

**N.B. This is a summary translation of a notice in Japanese addressed to shareholders and is provided merely for the convenience and reference of our international shareholders.**

(Securities Identification Code : 5195)

June 6, 2023

Dear Shareholders:

Tomio Ueno, President  
**Bando Chemical Industries, Ltd.**  
6-6, Minatojima Minamimachi 4-chome,  
Chuo-ku, Kobe, 650-0047 Japan

**NOTICE OF  
THE 100TH GENERAL MEETING OF SHAREHOLDERS**

Notice is hereby given that the 100th Ordinary General Meeting of Shareholders of Bando Chemical Industries, Ltd. (the “Company”) will be held as outlined below.

If you don’t attend the meeting, you may exercise your voting rights by either of the following methods. Please review the Referential Documents for Exercising Your Voting Rights attached hereto and exercise your voting rights by 5:30 p.m., Monday, June 26, 2023:

Exercise of voting rights in written form:

Please indicate your approval or disapproval on the Exercise of Voting Rights Form and return it so that it will arrive at the Company by the exercise time limit as described above.

Exercise of voting rights via Internet:

Please access the website for the exercise of voting rights designated by the Company (<https://evote.tr.mufig.jp/>) and exercise your voting rights by the exercise time limit as described above.

1. Date and Time : Tuesday, June 27, 2023, at 10:00 a.m.
2. Place : Head Office, 6-6, Minatojima Minamimachi 4-chome,  
Chuo-ku, Kobe, 650-0047 Japan
3. Agenda  
Reports :
  1. Business report and financial statements for the 100th business term (from April 1, 2022 to March 31, 2023)
  2. Auditing results of the consolidated financial statements for the 100th business term (from April 1, 2022 to March 31, 2023) by the Accounting Auditor and Audit and Supervisory CommitteeProposals :

**Company Proposal**

  - No.1 : Approval of the proposed appropriation (dividend) of retained earnings for the 100th business term (from April 1, 2022 to March 31, 2023)
  - No.2 : Election of five (5) Directors who are not Audit and Supervisory Committee Members
  - No.3 : Election of one (1) Director who is an Audit and Supervisory Committee Member
  - No.4 : Partial Amendment to the Performance-linked Stock Remuneration for Directors, Etc.

### **Shareholder Proposal**

No.5 : Approval of the Amount of Remuneration for the Restricted Stock Unit Plan

No.6 : Acquisition of Treasury Shares

No.7 : Change to the Articles of Incorporation Concerning the Number of Outside Directors

An outline of the shareholder proposals is as described in the Referential Documents for Exercising Your Voting Rights

#### 4. Information on Exercising Your Voting Rights :

##### (1) Exercising your voting rights by proxy

You may appoint another shareholder of the Company to act as proxy and attend on your behalf. Please note, however, that any delegation of your voting rights to a proxy must be presented to the Company in writing.

##### (2) Treatment of multiple exercise of voting rights

In the event that votes both in written form and via Internet are received from the same shareholder, the Internet vote will be considered as valid. When exercising voting rights via Internet, if multiple votes are made from the same shareholder, the last vote will be considered as valid.

##### (3) Treatment when there is no indication of approval or disapproval on the Exercise of Voting Rights Form

In the absence of an indication of approval or disapproval for each proposal, the Company will assume that you approve the Company Proposal and disapprove the Shareholder Proposals.

Proposal 4, which is the Company Proposal, and Proposal 5, which is the Shareholder Proposal, are incompatible. Accordingly, if you agree to both proposals, the exercise of your voting rights on Proposal 4 and Proposal 5 will be invalidated.

– END –

## Referential Documents for Exercising Your Voting Rights

1. Total number of voting rights held by shareholders:  
435,226
2. Proposals and referential matters

### Company Proposal

#### **Proposal 1: Approval of the proposed appropriation (dividend) of retained earnings for the 100th business term (from April 1, 2022 to March 31, 2023)**

Our policy is to enhance the return of profits and aim for making stable dividend payments targeting presently the consolidated dividend payout ratio of 40% and a minimum annual dividend of 26.00 yen per share, while considering our profit and financial position. For this term, considering the amount of earnings, we propose that the year-end dividend be 30.00 yen per share.

Our proposal for the dividends for this business term is as follows;

- (1) The dividends will be made in cash.
- (2) The amount of the year-end dividend will be 30.00 yen per share and the total amount of dividends will be 1,312,772,400yen.
- (3) The effective date of payment of dividends shall be June 28, 2023.

**Proposal 2: Election of five (5) Directors who are not Audit and Supervisory Committee Members**


At the end of this meeting, the term of office of all five (5) Directors who are not Audit and Supervisory Committee Members will expire. Accordingly, the Company asks shareholders to elect five (5) Directors who are not Audit and Supervisory Committee Members.


The candidates for Directors who are not Audit and Supervisory Committee Members are as follows:


List of Candidates for Directors who are not Audit and Supervisory Committee Members


Candidate Number	Name			Position in the Company	Attendance at Board of Directors meetings	Term of office as Director
1	Reelection	Mitsutaka Yoshii	Male Age:64	Chairman	100% (14/14)	12years
2	Reelection	Tomio Ueno	Male Age:54	President (Representative Director)	100% (14/14)	3years
3	Reelection	Shinji Kashiwada	Male Age:61	Director Senior Managing Executive Officer	100% (14/14)	12years
4	Reelection	Atsushi Someda	Male Age:60	Director Senior Executive Officer	100% (14/14)	6years
5	Reelection	Katsuhiko Hata	Male Age:62	Director Senior Executive Officer	100% (14/14)	5years

※ The age and term of office as Director for the respective candidates are as of the General Meeting of Shareholders.


No.	Name (birth date)	Brief career summary, position, responsibilities in the Company and important current duties	Number of Company shares owned
1	<p>Mitsutaka Yoshii (August 18, 1958)</p> <p>[Reelection]</p>  <p>Board of Directors meeting attendance: 14/14</p>	<p>Apr. 1981    Joined the Company</p> <p>Apr. 1999    General Manager, Automotive Parts Marketing Department, Power Transmission Belt Division</p> <p>May 2003    President, Bando Europe GmbH</p> <p>Apr. 2007    General Manager, Procurement Department, the Company</p> <p>Apr. 2009    General Manager, Corporate Planning Department</p> <p>Apr. 2011    General Manager, Industrial Products Division</p> <p>Jun. 2011    Director, the Company</p> <p>Apr. 2013    President (Representative Director)</p> <p>Apr. 2022    Chairman (Representative Director)</p> <p>Apr. 2023    Chairman (Present)</p> <p>(Important current duties)</p> <p>Outside Director, SAKURA KCS Corp.</p>	83,700
<p>Reason for nominating as a candidate for Director</p> <p>Mr. Mitsutaka Yoshii has been leading the Company group as Representative Director for many years and has worked to improve corporate governance as the Chairman of the Board of Directors. He left his office as Representative Director at the end of March this year. However, to realize sustainable growth and increase the medium- to long-term corporate value of the Company group, his broad experience and in-depth insight as a corporate manager are required. Therefore, he is nominated again as a candidate for Director.</p>			

No.	Name (birth date)	Brief career summary, position, responsibilities in the Company and important current duties	Number of Company shares owned
2	<p>Tomio Ueno (September 2, 1968)</p> <p>[Reelection]</p>  <p>Board of Directors meeting attendance: 14/14</p>	<p>Apr. 1992    Joined the Company</p> <p>Apr. 2007    General Manager, Automotive Parts Marketing Department, Nagoya Branch Office, Marketing Division</p> <p>Apr. 2011    General Manager, Personnel and General Affairs Department</p> <p>Apr. 2013    General Manager, Marketing and Sales Department, Automotive Parts Division</p> <p>Apr. 2015    Deputy General Manager, Automotive Parts Division, and General Manager, Planning and Control Department</p> <p>Oct. 2017    President, Bando Manufacturing (Thailand) Ltd.</p> <p>Jun. 2020    Director, the Company</p> <p>Apr. 2022    President (Representative Director) (Present)</p>	16,600
<p>Reason for nominating as a candidate for Director</p> <p>Mr. Tomio Ueno has broad experience and insight regarding the transmission belt business, personnel and general affairs, oversea business, etc. Having been appointed to serve as President from April 2022, he has been leading the business management under his strong leadership. To realize sustainable growth and increase of medium- to long-term corporate value of the Company group, his broad experience and insight across a wide range of fields and exceptional management skills are required. Therefore, he is nominated continuously as a candidate for Director.</p>			

No.	Name (birth date)	Brief career summary, position, responsibilities in the Company and important current duties	Number of Company shares owned
3	<p>Shinji Kashiwada (February 27, 1962)</p> <p>[Reelection]</p>  <p>Board of Directors meeting attendance: 14/14</p>	<p>Apr. 1985    Joined the Company</p> <p>Nov. 2002    General Manager, Automotive Parts Marketing Department, Tokyo Branch Office, Marketing Division</p> <p>Apr. 2007    General Manager, Osaka Branch Office, Marketing Division</p> <p>Apr. 2009    General Manager, Power Transmission Belt Division</p> <p>Jun. 2011    Director (Present)</p> <p>Apr. 2013    General Manager, Mid-Term Plan Promotion Department and Tokyo Branch Office</p> <p>Apr. 2018    Senior Managing Executive Officer (Present)</p> <p>&lt;Current responsibilities&gt; In charge of Personnel, General Administration, Finance and Accounting, Corporate Information Systems and Business Process Improvement</p>	13,500
<p>Reason for nominating as a candidate for Director</p> <p>While Mr. Shinji Kashiwada has been serving as a Director, he has performed his roles and responsibilities as a Director properly based on his broad experience and insight regarding transmission belt business, new business development and head office administration department, etc. To realize sustainable growth and increase of medium- to long-term corporate value of the Company group, his experience and insight are required. Therefore, he is nominated continuously as a candidate for Director.</p>			

No.	Name (birth date)	Brief career summary, position, responsibilities in the Company and important current duties	Number of Company shares owned
4	<p>Atsushi Someda (February 28, 1963)</p> <p>[Reelection]</p>  <p>Board of Directors meeting attendance: 14/14</p>	<p>Apr. 1987    Joined the Company</p> <p>Apr. 2008    General Manager, Power Transmission Technical Research Center</p> <p>Apr. 2013    General Manager, Automotive Parts Division</p> <p>Jun. 2017    Director (Present)</p> <p>Apr. 2018    Senior Executive Officer (Present) General Manager, Manufacturing Planning Center (Present)</p> <p>&lt;Current responsibilities&gt; In charge of Manufacturing, Manufacturing Technology, Logistics and Health</p>	17,400
<p>Reason for nominating as a candidate for Director</p> <p>While Mr. Atsushi Someda has been serving as a Director, he has performed his roles and responsibilities as a Director properly based on his broad experience and insight regarding power transmission technology and transmission belt business, etc. To realize sustainable growth and increase of medium- to long-term corporate value of the Company group, his experience and insight are required. Therefore, he is nominated continuously as a candidate for Director.</p>			



No.	Name (birth date)	Brief career summary, position, responsibilities in the Company and important current duties		Number of Company shares owned
5	Katsuhiko Hata (October 8, 1960)  [Reelection]  Board of Directors meeting attendance: 14/14	Apr. 1985 Apr. 2009 Apr. 2013 Apr. 2017 Apr. 2018 Jun. 2018	Joined the Company General Manager, Research and Development Center General Manager, Elastomer Products Business Administrative Headquarters Senior Executive Officer (Present) General Manager, New Businesses Promotion Center (Present) Director (Present)	8,900
<p>Reason for nominating as a candidate for Director</p> <p>While Mr. Katsuhiko Hata has been serving as a Director, he has performed his roles and responsibilities as a Director properly based on his broad experience and insight regarding research and development, new product development, elastomer products business, etc. To realize sustainable growth and increase of medium- to long-term corporate value of the Company group, his experience and insight are required. Therefore, he is nominated continuously as a candidate for Director.</p>				

Note:

1. There is no special interest between the Company and the candidates.
2. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The policy covers the amount of indemnification and litigation expenses, etc. incurred by insureds from claims for damage arising from acts committed by the insureds, including the candidates, in their capacity as an officer, etc. of the Company. If the reelection of each candidate is approved, they will continue to be included as an insured in the policy. In addition, the Company plans to renew the said policy with the same content during their terms of office.

**Opinions of the Audit and Supervisory Committee**

In regard to the election, remuneration of the Directors who are not Audit and Supervisory Committee Members (including Proposal 4), Audit and Supervisory Committee Members attended the Nominating Committee and the Compensation Committee and provided their respective opinions. After the discussion at the Audit and Supervisory Committee, the Committee has judged that there are no matters to be pointed out at the General Meeting of Shareholders.

**Proposal 3: Election of one (1) Director who is an Audit and Supervisory Committee Member**

Mr. Takashi Shigematsu, a Director who is an Audit and Supervisory Committee Member, will resign at the end of this meeting. Accordingly, the Company asks shareholders to elect one (1) Director who is an Audit and Supervisory Committee Member as his substitute. The term of office shall expire at the end of the predecessor's term of office pursuant to the provisions of the Articles of Incorporation of the Company.


This proposal has been submitted with prior consent from the Audit and Supervisory Committee.

The candidate for a Director who is an Audit and Supervisory Committee Member is as follows:

Composition of the Audit and Supervisory Committee after the General Meeting of Shareholders (planned)

	Name			Position in the Company	Attendance at Board of Directors meetings/ Attendance at Audit and Supervisory Committee Members meetings	Term of office as Director
Candidate	New candidate Candidate for Outside Director Candidate for Independent Officer	Kenji Tomida	Male Age:67	Director Audit and Supervisory Committee Member	—	—
In office		Kyosuke Nakamura	Male Age:67	Director Full-time Audit and Supervisory Committee Member	100% (14/14) 100% (13/13)	9years
	Outside Director Independent Officer	Haruo Shimizu	Male Age:76	Director Audit and Supervisory Committee Member	100% (14/14) 100% (13/13)	7years
	Outside Director Independent Officer	Sayuri Yoneda	Female Age:56	Director Audit and Supervisory Committee Member Chairperson, Compensation Committee	100% (14/14) 100% (13/13)	3years

※ The age and term of office as Director are as of the General Meeting of Shareholders.

Name (birth date)	Brief career summary, position, responsibilities in the Company and important current duties	Number of Company shares owned
<p>Kenji Tomida (August 7, 1955)</p> <p>[New candidate] Candidate for Outside Director Candidate for Independent Officer</p> 	<p>April 1978 Joined Kawasaki Heavy Industries, Ltd. June 2014 Managing Director and General Manager, Corporate Planning Department April 2015 Representative Director and Managing Director, President, Motorcycle and Engine Company April 2017 Executive Vice President April 2018 Executive Vice President and Executive Officer June 2020 Advisor (retired in June 2022)</p>	<p>0</p>
<p>Reason for nominating as a candidate for Outside Director and outline of expected roles</p> <p>Mr. Kenji Tomida has broad experience in finance and accounting and the overseas business, and has in-depth insight as a corporate manager cultivated at manufacturers for many years. It is expected that he will audit and supervise execution of business from an independent standpoint. Therefore, he is nominated as a candidate for Outside Director.</p>		

Notes:

1. There is no special interest between the Company and the candidate.
- 2. Mr. Kenji Tomida is a candidate for an Outside Director.**
3. The Company intends to conclude a Limitation of Liability Agreement with Mr. Kenji Tomida to limit his liability set forth in Article 423, Paragraph 1 of the Companies Act pursuant to Article 427, Paragraph 1 of the Companies Act, to the minimum liability amount stated in the Companies Act if Mr. Kenji Tomida's election is approved.
4. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The policy covers the amount of indemnification and litigation expenses, etc. incurred by insureds from claims for damage arising from acts committed by the insureds, in their capacity as an officer, etc. of the Company. If the election of the candidate is approved, he will be included as an insured in the policy. In addition, the Company plans to renew the said policy with the same content during his term of office.
5. Mr. Kenji Tomida meets the requirements of an Independent Officer as stipulated by the Securities Listing Regulations of Tokyo Stock Exchange, Inc., and is scheduled to be an Independent Officer if elected as originally proposed. For details of the independence standards for Outside Directors of the Company, please refer to the Company's corporate governance report. (<https://www.bandogrp.com/corporate/business/governance.html>)
6. Mr. Kenji Tomida has broad professional experience in the finance and accounting department, and has a considerable degree of knowledge of finance and accounting.

(Reference) Board of Directors membership and skills matrix subsequent to election

The Company has been taking action in line with three guidelines cited under Medium-term management plan launched in FY2023 ( 1. Creation of value, 2. Creation of smart manufacturing, 3. Evolution of organizational capabilities for the future), and accordingly deems that its Board of Directors should consist of individuals equipped with skills (knowledge, experience and abilities) across nine categories as necessary for promoting those guidelines. The following skills matrix lists the membership of the Board of Directors along with the primary skills possessed by the respective Directors upon approval of Proposal 3 and Proposal 4 as proposed.

Position in the Company Name	Corporate & business management	Sustainability & ESG	Global business	Sales & marketing	Technology & R&D	Manufacturing & manufacturing technology	Finance & accounting	Legal affairs, compliance & risk management	Personnel & labor
Chairman Mitsutaka Yoshii	○	○	○	○					
President (Representative Director) Tomio Ueno	○		○	○					○
Director (Senior Managing Executive Officer) Shinji Kashiwada	○	○		○				○	
Director (Senior Executive Officer) Atsushi Someda	○				○	○			
Director (Senior Executive Officer) Katsuhiko Hata	○	○			○				
Director (Full-time Audit and Supervisory Committee Member) Kyosuke Nakamura							○	○	○
Outside Director (Audit and Supervisory Committee Member) Haruo Shimizu	○ (Automotive parts)		○	○					
Outside Director (Audit and Supervisory Committee Member) Sayuri Yoneda							○ (Certified public accountant)		
Outside Director (Audit and Supervisory Committee Member) Kenji Tomida	○ (General Engineering)		○				○		

\* The above skills matrix lists up to four primary categories of skills deemed particularly desirable with respect to each individual, determined based on the respective individual's experience and other such factors. As such, the skills indicated do not constitute the entire range of knowledge, experience and ability possessed by these individuals.

## **Proposal 4: Partial Amendment to the Performance-linked Stock Remuneration for Directors, Etc.**

### 1. Reason for the Proposal and Reason for Considering the Amendments to the System as Reasonable

The Performance-linked Stock Remuneration System (hereinafter “the System”) for Directors of the Company (excluding Directors who are not executive Directors and residents overseas, hereinafter the same) was approved at the 93rd General Meeting of Shareholders held on June 23, 2016.

The Company aims to achieve the new medium- to long-term management plan, “Creating New Value for the Future,” announced on May 15, 2023. To this end, the Company would like to propose to continue the System by adding a mechanism whereby the number of shares to be granted varies based on the status of achievement of target values of the management indicators set out in the medium- to long-term management plan, and by changing such factors as the upper limit of contributions to the Trust and the maximum number of shares to be granted, in order to enhance the linkage between the System and the medium- to long-term management plan.

The purpose of the amendments to the System is to raise awareness of the linkage with business performance and of the enhancement of corporate value from a medium- to long-term perspective, as well as to share interests with shareholders. The Company believes the amendments are reasonable.

Continuation of and amendments to the System have been deliberated by the optional Remuneration Committee, a majority of whose members are Outside Directors and chaired by an Outside Director.

The number of Directors subject to the System shall be four (4) if Proposal 2 “Election of Five (5) Directors who are not Audit and Supervisory Committee Members” is approved in its original form. The System covers Executive Officers who entered into the delegation agreement with the Company (except overseas residents, hereinafter, together with the Directors, they are referred to as the “Directors, etc.”).

### 2. Details of the System after the Amendments

#### (1) Outline of the System

The System is a performance-linked stock remuneration system, under which the company contributes funds to a trust (hereinafter “the Trust”).

The Trust purchases the Company shares in the fiscal years corresponding to the medium-term management plan (hereinafter “the period subject to the System”) and grants and provides (hereinafter “the grant, etc.”) the Company shares and the money equivalent to the amount of the Company shares converted into cash (hereinafter “the Company shares, etc.”) to the Directors, etc. depending on the performance level achieved by the Company and the respective job title.

#### (2) Applicable period after the continuation of the System

The applicable period after the continuation of the System shall be four years of the first stage of the new medium- to long-term management plan, “Creating New Value for the Future,” (four fiscal years from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2027).

If the Trust remains effective, at the maturity of the Trust (it refers to a period of the Trust agreement corresponding to the period subject to the System, and the Trust period after

continuation shall be about four years from September 2023 (planned) to August 2027 (planned)), the Trust may be renewed by contributing additional funds.

In this case, the Trust period will be extended according to the period subject to the System corresponding to the medium-term management plan in effect at the time of continuation, and additional contributions will be made within the amount obtained by multiplying the upper limit of funds per year provided for in (3) below by the number of years in the period subject to the System. Points will continue to be granted to Directors, etc. during the extended Trust period.

However, in the case where such additional contributions are made, if there remain the Company shares (excluding the Company shares not yet granted equivalent to the number of points granted to Directors, etc.) and money (hereinafter “the remaining shares, etc.”) in the Trust property at the end of the Trust period before the extension, the sum of the remaining shares, etc. and the funds contributed additionally shall be within the upper limit specified in (3) below.

In addition, if the System is not continued and is terminated at the expiration of the Trust period, when any Directors, etc. who may meet the requirements as beneficiaries are still in office, no points will be granted to the Directors, etc. thereafter, but the Trust period of the Trust may be extended for up to 10 years until such Directors, etc. retire and the grant, etc. of the Company shares, etc. to such Directors, etc. is completed.

### (3) Upper limit of funds contributed by the Company

The upper limit of funds contributed by the Company for remuneration shall be 60 million yen per year (50 million yen before the amendments) for Directors and 30 million yen (25 million yen before the amendment) for Executive Officers during the period subject to the System. The Company shall contribute a total of 360 million yen (of that amount, 240 million yen is for Directors), which is calculated by multiplying this annual limit by the 4 years of the subject period.

The amount of funds contributed to the Trust shall be the total amount of the funds to purchase shares and the Trust fee as well as the Trust cost. The Trust will purchase the Company shares from the Company (disposition of Treasury Shares) or through the share markets using the contributed money as underlying funds, in accordance with instructions given by the custodian of the Trust.

### (4) Calculation method and upper limit of the number of the Company shares granted to Directors, etc.

The number of the Company shares granted to Directors, etc. shall be determined based on the points issued depending on the performance level achieved and by job title (However, the points can be granted on condition that the dividend per share should be 26 yen or more per year and the net profit attributable to the owners of parent should be 3 billion yen or more.). The points shall be granted each year during the Trust period, and each Director, etc. will receive one class Company share for each point depending on the accumulated value of stock issuance points (hereinafter accumulated points) at the time of their resignation.

If the number of the Company shares kept in the Trust changes due to a Stock Split, Allotment of Shares without Contribution or Share Consolidation, etc., the Company will adjust the number of the Company shares per point in accordance with the rate of the change.

The maximum number of the Company shares to be granted to Directors, etc. per year shall be 85,000 in total, which consists of 56,700 shares for Directors and 28,300 shares for Executive

Officers. The total number of the Company shares granted for the period subject to the System shall be up to the number calculated by multiplying the yearly upper limit of 85,000 shares (of those, 56,700 shares are for Directors) by the number of years of the period subject to the System. The maximum number of shares per year shall be 0.19% of the total number of shares issued (as of March 31, 2023, after deducting treasury shares).

(5) How and when to grant and provide the Company shares, etc. to Directors, etc.

When the Directors, etc. who meet the requirements as beneficiaries, resign from their positions, they will receive from the Trust the Company shares equivalent to the accumulated points granted by the time of resignation, in principle.

In this case, the Directors, etc. will receive the Company shares equivalent to 70% of the accumulated points (fractional shares are rounded off). For the Company shares equivalent to the remaining points, the Trust will convert them into cash and pay such Directors, etc. money equivalent to the amount of such Company shares converted into cash.

Similarly, for the traditional accumulated points, the Directors, etc. will receive the Company shares equivalent to 70% of the accumulated points (fractional shares are rounded off). For the Company shares equivalent to the remaining points, the Trust will convert them into cash and pay such Directors, etc. money equivalent to the amount of such Company shares converted into cash.

(6) Clawback system and others

If it is discovered that a Director, etc. has committed a material violation of laws and regulations, such Director, etc. shall lose the right to receive the grant, etc. of the Company shares, etc., and if such violation, etc. is discovered after the grant, etc. of the Company shares, etc., the Company may request such Director, etc. to return the equivalent amount of money.

(7) Voting rights of the Company shares kept in the Trust

The voting rights of the Company shares kept in the Trust shall not be exercised during the Trust period in order to provide neutrality to management.

(8) Other details of the System

Other details of the System shall be determined by the Board of Directors when continuing the Trust and contributing additional funds.



## **Shareholder Proposal**

Proposal 5 through Proposal 7 are submitted by one shareholder.

An outline of and reasons for the Proposals are an English translation of the original text.

### **Proposal 5: Approval of the Amount of Remuneration for the Restricted Stock Unit Plan**

#### (1) Outline of the Proposal

The Company shall abolish the stock ownership plan (grant upon retirement) introduced at the Company's General Meeting of Shareholders held in June 2016 and introduce a new restricted stock unit plan. In order to grant monetary remuneration claims to grant restricted shares, the amount of remuneration for Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) who are subject to the restricted stock unit plan (hereinafter "the Plan") shall be set at a total amount of up to 190 million yen per year and up to 181,000 shares per year, separately from the annual amount of basic remuneration. In addition, the amount of remuneration for Outside Directors and Directors who are Audit and Supervisory Committee Members who are subject to the Plan shall be set at a total amount of 84 million yen per year and up to 80,000 shares per year, separately from the annual amount of basic remuneration. The transfer restriction period shall be three years from the grant. The specific payment timing and allocation shall be determined by the Board of Directors. The System shall be designed as a performance-linked incentive system and, if the performance criteria are met, shall be designed so that restricted shares equivalent to three times the fixed remuneration will be granted on a cumulative basis over the next three years.

#### (2) Reason for the Proposal

At the Company's General Meeting of Shareholders held in June 2016, the Company introduced a stock ownership plan with the upper limit of 50 million yen and 54,000 shares per fiscal year. In this plan, the number of shares held by each Director is unclear for shareholders and it is difficult to determine whether an appropriate incentive is provided. Therefore, a restricted stock unit plan should be introduced instead of the stock ownership plan (grant upon retirement).

In addition, in the current stock ownership plan (grant upon retirement), the amount granted is extremely small, and Directors who are Audit and Supervisory Committee members are excluded from this plan, so we cannot say that value-sharing between Directors and shareholders, which is the purpose of the stock-based remuneration plan, is sufficiently achieved.

According to the Company's annual securities report dated June 24, 2022, five Directors who are not Audit and Supervisory Committee members received only a fixed remuneration of 60 million yen, of which four Directors who concurrently serve as employees received a total of 104 million yen in salaries and bonuses. As such, in the Company, Executive Directors are paid remuneration that overemphasizes monetary remuneration, and we cannot say that value-sharing between Directors and shareholders is sufficiently achieved.

In order to achieve value-sharing between Directors and shareholders, during the term of office of Directors, stock-based remuneration must be granted until it reaches three times the fixed remuneration, which is an effective standard for stock-based remuneration. The Company needs to introduce a restricted stock unit plan and grant a certain amount of restricted shares in

a shorter period of time.

It is also necessary to establish stock holding guidelines for the restricted stock unit plan, which sets a target for officers to acquire the Company shares during their terms of office at three times the fixed basic remuneration, and to disclose the status of acquisition of the Company shares by individual officers in the corporate governance report to be submitted by the Company to the Tokyo Stock Exchange.

Opinions of the Board of Directors of the Company
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(1) Opinions of the Board of Directors of the Company

We oppose the Shareholder Proposal.

(2) Reason for the opposition

The Company has adopted a Performance-linked Stock Remuneration System (hereinafter “the System”) which will grant the Company shares to the Directors (except Directors who are not Executive Directors nor overseas residents) upon their retirement depending on the performance level achieved by the Company, in order to clarify the relationship between remuneration for Directors and value of the Company shares to foster a willingness to contribute to the improvement of medium- to long-term performance as well as corporate value.

The System was designed by taking into account the business environment of the Company group and the remuneration levels of other companies in the same industry. It serves as an appropriate incentive and sufficiently achieves value-sharing between Directors and shareholders.

In addition, the Compensation Committee, a majority of whose members are Outside Directors and chaired by an Outside Director, periodically verifies the appropriateness of the entire remuneration system, including the System, by referring to the survey data on the executive remuneration system conducted by an external research agency. Based on the results, the Company proposes the continuation of the System and revision of the upper limit of shares, etc. to be granted in Proposal 4.

In addition to damaging the balance between fixed remuneration and performance-linked remuneration, the Shareholder Proposal is inappropriate in that it may harm the medium- to long-term corporate value by granting restricted shares equivalent to three times the fixed remuneration and keeping the transfer restriction period short, i.e., three years from the grant. It is expected that Outside Directors and Directors who are Audit and Supervisory Committee Members will audit and supervise execution of business from an independent standpoint going forward. Therefore, we believe it is not appropriate to grant performance-linked incentives to these officers.

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

## **Proposal 6: Acquisition of Treasury Shares**

### (1) Outline of the Proposal

Pursuant to the provision of Article 156, Paragraph 1 of the Companies Act, the Company shall acquire its common shares within one year from the conclusion of this General Meeting of Shareholders with the total number of shares, 4,415,823, as the limit and by paying cash of up to 4,636,614,150 yen, which is the total acquisition cost.

### (2) Reason for the Proposal

The Company resolved at its Board of Directors meeting on May 12, 2022, to purchase up to 1.5 million treasury shares, 3.35% of the total number of shares issued (excluding treasury shares) during the period from May 13, 2022, to March 31, 2023, with the maximum total amount of 1 billion yen. Pursuant to this resolution, the Company has acquired 1,021,600 shares in total for 999,917,022 yen by March 15, 2023. The implementation of measures by the Company for the enhancement of shareholder returns and the improvement of capital efficiency can be commended to a certain extent. Although the Company's stock price has been on a moderate upward trend since May 12, 2022, the market still considers the Company's measures insufficient. Therefore, in order to further enhance shareholder returns and improve capital efficiency of the Company, the Company should adopt a policy to acquire approximately 10% of the total number of shares issued (excluding treasury shares) as treasury shares, and cancel such shares in accordance with Article 178 of the Companies Act.

Opinions of the Board of Directors of the Company
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### (1) Opinions of the Board of Directors of the Company

We oppose the Shareholder Proposal.

### (2) Reason for the opposition

The Company pursues a balance between financial soundness, capital efficiency, and return of profits, while seeking to expand profits through capital investment for new business development, strategic investments such as business alliances and M&A, and improvement of profitability, with the aim of sustainably increasing corporate and shareholder value.

For the first stage (FY2023 to FY2026) of the new medium- to long-term management plan, "Creating New Value for the Future," announced on May 15 of this year, the Company has set financial targets of sales revenue of 120 billion yen, core operating profit of 12 billion yen, and ROE of 12%. To achieve this target, the Company plans to make capital investment of 24 billion yen to expand our business in the future, and consider strategic investments such as M&A mainly in new businesses. The Company also considers shareholder returns to be one of the most important management issues. Based on the expectations of shareholders and investors, our business performance and capital position, we will change our shareholder return policy from FY2023 to increase the consolidated dividend payout ratio from 40% to 50%.

On the other hand, the Company believes that the acquisition of a large amount of treasury shares within a short period of time, as stated in the Shareholder Proposal, will significantly damage the financial resources for growth investment and have a significant impact on the

execution of the new medium- to long-term management plan. Therefore, the medium- to long-term increase of corporate value and shareholder value will be stagnant, and as a result, it will damage the interests of shareholders. The Company recognizes the acquisition of treasury shares as a means of providing returns to shareholders. Going forward, the Company will continue to conduct the acquisition in a flexible and agile manner by comprehensively taking into account medium- to long-term investment plans, the market environment, and the capital situation.

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

(Reference) Historical Return to Shareholders

	FY2018	FY2019	FY2020	FY2021	FY2022
Annual dividend per share	32 yen	32 yen	26 yen	40 yen	52 yen
Purchase of treasury shares	-	470 million yen	-	1 billion yen	1 billion yen

(Note) The annual dividend per share for FY2022 is subject to the approval of the Company proposal at this General Meeting of Shareholders.

**Proposal 7: Change to the Articles of Incorporation Concerning the Number of Outside Directors**

(1) Outline of the Proposal

Article 19 of the Company’s Articles of Incorporation shall be changed as follows in order to increase the number of Outside Directors of the Company to a majority.

Before change	After change
(Number of Directors) Article 19. The number of Directors who are not Audit and Supervisory Committee Members of the Company shall be no more than ten (10), and the number of Directors who are Audit and Supervisory Committee Members shall be no more than five (5). <u>2 (Newly established)</u>	(Number of Directors) Article 19. 1. The number of Directors who are not Audit and Supervisory Committee Members of the Company shall be no more than ten (10), and the number of Directors who are Audit and Supervisory Committee Members shall be no more than five (5). 2. <u>The majority of the Directors of the Company shall be Outside Directors as stipulated in Article 2, Paragraph 1, Item 15 of the Companies Act.</u>

(2) Reason for the Proposal

Principle 4-8 of the Corporate Governance Code states, “Independent Outside Directors should fulfill their roles and responsibilities so as to contribute to the sustainable growth of the company and the enhancement of its corporate value over the medium to long term, and companies listed on the Prime Market should elect Independent Outside Directors who are sufficiently qualified to do so to make them account for at least one-third of the Board of Directors. Notwithstanding the above, companies listed on the Prime Market that consider it necessary to elect Independent Outside Directors to make them account for a majority of the Board of Directors given such factors as business sector, size, business characteristics, institutional design and the environment surrounding the company should elect a sufficient number of Independent Outside Directors .” Principle 4-7 of the Corporate Governance Code sets out, “To appropriately reflect the opinions of minority shareholders and other stakeholders in the Board of Directors from a standpoint independent from the management and controlling shareholders” as one of the roles and responsibilities of Independent Outside Directors.

The Company has three Outside Directors out of nine Directors. Although the requirement of one-third or more is satisfied, by more proactively making a majority of its Directors Outside Directors, the Company will be able to establish a governance system that improves capital efficiency, provides returns to shareholders, and contributes to the Company’s sustainable growth and enhancement of corporate value over the medium to long term.

In addition, in terms of the number of Outside Directors as well as their qualifications, the Company requires personnel capable of contributing to sustainable growth of the Company and the enhancement of its corporate value over the medium to long term. In this regard, we believe that the Company should consider appointing analysts with a high level of experience and skills.

The appointment of “personnel with a high level of experience and skills as analysts” brings the perspective of outside investors and shareholders to the Board of Directors and is an effective means of enhancing corporate value through sound risk-taking. While the Board of Directors and investors and shareholders of listed companies share the same goal of improving corporate value over the long term, unfortunately in Japan they are often seen as confrontational. The participation of Directors with the above experience and skills in discussions and decision-making by the Board of Directors will make the relationship between the Board of Directors and stock market constructive through sound risk-taking, capital allocation and better communication with the market. It is often explained that former bankers and accountants are responsible for the finance part of the Directors’ skill matrix. However, from the viewpoint of encouraging “sound risk-taking,” expertise in accounting and the debt market alone is not sufficient. Therefore, it is meaningful to appoint experts in the equity market.

Opinions of the Board of Directors of the Company
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(1) Opinions of the Board of Directors of the Company

We oppose the Shareholder Proposal.

(2) Reason for the opposition

To realize sustainable growth and increase of medium- to long-term corporate value, we believe the enhancement of the governance system including the election of Outside Directors is important.

At present, three Outside Directors have been elected at the Company. Active discussions are taking place at the Board of Directors from various perspectives, including the viewpoint of shareholders, and we believe that governance is functioning effectively. In addition, the Company ensures the election of appropriate personnel as Directors of the Company by selecting candidates for Directors following deliberations by the Nominating Committee, a majority of whose members are Outside Directors and which is chaired by an Outside Director.

While it is important to further enhance the governance system, the Company believes that it is more important to appoint appropriate personnel than to have Outside Directors account for the majority of the Board of Directors.

If a provision such as the Shareholder Proposal is established in the Articles of Incorporation, securing the number of Outside Directors will be prioritized, making it difficult to appoint Outside Directors in a timely and appropriate manner, and may impede the formation of an optimal Board of Directors.

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

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## CONSOLIDATED FINANCIAL STATEMENTS

These Consolidated Financial Statements were publicly released in the Japanese language on May 15, 2023.

### (1) Consolidated statement of financial position

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and cash equivalents	18,837	16,770
Trade and other receivables	22,486	21,942
Inventories	16,232	18,720
Income taxes receivable	50	649
Other financial assets	734	1,188
Other current assets	859	1,198
Total current assets	59,200	60,470
Non-current assets		
Property, plant and equipment	32,954	32,521
Goodwill	4,581	4,582
Intangible assets	3,947	3,602
Investments accounted for using equity method	8,511	10,180
Other financial assets	6,109	6,394
Deferred tax assets	755	814
Other non-current assets	320	404
Total non-current assets	57,180	58,501
Total assets	116,381	118,971

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	16,050	16,990
Bonds and borrowings	3,593	7,982
Income taxes payable	1,720	753
Other financial liabilities	976	963
Provisions	5	2
Other current liabilities	6,174	5,476
Total current liabilities	28,520	32,169
Non-current liabilities		
Bonds and borrowings	10,237	3,587
Retirement benefit liability	651	705
Other financial liabilities	1,675	1,500
Deferred tax liabilities	1,085	1,628
Other non-current liabilities	1,781	1,367
Total non-current liabilities	15,432	8,789
Total liabilities	43,952	40,958
Equity		
Share capital	10,951	10,951
Capital surplus	3,075	3,112
Retained earnings	56,480	60,380
Treasury shares	-2,577	-3,577
Other components of equity	4,203	6,789
Total equity attributable to owners of parent	72,133	77,656
Non-controlling interests	295	356
Total equity	72,429	78,013
Liabilities and equity	116,381	118,971



## (2) Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Revenue	93,744	103,608
Cost of sales	66,081	74,186
Gross profit	27,662	29,421
Selling, general and administrative expenses	21,782	22,687
Other income	446	274
Other expenses	4,685	197
Share of profit of investments accounted for using equity method	1,025	1,448
Operating profit	2,665	8,259
Finance income	878	655
Finance costs	130	373
Profit before tax	3,414	8,542
Income tax expense	2,197	2,780
Profit	1,217	5,761
Profit attributable to		
Owners of parent	1,211	5,722
Non-controlling interests	5	39
Profit	1,217	5,761
Earnings per share		
Basic earnings per share	26.92	129.96

## (3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	1,217	5,761
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	423	271
Remeasurements of defined benefit plans	100	29
Share of other comprehensive income of investments accounted for using equity method	-0	311
Total	523	612
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1,863	2,108
Share of other comprehensive income of investments accounted for using equity method	659	276
Total	2,523	2,384
Total other comprehensive income	3,046	2,997
Comprehensive income	4,263	8,758
Comprehensive income attributable to		
Owners of parent	4,231	8,694
Non-controlling interests	31	64
Comprehensive income	4,263	8,758

## (4) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent		
Balance at beginning of period	10,951	3,075	55,857	-1,622	2,230	70,491	271	70,763
Profit								
Other comprehensive income			1,211			1,211	5	1,217
Total					3,020	3,020	26	3,046
	—	—	1,211	—	3,020	4,231	31	4,263
Dividends of surplus								
Purchase of treasury shares			-1,634			-1,634	-7	-1,642
Disposal of treasury shares				-954		-954		-954
Share-based payment transactions								
Transfer from other components of equity to retained earnings			1,047		-1,047			
Total	—	—	-587	-954	-1,047	-2,589	-7	-2,597
Balance at end of period	10,951	3,075	56,480	-2,577	4,203	72,133	295	72,429
Profit			-170			-170		-170
Other comprehensive income	10,951	3,075	56,310	-2,577	4,203	71,963	295	72,258
Total			5,722			5,722	39	5,761
Dividends of surplus					2,972	2,972	25	2,997
Purchase of treasury shares	—	—	5,722	—	2,972	8,694	64	8,758
Disposal of treasury shares								
Share-based payment transactions			-2,037			-2,037	-3	-2,040
Transfer from other components of equity to retained earnings				-1,000		-1,000		-1,000
Total		37				37		37
			386		-386			
Balance at end of period	—	37	-1,651	-1,000	-386	-3,001	-3	-3,004
	10,951	3,112	60,380	-3,577	6,789	77,656	356	78,013

## (5) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
<b>Cash flows from operating activities</b>		
Profit before tax	3,414	8,542
Depreciation and amortization	5,892	5,894
Impairment losses	4,327	14
Interest and dividend income	-292	-327
Interest expenses	121	85
Foreign exchange loss (gain)	-156	-291
Share of loss (profit) of investments accounted for using equity method	-1,025	-1,448
Loss (gain) on sale and retirement of fixed assets	57	76
Decrease (increase) in inventories	-2,523	-2,097
Decrease (increase) in trade and other receivables	-1,405	846
Increase (decrease) in trade and other payables	872	1,071
Increase (decrease) in retirement benefit liability	-91	4
Increase (decrease) in provisions	0	-3
Increase / decrease in other current liabilities	2,026	-751
Increase / decrease in other non-current liabilities	-379	-414
Other	190	-20
Subtotal	11,030	11,180
Interest and dividends received	623	700
Interest paid	-124	-81
Income taxes paid	-1,947	-4,099
Income taxes refund	9	12
Net cash provided by (used in) operating activities	9,591	7,712
<b>Cash flows from investing activities</b>		
Payments into time deposits	-685	-1,612
Proceeds from withdrawal of time deposits	445	1,182
Purchase of property, plant and equipment	-3,467	-3,524
Proceeds from sale of property, plant and equipment	85	11
Purchase of intangible assets	-132	-199
Proceeds from sale of equity instruments	3,156	133
Other	65	28
Net cash provided by (used in) investing activities	-534	-3,981

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-1,500	-544
Repayments of long-term borrowings	-1,712	-1,750
Repayments of lease liabilities	-1,085	-1,093
Redemption of bonds	-3,000	—
Purchase of treasury shares	-1,000	-1,000
Dividends paid to owners of parent	-1,634	-2,037
Dividends paid to non-controlling interests	-7	-3
Net cash provided by (used in) financing activities	-9,942	-6,429
Effect of exchange rate changes on cash and cash equivalents	858	631
Net increase (decrease) in cash and cash equivalents	-26	-2,066
Cash and cash equivalents at beginning of period	18,863	18,837
Cash and cash equivalents at end of period	18,837	16,770