

To Our Shareholders

(Location of Head Office)
Koshienguchi 6-1-45, Nishinomiya-shi, Hyogo
(Business site of the Company)
Awaji-cho 2-5-11, Chuo-ku, Osaka
KYOKUTO KAIHATSU KOGYO CO., LTD.
Tatsuya Nunohara, President

NOTICE OF THE 88th ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders,

We would like to inform you that the 88th 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. 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/JJK020010Action.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 Monday, June 26, 2023 (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 "Procedure for Exercising your Voting Rights via the Internet" (page 4).

Notice of Meeting

1. **Date and Time** 10 a.m. on Tuesday, June 27, 2023 (JST)
2. **Venue** Hotel Monterey Osaka, 14th Floor, Roumeikan,
3-3-45 Umeda, Kita-ku, Osaka
(The venue is different from last year. Please refer to the "Directions to the venue of the General Meeting of Shareholders" at the end of this document.)

3. Objectives of Meeting

- Reporting**
1. 88th business period (from April 1, 2022 to March 31, 2023)
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. 88th business period (from April 1, 2022 to March 31, 2023)
Report on contents of Financial Documents

Agenda

<Company Proposals (Proposal 1 to Proposal 5)>

- Proposal 1** Appropriation of retained earnings
Proposal 2 Partial amendment to the Articles of Incorporation
Proposal 3 Election of eight (8) Directors
Proposal 4 Election of four (4) Corporate Auditors
Proposal 5 Election of one (1) Substitute Corporate Auditor

<Shareholder Proposals (Proposals 6 to 10)>

- Proposal 6** Appropriation of retained earnings
Proposal 7 Determination of remuneration to grant restricted shares with stock-price-based conditions to Directors
Proposal 8 Amendment to the Articles of Incorporation regarding disclosure of methods for calculating performance-linked remuneration for Directors with Authority of Representation
Proposal 9 Amendment to the Articles of Incorporation regarding payment of bonuses with stock-price-based conditions to employees
Proposal 10 Amendment to the Articles of Incorporation regarding cross-shareholdings

- 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.
 - (2) If you exercised your voting rights multiple times via the Internet, etc., 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 in writing 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.

Procedure for exercising your voting rights via the Internet

If you exercise your voting rights via the Internet, please review the items below and exercise your voting rights.

If you intend to attend the General Meeting of Shareholders in person, you are not required to exercise the voting rights either by mail (using the Voting Rights Exercise Form) or via the Internet.

1. About the voting website

- (1) Voting rights via the Internet may be exercised by accessing our designated voting website (<https://evote.tr.mufg.jp/>) from a PC or smartphone. (However, this will be suspended from 2 a.m. to 5 a.m. every day.)
- (2) Exercise of voting rights via the Internet will be accepted until 5:30 p.m. on Monday, June 26, 2023 (JST). We ask you to exercise your voting rights at your earliest convenience. Please contact the help desk should you have any questions.
- (3) Depending on your Internet connection environment, you may not be able to exercise your voting rights through your computer or smartphone. Such environments include cases where a firewall is used for the Internet connection, some antivirus software has been installed, a proxy server is used, or TLS encrypted communication has not been designated.

2. Method of exercising voting rights via the Internet

(1) With a PC

- Voting rights via the Internet may only be exercised by accessing the voting rights exercise website (<https://evote.tr.mufg.jp/>) from a computer, smartphone or cellular phone using the Login ID and Temporary Password printed on the enclosed form for exercising voting rights.
- Please note that you will be requested to change your Temporary Password on the voting rights exercise website in order to prevent any unauthorized access ("spoofing") or alteration of your votes.
- A new Login ID and Temporary Password will be issued each time the General Meeting of Shareholders is convened.

(2) With a smartphone

- You can automatically log in to the voting website and exercise your voting rights by scanning the QR Code for login printed on the enclosed form for exercising voting rights with your smartphone. (No need to enter the Login ID and Temporary Password.)
- Depending on your smartphone model, QR Code login may not be available. When you cannot log in with your QR Code, please exercise your voting rights with the method explained in the above 2. (1) with a PC.

*QR Code is the registered trademark of Denso Wave Incorporated.

3. Handling of voting rights exercised multiple times

- (1) 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.
- (2) If you exercised your voting rights multiple times using the same method, the voting rights exercised last shall be treated as the valid vote.

4. Costs incurred for accessing the voting rights exercise website

Costs incurred for accessing the voting rights exercise website (such as Internet connection charges, packet data fees) shall be borne by the shareholder.

Inquiries about the system

Stock Transfer Agency Department (help desk), Mitsubishi UFJ Trust and Banking Corporation
Phone: 0120-173-027 (inquiries accepted from 9 a.m. to 9 p.m., toll free (only within Japan))

5. Platform for electronic exercise of voting rights (for institutional investors)

Nominee shareholders (including standing proxies), such as custodian trust banks, may use the Voting Rights Electronic Exercise Platform operated by ICJ Co., Ltd., if applied for in advance.

Reference Material for the General Meeting of Shareholders

Proposals and References

<Company Proposals (Proposal 1 to Proposal 5)>

Proposal 1 Appropriation of retained earnings

1. Year-end dividend

With regard to the year-end dividend for the 88th business period, the Company's policy is to continuously and gradually implement shareholder returns with an awareness of a higher dividend payout ratio while taking into consideration business performance trends. In light of this, with the primary objective of achieving both a high level of and stable dividends to shareholders, the Company proposes the following in order to achieve sustainable growth of the Company and enhance its corporate value:

(1) Type of dividend

Money

(2) Allotment of dividend and the total amount

Year-end dividend 27 yen per common share of the Company

Total amount of dividend 1,034,767,143 yen

The annual dividend including the interim dividend for this business period will be 54 yen per share, unchanged from the former business period.

(3) Effective date of surplus allotment

June 28, 2023

Note: In order to enable flexible capital policies in response to future changes in the business environment, the Company, with the approval of the 87th General Meeting of Shareholders held on June 28, 2022, reversed the full amount of the separate reserve of 46,334,424,000 yen and transferred the same amount to retained earnings brought forward.

Proposal 2 Partial amendment to the Articles of Incorporation

1. Reason for amendment

(1) Location of head office

The Company has decided to amend Article 3 (Location of Head Office) of its Articles of Incorporation following the relocation of head office functions from the city of Nishinomiya in Hyogo to the city of Osaka in Osaka Prefecture in February 2023. The aim is to ensure the security of employees, seek further business opportunities as a result of relocation to an urban area, strengthen the head office function, and streamline operations.

(2) Addition of business purpose

To strengthen the trade-in system and used car business in order to promote sales of SPVs, the Company will add a business purpose in Article 2 (Purpose) of the current Articles of Incorporation.

2. Details of the amendment

The details of the amendment are as follows:

(Amendments are underlined)

Current Articles of Incorporation	Proposed changes
<p>(Objectives)</p> <p>Article 2 The purpose of the Company is to engage in the following businesses.</p> <p>1. - 11. (Omitted)</p> <p>(Newly established)</p> <p><u>12.</u> Businesses incidental or related to the previous paragraphs</p> <p>(Location of Head Office)</p> <p>Article 3 The Company shall have its head office in <u>Nishinomiya-shi.</u></p>	<p>(Objectives)</p> <p>Article 2 The purpose of the Company is to engage in the following businesses.</p> <p>1. - 11. (Unchanged)</p> <p><u>12. Dealer of used articles</u></p> <p><u>13.</u> (Unchanged)</p> <p>(Location of Head Office)</p> <p>Article 3 The Company shall have its head office in <u>Osaka-shi.</u></p>

Proposal 3 Election of eight (8) Directors

The terms of office of eight (8) Directors — Tatsuya Nunohara, Kazuhiko Harada, Takeo Norimitsu, Noboru Horimoto, Teruyuki Kizu, Akira Michigami, Hiroyuki Terakawa, and Keiko Kaneko — 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 (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>	<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)</p> <p>(Representative position in other companies) Director of Japan Auto-Body Industries Association Inc.</p>	17,200	None
<p>(Reason for selection as candidate for Director) He has been in charge of the management of the Company as Representative Director & 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	Kazuhiko Harada (February 23, 1958) <u>Reappointment</u>	<p>April 1980 Joined the Company</p> <p>April 2007 Director of NIPPON TREX Co., Ltd.; Accounting Manager of NIPPON TREX Co., Ltd.</p> <p>April 2011 General Manager of Finance of the Company</p> <p>April 2012 Director of NIPPON TREX Co., Ltd.; Executive Director of NIPPON TREX Co., Ltd.</p> <p>April 2016 General Manager and Corporate Planning Manager of NIPPON TREX Co., Ltd. Executive Officer of the Company General Manager of Finance of the Company</p> <p>April 2018 Deputy Executive General Manager of Administration of the Company</p> <p>April 2019 Executive General Manager of Administration of the Company General Manager of Corporate Planning of the Company</p> <p>June 2019 Director of the Company</p> <p>April 2021 Associate Senior Executive Officer of the Company</p> <p>April 2022 Senior Managing Executive Officer of the Company (current position)</p> <p>June 2022 Senior Managing Director of the Company (current position)</p>	19,100	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 knowledge of finance and accounting as he served in the Finance Division for many years, as well as extensive experience and accomplishments as he served in the management of the important subsidiary in the SPV segment.</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	Takeo Norimitsu (August 15, 1958) <u>Reappointment</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 (current position) Related to Overseas Operations Division of the Company (current position) Related to Parking and Other Operations Division of the Company (current position)</p>	10,900	None
<p>(Reason for selection as candidate for Director) 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
4	Noboru Horimoto (February 28, 1965) <u>Reappointment</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 General Manager of Environmental 2013 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>	9,500	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
5	Teruyuki Kizu (January 7, 1966) <u>Reappointment</u>	<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)</p>	4,100	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>				

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>Outside</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 Hanshin Electric Railway 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 & 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)</p> <p>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>Outside</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) New appointment, Outside	<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 & 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>	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 and Keiko Kaneko, Outside Directors of the Company, 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 and Keiko Kaneko as Independent Executive 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. In addition, Takanobu Tomohiro meets the requirements for an independent executive as stipulated by Tokyo Stock Exchange, Inc. and will be registered as an independent executive.
 4. The Company has entered into the limited liability contract prescribed in Article 427, Paragraph 1 of the Companies Act with Hiroyuki Terakawa and Keiko Kaneko 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. If Takanobu Tomohiro is elected as Director and assumes office, the Company will enter into a limited liability contract prescribed in Article 427, Paragraph 1 of the Companies Act with him in accordance with the Articles of Incorporation of the Company. The limit of liability for damages pursuant to such limited liability contracts is the minimum liability amount prescribed in Article 425, Paragraph 1 of the Companies Act.
 6. 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.
 7. 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, and is comprised of the Representative Director & President and two Outside Directors (an Outside Director serves as the chair).
 8. 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 comprised of the Representative Director & President and two Outside Directors (an Outside Director serves as the chair).

Proposal 4 Election of four (4) Corporate Auditors

The terms of office of four (4) Corporate Auditors — Akira Sakurai, Soichiro Ochi, Yoshihiko Norikura, and Kuniki Fujiwara — will expire at the close of this Annual General Meeting of Shareholders. Therefore, the Company proposes to elect four (4) Directors.

This Proposal has been approved in advance by the Board of Corporate Auditors.

The candidates for Corporate Auditors are as follows:

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	Akira Sakurai (March 2, 1959) <u>Reappointment</u>	<p>April 1981 Joined the Company</p> <p>May 2000 President and Representative Director of Softec Co., Ltd.</p> <p>April 2006 General Manager of Information System Department of the Company</p> <p>April 2009 General Manager of General Affairs and Personnel Department of the Company</p> <p>April 2013 Executive Officer of the Company Deputy Executive General Manager of Administration of the Company</p> <p>April 2015 Related to CSR Office of the Company</p> <p>April 2017 General Manager of Personnel Department of the Company</p> <p>April 2019 Director of NIPPON TREX Co., Ltd.; Associate Senior Executive Director of NIPPON TREX Co., Ltd. Executive General Manager of Administration and General Manager of Audit Office of NIPPON TREX Co., Ltd.</p> <p>April 2022 In Charge of Special Assignment of Administration of the Company In Charge of Special Assignment of Assistant to President of NIPPON TREX Co., Ltd.</p> <p>June 2022 Full-time Corporate Auditor of the Company (current position)</p>	1,900	None
<p>(Reasons for selection as a candidate for Corporate Auditor)</p> <p>He has been in charge of the management of the Company, after serving in the General Affairs and Personnel divisions and being in charge of the management of subsidiaries for many years. We nominate him as a candidate for Corporate Auditor again because he is expected to play a sufficient role in the effective audit of the Company's management based on his extensive experience and accomplishments above.</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	Hiroaki Kuriyama (January 2, 1957) <u>New appointment</u>	<p>April 1980 Joined the Company</p> <p>May 2007 General Manager of Product Planning of the Company</p> <p>April 2009 General Manager of Production Promotion of the Company</p> <p>April 2012 Miki Plant Manager of the Company</p> <p>April 2014 Executive Officer of the Company</p> <p>April 2015 Executive General Manager of Sales of the Company</p> <p>April 2017 Director of NIPPON TREX Co., Ltd.; Associate Senior Executive Director of NIPPON TREX Co., Ltd.</p> <p>April 2019 Representative Director, President, CEO of Kyokuto Kaihatsu Parking Co., Ltd. (current position) President and Representative Director of Sasashima Live Parking Co., Ltd. (current position)</p>	5,750	None
<p>(Reasons for selection as a candidate for Corporate Auditor)</p> <p>He has been in charge of the management of the Company as Representative Director & President of affiliated companies, serving in the SPV Development and Production divisions for many years. We nominate him as a candidate for Corporate Auditor because he is expected to play a sufficient role in the effective audit of the Company's management based on his extensive experience and accomplishments above.</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	Kuniaki Fujiwara (July 1, 1954) Reappointment Outside	<p>April 1978 Joined Taiyo Kobe Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)</p> <p>April 2007 Executive Officer of Sumitomo Mitsui Banking Corporation</p> <p>April 2009 Resigned from the Bank</p> <p>May 2009 Senior Executive Officer of Ginsen Co., Ltd.</p> <p>June 2009 Senior Executive Director of Ginsen Co., Ltd.</p> <p>April 2011 Executive Vice President of Sakura KCS Corporation</p> <p>June 2011 Representative Director of Sakura KCS Corporation</p> <p>October 2013 President and Representative Director of Sakura KCS Corporation Chief Executive Officer of Sakura KCS Corporation</p> <p>June 2018 Outside Corporate Auditor of Sanyo Color Works Ltd.</p> <p>June 2019 Outside Corporate Auditor of the Company.(current position) Independent Executive of the Company (current position)</p>	0	None
<p>(Reasons for selection as a candidate for Outside Corporate Auditor)</p> <p>We nominate him as a candidate for Outside Corporate Auditor again as we expect him to play a sufficient role in the effective audit of our management objectively, based on his knowledge of finance and accounting gained through engaging in finance operations in a bank for many years, and extensive experience and accomplishments gained as a corporate manager in other industries.</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	Nobuhiro Asada (September 4, 1970) <u>New appointment</u> <u>Outside</u>	<p>April 1998 Registered at Kobe Bar Association (currently Hyogo Bar Association) Joined Rokko Sogo Law Office (currently Rokko Law Office)</p> <p>April 2010 Deputy President of Hyogo Bar Association April 2012 Vice Chairman of the Legal Apprentice Training Committee of Japan Federation of Bar Association Chairman of the Legal Apprentice Training Committee of Hyogo-Ken Bar Association</p> <p>April 2013 Deputy Director of Hyogo District Office of Japan Legal Support Center</p> <p>July 2016 Member of the Hyogo Prefecture Administrative Complaint Review Board (current position)</p> <p>June 2018 Substitute Corporate Auditor of the Company (current position)</p> <p>October 2021 Public interest member of the Hyogo Prefecture Labor Committee (current position)</p>	0	None
<p>(Reasons for selection as a candidate for Outside Corporate Auditor) He is a lawyer and has broad knowledge and abundant experience in corporate law and legal affairs. Therefore, we nominate him as a candidate for Outside Corporate Auditor because we expect him to audit our management objectively. He has not been involved in management of a company. However, we deem that he will fulfill his duty as Outside Corporate Auditor properly due to the above-mentioned background.</p>				

- (Note) 1. Kuniaki Fujiwara and Nobuhiro Asada are candidates for Outside Corporate Auditors.
2. Nobuhiro Asada has been elected as substitute Corporate Auditor of the Company since 2018.
3. Kuniaki Fujiwara, Outside Corporate Auditor of the Company, will have been in office for four (4) years as Corporate Auditor at the conclusion of this Annual General Meeting of Shareholders.
4. We have reported Kuniaki Fujiwara as Independent Executive of the Company in accordance with the regulations of Tokyo Stock Exchange, Inc. In the event that his reappointment is approved, he will be designated as Independent Executive again. In addition, Nobuhiro Asada meets the requirements for an independent executive as stipulated by Tokyo Stock Exchange, Inc. and will be registered as an independent executive.
5. The Company has entered into the limited liability contract prescribed in Article 427, Paragraph 1 of the Companies Act with Kuniaki Fujiwara 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 the reappointment of Kuniaki Fujiwara is approved, the Company plans to continue such limited liability contract with him.
6. If Nobuhiro Asada is elected as Corporate Auditor and assume office, the Company will enter into a limited liability contract prescribed in Article 427, Paragraph 1 of the Companies Act with him in accordance with the Articles of Incorporation of the Company. The limit of liability for damages pursuant to such limited liability contracts is the minimum liability amount prescribed in Article 425, Paragraph 1 of the Companies Act.
7. 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.

Proposal 5 Election of one (1) Substitute Corporate Auditor

To secure the continuity of audit service even if a shortage occurs in the statutory number of Corporate Auditors, the Company proposes the election of one (1) Corporate Auditor as a substitute.

The validity of the appointment of the elected Corporate Auditor as a substitute Outside Corporate Auditor may be revoked by resolution of the Board of Directors with the consent of the Board of Corporate Auditors only before the appointment.

This Proposal has been approved in advance by the Board of Corporate Auditors.

The candidate for substitute Corporate Auditor is as follows:

Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
Rintaro Kimura (December 28, 1975) <u>New appointment</u>	October 2006 Registration as Lawyer April 2013 President of Kimura Law Office April 2015 Partner of Motomachi Law Office (current position) Chairman of the Crime Victims Support Committee, Hyogo Bar Association Director of Hyogo Victim Support Center Advisor of HYOGO TAKKEN KYOKAI April 2022 Deputy President of Hyogo Bar Association	0	None
(Reasons for selection as a candidate for Outside Corporate Auditor) He is a lawyer and has broad knowledge and abundant experience in corporate law and legal affairs. Therefore, we nominate him as a candidate for substitute Outside Corporate Auditor because we expect him to audit our management objectively. He has not been involved in management of a company. However, we deem that he will fulfill his duty as Outside Corporate Auditor properly due to the above-mentioned background.			

(Note) 1. Rintaro Kimura is a candidate for Outside Corporate Auditor.

2. If Rintaro Kimura assumes the office of Corporate Auditor, the Company will enter into a limited liability contract prescribed in Article 427, Paragraph 1 of the Companies Act with him in accordance with the Articles of Incorporation of the Company. The limit of liability for damages pursuant to such limited liability contracts is the minimum liability amount prescribed in Article 425, Paragraph 1 of the Companies Act.

3. 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. If Rintaro Kimura assumes the office of Corporate Auditor, the candidate shall be included as the insured of the relevant insurance policy.

<Proposals by Shareholders (Proposals 6 to 10)>

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

Proposal 6 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 88th Annual General Meeting of Shareholders (hereinafter referred to as the "Company's Proposed Appropriation of Retained Earnings").

(a) Amount obtained by deducting Company's Proposed Dividend Amount from 92 yen

If the amount obtained by rounding off the decimal places from the amount of net income per share for the 88th business period (hereinafter referred to as the "Actual EPS") differs from 92 yen, the initial 92 yen shall be replaced with the Actual EPS.

(b) Amount obtained by deducting Company's Proposed Dividend Amount from 226 yen

If the amount of net assets per share at the end of the 88th 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," truncated; the same applies hereafter) multiplied by 0.08 (hereinafter referred to as an "amount equivalent to 8% of DOE") differs from 226 yen, the initial 226 yen shall be replaced with an amount equivalent to 8% of DOE.

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 88th Annual General Meeting of Shareholders of the Company.

(3) Effective date of surplus allotment

The day following the date of the 88th 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 88th 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 8% of equity capital a dividend.

As of the end of March 2022, the Company's capital adequacy ratio was approximately 73%, which is a very high figure compared with that of ShinMaywa Industries, Ltd., a peer company with a similar company size, and which had a ratio of 41%. As a result, the Company's ROE has been sluggish with the stock price at a level of PBR less than 1 for nearly 20 years.

Last year, to a shareholder proposal requesting the Company to allocate all net income to the distribution of dividends, the Board of Directors of the Company objected the proposal as it believed that "the distribution plan is at a level consistent with other listed companies," and "the shareholder proposal is an extreme proposal that could hinder investments that are indispensable for the sustainable growth of the Company and the enhancement of corporate value over the medium to long term."

However, it does not make sense to argue the consistency of an advantageous aspect of a shareholder return level compared with other companies, setting the financial status aside. Naturally, the expected level of shareholder returns differs between the Company with an overabundance of capital equity and sluggish ROE and other companies. The Company's stock price remains its dissolution value or less despite the current shareholder distribution plan, which is not proven to be effective in improving corporate value.

The Company's management may not be qualified to refer to corporate value improvement as a mission. Although the Company has declared "corporate value improvement" in Plan 2004, the medium-term management plan which started in April 2004, the stock price has remained far below PBR of 1 for most of the period since then. The presence of companies declaring they would make a "corporate value improvement" without any basis in reality may have urged the Tokyo Stock Exchange to release a policy for improving capital efficiency for a company with a PBR below 1.

Moreover, the Company owns substantial cash and equivalents, with extremely large borrowing power on the back of abundant equity capital. Therefore, allocating the larger of all net income or 8% of equity capital may not adversely affect essential investments at all.

I highly value the Company's businesses centered on SPVs. However, the mistaken capital policy has resulted in the accumulation of excessive internal reserves, a lower ROE, and loss of corporate value. The Company must correct its capital policy and improve corporate value.

3. Opinion of the Board of Directors

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

Under the medium-term management plan that started in 2022, the Company works to enhance shareholder returns by setting a target total payout ratio of 50% and a minimum dividend of 54 yen per share per year, aiming to improve corporate value with capital efficiency in mind.

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, 2023, at 27 yen per common share, and the annual dividend at 54 yen including the interim dividend in order to meet the daily expectations of shareholders as stated above. The total payout ratio for the fiscal year ended March 31, 2023, after considering the purchase of treasury shares is approximately 125%.

We will continue to meet the expectations of our shareholders by adopting an appropriate payout policy, while avoiding accumulating excessive equity capital, maintaining business stability and contingency, and saving reserve for making growth investments into the future.

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

Proposal 7 Determination of remuneration to grant restricted shares with stock-price-based conditions to Directors

1. Details of the proposal

The Company intends to newly pay remuneration to grant "restricted shares with stock-price-based conditions" (hereinafter referred to as the "Scheme") to Directors of the Company (hereinafter referred to as "Eligible Directors") for the purpose of improving shareholder value through the promotion of the medium-term management plan, and further promoting shared value with shareholders.

Based on this Proposal, remuneration paid to grant "restricted shares with stock-price-based conditions" to Eligible Directors shall be monetary remuneration claims, with a total amount up to 600 million yen per year, which is deemed to be appropriate based on the aforementioned purpose, separately from the maximum limit amount of Director remuneration resolved at the 79th General Meeting of Shareholders held on June 26, 2014, and the 86th General Meeting of Shareholders held on June 25, 2021 (300 million yen and 50 million yen, respectively).

The specific timing of payment and allocation for each of the Eligible Directors shall be determined at the Board of Directors after deliberation at the Remuneration Committee.

Eligible Directors shall, based on the resolution at the Board of Directors of the Company, pay in the entire amount of monetary remuneration claims granted to them as a cash investment asset, and will receive shares of common stock issued or disposed of by the Company. The total number of shares of common stock issued or disposed of by the Company to the Eligible Directors shall be 300,000 shares or less (provided, however, that after the submission of this Shareholder Proposal, in cases where the Company conducts a stock split of common shares (including gratis allotment of shares of common stock of the Company) or a consolidation of shares, or any other cases where the total number of shares of common stock issued or disposed of based on this Scheme needs to be adjusted, the total number shall be adjusted within a reasonable range).

The Board of Directors will determine the amount to be paid in per share. This amount will be based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the Board of Directors' resolution (the closing price on the most recent day on which trading has taken place if there is no trading on that day), and will be an amount that does not provide the Eligible Directors, etc. who receive the common stock with a particularly advantageous price.

Outline of "Restricted shares with stock-price-based conditions"

Restricted shares with stock-price-based conditions is a scheme where Eligible Directors pay in the entire amount of monetary remuneration claims granted to them as a cash investment asset, and will receive shares of common stock issued or disposed of by the Company after a stock price evaluation period depending on the achievement of a stock price index-related target predetermined by the Board of Directors of the Company for two fiscal years from the year ending March 31, 2024, to the fiscal year ending March 31, 2025 (hereinafter referred to as the "stock price evaluation period"). Eligible Directors shall not engage in transferring, granting a security interest to, or requesting another disposition of "restricted shares with stock-price-based conditions" until the point of time immediately after retiring from a position predetermined by the Board of Directors of the Company. The method of calculating the amount of monetary remuneration claims granted to Eligible Directors, and conditions to allot shares of common stock of the Company to Eligible Directors are as follows.

Please note that granting of the monetary remuneration claims and allocation of shares of common stock of the Company shall be allowed on the condition that they agree with aforementioned cash investment asset, and they conclude an agreement with provisions on reasons for gratis acquisition and other matters that are determined by the Board of Directors after deliberation at the Remuneration Committee.

(1) Method of calculating the amount of monetary remuneration claims

The amount of monetary remuneration claims paid to Eligible Directors in order to grant restricted shares with stock-price-based conditions shall be obtained by multiplying the final number of shares of common stock of the Company allotted to Eligible Directors (hereinafter referred to as the “final number of shares allotted”) by a value based on the closing price of the Company's common stock at Tokyo Stock Exchange on the business day prior to the resolution date of the Board of Directors held after the end of the stock price evaluation period for the purpose of determining the issuance or disposition of shares for the share allotment. The final number of shares allotted shall be obtained by multiplying the number of shares predetermined at the Board of Directors for each title by a ratio in accordance with the achievement of stock price target calculated as follows:

- (i) If the price book-value ratio (Note) of the Company is not greater than 1: 0
- (ii) If the price book-value ratio of the Company exceeds 1 but is not greater than 1.5: [(Price book-value ratio of the Company) – 1] × 2
- (iii) If the price book-value ratio of the Company is greater than 1.5: 1

Note: The price book-value ratio is the price book-value ratio of the Company for the stock price evaluation period, calculated by the following formula:

A: Average stock price calculated based on the closing price of the Company's common stock on the Tokyo Stock Exchange on each business day of the three months immediately preceding the final date of the fiscal year of stock evaluation period (including the date)

B: Consolidated net assets per share of the Company in its full-year results for the first fiscal year or the final fiscal year of stock price evaluation period (calculated based on the number of issued shares subtracted by the number of treasury shares, in accordance with “ASBJ Guidance No. 4 Guidance on Accounting Standard for Earnings Per Share,” whichever the greater

Price book-value ratio = A ÷ B

(2) Condition for the allotment of shares of common stock of the Company to Eligible Directors

The Company may, in cases where Eligible Directors satisfy all of the requirements in the following items, or where the Board of Directors of the Company finds it necessary for achieving the purpose of the Scheme, allot the final number of shares of common stock of the Company to be allotted to Eligible Directors after the stock evaluation period.

(i) An Eligible Director has been in the position of Director (excluding Director who is Audit & Supervisory Committee Member) of the Company for more than six consecutive months during the stock evaluation period

(ii) Certain misconduct specified by the Board of Directors of the Company has not been committed
In cases where the Eligible Director has resigned from the position during the stock price evaluation period due to expiration of his/her term, death, or any other justifiable reasons, the Company may adjust the number of shares of common stock of the Company to be allotted to the Director who resigned (or his/her successor in case of resignation due to death) in a reasonable manner based on the length of his/her term of office, etc.

(3) Treatment in reorganization, etc.

Notwithstanding the foregoing, in the event that a merger agreement under which the Company will be a disappearing company, a share exchange agreement under which the Company will become a wholly owned subsidiary, or a share transfer plan or any other matter relating to reorganization, etc. is approved by the General Meeting of Shareholders (the Board of Directors if the matter relating to reorganization, etc. does not require the approval of the General Meeting of Shareholders of the Company), pursuant to a resolution of the Board of Directors of the Company, the number of shares of common stock of the Company that were adjusted in a reasonable manner based on the prospects for achieving a stock price target for the period from the start date of the stock price evaluation period until the date of approval of such reorganization, etc. shall be allotted to Eligible Directors prior to the effective date of such reorganization, etc.

2. Reasons for the proposal

The Proposal is intended to grant PBR-linked, stock-based compensation to Directors. The total number of shares to be granted to Directors based on the Proposal is up to 300,000, up to 7.0% of the number of issued shares.

As a precondition, as described in the reason for the following Proposal, the Company's remuneration program is not designed to give appropriate incentives to improve corporate value, and the Remuneration Committee is also highly likely to have become dysfunctional.

In fact, since Mr. Tatsuya Nunohara (hereinafter referred to as " Mr. Nunohara ") was appointed as President of the Company, the Company has not announced any measures to improve shareholder value at all. On the contrary, the Company announced in May 2022 its ROE target for the fiscal year ending March 31, 2031, would be 10%, but has no ROE target for the medium-term management plan until the fiscal year ending March 31, 2025. Considering that no one had served as President of the Company for longer than ten years, Mr. Nunohara is unlikely to be President in the fiscal year ending March 31, 2031. This would be the reason

why Mr. Nunohara, since assuming the position of President in June 2020, has not determined an ROE target for the period in office.

The importance of ROE was made well known through the Ito Report in 2014. Mr. Nunohara's appointment as President was later, in June 2020. He had considerable time to prepare it in time for the announcement of the medium-term management plan in May 2022. But he has kept the ROE target for the period in office undecided, and the Company's stock price remains its dissolution value under his leadership.

I cannot accept a management member who would keep the ROE target undecided during the period in office and make his successor work to achieve 10%, but the Board of Directors seems to accept it.

Accordingly, I am submitting this Proposal to ask Mr. Nunohara and the Board to have an appropriate incentive for improving corporate value. This is to propose a stock-based compensation program directly linked to PBR, giving high incentives to the Board of Directors of the Company for improving the Company's corporate value, in particular, making its stock price higher than the dissolution value. While this proposal targets Directors only as the Agenda of the General Meeting of Shareholders says, I also expect senior management including executive officers to adopt similar compensation programs and make company-wide efforts to improve corporate value.³ Opinion of the Board of Directors

3. Opinion of the Board of Directors

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

For Directors excluding Outside Directors, the Company has adopted a restricted stock remuneration as part of Director Remuneration from the fiscal year ended March 31, 2022. This remuneration scheme is meant to have the Company's management motivated to engage in management from a shareholders' point of view with stock price always in mind, and seek to achieve the medium-term management plan and improve corporate value.

To maintain the Company's director remuneration in line with the above purpose, the Company will continue to improve the scheme, taking into account other companies' case studies, opinions of external experts and the Remuneration Committee, etc., while deepening discussion at the Board of Directors. For these reasons, the Company declines to revise the current director remuneration at the General Meeting of Shareholders as proposed immediately.

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

Proposal 8 Amendment to the Articles of Incorporation regarding disclosure of methods for calculating performance-linked remuneration for Directors with Authority of Representation

1. Details of the proposal

The following new articles shall be added to the current Articles of Incorporation.

Chapter 8 Disclosure of Basis for the Calculation of Performance-linked Remuneration

(Disclosure of Basis for the Calculation of Performance-linked Remuneration for Representative Director)

Article 46 If performance-linked remuneration was paid to a Director with representative authority for the precious fiscal year, the Company shall disclose individually in any report on its corporate governance filed by the Company with the Tokyo Stock Exchange the basis for calculating the remuneration (including non-monetary remuneration).

2. Reasons for the proposal

The Proposal requests disclosure of the basis for calculating performance-linked remuneration for a Representative Director.

<Director remuneration program of the Company>

The performance-linked remuneration for Directors of the Company, composed of monetary and stock remuneration, is unlikely to be designed to give Directors appropriate incentives for improving corporate value.

First, the performance-linked remuneration (monetary remuneration) of the Company is a short-term scheme, calculated based on operating profit for each fiscal year, which contradicts the Company's management policy focusing on medium- to long-term corporate value improvement. While ShinMaywa Industries' remuneration program is based on three benchmarks including “operating profit, ROIC, and medium- to long-term factors” the company was committed to “Realization of Medium- to Long-term Strategies” during the fiscal year under review, with capital efficiency in mind. And, I would have to say that the Company's remuneration program is insufficient.

As for performance-linked remuneration (stock remuneration), while ShinMaywa Industries discloses with specific standard that the calculation has been on the basis of operating profit and ROE for the past three business periods, the Company only refers to its “comprehensive consideration of performance and the environment, etc.”

Based on these, I must say that the performance-linked remuneration of the Company is significantly inferior to that of ShinMaywa Industries in both scheme design and disclosure.

<Dysfunction of the Remuneration Committee>

The management of the Company stated that it maintains, adopts, and discloses the current remuneration scheme with recognition of what ShinMaywa Industries, a peer company, discloses with regard to performance-linked remuneration, which was a surprise to me.

With the presence of the Remuneration Committee composed mainly of outside directors, the governance of remuneration of the Company appears to function properly. In fact, the Company's performance-linked remuneration lacks all the superior aspects of a competitor's well-designed scheme. This might suggest the Remuneration Committee's inability, or dysfunction, to fulfill a principal role of remuneration governance enhancement.

Accordingly, first, I would like to request the disclosure of the basis for calculating performance-linked remuneration for a Representative Director who assumes the heaviest responsibility for the Company's management.

3. Opinion of the Board of Directors

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

The basic policy of the Company's remuneration for Directors is to use the remuneration at an appropriate level as an incentive for Directors to work toward a sustainable improvement of corporate value from the shareholders' point of view.

As for the disclosure of remuneration, for the purpose of further sharing values with shareholders, the Company will sincerely consider what revision is to be made to its performance-linked remuneration scheme, while paying attention to social developments. The Company will strive to enhance the disclosure in the Corporate Governance Report and Annual Securities Report from the next fiscal year onward, taking into consideration the opinions of the Remuneration Committee and external experts, etc. for future improvement of the scheme step by step. On the other hand, we do not believe that disclosure of the methods for calculating remuneration is a matter that should be included in the Articles of Incorporation, which are the fundamental rules of the Company.

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

Proposal 9 Amendment to the Articles of Incorporation regarding payment of bonuses with stock-price-based conditions to employees

1. Details of the proposal

The following new articles shall be added to the current Articles of Incorporation.

Chapter 9 Stock-price-linked Bonuses to Employees

(Payment of Stock-price-linked Bonuses to Employees)

Article 47 If the simple average price of the Company ' s stock during the fiscal year ending March 31, 2024, is equal or greater than the amount of net assets per share at the end of the fiscal year ended March 31, 2023, the Company shall, during the fiscal year ending March 31, 2025, grant shares of the Company ' s stock with a total amount equal to or greater than 800 million yen, less than 1.2 billion yen, as an extra bonus to employees of the Company and its domestic consolidated subsidiaries (subsidiaries defined by Paragraph 6 of the accounting standard regarding consolidated financial statements).

(2) The number of shares of the Company ' s stock to be paid as an extra bonus to each employee pursuant to the previous paragraph shall be adjusted appropriately in accordance with the Company ' s personnel evaluation system.

(3) This Article shall be deleted as of the end of March 2025.

2. Reasons for the proposal

The Proposal is intended to grant PBR-linked, stock-based compensation to employees.

As I have reiterated, the Company ' s stock price is continuously below its dissolution value. The reason for this sluggish stock price lies not with the Company ' s employees engaged in business but with the Company ' s management which determines its capital policy. The Company ' s stock price has been continuously below a level of PBR below 1 for nearly 20 years. Considering the profitability and robustness of the Company ' s business, I must say there is some management failure.

In addition to the granting of stock-price-linked remuneration to Directors, I would also expect employees of the Company to make company-wide efforts to improve corporate value, with great interest in the level of the Company ' s stock price.

<Relationship with the Shareholding Association>

I would also like to request the Board of Directors not to make a pointless opposition such as " bonuses to employees may not be necessary due to the presence of the shareholding association. " The purpose of this Proposal is to recommend the Company to establish a clear standard for PBR at 1, and grant an incentive to achieve it with company-wide efforts, which fundamentally differs from the nature of a shareholding association.

3. Opinion of the Board of Directors

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

At the meeting of the Board of Directors held on November 10, 2022, the Company adopted a restricted share remuneration program for employees. This stock compensation program shall be a measure to encourage not only management personnel but also general employees to work uniformly toward the achievement of the

medium-term management plan and the improvement of corporate value, and motivate them to raise awareness of the Company's stock price.

The Company will continue to improve its stock-price-linked remuneration for employees so that each of the employees can share value with shareholders. The Company does not believe that this issue should be included in the Articles of Incorporation which are the fundamental rules of the Company.

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

Proposal 10 Amendment to the Articles of Incorporation regarding cross-shareholdings

1. Details of the proposal

The following new chapter and articles shall be added to the current Articles of Incorporation.

Chapter 10 Cross-Shareholdings

(Verification of Purpose of Cross-Shareholdings and Disclosure of Results)

Article 48

- (1) The Company shall examine in specific terms whether the purpose for holding each of the cross-shareholdings is appropriate, and whether benefits and risks pertaining to the holding meet capital costs, etc. to check the appropriateness of holding.
- (2) At least once a year, the Company shall inform the issuer of the cross-shareholdings that it holds of its desire to sell the shares in order to verify whether the Company is actually fulfilling its purpose of holding cross-shareholdings held by the Company, "to increase earnings by strengthening business relationships" through the holding of cross-shareholdings.
- (3) The Company shall disclose (1) the results of the Board of Directors' verification and (2) the details of the responses it received from the issuer in response to the approach to the issuer to sell the shares under the preceding paragraph in a report on corporate governance for each issuer to be submitted by the Company to Tokyo Stock Exchange.

2. Reasons for the proposal

The Company has approximately 11.6 billion yen of cross-shareholdings as of the end of the fiscal year ended March 31, 2022. The proposing shareholder believes that the Company should not have any cross-shareholdings and that there is no causal relationship between the cross-shareholdings and the business relationship.

In fact, almost all of the issuers of cross-shareholdings held by the Company comply with Corporate Governance Code (hereinafter referred to as "CGC") Supplementary Principle 1-4-1, and in response to inquiries from the proposing shareholder to the issuers, I received responses from several companies including Sumitomo Realty & Development Co., Ltd. denying the relationship between shareholdings and transactions.

Therefore, I believe that the purpose of the holding of cross-shareholdings disclosed by the Company in its Annual Securities Report for the fiscal year ended March 31, 2022, "to increase earnings by strengthening business relationships," is incorrect.

In light of the above responses from the issuers as well, this shareholder proposal requires a re-examination of whether the purpose of the holding of cross-shareholdings disclosed by the Company is actually fulfilled.

And the policy should be to reduce the number of shares held in accordance with CGC for cross-shareholdings that do not fulfill the purpose of holding since the rationale for holding these shares cannot be recognized.

3. Opinion of the Board of Directors

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

The Company is striving to reduce its cross-shareholdings in accordance with the purpose of the Corporate Governance Code. Based on the basic policy of disposing of or reducing the number of shares promptly, the Board of Directors at the beginning of each fiscal year examines the appropriateness of holding each individual stock and formulates and executes a plan for its sale.

Since the launch of the Corporate Governance Code, the Company has sold a cumulative total of 18 stocks of cross-shareholdings (36%), or approximately 28% on a market value basis. During the fiscal year ended March 31, 2023, the Company sold four stocks annually, for approximately 1.9 billion yen on a market value basis. We will continue to take the same steps to reduce our cross-shareholdings.

We basically request that you leave the details of the individual stocks to be sold, the number of stocks to be sold, and other matters to the discretion of the Board of Directors, as the Board would like to determine them discreetly based on a comprehensive review of the financial soundness and financial plan, tax effects, etc. The Company does not believe that this issue should be included in the Articles of Incorporation which are the fundamental rules of the Company.

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