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(Stock Exchange Code 5357)
June 1, 2022

To Shareholders with Voting Rights:

Mitsuo Taguchi
President
YOTAI REFRACTORIES CO., LTD.
8-1, Nishikinaka-machi, Kaizuka-shi, Osaka

NOTICE OF THE 124TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

We are pleased to inform you that the 124th Annual General Meeting of Shareholders of YOTAI REFRACTORIES CO., LTD. (the "Company") will be held for the purposes as described below.

With a view to preventing the spread of novel coronavirus (COVID-19) infections, when deciding whether to attend the General Meeting of Shareholders, please check the outbreak status and your own health condition as of the day of the Meeting. In addition, we may take measures to prevent infection in consideration of our shareholders' safety. In this case we kindly ask for your cooperation.

Instead of attending the meeting, you can exercise your voting rights in writing or via electromagnetic methods (the Internet, etc.); please examine the Reference Documents for the General Meeting of Shareholders below, and exercise your voting rights by 5:40 p.m. on Wednesday, June 22, 2022, Japan time.

1. **Date and Time:** Thursday, June 23, 2022 at 10:00 a.m. Japan time
2. **Place:** Conference room at the Company's Head Office 2nd Floor located at 8-1, Nishikinaka-machi, Kaizuka-shi, Osaka
3. **Meeting Agenda:**
Matters to be reported:
 1. The Business Report, Consolidated Financial Statements for the Company's 124th Fiscal Year (April 1, 2021 - March 31, 2022) and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company's 124th Fiscal Year (April 1, 2021 - March 31, 2022)

Proposals to be resolved:

<Company proposals (Proposals 1 through 3)>

- Proposal 1:** Partial Amendments to the Articles of Incorporation
Proposal 2: Appropriation of Surplus
Proposal 3: Election of 6 Directors

<Shareholder proposals (Proposals 4 through 8)>

- Proposal 4:** Appropriation of Surplus
Proposal 5: Partial Amendments to the Articles of Incorporation Pertaining to Cross-shareholding
Proposal 6: Partial Amendments to the Articles of Incorporation Pertaining to Cancellation of Company Shares
Proposal 7: Cancellation of Company Shares
Proposal 8: Dismissal of Corporate Auditors

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- ◎ **When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.**
 - ◎ **If the Reference Documents for the General Meeting of Shareholders, the Business Report, Non-consolidated Financial Statements and Consolidated Financial Statements are revised, the revised versions will be posted on the Company's website (<https://www.yotai.co.jp/>).**

Reference Documents for the General Meeting of Shareholders

Proposals and References

<Company proposals (Proposals 1 through 3)>

Proposal 1: Partial Amendments to the Articles of Incorporation

1. Reasons for amendments

(1) Measures for electronic provision, etc.

The amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) will be enforced on September 1, 2022. Accordingly, it is proposed to establish provisions to the effect that information contained in the reference documents for the general meeting of shareholders, etc. shall be provided electronically, provisions limiting the scope of matters to be included in the paper copy to be sent to shareholders who have requested it, and supplementary provisions related to the effective date, etc.

(2) Omission of resolution of the Board of Directors

It is proposed to newly establish provisions in the Articles of Incorporation regarding the omission of resolution of the Board of Directors such that proposals for resolution can be deemed to have been adopted at the Board of Directors meeting without holding the Board of Directors meeting for the purpose of more flexible decision-making.

(3) Dividends of surplus

It is proposed to amend the Articles of Incorporation such that the Board of Directors shall continue to make decisions regarding dividends of surplus, etc., and the General Meeting of Shareholders can make decisions on matters proposed by shareholders.

Until now, the Company has paid dividends of surplus, etc. by resolution of the Board of Directors as stated in Article 40, Paragraph 1 of the current Articles of Incorporation, which states, “Dividends of surplus, etc. may be paid by resolution of the Board of Directors in accordance with the provisions of Article 459, Paragraph 1 of the Companies Act,” and as stated in Paragraph 3 of the same Article, “The Company shall not set forth any of the items in Paragraph 1 of Article 459 of the Companies Act by resolution of the general meeting of shareholders.”

Until now, the Company has made decisions about dividends of the Company’s surplus, etc. at the Board of Directors meetings as a matter for decision by management, based on the view that capital policies should be decided in consideration of factors such as changes in the management environment surrounding the Company and business characteristics, from the standpoint of maintain social harmony and sustainably improving corporate value.

This proposal is for the deletion of provisions of the Articles of Incorporation in accordance with the provisions of Article 460, Paragraph 1 of the Companies Act, for the purpose of improving shareholder value, as a result of discussions by the Board of Directors based on factors such as the Company’s transition to the Prime Market as of April 4, 2022 amid recent calls for initiatives to improve corporate governance for sustainable corporate growth and medium- to long-term improvement in corporate value.

(4) Other

Article numbers shall be realigned in conjunction with the above-mentioned amendments.

2. Details of amendments

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
<Newly established>	(Measures for Electronic Provision, Etc.)
	<p><u>Article 15</u> The Company shall, when convening a <u>general meeting of shareholders, provide information contained in the reference documents for the general meeting of shareholders, etc. electronically.</u></p> <p><u>Among the matters to be provided electronically, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</u></p>
Articles <u>15</u> through <u>26</u> (Text omitted)	Articles <u>16</u> through <u>27</u> (No change)
<Newly established>	<p><u>Article 28</u> The Company shall deem that matters to be resolved by the Board of Directors are adopted by a <u>resolution of the Board of Directors if all Directors consent to such matters in writing or electronically, unless any Corporate Auditor expresses his/her objection to such matters.</u></p>
Articles <u>27</u> through <u>39</u> (Text omitted)	Articles <u>29</u> through <u>41</u> (No change)
(Dividends of Surplus, etc.)	(Dividends of Surplus, etc.)
<p>Article <u>40</u> The Company may determine the matters listed in the items of Paragraph 1 of Article 459 of the Companies Act by resolution of the Board of Directors.</p> <p>The Company will pay a dividend of surplus (hereinafter “Dividend”) in cash to its shareholders or the registered pledgees on shares appearing or recorded on the register of shareholders at the close of business on March 31 and September 30 of each year.</p> <p><u>The Company shall not determine any of the matters listed in the items of Paragraph 1 of Article 459 of the Companies Act by resolution of the general meeting of shareholders.</u></p>	<p>Article <u>42</u> The Company may set forth the items listed in Paragraph 1 of Article 459 of the Companies Act by resolution of the Board of Directors.</p> <p>The Company will pay a dividend of surplus (hereinafter “Dividend”) in cash to its shareholders or the registered pledgees on shares appearing or recorded on the register of shareholders at the close of business on March 31 and September 30 of each year.</p> <p style="text-align: center;"><Deleted></p>
Article <u>41</u> (Text omitted)	Article <u>43</u> (No change)
<Newly established>	<u>(Supplementary Provision)</u>
	<p><u>The proposed new Article 15 of the Articles of Incorporation shall come into effect on the date of enforcement of the amended provisions stipulated in the proviso to Article 1 of the supplementary provisions of the Act Partially Amending the companies Act (Act No 70 of 2019) (the “Effective Date”). This Supplementary Provision shall be deleted after the lapse of six months from the Effective Date or the lapse of three months from the date of the general meeting of shareholders set forth in the preceding paragraph, whichever is later.</u></p>

Proposal 2: Appropriation of Surplus

This proposal has been placed on the agenda subject to the approval of Proposal No. 1.

The Company, in its First Medium-term Management Plan, aims to maintain profitability and sound financial health, while sustainably improving corporate value and enhancing strategic investments and shareholder returns. The Company's shareholder return policy is to be implemented appropriately through stable dividends and flexible repurchasing of Company shares, targeting a consolidated dividend payout ratio of 30%.

For the 124th fiscal year, in light of factors including the Company's financial position and business performance, the Company proposes a year-end dividend of ¥27 per share.

If this Proposal is approved, the total amount of dividends for the fiscal year, aggregated with the interim dividend of ¥16 per share paid in December 2021, will be ¥43 (an increase of ¥26 year-on-year).

- (1) Type of dividend property
Cash
- (2) Matters related to the allocation of dividend property and the total amount thereof
¥27 per share of the Company's common stock
Total amount: ¥556,477,884
- (3) Effective date of the dividends of surplus
Friday, June 24, 2022

Proposal 3: Election of 6 Directors

The terms of office of all (6) Directors will expire at the conclusion of this year's Annual General Meeting of Shareholders. Accordingly, the election of 6 Directors is proposed.

The candidates are as follows:


No.	Name	Positions and responsibilities at the Company	Attendance at Board of Directors meetings
1	Mitsuo Taguchi [Reappointment]	President	15 out of 15 Meetings (100%)
2	Shinichiro Takebayashi [Reappointment]	Director, General Manager of General Affairs Department of Head Office	15 out of 15 Meetings (100%)
3	Tadashi Taniguchi [Reappointment]	Director, Manager of Hinase Plant	15 out of 15 Meetings (100%)
4	Yorisada Matsumoto [New candidate]	Corporate Officer General Manager of Tokyo Branch	—
5	Hiroshi Itano [Reappointment] [External] [Independent]	External Director	15 out of 15 Meetings (100%)
6	Shinobu Akiyoshi [New candidate] [External] [Independent]	External Director	11 out of 11 Meetings (100%)


[Reappointment]: Director who is a candidate for reappointment


[New candidate]: Director who is a new candidate

[External]: Candidate for Director outside the Company

[Independent]: Independent Director candidate as prescribed by the Tokyo Stock Exchange, Inc.

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held
1	 <p data-bbox="220 577 421 636">Mitsuo Taguchi (October 21, 1960)</p> <p data-bbox="233 667 408 698">[Reappointment]</p> <p data-bbox="193 730 448 853">[Attendance at the Board of Directors meetings] 15 out of 15 meetings (100%)</p>	<p data-bbox="472 271 858 302">April 1984 Joined the Company</p> <p data-bbox="472 304 1187 336">March 2006 Technical General Manager of Engineering Division</p> <p data-bbox="472 338 1294 396">October 2006 Engineering General Manager and Technical General Manager of Engineering Division</p> <p data-bbox="472 398 1209 430">March 2008 Engineering General Manager of Engineering Division</p> <p data-bbox="472 432 1177 463">June 2009 Director, General Manager of Engineering Division</p> <p data-bbox="472 465 1289 524">June 2015 Managing Director, General Manager of Engineering Division and in Charge of Technical Research Laboratory</p> <p data-bbox="472 526 1289 584">April 2017 Managing Director, Manager of Hinase Plant and in Charge of Engineering Division</p> <p data-bbox="472 586 868 618">June 2019 President (to present)</p> <p data-bbox="472 620 1046 651">[Reasons for nomination as a candidate for Director]</p> <p data-bbox="472 654 1294 824">Mr. Mitsuo Taguchi has been engaged in the management of the Company as Director since 2009. He served as Director and General Manager of Engineering Division and as Managing Director and Manager of Hinase Plant. Starting from 2019, he has been responsible for the Company's management as the President. He has a wealth of experience and extensive insight in the Company's business, and therefore we propose his reelection as Director.</p> <p data-bbox="472 826 539 857">(Note)</p> <p data-bbox="472 860 1273 891">There are no special interests between Mr. Mitsuo Taguchi and the Company.</p>	74,948

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held
5	 <p>Hiroshi Itano (February 19, 1957)</p> <p>[Reappointment] [External] [Independent]</p> <p>[Attendance at the Board of Directors meetings] 15 out of 15 meetings (100%)</p>	<p>April 1980 Joined Nomura Computer Systems Co., Ltd. (present Nomura Research Institute, Ltd.)</p> <p>April 2005 Senior Managing Director and Deputy Division Manager of Services & Industrial Systems Division of Nomura Research Institute, Ltd.</p> <p>April 2009 Senior Corporate Managing Director, Division Manager of Services & Industrial Systems Division, General Manager of Kansai Regional Headquarters and General Manager of Chubu Regional Headquarters of Nomura Research Institute, Ltd.</p> <p>April 2014 Senior Executive Managing Director in charge of Supervising of Corporate Administration, Risk Management and Compliance of Nomura Research Institute, Ltd.</p> <p>June 2014 Member of the Board and Senior Executive Managing Director in charge of Supervising of Corporate Administration, Risk Management and Compliance of Nomura Research Institute, Ltd.</p> <p>April 2015 Representative Director, Member of the Board and Senior Executive Managing Director in charge of Supervising of Corporate Administration, Risk Management, Compliance and Health and Productivity Management of Nomura Research Institute, Ltd.</p> <p>April 2016 Representative Director, Member of the Board and Senior Executive Managing Director in charge of Supervising of Corporate Administration of Nomura Research Institute, Ltd.</p> <p>April 2017 Member of the Board of Nomura Research Institute, Ltd.</p> <p>June 2017 External Director, Data Applications Co., Ltd. (to present)</p> <p>June 2018 Retired from Nomura Research Institute, Ltd.</p> <p>September 2018 Director, FIXER Inc.</p> <p>August 2019 Retired from FIXER Inc.</p> <p>June 2020 External Director, the Company (to present) External Director, YAMASHIN-FILTER CORP. (to present)</p> <p>[Reasons for nomination as a candidate for External Director and a summary of expected roles]</p> <p>Mr. Hiroshi Itano has a wealth of experience and insight in corporate management and sufficient knowledge in overall management, information technology, etc. We believe that his extensive experience and broad knowledge will contribute to the management of the Company, and therefore we propose his reelection as External Director. At the Board of Directors meetings during the fiscal year ended March 31, 2022, he has fulfilled duties including providing advice on management policies, determining important matters, and supervising the business execution.</p> <p>Years served as External Director: 2 years (at the conclusion of this General Meeting of Shareholders)</p> <p>(Notes)</p> <ol style="list-style-type: none"> 1. There are no special interests between Mr. Hiroshi Itano and the Company. 2. Mr. Hiroshi Itano is a candidate for External Director. He is also a candidate for Independent Director prescribed by Tokyo Stock Exchange, Inc. 3. The Company has entered into an agreement with Mr. Hiroshi Itano to limit his liability under Article 423 Paragraph 1 of the Companies Act, pursuant to Article 427 Paragraph 1 of the Companies Act. The maximum amount of liability for damages under this agreement shall be the amount provided for in laws and regulations. If the reelection of Mr. Hiroshi Itano is approved, the Company intends to continue such agreement. 	3,900

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held
6	 <p>Shinobu Akiyoshi (March 29, 1977)</p> <p>[Reappointment] [External] [Independent]</p> <p>[Attendance at the Board of Directors meetings] 11 out of 11 meetings (100%)</p>	<p>December 2008 Registered as attorney-at-law, Osaka Bar Association</p> <p>January 2009 Joined Doujima Sougou Law Office</p> <p>January 2018 Partner, Doujima Sougou Law Office (to present)</p> <p>April 2018 Regular Delegate, Osaka Bar Association</p> <p>March 2019 Retired from Regular Delegate, Osaka Bar Association</p> <p>November 2020 Consultant, Nonprofit Organization Hikosen Member of Living Environment Dispute Conciliation Committee, Ashiya City</p> <p>February 2021 Registered as an Employment Environment Improvement Expert (Class 1)</p> <p>June 2021 External Director, the Company (to present)</p> <p>[Reasons for nomination as a candidate for External Director and a summary of expected roles]</p> <p>Ms. Shinobu Akiyoshi has a wealth of experience and insight as an expert in law. She also has knowledge in creating a society where not only women, but also persons with disabilities and the aged can play active roles. We believe that her extensive experience and broad knowledge will contribute to the management of the Company, and therefore we propose her reelection as External Director. At the Board of Directors meetings during the fiscal year ended March 31, 2022, she has provided valuable advice on corporate legal affairs based on her expertise as an attorney-at-law, and encouraged the promotion of women's participation in the Company.</p> <p>Years served as External Director: 1 year (at the conclusion of this General Meeting of Shareholders)</p> <p>(Notes)</p> <ol style="list-style-type: none"> 1. There are no special interests between Ms. Shinobu Akiyoshi and the Company. 2. Ms. Shinobu Akiyoshi is a candidate for External Director. She is also a candidate for Independent Director prescribed by Tokyo Stock Exchange, Inc. 3. The Company has entered into an agreement with Ms. Shinobu Akiyoshi to limit her liability under Article 423 Paragraph 1 of the Companies Act, pursuant to Article 427 Paragraph 1 of the Companies Act. The maximum amount of liability for damages under this agreement shall be the amount provided for in laws and regulations. If the reelection of Ms. Shinobu Akiyoshi is approved, the Company intends to continue such agreement. 	200

(Note)

The Company has entered into a directors and officers liability insurance contract stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, and covers legal damages and litigation expenses incurred by the insured through said insurance contract. The candidates are included as insured parties under said insurance contract, and if they are reappointed or elected based on this proposal, they will continue to be insured under said insurance contract. In addition, the Company plans to renew said insurance contract during their terms of office in relation to this proposal.

(Reference) Directors Skill Matrix [Planned at the conclusion of this General Meeting of Shareholders and the subsequent meeting of the Board of Directors]

	Name	External/Internal	Independent	Sex	Position/responsibilities in the Company	Skills								
						Corporate mgmt.	Technology/R&D	Sales	Personnel/Labor	Finance/Accounting	Legal/Risk mgmt.	Auditing (Operations/Accounting)	ESG	IT Systems
Directors	Mitsuo Taguchi	Internal		Male	President Chair, Nomination and Compensation Advisory Committee	○	○	○					○	
	Shinichiro Takebayashi	Internal		Male	Managing Director, General Manager of General Affairs Department of Head Office	○			○	○			○	○
	Tadashi Taniguchi	Internal		Male	Director, Manager of Hinase Plant	○	○						○	
	Yorisada Matsumoto	Internal		Male	Director, President of Tokyo Branch	○	○	○					○	
	Hiroshi Itano	External	○	Male	External Director Member, Nomination and Compensation Advisory Committee	○		○	○		○		○	○
	Shinobu Akiyoshi	External	○	Female	External Director Member, Nomination and Compensation Advisory Committee	○					○		○	
Corporate Auditors	Takashi Umezawa	Internal		Male	Full-time Corporate Auditor	○	○					○	○	
	Tadaharu Tani	Internal		Male	Corporate Auditor	○	○	○				○	○	
	Shinichi Inoue	External		Male	External Corporate Auditor	○	○				○	○	○	
	Yasuo Fujiwara	External		Male	External Corporate Auditor	○					○	○	○	
	Kazuhide Urata	External	○	Male	External Corporate Auditor	○					○	○	○	

<Shareholder proposals (Proposals 4 to 8)>

Proposals 4 to 8 have been proposed by a single shareholder. Furthermore, Proposal 4 has been placed on the agenda as proposals subject to the approval of Proposal 1, and Proposal 7 has been placed on the agenda as proposals subject to the approval of Proposal 6.

The Board of Directors opposes all the Proposals 4 to 8.

As a general rule, a summary of shareholder proposals and their reasons are presented as they were submitted by the proposing shareholders.

Proposal 4: Appropriation of Surplus

A. Summary of the proposal

The appropriation of surplus/retained earnings shall be as described below, subject to the approval of the proposal for partial amendments to the Articles of Incorporation of the Company for the deletion of Article 40, Paragraph 3 of the Articles of Incorporation. This proposal is made independent from and in addition to any proposal for appropriation of surplus by the Company's Board of Directors at this Annual General Meeting of Shareholders.

(a) Type of dividend property

Cash

(b) Dividend per share

The amount obtained by deducting the amount of dividend of surplus per share of common stock in the Company proposed by the Board of Directors of the Company at this Annual General Meeting of Shareholders and approved at this Meeting from ¥100 (or ¥100 if the Board of Directors of the Company does not propose appropriation of surplus at this Annual General Meeting of Shareholders).

(c) Matters related to the allocation of dividend property and the total amount thereof

The amount of dividend per share in (b) above per share of common stock in the Company (The total amount of dividend is calculated by multiplying the dividend per share by the total number of shares of common stock issued by the Company as of March 31, 2022 [excluding Company shares].)

(d) Effective date of the dividends of surplus

The date of this Annual General Meeting of Shareholders

(e) Start date of dividend payment

Three weeks after this Annual General Meeting of Shareholders

B. Reasons for the proposal

The Company repurchased a total of ¥1,499,898,853 of Company shares in the fiscal year ended March 31, 2022, in accordance with the plan disclosed in the First Medium-term Management Plan (FY2021-2023) announced on May 13, 2021. In addition, according to the quarterly report for the nine months ended December 31, 2021, the annual dividend per share for this period was expected to be ¥37. Based on this the total return payout ratio is calculated at around 85%. The proposing shareholder considers this shareholder return policy of the Company to be laudable to a certain extent.

However, as of December 31, 2021, the number of Company shares accounted for approximately 19.45% of the total number of shares issued by the Company, and further repurchases of Company shares is not recommended as it would lead to a decrease in stocks in circulation and a decline in the liquidity of the stocks. Therefore, the proposing shareholder thinks the point that in strengthening shareholder returns, the Company should focus on improving the dividend payout ratio instead of on flexible repurchases of Company shares.

On the other hand, the Company's equity ratio was 82.0% as of March 31, 2021 and 78% as of December 31, 2021. This is very high compared with the 30.44% average (aggregate financial results for the fiscal year ended March 31, 2021) of all companies (2,121 companies) listed on the Tokyo Stock Exchange, of which the average for manufacturers was 44.03%. Clearly, the Company does not need more retained earnings and should make active shareholder returns.

Therefore, the proposing shareholder proposes an annual dividend amount of ¥100 per share for the fiscal year ended March 31, 2022. If this is accomplished, the Company's dividend payout ratio would be approximately 80%, and its total return payout ratio for the fiscal year ended March 31, 2022 would exceed 100%. Returning surplus funds to shareholders would raise shareholder value and improves share prices, and therefore this proposal is made.

The proposing shareholder thinks that, in terms of the Company's capital policy, for the fiscal year ending March 31, 2023 and beyond as well, instead of flexible repurchases of Company shares, by adopting a target dividend payout ratio of 80%, the Company's focus on shareholders could strongly appeal to the overall market over the medium- to long-term. As a result, this shareholder proposal is viewed as the first step toward improving the Company's corporate value and shareholder value.

<Opinion of the Board of Directors on Proposal 4>

1. Opinion of the Board of Directors of the Company

The Board of Directors opposes this proposal.

2. Reasons for the opposition

In its First Medium-Term Management Plan announced on May 13, 2021, the Company's basic strategy and priority measures are to invest in humans, things, and information, and to build a management foundation that supports sustainable growth, while working to maintain high profitability and financial well-being. The Company's basic thinking is to maintain social harmony, increase financial and non-financial value, and sustainably improve corporate value through maintaining profitability and promoting ESG management.

The Medium-Term Management Plan aims to sustainably improve corporate value and enhance distributions of funds to strategic investments and shareholder returns while maintaining profitability and financial well-being.

In terms of the shareholder return policy, the plan's goals are to make appropriate returns via stable dividends aiming at a consolidated payout ratio of 30% and flexible repurchases of Company shares. In addition, the Company's dividend policy, based on continued stable dividends, is to pay dividends commensurate with profits, while strengthening the corporate financial structure and expanding retained earnings.

Based on many factors, such as concerns over deterioration of financial results for the Company's business partners due to the mature domestic market, sluggish demand for refractories over the long-term, uncertainties in international market conditions and demand due to the Ukrainian situation, soaring raw material prices currently, increased calls for decarbonization, ESG, and SDGs, and natural disasters, the management environment and social conditions surrounding the Company are changing drastically, and in considering the Company's medium- to long-term funds distribution, it would be preferable to address shareholder return methods more flexibly.

If the year-end dividend were ¥100 per share as the proposing shareholder seeks, the dividend payout ratio would be 82.1%, which means that the entire shareholder return would need to be implemented through dividends. In addition, combined with the Company share repurchases made by the Company during the fiscal year ended March 31, 2022, the total return payout ratio would be 131.2%. Such a proposal is not in line with our aforementioned policy.

The Company, based on the aforementioned policy, announced on May 13, 2022 that we plan to pay a dividend of ¥43 per share for the fiscal year ended March 31, 2022, an increase of ¥26 from the previous year. As such, the Company has met the expectations of its shareholders by raising the annual dividend from ¥9 to ¥43 per share since the fiscal year ended March 31, 2014, and has made approximately ¥1.5 billion in Company share repurchases in the fiscal year ended March 2022. As a result, the total return payout ratio for the fiscal year ended March 31, 2022, is expected to be 80.5%.

Furthermore, on May 13, 2022, we announced that we would repurchase up to a total of ¥1.5 billion or 1.5 million shares by March 31, 2023.

As mentioned above, by achieving the First Medium-Term Management Plan, the Company plans to meet the expectations of all of our stakeholders, including shareholders, by strengthening capital distribution towards strategic investments and shareholder returns, paying stable dividends with the aim of a 30% consolidated payout ratio, and implementing appropriate returns via flexible repurchases of Company shares. Going forward, we shall continue striving to strike a balance between sustainably improving corporate value and while maintaining high profitability and financial well-being.

Accordingly, the Board of Directors of the Company opposes Proposal 4.

Proposal 5: Partial Amendments to the Articles of Incorporation Pertaining to Cross-shareholding

A. Summary of the proposal

Newly establish the following chapter and article in the Articles of Incorporation of the Company.

Chapter 7 Cross-shareholding

(Verification of the purpose of cross-shareholding and disclosure of the results)

Article 42

- (1) The Company shall assess in detail and report to the Board of Directors once every 3 months whether or not the purpose of holding shares other than for pure investment purposes (hereinafter “Cross-shareholding”) is appropriate and whether the benefits and risks from holding these cover the cost of capital.
- (2) The Board of Directors, based on the assessment results in Paragraph 1, shall determine whether or not the Cross-shareholding is appropriate and write the details and reasons for this in the Board of Directors meeting minutes.
- (3) The Company shall disclose the assessment results of Paragraph 1 and the details of and reasons for the determination of the Board of Directors in the preceding paragraph in the Corporate Governance Report that the Company submits to the Tokyo Stock Exchange.

B. Reasons for the proposal

In the 122nd fiscal year, the Company spent ¥53,330,000 to purchase 64,000 shares issued by Chubu Steel Plate Co., Ltd. and ¥49,001,000 to purchase 62,600 shares of Meisei Industrial Co., Ltd. Meanwhile, Chubu Steel Plate Co., Ltd. holds 150,800 shares of the Company, and Meisei Industrial Co., Ltd. holds 68,700 shares of the Company. In other words, the Company cross-holds shares with these companies.

The proposing shareholder filed a petition with the Osaka District Court on August 17, 2021 for permission to view and copy the meeting minutes of the Company’s Board of Directors in order to check what kind of assessment the Board of Directors performed in relation to this cross-shareholding. This is because the Company’s securities report discloses with regard to the “details of the Board of Directors’ assessment” of cross-shareholding, “The Board of Directors, etc. determines once every 3 months, based on the verification results, whether shareholding is appropriate after fully examining the economic rationale of whether or not the held company is important for the profit of the Company’s shares in light of shareholding policy.” However, in the hearing at the Osaka District Court, the Company argued that the determination of the appropriateness of cross-shareholding is done not by the Board of Directors, but by the full-time Board of Directors, and therefore, there are no Board of Directors meeting minutes regarding the purchase of shares of Chubu Steel Plate Co., Ltd. and Meisei Industrial Co., Ltd.

The proposing shareholder was surprised that the Company only assessed the appropriateness of cross-shareholding through a completely separate body rather than the Board of Directors, despite disclosing that the appropriateness of cross-shareholding was determined at the Board of Directors meeting, etc. However, regardless of this point, the proposing shareholder believes that spending a total of ¥102,331,000 on cross-shareholding without assessment of the rationale by the Board of Directors was a major betrayal of shareholder trust.

The “Corporate Governance Code” (hereinafter, the “CG Code”) appended to the Tokyo Stock Exchange Securities Listing Regulations states, “When companies hold shares of other listed companies as cross-shareholdings, they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings. In addition, the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company’s cost of capital. The results of this assessment should be disclosed.”

Therefore, the proposing shareholder demands that the Company set forth basic rules regarding this point in its Articles of Incorporation so that rigorous assessments by the Board of Directors regarding cross-shareholding and adequate disclosures are made in compliance with the CG Code.

<Opinion of the Board of Directors on Proposal 5>

1. Opinion of the Board of Directors of the Company

The Board of Directors opposes Proposal 5.

2. Reasons for the opposition

The Company views the maintenance and development of trusting and cooperative relationships with a wide range of business partners cultivated through business activities to date as extremely important from the standpoint of sustainable growth and medium- to long-term improvement of corporate value. As such, the Company cross-holds shares that it has determined will help to maintain and strengthen business relationships between the Company and the cross-shareholding, improve the profitability of both companies, and even help to improve the Company's corporate value.

From the perspective of strengthening the corporate governance structure, the Company regularly reviews its cross-shareholding assessment system, etc. As a result, the Corporate Governance Report submitted on January 14, 2022, states that each individual cross-shareholding is qualitatively and quantitatively assessed annually in terms of whether it contributes to the improvement of the Company's corporate value, and based on a comprehensive judgment, cross-shareholdings determined to be of little significance are sold while taking into consideration the effect on the market, etc. The procedure for reviewing the significance of cross-shareholdings consists of a primary evaluation at the full-time Board of Directors meeting, then, based on this primary evaluation, a final determination regarding whether or not cross-shareholdings are appropriate by the Board of Directors. Matters such as cross-shareholding policy and assessment methods are disclosed in the Company's securities report and the Corporate Governance Report submitted to the Tokyo Stock Exchange.

As such, the Company finds the cross-shareholding assessment procedures and disclosure methods by the Company's Board of Directors to be appropriate, and therefore, it is not necessary to amend the Articles of Incorporation as proposed here. In addition, in the Company's view, the content that this proposal requests to be set forth in the provisions of the Articles of Incorporation is not suitable to provide in the Articles of Incorporation, which are a company's basic rules.

Accordingly, the Board of Directors of the Company opposes Proposal 5.

Proposal 6: Partial Amendment to the Articles of Incorporation Pertaining to Cancellation of Company Shares

A. Summary of the proposal

Newly establish the following as Article 17 in the current Articles of Incorporation, and move down each Article after Article 17 of the current Articles of Incorporation.

Article 17

The general meeting of shareholders may make resolutions on matters provided in the Companies Act and matters pertaining to the cancellation of Company shares.

B. Reasons for the proposal

As of the end of the third quarter of the fiscal year ended March 31, 2022, the Company held 4,977,123 shares of Company stock, which is equivalent to approximately 19.45% of the total number of outstanding shares. Considering that the average ratio of treasury stock to the total number of outstanding shares of approximately 3,700 companies listed on the Tokyo Stock Exchange is only 3.8%, it is clear that the Company's ratio of holdings is extremely high. However, the Company has no rational reason for holding so many Company shares. If the purpose of holding Company shares is for M&A, etc., the amount estimated for M&A investment in the First Medium-Term Management Plan (FY2021-FY2023) announced by the Company on May 13, 2021 is only ¥900 million, which is an amount that the Company is fully capable of covering with its abundant cash holdings. On the other hand, cancelling Company shares leads to a reduction of the Company's cost of capital, which sends a strong message that the Company's management team is focusing on improving capital structure and corporate value.

For the above-mentioned reasons, the proposing shareholder proposes amending the Articles of Incorporation as described in the "Summary of the proposal" so that matters concerning cancellation of Company shares can be resolved by a general meeting of shareholders.

<Opinion of the Board of Directors on Proposal 6>

1. Opinion of the Board of Directors of the Company

The Board of Directors opposes Proposal 6.

2. Reasons for the opposition

The Company regards the use and cancellation of Company shares as a capital policy that needs to be examined and implemented flexibly based on medium- to long-term management strategy. Accordingly, it should be resolved by the Board of Directors as prescribed, in principle, by the Companies Act.

The Company intends to continue considering the use of Company shares based on its medium- to long-term management strategy, including their use as a stock-based incentive for officers, as well as for financing future business reorganizations, capital expenditures, etc., M&A, and other flexible capital policies. Actually, the Company has used Company shares to date, for example, to grant restricted shares to Directors (excluding External Directors) as approved by the 123rd Annual General Meeting of Shareholders on June 24, 2021, and in a restricted share incentive plan for an employee stockholding association that the Company's Board of Directors decided to introduce on February 9, 2022.

Accordingly, the Board of Directors of the Company opposes Proposal 6.

Proposal 7: Cancellation of Company Shares

A. Summary of the proposal

Cancel 4,977,123 shares held, subject to approval of the proposal, "Proposal 6: Partial Amendments to the Articles of Incorporation Pertaining to Cancellation of Company Shares"

B. Reasons for the proposal

The cancellation of Company shares is proposed for the reasons stated in the proposal, "Proposal 6: Partial Amendments to the Articles of Incorporation Pertaining to Cancellation of Company Shares."

<Opinion of the Board of Directors on Proposal 7>

1. Opinion of the Board of Directors of the Company

The Board of Directors opposes Proposal 7.

2. Reasons for the opposition

Based on the policy described in the opinion of the Board of Directors of the Company on Proposal 6 (Partial Amendments to the Articles of Incorporation Pertaining to Cancellation of Company Shares), as a result of deliberations by the Board of Directors of the Company, the cancellation of Company shares was judged to be unnecessary at the present time.

Accordingly, the Board of Directors of the Company opposes Proposal 7.

Proposal 8: Dismissal of Corporate Auditors

A. Summary of the proposal

Dismiss Corporate Auditor Takashi Umezawa
Dismiss Corporate Auditor Tadaharu Tani

B. Reasons for the proposal

As explained in the above-mentioned Proposal No. 5, the Company's Directors and Board of Directors have neglected to make disclosures on cross-shareholding to shareholders in line with corporate governance. One reason for this is thought to be that the Corporate Auditors and the Board of Corporate Auditors, which are in the position of auditing the performance of the duties of the Directors, are not adequately functioning. This dysfunction despite the fact that the Company has 5 Corporate Auditors is largely thought to be caused by full-time Corporate Auditor Takashi Umezawa and Corporate Auditor Tadaharu Tani, who are former employees of the Company. Accordingly, the dismissal of these two is proposed.

<Opinion of the Board of Directors on Proposal 8>

1. Opinion of the Board of Directors of the Company

The Board of Directors opposes Proposal 8.

2. Reasons for the opposition

As described in the opinion of the Board of Directors of the Company on Proposal 5 (Partial Amendments to the Articles of Incorporation Pertaining to Cross-shareholding), the Company's Board of Directors makes necessary disclosures regarding matters such as cross-shareholding policy and assessment method in the Company's securities report and in the Corporate Governance Report submitted to the Tokyo Stock Exchange. The proposing shareholder's point that the Board of Directors has "neglected to make disclosures on cross-shareholding to shareholders in line with corporate governance" is incorrect.

Furthermore, the Company's Corporate Auditors, Mr. Takashi Umezawa and Mr. Tadaharu Tani, since assuming the position of Corporate Auditor, have used their abundant experience and insight necessary for auditing the performance of duties of Directors, and through auditing individual business locations and attendance at important meetings such as the Board of Directors meetings, they have performed objective and reasonable audits as Corporate Auditors of the Company. In addition, they have done their best toward medium- to long-term improvements in the Company's corporate value, including actively and regularly exchanging opinions and information with internal control divisions and accounting auditors as necessary. They have sufficiently fulfilled their duties.

Accordingly, the Board of Directors of the Company opposes Proposal 8.