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ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT
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(TSE Prime Market, Code 1976)
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Notice Concerning Board of Directors' Opinion on Shareholder Proposals

Meisei Industrial Co., Ltd. announced today that it has been informed in writing by Nippon Active Value Fund plc ("Proposing Shareholder") of the proposals ("Shareholder Proposals") it plans to make at the 81st Annual General Meeting of Shareholders ("General Meeting of Shareholders") to be held on June 22, 2023, and that Meisei Industrial's Board of Directors has resolved at its meeting held today to oppose the said Shareholder Proposals, as described below.

I. Details of the Shareholder Proposals

1. Agenda

(1) Approval of Remuneration Amount for Restricted Stock-based Compensation Plan

(2) Stock Buyback

(3) Amendments to the Articles of Incorporation Regarding the Number of Outside Directors

2. Outline of Proposals and Reasons for Proposals

An outline of the proposals and reasons for the proposals are as described in the attachment entitled "Details of the Shareholder Proposals."

This attachment is a copy of the original text of the relevant sections of the Shareholder Proposals submitted by the Proposing Shareholder, except for formal adjustments.

II. Meisei Industries Board of Directors' Opinion on Shareholder Proposals

1. Approval of Remuneration Amount for Restricted Stock-based Compensation Plan

(1) Opinion of the Board of Directors

The Board of Directors opposes this Shareholder Proposal.

(2) Reasons for Dissent

The Company's basic policy on remuneration for its directors (excluding directors who are Audit & Supervisory Committee members and outside directors; the same applies hereinafter) is to maintain a remuneration system that enables the Company to appoint and retain talented individuals who can put its management philosophy into practice and fully functions as an incentive to continuously improve its corporate value, while promoting the sharing of value with shareholders. The Company determines an appropriate level of remuneration for directors in light of their respective responsibilities.

Based on this basic policy and the resolution of a general meeting of shareholders, remuneration for the Company directors currently consists of a base cash salary (fixed compensation), bonuses (performance-based compensation), and a stock-based compensation plan (non-monetary compensation). In fiscal 2021, the ratio of each type of compensation, which was determined in reference to objective data from external organizations and in light of the scale of the Company's operations and other factors, was approximately 60% for the base salary (fixed compensation), 30% for bonuses (performance-based compensation), and 10% for stock-based compensation.

Among these, the base salary (fixed compensation) is determined by the Board of Directors after taking into consideration the nature and contribution of the duties performed as well as the Company's situation. Its decision regarding remuneration is informed by the opinions of the Nomination and Remuneration Committee, the majority of whose members are independent directors. The total amount for all bonuses (performance-based compensation) is determined in accordance with the Company's internal regulations, using ordinary income, which the Company considers to be an appropriate indicator for evaluating its performance, as a quantitative performance indicator. The amounts for bonuses paid to individual directors are determined by the Board of Directors, taking into account the director's contribution to business performance and other factors, and in light of the opinions of the Nomination and

Remuneration Committee regarding decisions on remuneration.

Shareholders approved the introduction of a stock-based compensation plan using a trust at the 76th Annual General Meeting of Shareholders held on June 28, 2018. The plan is designed to create a stronger link between directors' remuneration and the Company's stock value. By sharing the same benefits and risks associated with stock price fluctuations that shareholders experience, directors have a greater motivation to boost the Company's performance over the medium to long term and increase its corporate value. Under the plan, a trust set up by the Company using funds which are separate from the maximum amount of remuneration set aside for directors (330 million yen a year, excluding employee salaries) acquires Company shares, which are then delivered to directors through the trust in a quantity equivalent to the number of points the Company has awarded them. After considering various factors, including the recommendations of the Nomination and Remuneration Committee, the Company decided to make directors who are Audit & Supervisory Committee members ineligible for performance-based compensation, including bonuses, because they are expected to audit the performance of duties by directors and to strengthen the Board of Directors ability to audit corporate management.

The Company believes that such a well-balanced remuneration system enables it to appoint and retain talented individuals who can put its management philosophy into practice and meet the expectations of a wide range of stakeholders, including shareholders. It also ensures appropriate incentives and value-sharing with shareholders, thereby leading to the continued enhancement of its corporate value.

The Shareholder Proposal, on the other hand, seeks to provide additional compensation that is separate from the above-mentioned compensation package under this remuneration system, which includes:

１． monetary compensation claims for the grant of up to a maximum of 437,500 shares of restricted stock to be provided to the Company's directors for an amount not exceeding 350 million yen per year, and

２． monetary compensation claims for the grant of up to a maximum of 87,500 shares of restricted stock to be provided to the Company's directors who are Audit & Supervisory Committee members for an amount not exceeding 70 million yen per year.

The Company believes that this Shareholder Proposal would provide an excessive remuneration package that lacks any balance between the base salary (fixed compensation) and performance-based compensation, and that providing performance-based compensation to directors who are Audit & Supervisory Committee members would be inconsistent with the Company's current policy and stance described above.

For the above reasons, the Company's Board of Directors opposes the Shareholder Proposal.

2. Stock Buyback

(1) Opinion of the Board of Directors

The Board of Directors opposes this Shareholder Proposal.

(2) Reasons for Dissent

Since its founding in 1944, Meisei Industrial has consistently contributed to the effective utilization of energy for more than 70 years through its core business involving thermal insulation work and technology. It has done this with a commitment to its three management principles, i.e., to create customers and secure their trust, contribute to society, and challenge toward the future. Today, efforts are being made on a global scale to stop global warming and promote the use of new energy sources that will replace fossil fuels, initiatives which have risen to the top of everyone's agenda in recent years.

Under the slogan "Challenge for a New Stage," the Company's Medium-Term Management Plan (FY2021 – FY2023) announced on May 7, 2021 focuses on strategies for sustained growth, including the development of construction methods and technologies that will pave the way to a carbon-free world. The Company is aggressively expanding into new fields that have an affinity with its existing businesses, and cultivating business areas that will be a new pillar of strength to augment the thermal insulation business. On top of that it is looking to M&As while making capital investments aimed at increasing production capacity and bolstering the

Company's operational foundation. The Company is also focusing on securing and developing human resources to beef up its sales capabilities and boost its corporate power through the use of digital technology. Through these efforts the Company plans to generate 55 billion yen in net sales and 4.6 billion yen in profit for the fiscal year ending March 31, 2024, the final year of the Medium-Term Management Plan. The Company has already recorded net sales of 55.8 billion yen and profit of 4.6 billion yen for the fiscal year ended March 31, 2023.

Besides that, since the Company sees ensuring a stable return of profits to shareholders while maintaining and strengthening its financial position as a key management initiative, it has consistently paid dividends regardless of business performance trends. As announced in the Notice of Changes in Dividend Policy dated April 25 of this year, the Company changed its basic policy. The Company previously would pay a stable dividend of 12 yen per share or a dividend at a payout ratio of about 30% in accordance with its business performance, whichever was higher. However, it now will pay a stable dividend of 20 yen per share or a dividend at a payout ratio of about 30% to 40% in accordance with its business performance, whichever is higher. The Company believes that this change will be acceptable to shareholders.

On twelve different occasions, from fiscal 2007 to fiscal 2021, the Company bought back stock, repurchasing 17,130,200 shares (25.8% of the total number of shares issued in fiscal 2007) for a total of approximately 6.54 billion yen and canceled 10 million shares during the same period. This was just one of the measures the Company implemented to enhance returns to shareholders and improve capital efficiency.

Although the Company fully recognizes the importance of capital policy, including the return of profits to shareholders and stock buybacks, it has determined that passing a resolution to repurchase a total of 4 billion yen of its own shares within one year, as put forth in the Shareholders Proposal to be submitted at the Annual General Meeting of Shareholders, would not be appropriate in light of the Company's current management strategy. This is because it could undermine the financial resources for its growth investments and lead to the deterioration of its financial position, which could thwart medium- to long-term growth and continued enhancement of its corporate value.

The Company will continue to conduct share buybacks in full consideration of its operating environment, including its medium-term management plan, capital policy, business performance, investment status, financial standing, as well as stock trading status and share price.

For the above reasons, the Company's Board of Directors opposes the Shareholder Proposal.

3. Amendments to the Articles of Incorporation Regarding the Number of Outside Directors

(1) Opinion of the Board of Directors

The Board of Directors opposes this Shareholder Proposal.

(2) Reasons for Dissent

In June 2015, the Company adopted a corporate structure with an audit and supervisory committee and appointed all outside directors to serve on the Audit & Supervisory Committee, thereby strengthening the audit and supervisory functions of the Board of Directors and further enhancing corporate governance.

In addition to that, in order to enhance fairness, transparency, and objectivity of procedures related to the nomination and remuneration of directors, the Company voluntarily established the Nomination and Remuneration Committee, the majority of whose members are independent directors, to serve as an advisory body to the Board of Directors. The Board of Directors makes decisions on the candidates for directors based on the committee's recommendations and advice. It followed the same decision-making process when nominating the candidates for directors to be proposed at the upcoming Annual General Meeting of Shareholders.

If the Company's proposal to elect directors (including directors who are Audit & Supervisory Committee members) is approved at the Annual General Meeting of Shareholders, three of the nine Company directors will be independent directors. As part of the Company's ongoing efforts to enhance its corporate governance structure, it increased the ratio of independent directors on the board from 20% (as of the June 2021 general meeting) to 30% at the June 2022 general meeting by appointing one new independent director. The ratio is expected to rise to 33% following the upcoming General Meeting of Shareholders. Moving forward, the Company will continue to enhance its corporate governance structure by leveraging bodies that are independent from the Board of Directors, such as the Nomination and Remuneration Committee, to ensure that the Board of Directors contributes to the enhancement of corporate value over the medium to long term.

All five of the candidates for directors (excluding directors who are Audit & Supervisory Committee members) to be proposed at the upcoming General Meeting of Shareholders are familiar with the Company's business and have expertise in corporate management and business strategy as well as knowledge and experience in construction, technology, and R&D. Four directors are Audit & Supervisory Committee members, and three of the four are independent directors. The independent directors have their own expertise and offer their opinions on all aspects of corporate management to the Board of Directors from their particular perspective. They provide recommendations and advice to ensure that decisions made by the Board are adequate and appropriate.

The Company's Board of Directors has determined that the Board of Directors, which consists of the candidates proposed by the Company, is sufficiently independent and has an optimal composition with the kind of diversity needed to put the Company's management philosophy into practice as well as execute and supervise operations aimed at achieving the targets of the Medium-Term Management Plan. The Board of Directors has already established a governance structure that will aid in the Company's sustained growth and the enhancement of its corporate value over the medium to long term. The Board believes that this structure will serve the interests of shareholders well.

In the meantime, the Company will continue to look into increasing the ratio of outside directors as pointed out and suggested in the Shareholder Proposal, taking into account the discussions of the Nomination and Remuneration Committee.

However, the Company believes that adding a provision to the Articles of Incorporation, as suggested in this Shareholder Proposal, would limit the scope for selecting director candidates and be detrimental to the composition of the Board of Directors, which should be flexible and left up to the Board of Directors to determine in light of management strategies at any future time.

For the above reasons, the Company's Board of Directors opposes the Shareholder Proposal.

(Attachment: Details of the Shareholder Proposals)

※ The relevant sections of the Shareholder Proposals submitted by the Proposing Shareholder are shown in the original text.

I. Proposed Agenda

1 Approval of Remuneration Amount for Restricted Stock-based Compensation Plan

2 Stock Buyback

3 Amendments to the Articles of Incorporation Regarding the Number of Outside Directors

II. Outline of Proposals and Reasons for Proposals

1 Approval of Remuneration Amount for Restricted Stock-based Compensation Plan

(1) Outline of the Proposal

At Meisei Industrial's Annual General Meeting of Shareholders held on June 25, 2015, it was approved that the maximum amount of remuneration for Company directors (excluding Audit & Supervisory Committee members) would be 330 million yen per year (excluding employee salaries for directors who concurrently serve as employees), and that the maximum amount of remuneration for directors who are Audit & Supervisory Committee members would be 70 million yen per year. In order to give the Company's directors ("Eligible Directors") an incentive to continuously improve the Company's corporate value and further promote value-sharing between the Eligible Directors and shareholders, the Company shall, in addition to the aforementioned limit on compensation, newly grant monetary compensation claims to Eligible Directors (excluding directors who are Audit & Supervisory Committee members) for the grant of up to a maximum of 437,500 shares of restricted stock for an amount not exceeding 350 million yen per year, and grant monetary compensation claims to Eligible Directors who are Audit & Supervisory Committee members for the grant of up to a maximum of 87,500 shares of restricted stock for an amount not exceeding 70 million yen per year. The vesting period shall be three years from the date the shares are granted. Monetary compensation claims shall be designed as a performance-based incentive plan, which will grant restricted stock equal to three times the fixed compensation amount on a cumulative basis over the next three years if performance standards are met. The specific timing and allocation of payments shall be determined by the Board of Directors.

(2) Reason for the Proposal

The Company has introduced a stock ownership trust plan, but this plan makes it difficult for shareholders to see how many shares each director holds and whether appropriate incentives are provided to directors. In order to demonstrate that value is shared sufficiently between directors and shareholders, the Company should introduce a restricted stock compensation plan (the “Plan”) in place of the stock ownership trust plan, and make all directors of the Company, including outside directors and directors who are Audit & Supervisory Committee members, eligible for the Plan. In order to share value between directors and shareholders, stock-based compensation must be granted during a director’s term of office until it reaches the equivalent of three times the fixed compensation amount, which is considered to be a benchmark for effective stock-based compensation, and a certain amount of restricted stock must be granted in a shorter period of time.

Accordingly, we propose that all directors of the Company (including outside directors and directors who are Audit & Supervisory Committee members) be eligible for the Plan, and that restricted stock worth a cumulative total of three times the fixed compensation amount be granted over the next three years.

Additionally, the Company should formulate guidelines for shareholding in connection with the restricted stock compensation plan, stipulating that the target amount of Company shares to be repurchased by directors during their terms of office be three times their fixed base salary. The Company should also disclose the status of share buybacks by individual directors in its corporate governance report to be submitted to the Tokyo Stock Exchange.

2 Stock Buyback

(1) Outline of the Proposal

Pursuant to the provisions of Article 156, paragraph 1 of the Companies Act, Meisei Industrial shall acquire up to a total of 5,000,000 shares of its common stock at a total maximum acquisition price of 4,000,000,000 yen (4 billion yen) by way of cash payment, within one year from the conclusion of this Annual General Meeting of Shareholders.

(2) Reason for the Proposal

The Company's Board of Directors at its November 18, 2021 meeting passed a resolution to repurchase up to 1,500,000 shares, or 2.92% of the total number of shares outstanding (excluding treasury stock) for the period from November 19, 2021 to June 30, 2022, at a total maximum acquisition price of 1.2 billion yen. Based on this resolution, the Company also resolved at the Board of Directors meeting held on March 24, 2022 to repurchase 1,500,000 shares of its own stock at a total acquisition price of 1,053,581,288 yen from November 19, 2021 to January 14, 2022, and to cancel 3,000,000 shares of its own stock. It is commendable that the Company has implemented measures to enhance shareholder returns and improve capital efficiency. Although the Company's stock price has been on a moderate upward trend since March 2022, this could be viewed as an indication that the market sees the Company's measures as insufficient. Therefore, in order to further enhance the Company's shareholder returns and improve capital efficiency, we believe that it should adopt a measure to purchase approximately 10% of the total number of shares outstanding (excluding treasury stock) as treasury stock and cancel them in accordance with Article 178 of the Companies Act.

3 Amendments to the Articles of Incorporation Regarding the Number of Outside Directors

(1) Outline of the Proposal

Article 19 of the Articles of Incorporation of Meisei Industrial shall be amended as follows to make its outside directors a majority:

Before amendment	After amendment
(Number of Directors) Article 19 The Company shall have no more than twelve (12) directors (excluding directors who are Audit & Supervisory Committee members). 2 The Company shall have no more than five (5) directors who are Audit & Supervisory Committee members. 3 (Newly established)	(Number of Directors) Article 19 The Company shall have no more than twelve (12) directors (excluding directors who are Audit & Supervisory Committee members). 2 The Company shall have no more than five (5) directors who are Audit & Supervisory Committee members. 3 The majority of the directors of the Company shall be outside directors as provided in Article 2, paragraph 1, item 15 of the Companies Act.

(2) Reason for the Proposal

Principle 4-8 of the Corporate Governance Code stipulates that independent directors should fulfill their roles and responsibilities with the aim of contributing to the sustained growth of companies and increasing corporate value over the medium to long term, and that companies listed on the Prime Market should therefore make at least one-third of their directors independent directors who sufficiently demonstrate such qualities. The Code also stipulates that, irrespective of the above, companies listed on the Prime Market should appoint a sufficient number of independent directors if they see the need to make the majority of their directors independent directors in light of various factors, including industry characteristics, scale of operations, business characteristics, organizational structure, and operating environment. Furthermore, according to Principle 4-7 of the Corporate Governance Code, one of the roles and responsibilities of independent directors is to appropriately represent the views of minority shareholders and other stakeholders in the boardroom from a standpoint that is independent of management and controlling shareholders.

Since only three of the Company's ten directors are outside directors, it does not meet the one-third or more requirement. However, we believe that, if the Company was willing to appoint more outside directors so they would then make up the majority of the board, it could improve capital efficiency, ensure returns to shareholders, and create a governance system that contributes to its sustained growth and the enhancement of corporate value over the medium to long term.

In addition to the number of outside directors, the quality of outside directors also matters. The Company should have people who can contribute to its sustained growth and enhance its corporate value over the medium to long term. To that end, we believe that the Company should consider appointing analysts with a high level of experience and skills.

We believe that the appointment of people with extensive experience and skills as analysts is an effective means of bringing the perspectives of outside investors and shareholders to the boardroom, while at the same time contributing to the enhancement of corporate value through healthy risk-taking. Although the board of directors of a listed company and investors/shareholders share the same goal of increasing its corporate value over the long term, unfortunately in Japan, the two are often perceived as adversaries. We believe that having directors with the experience and skills described above participate in board discussions and decision-making will make the relationship between the board and the stock market inherently constructive through healthy risk-taking, capital allocation, and better communication with the market. We are often told that people with a banking or accounting background cover the financial skills part of the directors' skills matrix, but in order to encourage healthy risk-taking, expertise in accounting and debt markets alone is not enough, and that is why we believe that appointing equity market experts makes a lot of sense.