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For immediate release

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Notice on the Board of Directors' Objection to Shareholder Proposals Regarding the Annual Shareholders' Meeting of the Company

In response to the document of shareholder proposals received on April 17, 2023 with regard to the agenda of the 102nd annual shareholders' meeting scheduled to be held on June 22, 2023, Ahresty Corporation ("the Company") hereby announces that it resolved at its Board of Directors' meeting today an objection to the proposals ("Shareholder Proposals") as follows.

I. Proposing shareholder

An individual shareholder ("Proposing Shareholder")

※ * We refrain from disclosing the name of the individual shareholder.

II. Description of the Shareholder Proposals

1. Agenda
   (1) Amendment of the Articles of Incorporation regarding appropriation of surplus
   (2) Amendment of the Articles of Incorporation regarding purchase of treasury shares
   (3) Amendment of the Articles of Incorporation regarding the organ in charge of determining the dividend of surplus
   (4) Appropriation of surplus

2. Summary of the proposals and the reasons for proposals

   As described in the Appendix "Shareholder Proposals."

   The Appendix "Shareholder Proposals" is a faithful copy of the relevant portions of the original proposal document submitted by the Proposing Shareholder with some formal adjustments.

III. Opinion of the Company's Board of Directors on the Shareholder Proposals as a Whole

The Board of Directors of the Company opposes all of the four proposals submitted by the Proposing Shareholder.

As described in the "Summary of the Proposals" and "Reasons for Proposals" of the Appendix "Shareholder Proposals," the series of proposals of the Proposing Shareholder are intended to demand that the Company continue to pay dividends based on the dividend on equity ratio (DOE) as long as it has a distributable surplus, and that it continue to purchase its own shares equivalent to 1% of net assets until the price-book value ratio recovers a value of 1. In response to this, the view of the Company's Board of Directors is as follows.

The business of the Ahresty Group (the Company and its affiliates) consists of the Die Casting Business, engaged mainly in the manufacture of automobile engine blocks, transmissions, structural components, and parts for electric vehicles; the Aluminum Business, engaged mainly in the manufacture of secondary alloy ingots for die casting and secondary alloy for castings; and the Proprietary Products Business, engaged mainly in the manufacture of raised floor systems. The Ahresty Group has launched its 10-year Business Plan, a long-term management plan toward fiscal 2030, and has been promoting the 2224 Medium-Term Management Plan as the first action plan of the 10-year Business Plan. Under the 10-year Business Plan, in response to changes in the external environment, such as the acceleration of electrification of automobiles and moves toward carbon neutrality, we set "shifting the business portfolio to predominantly parts for electric vehicles," "establishing low-cost, highly productive MONOZUKURI," and "reducing CO_2 emissions in production," as the pillars of our strategy. Based on these pillars, we are making efforts to secure net sales, improve productivity, and enhance earnings strength by shifting from parts for combustion engines to parts for electric vehicles.

The automobile industry, the customer of the Group's major products, is undergoing a grand transformation. In response to the electrification of automobiles, which has been progressing faster than expected, the Ahresty Group has been working to increase orders for parts for electric vehicles, expand business to vehicle body parts using aluminum for weight reduction, and start or expand businesses with companies with an advantage in parts for electric vehicles both inside and outside Japan. We see the acceleration of electrification as a big chance for the growth of the Group as it will lead to the expansion of demand for die-cast products and an increase in opportunities to acquire new customers. Meanwhile, the automobile industry is in a very fluid situation with uncertainties such as the difference in speed of the shift to electric vehicles and the emergence of new automobile manufacturers. The Group adopts a business model whereby we receive orders for products for which net sales will be recorded three years later and make advance investments for production equipment for such products. Now, in the period of a grand transformation with many variable factors in the industry, we believe it is important to have a robust balance sheet that enables us to stably receive orders and make investments even if an unexpected change occurs.

The Group's business performance returned to the black in the second half of the fiscal year ended March 2023. Although a net loss was recorded, operating income and recurring income returned to the black for the first time in three years. Over the past three years, our business environment was very severe, with factors such as the spread of COVID-19, production reduction by our major customers due to the shortage of semiconductors for automobiles, logistics disruption due to lockdowns and the spread of infection due to the lifting of the zero-COVID policy in China, and soaring energy prices resulting from the Russian invasion of Ukraine. The Ahresty Group has made group-wide efforts to overcome these long, challenging times. As a result, we are beginning to see the effects of these efforts in such fields as productivity improvement, price adjustments, and order-taking for products for electric vehicles from new customers. While the business recovery trend is likely to continue, the recovery from the shortage of semiconductors in the automobile industry is expected to slow down. As a result, we predict that the sales weight (the tonnage of products sold), which is the benchmark of the Group's workload, will return to the level of the fiscal year ended March 2019 (190,000 tons) before the COVID crisis in the year ending March 2025 or later.

The Company's Board of Directors takes seriously the worsening of business performance over the past few years and the resulting sluggish stock prices and the low price-book value ratio below 1. To emerge from this situation of such sluggish stock prices, the Group sees the rapid acceleration of electrification in the automobile industry as a big chance for growth leading to the expansion of demand for die-cast products and an increase in opportunities to acquire new customers. We have thus been promoting the 10-year Business Plan throughout the Group. Under such circumstances, if we continue to pay dividends based on the DOE and purchase our own shares equivalent to 1% of net assets regardless of the profit trend of each year as demanded in the Shareholder Proposals, it may hinder the flexibility in the Group's business management and capital policy, including shareholder returns, and stagnate our business development and the continuous improvement of our corporate value in the medium to long term. We therefore judged that it would consequently hurt the interests of our shareholders.

This is the opinion of the Company's Board of Directors against the continuous increase in dividends and purchase of treasury shares, which the Proposing Shareholder demands with the four Shareholder Proposals.

Details of the opinion of the Board of Directors on each Shareholder Proposal are provided in IV. below.

IV. Opinion of the Company's Board of Directors on Individual Shareholder Proposals

1. Amendment of the Articles of Incorporation regarding appropriation of surplus

(1) Opinion of the Company's Board of Directors

The Board of Directors of the Company opposes this Shareholder Proposal.

(2) Reasons for the opposition

As explained in "III. Opinion of the Company's Board of Directors on the Shareholder Proposals as a Whole" above, the business of the Ahresty Group is still on the path to recovery while the shortage of semiconductors for automobiles is slowly easing. The Die Casting Business, the Group's main business, has major customers in the automobile industry, which is undergoing a major transformation, and the industry's future outlook is full of uncertainties.

Amid such a business environment and with our business performance on the path to recovery, we have been focusing our efforts on putting the Group's business back on a growth track. Furthermore, the Board of Directors is continuously considering how to return profits to our shareholders. Based on the viewpoint that we should respond to our shareholders' expectations as far as possible, the Board of Directors has placed emphasis on the return of profits to shareholders and decided to pay dividends over the past three fiscal years, despite the severe business environment, within a range that would not affect the soundness of the financial structure while making growth investment for electrification.

Meanwhile, the Shareholder Proposal demands an amendment of the Articles of Incorporation to the effect that the cash dividend from retained earnings shall not fall below 3% of the Company's net assets in principle. If such a provision is established in the Articles of Incorporation, in this period of major transformation of the automobile industry, it may hinder the mobility and flexibility of the Company's business management and capital policy, including shareholder returns. It may also have a negative impact on the Company's financial soundness and investment for growth in the medium to long term.

Moreover, the Articles of Incorporation are supposed to stipulate the basic principles concerning the organizational activities of a company. We believe that setting specific matters regarding the dividend of surplus contradicts the purpose of the Articles of Incorporation.

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

2. Amendment of the Articles of Incorporation regarding the purchase of treasury shares

(1) Opinion of the Company's Board of Directors

The Board of Directors of the Company opposes this Shareholder Proposal.

(2) Reasons for the opposition

As explained in "III. Opinion of the Company's Board of Directors on the Shareholder Proposals as a Whole" above, the business of the Ahresty Group is still on the path to recovery while the shortage of semiconductors for automobiles is slowly easing. The Die Casting Business, the Group's main business, has major customers in the automobile industry, which is undergoing a major transformation, and the industry's future outlook is full of uncertainties.

The Company's Board of Directors takes seriously the worsening of business performance over the past few years, as well as the resulting sluggish stock prices and the low price-book value ratio below 1. To escape from this situation with such sluggish stock prices while paying attention to the business environment of the Group and the characteristics of the Group's businesses, the Ahresty Group plans to set four pillar financial strategies under the 10-year Business Plan: (1) Improve medium- to long-term capital efficiency by achieving a return on equity ("ROE") higher than the capital cost; (2) Maintain a sound financial structure to continue flexible order-taking and growth investment; (3) Continue growth investment to capture demand for weight reduction and electrification, develop new customers for parts for electric vehicles, and promote man-power/labor saving; and (4) Provide returns to shareholders based on consolidated business results. The Company will promote the 10-year Business Plan to achieve a shift to predominantly parts for electric vehicles, and thereby improve its profitability as soon as possible. By recovering the performance level to respond to the expectations of our shareholders, we aim to improve the price-book value ratio.

As for the purchase of treasury shares, our policy has been that it shall be conducted flexibly at appropriate times taking into comprehensive consideration the business performance, necessity of investment, financial condition, external environment, and other factors. On April 27, 2023, the Company announced that it had launched a share buyback program for a total amount of 500 million yen or 900,000 shares to be acquired at maximum, using the funds gained from sales of the Higashimatsuyama Plant.

Meanwhile, the Shareholder Proposal demands an amendment of the Articles of Incorporation to the effect that the Company shall continue to purchase its own shares equivalent to at least 1% of equity every year until the Company's stock price recovers to a price-book value ratio of 1, regardless of the business performance, financial equity condition, and external environment of each year. If such a provision is established in the Articles of Incorporation, it may hinder the flexibility of the Company's business management and capital policy, including shareholder returns, in the period of a major transformation of the automobile industry, our major customer. Consequently, it will not lead to the improvement of the Company's corporate value in the medium to long term.

The Shareholder Proposal points out as the reason for the proposal that the Company does not carry out share buybacks even though it has sufficient financial capacity to do so. This differs from the Board of Directors' view on the Company's financial capacity. Although our consolidated equity ratio of the year ended March 2023 is 41.2%, the ratio after deducting foreign currency translation adjustments, which are not the result of the Company's business performance, is 34.7% (consolidated shareholders' equity ratio). The Company will maintain a policy of flexibly purchasing its own shares at appropriate times, taking into comprehensive consideration the business performance, necessity of investment, financial condition, external environment, and other factors.

Furthermore, the Articles of Incorporation are supposed to stipulate the basic principles concerning the organizational activities of a company. We think that setting specific matters regarding the purchase of treasury shares contradicts the purpose of the Articles of Incorporation.

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

3. Amendment of the Articles of Incorporation regarding the organ in charge of determining the dividend of surplus

(1) Opinion of the Company's Board of Directors

The Board of Directors of the Company opposes this Shareholder Proposal.

(2) Reasons for the opposition

The Company decides its capital policy taking into consideration changes in the business environment of the Group, the characteristics of the Group's businesses, and other factors. In order to be able to flexibly decide the appropriate amount of dividends while considering the sustainable development and growth of the Company and the interests of its shareholders, the Company has set the dividend of surplus as a matter to be decided by management, and therefore it shall be performed with resolution at a Board of Directors' meeting, not at a general shareholders' meeting. Accordingly, the organ in charge of determining the dividend of surplus at the Company is the Board of Directors, pursuant to the provisions of Article 459, Paragraph 1 and Article 460 of the Companies Act.

Based on this view, as well as the basic capital and shareholder return policy of providing appropriate returns while bolstering the financial structure and management base for business development in the medium and long terms, the Board of Directors is determined to endeavor to improve the corporate value of the Company.

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

4. Appropriation of surplus

(1) Opinion of the Company's Board of Directors

The Board of Directors of the Company opposes this Shareholder Proposal.

(2) Reasons for the opposition

As explained in "III. Opinion of the Company's Board of Directors on the Shareholder Proposals as a Whole" above, the business of the Ahresty Group is still on the path to recovery while the shortage of semiconductors for automobiles is slowly easing. The Die Casting Business, the Group's main business, has major customers in the automobile industry, which is undergoing a major transformation, and the industry's future outlook is full of uncertainties.

In view of the business environment of the Group and the characteristics of the Group's businesses, our basic capital and shareholder return policy is to properly return profits to shareholders within a range that would not affect the soundness of the financial structure while making growth investment for electrification. To this end, we believe that returns to shareholders should be provided based on consolidated business results.

However, the Shareholder Proposal demands that dividends of surplus for the year ended March 2023 be the amount equivalent to 3% of the Company's net assets. This virtually means proposing an increase in the amount of annual dividends from the current 260 million yen to 960 million yen. The Board of Directors understands that the amount of dividends should be raised as soon as possible after achieving recovery of the business performance. However, with a loss recorded for the fiscal year ended March 2023, if such a proposal is approved, it may affect our financial resources for growth investment and hinder the Company's business development in the medium to long term and sustainable improvement of its corporate value. This may consequently harm the interests of our shareholders. Although our consolidated equity ratio for the year ended March 2023 is 41.2%, the ratio after deducting foreign currency translation adjustments, which are not the result of the Company's business performance, is 34.7% (consolidated shareholders' equity ratio). In light of the business environment of the Group and the characteristics of the Group's businesses, we do not think that we have sufficient surplus funds to justify the amount of dividends proposed by the Proposing Shareholder.

The Board of Directors of the Company will improve profitability as soon as possible by promoting the 10-year Business Plan, thereby recovering business performance and improving its corporate value.

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

Appendix “Shareholder Proposals”

Proposal 1: Amendment of the Articles of Incorporation regarding appropriation of surplus

1. Summary of the proposal

Alter Article 42 and the subsequent Articles of the current Articles of Incorporation to Article 43 and the subsequent Articles, and establish the new Article 42 as follows. The amendment of the Articles of Incorporation based on this proposal shall take effect at the time when this proposal is approved at this general shareholders’ meeting.

(Year-end dividend)

Article 42 At the end of each fiscal year, within the scope of the distributable amount and by using the other retained earnings as the source of dividends, the Company shall pay an amount equivalent to 3% or more of its net assets as the year-end dividend. However, this shall not apply when the Company has a clear and reasonable need to pay an amount lower than the standard amount and also properly explains such reasonable need.

2. Reason for the proposal

The Company is a major manufacturer of aluminum die-cast parts and is a good-standing company that was making a high level of profits before the outbreak of COVID-19. However, its price-book value ratio (PBR) is 0.22 (as of March 24, 2023), which is remarkably low compared to the Tokyo Stock Exchange Prime Market average of 1.16. Although the automobile industry’s confusion due to the COVID crisis and the shortage of semiconductors, as well as the argument that engines are no longer necessary due to the accelerating electrification of vehicles, contributed to the decline in stock prices, the Company maintains a sound financial condition.

Meanwhile, the dividend, which was 26 yen per share in fiscal 2017, significantly decreased to 10 yen in the Company’s forecast in fiscal 2022. As an automobile manufacturer’s revenues are highly variable depending on the model cycles, etc., the amount of dividend may fluctuate significantly if a dividend payout ratio based on profits is adopted. Since the instability of dividends is considered to be a cause of the sluggish stock price, introduction of the dividend on equity ratio (DOE) based on equity is expected to ensure stable shareholder returns and consequently lead to a long-term, stable shareholder composition. Therefore, I submit the above proposal.

Proposal 2. Amendment of the Articles of Incorporation regarding the purchase of treasury shares

1. Summary of the proposal

Article 44 (Article 45 if Proposal 1 is approved at this general shareholders’ meeting) shall be established as follows. The amendment of the Articles of Incorporation based on this proposal shall take effect at the time when this proposal is approved at this general shareholders’ meeting.

(Purchase of treasury shares)

Article 44 The Company shall purchase its own shares at a total amount equivalent to at least 1% of its equity capital as of the end of each fiscal year, within the range of the distributable amount, every year until the Company’s stock price recovers to a price-book value ratio of 1.

2. Reason for the proposal

Since stock prices are influenced by the macro environment and stock market trends, they are not always linked to the revenues and financial conditions of the company. However, the repurchase of treasury shares when the company’s stock price is low not only will help improve its financial condition, but also, the management stance of not overlooking the sluggish stock prices will bring a sense of ease to shareholders and help increase the Company’s corporate value.

Over the past few years, the Company has implemented a series of measures to improve earnings, such as reducing overseas personnel, significantly reducing investment securities, recording impairment losses of its U.S. subsidiary, closing the Matsuyama Plant, and recording the gain on sales of the plant (3,000 million yen)aq. As a result, an operating surplus is expected for the second half of fiscal 2022. Although the Company is emerging from its earnings’ downturn, its PBR remains low. The background to this fact is the shareholders’ concern about the management attitude. The Company has not launched share buybacks despite its sufficient financial capacity to do so, and has overlooked the slumping of the stock price. To eliminate such concern and restore the confidence of shareholders, I submit the above proposal demanding that the Company continue to purchase its treasury shares until the stock price exceeds a PBR of 1.

Proposal 3. Amendment of the Articles of Incorporation regarding the organ in charge of determining the dividend of surplus

1. Summary of the proposal

Amend Article 41 of the current Articles of Incorporation as follows. The amendment of the Articles of Incorporation based on this proposal shall take effect at the time when this proposal is approved at this general shareholders' meeting.

(Altered parts are underlined.)

Current Articles of Incorporation	Proposed amendment
The Company shall decide on the dividend of surplus and other matters specified in the items of Paragraph 1, Article 459 of the Companies Act, <u>not by resolution of the general shareholders' meeting</u> but by resolution of the Board of Directors, unless otherwise provided for in the laws and regulations.	The Company <u>may</u> decide on the dividend of surplus and other matters specified in the items of Paragraph 1, Article 459 of the Companies Act by resolution of the Board of Directors unless otherwise provided for in the laws and regulations.

2. Reason for the proposal

Due to the reason provided in 2. Reason for the proposal of Proposal 1, to enable the dividend of surplus for the year-end dividend of the fiscal year ended March 2023 by resolution of the general shareholders' meeting as described in Proposal 4

Proposal 4 Appropriation of surplus

1. Summary of the proposal

As a year-end dividend of surplus of the fiscal year ended March 2023, pay the amount equivalent to 3% of net assets less the amount of dividends of surplus (if any) determined as the year-end dividends of the year ended March 2023 based on a resolution of the Company's Board of Directors ("dividend amount determined by the Board of Directors"), using other retained earnings as the source of dividends.

(a) Type of dividend property

Cash

(b) Matters regarding allotment of the dividend property to shareholders

41 yen per share of the Company's common stock ("<u>base dividend amount per share</u>") less the dividend amount determined by the Board of Directors per share of the Company's common stock

Total dividend amount 1,063,008,927 ("base total dividend amount") less the dividend amount determined by the Board of Directors

The base dividend amount per share and the base total dividend amount are set under the assumption that the Company's total number of shares outstanding is 26,076,717, which includes 149,670 shares of treasury stock (the total number of shares outstanding at a certain time less the number of treasury shares shall be referred to as "<u>the base number of shares</u>"), and the amount of total net assets as of the end of the year ended March 2022 is 35,472,000,000 yen.

Therefore, in cases where the amount of net assets as of March 31, 2023, which is the record date for the dividend of surplus, differs from the amount of net assets as of March 31, 2022, and/or where the base number of shares as of March 31, 2023 differs from the above base number of shares, and where the amount of net assets at the same time multiplied by three hundredths (decimals shall be omitted) and divided by the base number of shares (decimals shall be omitted) as of March 31, 2023 is not 41 yen, the base dividend amount per share shall be changed to the said amount.

In such a case, the base total dividend amount shall be the base dividend amount per share determined according to the above formula, multiplied by the base number of shares as of March 31, 2023.

(c) Date on which the dividend of surplus takes effect

June 23, 2023

However, the above is based on the assumption that the general shareholders' meeting will be held on June 22, 2023. If the date of the meeting is changed, the effective date shall be changed to the day following the date of the general shareholders' meeting.

2. Reason for the proposal

As explained in “2. Reason for the proposal” of Proposal 1.