shareholders will need to enter their ID (your 8-digit shareholder number) and their password (the 7-digit postal code registered by the shareholder).
- Please ensure you have your shareholder number on hand when mailing your Exercise of Voting Rights form.

We plan to answer questions we have received which we believe will be of interest to shareholders on the day of the meeting.

# Reference Material for the General Meeting of Shareholders

## Proposals and References

<Company Proposals (Proposal 1 to Proposal 2)>

### **Proposal 1**      Appropriation of retained earnings

#### Year-end dividend

With regard to the year-end dividend for the 89th business period, the Company's policy is to continuously enhance shareholder returns in order to increase shareholder satisfaction while improving capital efficiency and controlling equity capital. In light of this, with the primary objective of achieving both sustainable growth and increasing corporate value, the Company proposes the following:

(1) Type of dividend

Money

(2) Allotment of dividend and the total amount

Year-end dividend            58 yen per common share of the Company

Total amount of dividend   2,223,462,364 yen

The annual dividend including the interim dividend for this business period will be 87 yen per share, an increase of 33 yen from the former business period.

(3) Effective date of surplus allotment

June 27, 2024

**Proposal 2** Election of eight (8) Directors

The terms of office of eight (8) Directors — Tatsuya Nunohara, Kazuhiko Harada, Takeo Norimitsu, Noboru Horimoto, Teruyuki Kizu, Hiroyuki Terakawa, Keiko Kaneko, and Takanobu Tomohiro — will expire at the close of this Annual General Meeting of Shareholders. Therefore, the Company proposes to elect eight (8) Directors.

If this Proposal is approved and adopted as proposed, three (3) of the Directors will be Independent Executives in accordance with the regulations of Tokyo Stock Exchange, Inc., and at least one-third (1/3) of the Directors of the Company will continue to be Independent Executives.

The candidates for Directors are as follows:

Candidate number	Name	Gender	Current position in the Company		Years in office
1	Tatsuya Nunohara	Male	Representative Director, President Chief Executive Officer Remuneration Committee Member Nominating Committee Member	Reappointment	7 years
2	Takeo Norimitsu	Male	Director Senior Managing Executive Officer	Reappointment	7 years
3	Noboru Horimoto	Male	Director Associate Senior Executive Officer	Reappointment	5 years
4	Teruyuki Kizu	Male	Director Associate Senior Executive Officer	Reappointment	2 years
5	Tetsuya Ichimura	Male	Executive Officer	New appointment	-
6	Hiroyuki Terakawa	Male	Outside Director Remuneration Committee Member Nominating Committee Chair	Reappointment Outside Independent	2 years
7	Keiko Kaneko	Female	Outside Director Remuneration Committee Chair Nominating Committee Member	Reappointment Outside Independent	2 years
8	Takanobu Tomohiro	Male	Outside Director Remuneration Committee Member Nominating Committee Member	Reappointment Outside Independent	1 year

Reappointment

Candidates for reappointment as directors

New appointment

Candidates for new directors

Outside

Candidates for outside directors

Independent

Candidates for independent executives as stipulated by the Tokyo Stock Exchange

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
1	Tatsuya Nunohara (January 21, 1959) <u>Reappointment</u> <u>Male</u>	<p>April 1982      Joined the Company</p> <p>April 2013      Executive Officer of the Company Deputy Executive General Manager of Engineering of the Company</p> <p>April 2015      Executive General Manager of Engineering of the Company</p> <p>April 2017      Executive General Manager of Production of the Company</p> <p>June 2017      Director of the Company</p> <p>April 2018      SPV Division Director of the Company</p> <p>June 2019      Associate Senior Executive Officer of the Company</p> <p>June 2020      Representative Director, President of the Company (current position) Chief Executive Officer of the Company (current position) (Representative position in other companies)</p> <p>Vice-Chairman of Japan Auto-Body Industries Association Inc.</p>	21,100	None
<p>(Reason for selection as candidate for Director) He has been in charge of the management of the Company as Representative Director &amp; President since June 2020, after serving in the SPV Development and Production Division for many years. We nominate him as a candidate for Director in order to continuously strengthen the management of the Company based on his extensive experience and accomplishments.</p>				

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
2	Takeo Norimitsu (August 15, 1958) <u>Reappointment</u> <u>Male</u>	<p>April 1982      Joined the Company</p> <p>April 2011      Executive Officer of the Company General Manager of Overseas Promotion of the Company</p> <p>April 2017      General Manager of Overseas Operations of the Company General Manager of Overseas Sales of the Company</p> <p>June 2017      Director of the Company (current position)</p> <p>April. 2018      Chairman of Kyokuto Special Automobile Trading (Shanghai) Co., Ltd. Chairman of Kyokuto Kaihatsu (Kunshan) Machinery Co., Ltd.</p> <p>June 2019      Associate Senior Executive Officer of the Company (current position)</p> <p>September 2020      Director of SATRAC ENGINEERING PRIVATE LIMITED (current position)</p> <p>April 2022      Executive General Manager of Administration of the Company (current position) General Manager of Corporate Planning of the Company Related to Overseas Operations Division of the Company (current position) Related to Parking and Other Operations Division of the Company (current position)</p> <p>April 2024      Senior Managing Executive Officer of the Company (current position)</p>	12,800	None
<p>(Reason for selection as candidate for Director)</p> <p>We nominate him as a candidate for Director in order to continuously strengthen the management of the Company based on his extensive experience and accomplishments as he served in the Overseas Division and Planning Division for many years and has been in charge of the management of overseas subsidiaries.</p>				

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
3	Noboru Horimoto (February 28, 1965) <u>Reappointment.</u> <u>Male</u>	<p>April 1988      Joined the Company</p> <p>April 2008      General Manager of Environmental Division, Construction Department of the Company</p> <p>April 2010      General Manager of Environmental Division, Engineering Department of the Company</p> <p>April 2011      Executive Officer of the Company Environmental Division, Deputy Director of the Company</p> <p>April 2013      Executive General Manager of Environmental Division, Sales Department of the Company</p> <p>                    General Manager of Environmental Division, Service Department of the Company</p> <p>October 2013            General Manager of Environmental Division, Planning Department of the Company</p> <p>April 2019      Environmental Division, Director of the Company (current position)</p> <p>June 2019      Director of the Company (current position) Related to affiliate companies, Environmental Division of the Company (current position)</p> <p>April 2022      Associate Senior Executive Officer of the Company (current position)</p> <p>April 2023      Executive General Manager of Environmental Division, Engineering Department of the Company (current position)</p> <p>(Representative position in other companies)</p> <p>Director of Japan Environmental Facilities Manufacturers Association</p>	11,700	None
<p>(Reason for selection as candidate for Director)</p> <p>We nominate him as a candidate for Director again in order to continuously strengthen the management of the Company based on his extensive experience and accomplishments as he served in the Environmental Division for many years..</p>				



Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
4	Teruyuki Kizu (January 7, 1966) Reappointment, Male	<p>November 1992      Joined the Company</p> <p>April 2016      Miki Plant Manager of the Company</p> <p>April 2017      Yokohama Plant Manager of the Company</p> <p>April 2018      Executive Officer of the Company</p> <p>April 2019      Executive General Manager of Production of the Company</p> <p>April 2021      Associate Senior Executive Officer of the Company (current position)</p> <p>April 2022      SPV Division, Director of the Company (current position)</p> <p>Chairman of Kyokuto Special Automobile Trading (Shanghai) Co., Ltd. (current position)</p> <p>Chairman of Kyokuto Kaihatsu (Kunshan) Machinery Co., Ltd. (current position)</p> <p>June 2022      Director of the Company (current position) (Representative position in other companies)</p> <p>Director of Japan Auto-Body Industries Association Inc.</p>	6,200	None
<p>(Reason for selection as candidate for Director)</p> <p>We nominate him as a candidate for Director again in order to strengthen the management of the Company based on his extensive experience and accomplishments as he served in the SPV Production Division for many years.</p>				
5	Tetsuya Ichimura (March 3, 1972) New appointment, Male	<p>September 2003      Joined the Company</p> <p>April 2019      General Manager of Finance of the Company (current position)</p> <p>April 2022      Executive Officer of the Company (current position)</p> <p>Auditor of NIPPON TREX Co., Ltd. (current position)</p>	6,000	None
<p>(Reason for selection as candidate for Director)</p> <p>We nominate him as a candidate for Director in order to strengthen the management of the Company based on his extensive experience and accomplishments as he served in the Finance Division for many years.</p>				

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
6	Hiroyuki Terakawa (November 13, 1956) <u>Reappointment,</u> <u>Male,</u> <u>Outside,</u> <u>Independent</u>	<p>April 1979    Joined Hanshin Electric Railway Co., Ltd.</p> <p>July 2001    General Manager of Nishi-Umeda Management Department of Hanshin Electric Railway Co., Ltd.</p> <p>July 2005    General Manager of Umeda Business Department of Hanshin Electric Railway Co., Ltd.</p> <p>October 2007        Director of Hankyu Hanshin Building Management Co., Ltd. Senior Managing Executive Officer of Hankyu Hanshin Building Management Co., Ltd.</p> <p>April 2009    Director of Hanshin Electric Railway Co., Ltd.</p> <p>April 2011    Deputy Executive General Manager of Real Estate Business Division of Hanshin Electric Railway Co., Ltd.</p> <p>April 2013    Executive Director of Hanshin Electric Railway Co., Ltd.</p> <p>April 2015    Executive General Manager of Real Estate Business Division of Hanshin Electric Railway Co., Ltd.</p> <p>April 2017    Senior Executive Director of Hanshin Electric Railway Co., Ltd.</p> <p>December 2017        Representative Director, Chairman of Hankyu Hanshin Building Management Co., Ltd.</p> <p>January 2018    Director of Osaka Building Owners &amp; Managers Association</p> <p>April 2022    Director of Japan Life-Style Culture Association (current position)</p> <p>June 2022    Outside Director of the Company (current position) Independent Executive of the Company (current position)</p>	0	None
<p>(Reason for selection as candidate for Outside Director and Overview of expected roles) He has broad knowledge obtained through being involved in management in different types of business and extensive experience and accomplishments in management for many years. Therefore, we nominate him as a candidate for Outside Director again because we expect he will be able to supervise our management objectively.</p>				

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
7	Keiko Kaneko (November 27, 1958) <u>Reappointment,</u> <u>Female,</u> <u>Outside,</u> <u>Independent</u>	<p>April 1981      Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Holdings Corporation)</p> <p>April 2007      Director, Corporate Information Security Division of Matsushita Electric Industrial Co., Ltd.</p> <p>April 2014      Assistant to Director, Senior Counsel for Personal Information Protection, Legal Division of Matsushita Electric Industrial Co., Ltd.</p> <p>October 2014      General Manager, Security Compliance Division of Benesse Holdings, Inc.</p> <p>June 2016      General Manager, Information Security Division of Benesse Holdings, Inc.</p> <p>November 2016      Vice President of The Information Network Law Association</p> <p>April 2018      Associate Professor, Department of Business Law, Faculty of Business Administration, Osaka University of Economics</p> <p>June 2019      Outside Director of Marudai Food Co., Ltd. (current position) Independent Executive of Marudai Food Co., Ltd. (current position)</p> <p>June 2022      Outside Director of the Company (current position) Independent Executive of the Company (current position)</p>	0	None
<p>(Reason for selection as candidate for Outside Director and Overview of expected roles)</p> <p>She has broad knowledge obtained through being involved in management in different types of business and specialized experience and extensive accomplishments through being involved in the Legal and Information Security divisions for many years. Therefore, we nominate her as a candidate for Outside Director again because we expect she will be able to supervise our management objectively.</p> <p>She has not been involved in management of a company except as Outside Executive Officer. However, we deem that she will fulfill her duty as Outside Director properly due to the above-mentioned background.</p>				

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
8	Takanobu Tomohiro (October 29, 1958) <u>Reappointment,</u> <u>Male,</u> <u>Outside,</u> <u>Independent</u>	<p>April 1991 Registration as Lawyer Joined Kogoshi-Takizawa Law Office (currently Kobe-Kaito Law Office)</p> <p>April 1994 Partner of Kobe-Kaito Law Office (current position)</p> <p>April 2004 Deputy President of Hyogo Bar Association</p> <p>April 2016 External Audit &amp; Supervisory Board Member of Sawai Pharmaceutical Co., Ltd. (currently Sawai Group Holdings Co., Ltd.) (current position)</p> <p>April 2020 President of Hyogo Bar Association</p> <p>April 2020 Managing Director of Japan Federation of Bar Associations Managing Director of Kinki Federation of Bar Associations</p> <p>April 2021 Chairman, Full-time member of Hyogo Bar Association</p> <p>June 2023 Outside Director of the Company (current position) Independent Executive of the Company (current position)</p>	0	None
<p>(Reason for selection as candidate for Outside Director and Overview of expected roles)</p> <p>He is a lawyer and has broad knowledge and abundant experience in corporate law and legal affairs, with an involvement in management as an outside auditor in other industries. Therefore, we nominate him as a candidate for Outside Director because we expect him to supervise our management objectively.</p> <p>He has not been involved in management of a company except as Outside Executive Officer. However, we deem that he will fulfill his duty as Outside Director properly due to the above-mentioned background.</p>				

- Notes: 1. Hiroyuki Terakawa, Keiko Kaneko, and Takanobu Tomohiro are candidates for Outside Directors.
2. Hiroyuki Terakawa, Keiko Kaneko, and Takanobu Tomohiro are Outside Directors of the Company. Hiroyuki Terakawa and Keiko Kaneko will have been in office for two (2) years and Takanobu Tomohiro will have been in office for one (1) year as Directors at the conclusion of this Annual General Meeting of Shareholders.
3. We have reported Hiroyuki Terakawa, Keiko Kaneko, and Takanobu Tomohiro as Independent Executives of the Company in accordance with the regulations of Tokyo Stock Exchange, Inc. In the event that their reappointment is approved, they will be designated as Independent Executives again.
4. The Company has entered into the limited liability contract prescribed in Article 427, Paragraph 1 of the Companies Act with Hiroyuki Terakawa, Keiko Kaneko, and Takanobu Tomohiro in accordance with the Articles of Incorporation of the Company. The limit of liability for damages pursuant to such limited liability contract is the minimum liability amount prescribed in Article 425, Paragraph 1 of the Companies Act. In the event that their reappointment is approved, the Company plans to continue such limited liability contract with them.
5. The Company has entered into a directors and officers liability insurance policy prescribed in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The policy provides coverage for compensation for damages and litigation expenses that the insured would legally be responsible for paying as a result of claims made against them during the insurance period due to the execution of duties as a corporate officer. In the event that their appointment is approved, the candidates shall be included as the insured of the relevant insurance policy.
6. The Board of Directors consulted with the Company's Nominating Committee and carefully assessed each candidate's career background, competence, character, expertise, etc. in accordance with the Committee's counsel and recommendations before submitting this proposal.
- The Committee was established in February 2020 as a voluntary advisory body under the Board of Directors, is chaired by an Outside Director, and is comprised of the Representative Director & President, the Senior Managing Director, and three Outside Directors (including the chair).
7. To secure the transparency in determining remuneration for directors (and other officers), the Remuneration Committee was established as a voluntary advisory body under the Board of Directors in March 2019. The Committee is chaired by an Outside Director, and is comprised of the Representative Director & President, the Senior Managing Director, and three Outside Directors (including the chair).

[Reference]

Skill matrix for each Director after the conclusion of this Annual General Meeting of Shareholders

Skill matrix (knowledge, experiences, abilities, etc. of each Director)

\* denotes an Outside Director

	Name	Tatsuya Nunohara	Takeo Norimitsu	Noboru Horimoto	Teruyuki Kizu	Tetsuya Ichimura	* Hiroyuki Terakawa	* Keiko Kaneko	* Takanobu Tomohiro
Skills possessed by Directors	Corporate management/business strategy	○	○	○	○	○	○	○	
	Production/technology development	○		○	○				
	Sales/marketing			○	○		○		
	Overseas strategy		○		○				
	Finance/accounting/capital policy	○				○	○		
	Law/governance		○				○	○	○
	Human resources/diversity					○		○	○
	Sustainability	○	○	○					
	IT・DX	○	○					○	

- Note
1. In order to achieve the Medium-term Management Plan and Long-term Management Vision, the Company created the skill matrix to clarify the extensive experience and high-level insight of each Director and ensure the diversity of the Board of Directors.
  2. The skills possessed by each Director are based on their experience according to their career history and positions, as well as their high level of expertise in their current position and do not represent all of their knowledge.

### <Shareholder Proposal (Proposals 3)>

The details of the proposals and the reasons for the proposals are stated in the original text.

#### **Proposal 3** Appropriation of retained earnings

##### 1. Details of the proposal

###### (1) Type of dividend

Money

###### (2) Allocation of dividend and the total amount

The larger of the amounts calculated in (a) and (b) below shall be distributed in addition to the amount of dividend per common share (hereinafter referred to as the “Company’s Proposed Dividend Amount”) based on a proposal related to the appropriation of retained earnings proposed by the Board of Directors of the Company that was approved at the 89th Annual General Meeting of Shareholders (hereinafter referred to as the “Company’s Proposed Appropriation of Retained Earnings”).

(a) Amount obtained by deducting the Company's Proposed Dividend Amount and the interim dividend amount of 29 yen per common share for the 89th business period from the amount of net income per share for the 89th business period (rounded down to the nearest yen)

(b) Amount obtained by deducting the Company's Proposed Dividend Amount and the interim dividend amount of 29 yen per common share for the 89th business period from the amount of net assets per share at the end of the 89th business period (an amount calculated using the number of issued shares deducted by the number of treasury shares, in accordance with “ASBJ Guidance No. 4 Guidance on Accounting Standard for Earnings Per Share,” rounded down to the nearest yen; the same applies hereafter) multiplied by 0.06

The total amount of dividends shall be the amount obtained by multiplying the larger of the amounts calculated in (a) and (b) by the number of shares subject to dividends as of the record date for the voting rights for the 89th Annual General Meeting of Shareholders of the Company.

###### (3) Effective date of surplus allotment

The day following the date of the 89th Annual General Meeting of Shareholders of the Company

In the event that the proposal for the Company’s Proposed Appropriation of Retained Earnings is proposed at the 89th Annual General Meeting of Shareholders, this Proposal is additionally proposed as an independent and compatible proposal with the said proposal.

##### 2. Reasons for the proposal

The proposal is intended to make the larger of all net income or 6% of equity capital a dividend (hereinafter referred to as “this capital policy”).

As of the end of March 2023, the Company’s capital adequacy ratio was approximately 70%, which is a very high figure compared with that of ShinMaywa Industries, Ltd., an SPV manufacturer with a similar company size, and which had a ratio of 43%. As a result of its overly high capital adequacy ratio, the Company’s ROE has been sluggish with the stock price at a level of PBR less than 1 for nearly 20 years.

It can certainly be said that the Company has implemented measures to a certain degree to correct its excessive financial soundness and improve capital efficiency, having adopted a capital policy with a total return ratio of 100%. However, the Company's PBR still languished below 1 as of March 29, 2024.

The proposing shareholder believes that the introduction of this capital policy will quickly restore the Company's PBR to the level of 1 and lead to an increase in the Company's corporate value over the medium to long term. We have repeatedly explained to the Company's management that this capital policy will contribute more to improving the Company's corporate value than the Company's stated policy of 100% total return ratio from various perspectives, including the cost of capital, liquidity, various subsidies (see Note), and stock valuation, and they should already understand this.

Above all, the Company's projected ROE for the fiscal year ended March 31, 2024 is 2.6%, with planned ROE of 6.0% for the fiscal year ending March 31, 2025 and 10.0% for the fiscal year ending March 31, 2031. Since this capital policy is to pay a dividend equal to either all net income or 6% of equity capital, whichever is greater, the Company will pay a dividend equivalent to 6% of equity capital instead of a 100% payout ratio only in the fiscal year ended March 31, 2024, when the projected ROE is only 2.6%. However, from the fiscal year ending March 31, 2025, when planned ROE is 6% or more, all net income will become dividends (i.e., a payout ratio of 100%), effectively replacing the Company's stated shareholder return policy of a 100% total return ratio with a 100% dividend payout ratio. Accordingly, the adoption of this capital policy will not affect the Company's financial base in any way.

Despite this, the fact that the Company's management maintains the current shareholder return policy and has purposely left the PBR below 1 can only be evaluated as a lack of awareness of the problem, as they have become accustomed to PBR below 1, which has become the norm.

I urge the Company's management to take immediate action with a sense of urgency that the PBR is still below 1.

Note: For example, the Ministry of Economy, Trade and Industry's Industrial Structure Council's "Interim Report of the Subcommittee on New Direction of Economic and Industrial Policies (June 13, 2022), page 35, stated that in order to maximize the effects of industrial policy, private companies that are partners in large-scale, long-term, and planned support should engage in "value-creating management" with the aim of becoming "companies that can win in global competition." In addition, companies with a PBR of less than 1 are required to formulate and announce a concrete and reasonable plan for a certain period of time (e.g., 5 years) to exceed 1 (i.e., for their market capitalization to exceed their net assets). In response, the Economic and Industrial Policy Bureau's "Global Company Management for Increased Domestic Investment, Accelerated Innovation, and Higher Income" (January 2023) states on page 5 with regard to the Green Innovation Fund (hereinafter referred to as the "GI Fund") that companies implementing GI Fund projects will first be asked to explain their value-creating management initiatives and targets for key financial indicators (in particular, whether they are aiming for the expected PBR of 1 or higher in the future) in their proposal documents. In fact, the GI Fund's public application guidelines call for specific efforts to increase corporate value, including PBR improvement, as part of "initiatives to increase corporate value." The scope of subsidies classified as "large-scale, long-term, and planned support," which the government is promoting as



the “new direction of economic and industrial policy,” covers not only green transformation, including the 2.7 trillion yen GI Fund, but also digital transformation, reskilling, and other investments in people, among others. In this context, the emphasis on PBR that has begun with the GI Fund “first” is expected to expand further in the future, and leaving PBR below 1 may be disadvantageous not only in terms of increasing corporate value, but also in terms of obtaining various subsidies.

### 3. Opinion of the Board of Directors

#### **The Board of Directors of the Company objects to this Proposal.**

The Company works to continuously enhance shareholder returns in order to increase shareholder satisfaction while improving capital efficiency and controlling equity capital with the primary objective of achieving both sustainable growth and increasing corporate value. The Company's basic policy is to flexibly purchase and retire treasury shares while maintaining a high level of dividends as the basis of its approach to shareholder returns.

The plan for shareholder returns in the Medium-term Management Plan (2022-24) sets a total return ratio of 100% for each fiscal year as well as the implementation of flexible purchase of treasury shares and a minimum annual dividend of 54 yen per share in order to further increase returns for shareholders.

Under the aforementioned basic policy, as proposed in Proposal 1 (Company Proposal) “Appropriation of retained earnings” at this General Meeting of Shareholders, the Company plans to set the year-end dividend for the fiscal year ended March 31, 2024, at 58 yen per common share. The annual dividend, including the interim dividend of 29 yen per share, will be 87 yen per share, an increase of 33 yen from the previous year, for a payout ratio of approximately 95%, and a total return ratio of approximately 99%, including the purchase of treasury shares (number of shares purchased: 73,800 shares; total purchase price: 120,718,300 yen) during the period.

While continuing to provide a high level of shareholder returns to meet the expectations of our shareholders as described above, we also intend to secure sufficient capacity for investment in future growth with medium-to long-term business continuity and stability in mind.

We believe that this shareholder proposal is not compatible with the Company’s policy on shareholder returns.

Accordingly, the Board of Directors of the Company objects to this Proposal (Shareholder Proposal).