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Securities Code: 5351

June 8, 2023

To Our Shareholders:

Hiroyuki Fujiwara, President and CEO  
**Shinagawa Refractories Co.,  
Ltd.**  
2-2-1, Otemachi, Chiyoda-ku, Tokyo

## Notice of the 189th Annual General Meeting of Shareholders

We hereby notify you that the 189th Annual General Meeting of Shareholders of Shinagawa Refractories Co., Ltd. (the “Company”) will be held as follows.

When convening this general meeting of shareholders, the Company takes measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. (matters for which measures for providing information in electronic format are to be taken) in electronic format, and posts this information on the Company’s website. Please access the Company’s website by using the internet address shown below to review the information.

The Company’s website: <https://www.shinagawa.co.jp/> (in Japanese)

(From the above website, select “Investor Relations,” “Shareholder Meetings” and then “189th Annual General Meeting of Shareholders.”)

In addition to posting the matters subject to measures for electronic provision on the Company’s website, the Company also posts this information on the website of Tokyo Stock Exchange, Inc. (TSE). You are kindly asked to check this information on the website below.

TSE website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese)

(Access the TSE website by using the internet address shown above, enter “Shinagawa Refractories” in “Issue name (company name)” or the Company’s securities code “5351” in “Code,” and click “Search.” Then, click “Basic information” and select “Documents for public inspection/PR information.” Under “Filed information available for public inspection,” click “Click here for access” under “[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting].”)

If you intend not to attend the meeting in person on the day, you may exercise your voting rights in writing or via the Internet. You are kindly asked to exercise your voting rights no later than 5:30 p.m. on June 28, 2023 (JST) by reviewing the below-mentioned Reference Documents for the General Meeting of Shareholders.

- 1. Date and Time** Thursday, June 29, 2023, 10:00 a.m. (JST)
- 2. Venue** Conference Room 605, Station Conference Tokyo,  
6th floor, Sapia Tower  
1-7-12, Marunouchi, Chiyoda-ku, Tokyo

**3. Purposes of the Meeting**

**Matters to be reported:**

1. Report on the Business Report and the Consolidated Financial Statements for the 189th Fiscal Year (from April 1, 2022, to March 31, 2023), as well as the audit results of the Consolidated Financial Statements by the Financial Auditor and the Audit and Supervisory Committee
2. Report on the Non-consolidated Financial Statements for the 189th Fiscal Year (from April 1, 2022, to March 31, 2023)

**Matters to be resolved:**

- Proposal No. 1** Dividends of Surplus
- Proposal No. 2** Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
- Proposal No. 3** Determination of Remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) according to post-delivery performance-based stock compensation
- Proposal No. 4** Continuation of the Company's Policy for Responding to Large-Scale Acquisitions of the Company's Shares (Takeover Defense Measures)

**4. Exercise of Voting Rights**

- (1) If you intend to attend the meeting

Meeting date and time: Thursday, June 29, 2023, 10:00 a.m. (JST)

When attending the meeting on the day, please submit the voting right exercise form that has been sent out with this notice to the venue reception desk.

- (2) If you intend to exercise your voting rights in writing

You are kindly asked to indicate whether you are in favor of, or opposed to, each of the proposals on the voting right exercise form and return it to us, ensuring that it reaches us no later than 5:30 p.m. on June 28, 2023 (JST).

- (3) If you intend to exercise your voting rights via the Internet

You are kindly asked to check the section titled "Guide on Voting Right Exercise via the Internet," which is shown on page 4 (in Japanese only), and to exercise your voting rights no later than 5:30 p.m. on June 28, 2023 (JST).

If revisions to the matters subject to measures for electronic provision arise, a notice of the revisions and the details of the matters before and after the revisions will be posted on the Company's aforementioned website and the TSE website.

Note that, for this general meeting of shareholders, paper-based documents stating matters subject to measures for electronic provision, excluding "Notes to the Consolidated Financial Statements" and "Notes to the Non-Consolidated Financial Statements," will be delivered to all shareholders regardless of whether they have made a request for delivery of such documents.

The Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements included in the aforementioned documents are one part of the documents audited by the Accounting Auditor in preparing the Accounting Audit Reports and by the Audit and Supervisory Committee in preparing the Audit Reports.

## Reference Documents for the General Meeting of Shareholders

### Proposals and Reference Information

#### Proposal No. 1 Dividends of Surplus

The Company has a basic policy on distributing profits to enhance internal reserves to ensure investment funds toward sustainable growth while distributing profits appropriate to business performance. Specifically, the Company targets a consolidated payout ratio of 30%.

For the fiscal year under review, from the perspective of enhancing future corporate value, the Company used the income gained through assigning fixed assets in the fiscal year for investments toward realizing growth strategies such as acquiring a refractory business in Brazil and a wear-resistant ceramics business in the United States from Compagnie de Saint-Gobain.

The Company has given comprehensive consideration to the situations above and the future business environment, and it proposes to pay ¥100 per share as the year-end dividend for the fiscal year.

As the Company has already paid an interim dividend of ¥100 per share for the fiscal year under review, the annual dividend will be ¥200 per share. The annual consolidated payout ratio will be below 30%, the value targeted by the basic policy on the distribution of profits. However, if calculating the consolidated payout ratio by deducting the effect of extraordinary income due to the assignment of the fixed assets from the profit attributable to owners of the parent, the approximate consolidated payout ratio will be about 30%.

#### Year-end dividends

1. Type of dividend property

To be paid in cash.

2. Allotment of dividend property to shareholders and their aggregate amount

The Company proposes to pay a dividend of ¥100 per common share of the Company.

In this event, the total amount of dividends will be ¥935,691,600.

3. Effective date of dividends of surplus

June 30, 2023

**Proposal No. 2 Election of Six Directors (excluding Directors who are Audit and Supervisory Committee Members)**

The terms of office of all six Directors (excluding Directors who are Audit and Supervisory Committee Members, the same shall apply in this proposal) will end at the conclusion of this general meeting of shareholders. Therefore, the Company proposes the election of six Directors.

As regards this proposal, the Audit and Supervisory Committee thinks it reasonable to elect the Director candidates as Directors.

The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
1	Hiroyuki Fujiwara (September 13, 1960)  Reelection	<p>Apr. 1983      Joined Kawasaki Steel Corporation</p> <p>Apr. 2010      General Manager of Labor Relations and Personnel Affairs Department of JFE Steel Corporation</p> <p>Apr. 2012      General Manager of General Affairs Department</p> <p>Apr. 2014      Assistant General Superintendent of East Japan Works</p> <p>Apr. 2016      Managing Executive Officer</p> <p>Apr. 2018      Managing Executive Officer of JFE Holdings, Inc.</p> <p>Apr. 2019      Senior Managing Executive Officer</p> <p>Apr. 2021      Advisor of the Company</p> <p>June 2021      President and CEO (current position)</p> <p>Reasons for nomination as candidate for Director</p> <p>Mr. Fujiwara joined the Company in April 2021 after having served as Executive Officer at JFE Steel Corporation and JFE Holdings, Inc. He has been serving as President and CEO of the Company since June 2021. Mr. Fujiwara was nominated as candidate for Board Director as we thought he would further strengthen our management base by utilizing his extensive experience and achievements for our business management for being equipped with many years of experience in the steel industry and a wealth of knowledge, experience, and achievements as top manager.</p>	2,884

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
2	Yoshikazu Kurose (November 29, 1958)  Reelection	<p>Apr. 1983      Joined Kawasaki Steel Corporation</p> <p>Apr. 2007      General Manager of Steelmaking Department, East Japan Works (Keihin) of JFE Steel Corporation</p> <p>Apr. 2010      General Manager of Slag Business Promotion Department</p> <p>Apr. 2013      Assistant to General Manager of Furnace Construction Business Division of the Company</p> <p>June 2013      Executive Officer and General Manager of Furnace Construction Business Division</p> <p>Apr. 2014      Executive Officer and General Manager of Sales Department I</p> <p>Apr. 2015      Managing Executive Officer and General Manager of Sales Department I</p> <p>Apr. 2016      Managing Executive Officer in charge of Furnace Construction Business Division and Engineering Department</p> <p>June 2016      Board Director and Managing Executive Officer in charge of Furnace Construction Business Department and Engineering Department</p> <p>Apr. 2019      Board Director and Managing Executive Officer in charge of Engineering Business Department</p> <p>June 2021      Board Director and Managing Executive Officer in charge of Engineering Business Division and Safety and Health Department</p> <p>Apr. 2022      Board Director and Managing Executive Officer responsible for Engineering Business Division and in charge of Safety and Health Department</p> <p>Apr. 2023      Representative Director and Managing Executive Officer responsible for Engineering Business Division and in charge of Safety and Health Department, and Manager of Engineering Sector of the Company Group (current position)</p> <p>(Significant concurrent positions outside the Company)</p> <p>Apr. 2018      President and CEO of Shinagawa Roko, Inc.</p> <p>Reasons for nomination as candidate for Director</p> <p>Mr. Kurose joined the Company in April 2013 after having served as General Manager of the Slag Business Promotion Department etc. of JFE Steel Corporation. Starting from June 2013, he began to serve as Executive Officer, having thus far engaged in duties in the Furnace Construction Unit and Sales Unit, and began to serve as Board Director from June 2016. He is nominated as candidate for Board Director as we thought he would further strengthen our management base by utilizing his extensive experience and achievements for our business management in light of the fact that he was equipped with a wealth of knowledge, experience, and achievements as top manager.</p>	4,440

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
3	Hajime Ichikawa (November 19, 1958)  Reelection	Apr. 1982      Joined the Company	3,708
		Apr. 1997      Chief Manager of Accounting Section and Okayama Accounting Section, Accounting & Finance Department	
		Mar. 2002      Seconded to Shinagawa Thermal Ceramics Pty. Ltd. (present Shinagawa Refractories Australasia Pty. Ltd.)	
		Apr. 2012      General Manager of Corporate Planning Department and Chief of Internal Audit Section	
		June 2013      Executive Officer, General Manager of Corporate Planning Department and Chief of Internal Audit Section	
		Apr. 2014      Executive Officer, General Manager of Accounting & Finance Department	
		Apr. 2015      Managing Executive Officer and General Manager of Accounting & Finance Department	
		June 2016      Board Director (full-time Audit and Supervisory Committee Member)	
		June 2022      Board Director and Managing Executive Officer responsible for Administration Unit, Corporate Planning Department, and Sustainability Promotion Section and in charge of Information System Department and domestic subsidiaries and affiliates	
		Oct. 2022      Board Director and Managing Executive Officer responsible for General Affairs Department, Accounting & Finance Department, Corporate Planning Department, IR & PR Department, and Sustainability Promotion Section and in charge of Information System Department and domestic subsidiaries and affiliates	
Apr. 2023      Representative Director, Managing Executive Officer responsible for Planning and Administration Unit and Accounting & Finance Department, in charge of Information System Department, and Manager of Corporate Business Head Quarter of the Company Group (current position)			
<p>Reasons for nomination as candidate for Director</p> <p>Mr. Ichikawa began to serve as Executive Officer from June 2013, as Board Director (full-time Audit and Supervisory Committee Member) from June 2016 and as Board Director from June 2022 after having engaged in duties in the Accounting Unit, Corporate Planning Unit, and Internal Audit Unit over many years at the Company. He is nominated as candidate for Board Director as we thought he would further strengthen our management base by utilizing his extensive experience and achievements for our business management in light of the fact that he was equipped with a wealth of knowledge, experience, and achievements as top manager.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
4	Masanori Ogata (September 18, 1962)  Reelection	<p>Apr. 1990      Joined the Company</p> <p>Apr. 1998      Chief Manager of Laboratory IV of Refractory Laboratory Department of Research Center</p> <p>May 2005      Seconded to Shinagawa Rongyuan Refractories Co., Ltd. in China</p> <p>Oct. 2009      Manager of Research Group I, Research Center of the Company</p> <p>June 2013      General Manager of Research Center and General Manager of Technology Department</p> <p>Apr. 2016      Executive Officer, General Manager of East Works and General Manager of Yumoto Plant</p> <p>Apr. 2018      Managing Executive Officer in charge of Research Center and Technology Department President and CEO of Shinagawa Fine Ceramics Co., Ltd. (until March 2023)</p> <p>June 2018      Board Director and Managing Executive Officer in charge of Research Center and Technical Department</p> <p>Apr. 2019      Board Director and Managing Executive Officer in charge of Research Center</p> <p>June 2020      Managing Executive Officer in charge of Research Center</p> <p>Apr. 2021      Managing Executive Officer in charge of Research Center and Technology Department</p> <p>June 2021      Board Director and Managing Executive Officer in charge of Production Unit, Research Center, and Technology Department</p> <p>Apr. 2022      Board Director and Managing Executive Officer responsible for Production Unit and Research Center and in charge of Quality Assurance Department, Plant Engineering Department, and Technology Department</p> <p>Apr. 2023      Representative Director, Managing Executive Officer in charge of Refractories Business Unit, and Manager of Refractory Sector of the Company Group (current position)</p>	3,562
		<p>Reasons for nomination as candidate for Director</p> <p>Mr. Ogata began to serve as Executive Officer from April 2016 and served as Board Director from June 2018 to June 2020 and from June 2021 after having engaged in duties in Technology Development Unit and Manufacturing Unit over many years at the Company. He is nominated as candidate for Board Director as we thought he would further strengthen our management base by utilizing his extensive experience and achievements for our business management in light of the fact that he was equipped with a wealth of knowledge, experience, and achievements as top manager.</p>	

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
5	Toshihiko Kaneshige (October 14, 1956)  Reelection	Apr. 1982      Joined the Company	6,001
		Apr. 2001      Chief Manager of Hinase Manufacturing Factory, Okayama Plant	
		Dec. 2002      Chief Manager of Kashima Factory, Yumoto Plant	
		Apr. 2004      General Superintendent of Yumoto Plant	
		Apr. 2009      Assistant General Superintendent of Okayama Plant and General Manager of Okayama Manufacturing Department	
		June 2010      Executive Officer, General Superintendent of Okayama Plant and General Manager of Okayama Manufacturing Department	
		June 2013      Board Director and Managing Executive Officer	
		Apr. 2016      Board Director and Managing Executive Officer in charge of Sales Department I, Sales Department III, and Sales Department IV	
		Apr. 2018      Board Director and Senior Managing Executive Officer responsible for Sales Unit and in charge of Sales Department III and Sales Department IV	
		Apr. 2020      Board Director and Senior Managing Executive Officer responsible for Sales Unit and in charge of Overseas Business Division, Sales Department III, and Sales Department IV	
		June 2020      Board Director and Senior Managing Executive Officer in charge of Sales Unit and General Manager of Domestic Sales Division	
		Apr. 2022      Board Director and Senior Managing Executive Officer responsible for Sales Unit and General Manager of Domestic Sales Division	
		Oct. 2022      Board Director and Senior Managing Executive Officer responsible for Sales Unit, General Manager of Domestic Sales Division, and General Manager of Sales Department III	
		Apr. 2023      Board Director of the Company, Adviser of Isolite Insulating Products Co., Ltd. (current position)	
		<p>Reasons for nomination as candidate for Director</p> <p>Mr. Kaneshige began to serve as Executive Officer from June 2010 and as Board Director from June 2013 after having engaged in duties in Technology Development Unit, Manufacturing Unit, and Sales Unit over many years at the Company. He is nominated as candidate for Director as we thought he would further strengthen our management base by utilizing his extensive experience and achievements for our business management in light of the fact that he was equipped with a wealth of knowledge, experience, and achievements as top manager.</p>	



Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
6	Keiko Yamahira (November 30, 1960)  Reelection	<p>Apr. 1983      Joined Kubota House Corporation (present Sanyo Homes Corporation)</p> <p>Apr. 2010      Executive Officer of Sanyo Homes Corporation</p> <p>June 2011      Director and Managing Executive Officer</p> <p>June 2012      Concurrently served as Director of Sanyo Reform Corporation</p> <p>June 2013      Director and Senior Managing Executive Officer of Sanyo Homes Corporation Concurrently served as Director of SanAdvance Corporation Concurrently served as Director of Sanyo Homes Community Corporation</p> <p>June 2015      President and CEO, Executive Officer of Sanyo Homes Corporation</p> <p>Apr. 2017      Chairman and Executive Director of Sanyo Homes Community Corporation</p> <p>June 2019      Outside Director of Joshin Denki Co., Ltd. (current position) Outside Director of Fujitec Co., Ltd.</p> <p>June 2021      Outside Director of Takara Leben Co., Ltd. (present MIRARTH HOLDINGS, Inc.) (current position)</p> <p>June 2022      Outside Board Director of the Company (current position)</p> <p>(Significant concurrent positions outside the Company)</p> <p>June 2019      Outside Director of Joshin Denki Co., Ltd.</p> <p>June 2021      Outside Director of Takara Leben Co., Ltd. (present MIRARTH HOLDINGS, Inc.)</p>	-
		<p>[Reasons for nomination as candidate for Outside Director and outline of the expected roles]</p> <p>Ms. Yamahira has served as President, Director and Executive Officer of Sanyo Homes Corporation and has been appointed as Outside Director of Joshin Denki Co., Ltd. and other companies. She is equipped with a wealth of knowledge, experience, and achievements in company management, marketing, sales strategy, etc. as a top manager. The Company expects her to provide the Company with supervision, advice, etc., on the Company's business execution from a professional perspective.</p>	

- Notes:
1. The Company has a capital relationship with Shinagawa Roko, Inc. and enters into transactions involving employee dispatching, working capital assistance, refractory products, and furnace construction, among others.
  2. Besides the above, there is no special interest between any of the candidates and the Company.
  3. Keiko Yamahira is a candidate for Outside Director as defined in Article 2, paragraph (3), item (vii) of the Regulation for Enforcement of the Companies Act. In addition, she is an independent officer registered under the requirements of the financial instruments exchange.
  4. The Company has entered into an agreement with Keiko Yamahira to limit her liability for damages under Article 423, paragraph (1) of the Companies Act based on Article 427, paragraph (1) of the same Act. Pursuant to this agreement, the defined maximum amount of liability for damages is the minimum liability amount provided for under Article 425, paragraph (1) of the same Act. If her reappointment is approved, the Company intends to continue this agreement.
  5. Keiko Yamahira is currently an Outside Director of the Company, and at the conclusion of this general meeting of shareholders, her tenure will have been one year.
  6. The Company has entered into a director liability insurance contract which is stipulated in Article 430, paragraph (3), Item 1 of the Companies Act, with an insurance company. The outline of said contract is as provided in "4. Matters concerning Officers of the Company, (2) Summary of details of director liability insurance contract" in the Business Report (in Japanese only). If the election of the Director candidates is approved, they will be included in the insured persons of the liability insurance contract in question. In addition, the Company intends to renew this insurance contract with the same content at the time of the next renewal.

(Reference) Composition of the Board of Directors  
The skills possessed by the Board Directors are as follows.

		Corporate Management and Business Strategy	Procurement	Sales and Marketing	Manufacturing and Construction and R&D	Accounting and Finance	Organization and Human Resource Management	Legal and Risk Management	Global Business	Environmental Management
Board Directors (excluding Audit and Supervisory Committee Members)	Hiroyuki Fujiwara	○	○				○	○	○	○
	Yoshikazu Kurose	○		○	○					○
	Hajime Ichikawa	○				○			○	
	Masanori Ogata	○			○				○	○
	Toshihiko Kaneshige	○	○	○	○				○	○
	Keiko Yamahira	○		○	○		○			
Board Directors who are Audit and Supervisory Committee Members	Hirofumi Yamashita	○				○	○		○	
	Kantaro Toyozumi							○		
	Masanori Sato					○				
	Shigeru Nakajima							○		

**Proposal No. 3 Determination of Remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) according to post-delivery performance-based stock compensation**

The amount of monetary remuneration for Directors of the Company (excluding Directors who are Audit and Supervisory Committee Members) was approved at the Annual General Meeting of Shareholders held on June 26, 2020 as an annual amount not exceeding ¥280 million (not including salaries for employees). Separately from monetary compensation, the annual amount of restricted stock compensation (restricted stock) was approved at the Annual General Meeting of Shareholders held on the same day, with an annual limit of ¥23 million and a maximum number of shares of 23,000 per year.

Approval is requested to abolish the Restricted Stock Plan and establish a new compensation framework of post-delivery performance-based stock compensation (Performance Share Units) for the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors, hereinafter "Eligible Directors") in order to give Directors incentives to improve the Company's corporate value and to promote further value sharing between Directors and shareholders.

The Restricted Stock Plan will be abolished for not only Directors (excluding Directors who are Audit and Supervisory Committee Members) but also Directors who are Audit and Supervisory Committee Members. However, as stated above, the Directors who are Audit and Supervisory Committee Members will not be eligible to be granted the Performance Share Units that will be introduced on this occasion. In other words, the Performance Share Unit System will be introduced for the Eligible Directors in place of the Restricted Stock Plan that will be abolished, and the Restricted Stock Plan will be abolished for the Directors who are Audit and Supervisory Committee Members, but no system to replace will be introduced.

The number of shares to be delivered to Eligible Directors under this plan shall be 40,000 shares or less per year, and the amount of monetary compensation to be paid shall be ¥80 million or less per year. The specific allocation to each Eligible Director will be determined by the Board of Directors. With respect to this proposal, the Audit and Supervisory Committee has determined that the total amount of monetary compensation is appropriate.

If Proposal No. 2 is approved as proposed, the number of Eligible Directors will be five. In the case of Performance Share Units, it is difficult to accurately predict the amount of monetary compensation required, unlike with Restricted Stock, because the number of shares granted will vary depending on the level of performance achieved.

**1. Overview of Performance-Linked Stock Compensation Plan**

The "Performance Share Unit Plan" (hereinafter "this Plan") is a post-delivery performance-based stock compensation plan for Eligible Directors for the period established by the Company's Board of Directors (hereinafter "Evaluation Period". The initial Evaluation Period shall be for one fiscal year from April 1, 2023 to March 31, 2024.) as a performance-based remuneration system in which numerical standards are set in advance by the Board of Directors and the number of common stock is calculated according to the rate of achievement of the numerical standards and granted as remuneration to Eligible Directors. Therefore, the number of shares to be delivered to each Eligible Director is not fixed at the time of the introduction of this Plan because this Plan will deliver shares of the Company's common stock in proportion to the percentage of achievement of numerical performance standards, etc.

In addition, upon the issuance or disposal of shares of common stock of the Company under this Plan, the Company and Eligible Directors shall enter into a restricted stock allotment agreement (hereinafter "Allotment Agreement") that includes the following details.

(Summary of the restricted stock allotment agreement)

- (1) Eligible Directors shall, during the period from the date of delivery of the restricted stocks until he/she loses his/her position as a director of the Company or any other position determined by the Board of Directors (hereinafter referred to as the "Restricted Period"), be entitled to receive the shares of common stock of the Company allotted under the Allotment Agreement (hereinafter referred to as the "Allotted

Shares”), and the shares of common stock of the Company allotted under the Allotment Agreement may not be transferred, created as a security interest, or otherwise disposed of (the “Restricted Transfer”).

- (2) If, due to a breach by of laws and regulations, internal rules, or the relevant allotment agreement by an Eligible Director, or for any other reason, an event occurs that is deemed by the Company’s Board of Directors to be make it appropriate for the Company to acquire such shares for no consideration, the Company shall acquire such shares for no consideration.
- (3) If, during the Restricted Period, a merger agreement under which the Company shall become a defunct company, a share exchange agreement or share transfer plan under which the Company shall become a wholly owned subsidiary, or any other matters relating to organizational restructuring, etc. are approved at a General Meeting of Shareholders (however, if approval by a General Meeting of Shareholders is not required for such organizational restructuring, by the Board of Directors of the Company) the Company shall, by resolution of the Board of Directors, cancel the Restricted Transfer of all the Allotted Shares prior to the effective date of such organizational restructuring, etc.

## 2. Details of remuneration under this Plan

### (1) Calculation method of remuneration etc. under this Plan

Under this Plan, the Company will determine the number of shares to be allotted to each Eligible Director by (1) setting a standard number of shares to be delivered for each position of Eligible Directors and multiplying a portion of that number by (2) the level of achievement of the numerical performance standards determined by the Board of Directors of the Company, and (3) the service period ratio.

The Company shall pay each Eligible Director monetary compensation in an amount calculated by multiplying the number of shares to be allotted to the Eligible Director by the amount to be paid for the shares of common stock of the Company to be allotted, and shall allot shares of common stock of the Company to each Eligible Director in exchange for the contribution in kind of such monetary compensation for each Eligible Director. The amount to be paid in for the shares of common stock of the Company to be allotted shall be determined by the Board of Directors to an extent not particularly favorable to the Eligible Directors based on the closing price of the common stock of the Company in regular trading on the Tokyo Stock Exchange on the business day immediately preceding the date of resolution of the Board of Directors concerning such allotment (if no such closing price was quoted on such date, the closing price on the immediately preceding trading day).

The amount of the monetary compensation and the number of shares to be allotted to each of the above-mentioned Eligible Directors will be calculated in accordance with the following formulas.

#### Calculation formula

Number of shares to be allocated = Standard number of shares to be delivered (1) × Achievement of performance criteria (2) × Service provision period ratio (3)

- i) The “standard number of shares to be delivered” shall be determined by the Board of Directors depending on the position of Eligible Directors.
  - ii) “Achievement of performance criteria” shall be determined by the Board of Directors of the Company in accordance with the percentage of achievement of the evaluation indicators determined by the Board of Directors for each fiscal year of the Evaluation Period
  - iii) The “service provision period ratio” is the ratio of the number of months in office during the Evaluation Period divided by the number of months in the Evaluation Period.
- (2) Upper limit of remuneration etc. under this Plan  
The number of shares to be delivered to Eligible Directors for each Evaluation Period under this Plan shall not exceed 40,000 shares in total, and the amount of monetary compensation to be paid shall not exceed ¥80 million in total.
  - (3) Reasons for losing the right to receive remuneration etc. under this Plan  
In the event of certain misconduct as determined by the Board of Directors, or due to resignation for certain reasons determined by the Board of Directors, Eligible Directors will forfeit the right to receive remuneration, etc. under this Plan

(4) Adjustments due to share consolidation/split etc.

If the total number of issued shares of the Company is changed by a reverse stock split or a stock consolidation (including the gratis allotment of shares. The same shall apply hereinafter) before the delivery of shares under this Plan, the total number of issued shares will be adjusted by multiplying the ratio of share consolidation/split.

As stated above, given that the amount to be paid for the Allotted Shares is within a range that is not particularly favorable to the company and the dilution ratio is minimal, the Company has determined that the grant of the Allotted Shares is reasonable.

**Proposal No. 4 Continuation of the Company’s Policy for Responding to Large-Scale Acquisitions of the Company’s Shares (Takeover Defense Measures)**

At the Company’s 186th Annual General Meeting of Shareholders held on June 26, 2020, shareholders approved the “Policy for responding to Large-Scale Acquisitions of the Company’s Shares (Takeover Defense Measures)” (hereinafter “Current Response Policy”), and the effective period of this Policy will expire at the conclusion of this General Meeting of Shareholders.

At a meeting of the Board of Directors held on May 11, 2023, the Board of Directors, with the unanimous approval of all Directors, including four Outside Directors, decided to continue and has announced the Current Response Policy with partial amendments (hereinafter referred to as the “Response Policy”), subject to approval by shareholders at this General Meeting of Shareholders. In light of recent court decisions regarding the implementation of Takeover Defense Measures, the Response Policy includes necessary revisions and the reorganization of wording, such as revising the definitions of “Large-Scale Acquisition” and “Large-Scale Buyer” and adding specific examples of matters requiring the Large-Scale Buyer to provide information. This proposal requests the approval of shareholders for the continuation of the Response Policy in accordance with Article 33 of the Company’s Articles of Incorporation. The details of this Response Policy are described below.

Notes

I Basic Policies Regarding the Way a Person is to Control the Determination of Financial and Business Policies of the Company

The Board of Directors believes that as long as the Company, as a listed company, allows the free trading of the Company’s shares, the decision as to whether or not to sell the Company’s shares in response to a Large-Scale Acquisition by a specific person should ultimately be left to the Company’s shareholders who hold the Company’s shares.

However, as a comprehensive refractory manufacturer, it is essential for the Company to understand the tangible and intangible management resources of the Group, the potential effects of future-oriented measures, the social mission of the Group, and the elements that constitute the corporate value of the Group and the common interests of the Company’s shareholders. In order to continuously maintain and improve these efforts, the Company believes that it is essential to take a managerial approach from a medium- to long-term perspective based on the following pillars, which are the source of the Group’s corporate value: (1) abundant know-how and technological development capabilities accumulated through tradition, (2) domestic and overseas bases that enable us to develop and provide high-quality products, (3) relationships of trust with stakeholders built up over many years, and (4) promotion of sustainability management including coexistence with local communities and environmental preservation efforts. If these measures from a medium- to long-term perspective are not implemented by those who control the decisions of the Company’s financial and business policies, the corporate value of the Group and, in turn, the common interests of its shareholders and all stakeholders of the Group may be damaged.

Although the Company endeavors in its investor relations activities to have its shareholders and investors understand the proper value of the Company’s shares, it is essential that appropriate and sufficient information be provided both by any Buyer and the Board of Directors in order for the shareholders to properly judge in a short period of time whether the large-scale acquisition by the Buyer is appropriate, such as whether the consideration offered by the Buyer for the acquisition of the Company’s shares is reasonable, when a large-scale acquisition of the Company’s shares is suddenly made. Furthermore, it is believed that information such as the impact of such a purchase on the Group, the management policy and business plan of the buyer when they participate in the management of the Group, and the opinions of the Board of Directors on such an acquisition will be important factors for shareholders who intend to continue to hold shares in the Company.

As a result of considering the above, the Company believes that a Buyer who conducts a Large-Scale Acquisition, for shareholders’ judgment, should be subject to certain rules that the Company establishes and discloses in advance (for details, please see II 3. Hereinafter referred to as “Large-Scale Acquisition Rules”), to provide necessary and sufficient information regarding the Large-Scale Acquisition to the Board of

Directors in advance, and to commence the acquisition only after a certain Evaluation Period for the Board of Directors has elapsed and the Board of Directors or the General Shareholders Meeting has resolved whether or not to implement countermeasures.

In addition, some Large-Scale Acquisitions may significantly damage corporate value and/or the common interests of shareholders (for details, see II 4.(1) a. through g.). The Company believes that it is necessary for the Board of Directors to take measures against such Large-Scale Acquisitions as it deems appropriate in accordance with the Response Policy in order to protect corporate value and, in turn, the common interests of shareholders. (The above basic policy regarding those persons in control of decisions on the Company's financial and business policies is hereinafter referred to as the "Basic Policy on Company Control".)

## II Measures to prevent decisions on financial and business policies of the Company from being controlled by inappropriate parties in the context of Basic Policy on Company Control

In light of the Basic Policy on Company Control described in I. above, in a case, (i) make any purchase of the Company's shares, etc. (Note 3) for the purpose of increasing the ratio of voting rights (Note 2) of the Specific Shareholder Group (Note 1) to 20% or more, (ii) purchase the Company's shares, etc. that would result in the Specific Shareholder Group holding 20% or more of the voting rights, or (iii) make an agreement with other shareholders of the Company (Note 4) that would result in the Specific Shareholder Group holding 20% or more of the voting rights (in either case, any specific purchase method, such as market transactions or tender offers, is acceptable, but purchases and agreements by persons to which the Board of Directors of the Company has given prior consent are excluded) (Such purchase or agreement, etc. shall hereinafter be referred to as a "Large-Scale Acquisition" and the entity conducting such purchase or agreement, etc. shall hereinafter be referred to as a "Large-Scale Buyer"), the Company will require the Large-Scale Buyer to comply with certain reasonable rules (Large-Scale Acquisition Rules) as described below, and will establish certain response policies in the event that the Large-Scale Buyer complies with the rules or fails to comply with the rules, as an effort to prevent the Company's financial and business policy decisions from being controlled by inappropriate parties in light of the Basic Policy on Company Control.

Note 1: Specific Shareholder Group means:

- (i) Holders (including those who are included as holders under Article 27-23, Paragraph 3 of the Financial Instruments and Exchange Act. The same shall apply below) of share certificates, etc. (meaning share certificates, etc. as defined in Article 27-23, Paragraph 1 of the same Act, including rights to display securities with respect thereto as defined in Article 2, Paragraph 2 of the same Act) of the Company and joint holders (meaning joint holders as defined in Article 27-23, Paragraph 5 of the same Act, including those who are deemed to be joint holders based on Article 27-23, Paragraph 6 of the same Act. The same shall apply hereinafter.)
- (ii) Purchases, etc. of the Company's share certificates, etc. (meaning the share certificates, etc. prescribed in Article 27-2, Paragraph 1 of the same Act, including the securities display rights prescribed in Article 2, paragraph 2 of the said Act) (purchases, etc. prescribed in Article 27-2, Paragraph 1 of the same Act, including those conducted on the financial instruments exchange market regardless of whether they are conducted by auction) and their Persons in special relationship (meaning persons in special relationship prescribed in Article 27-2, Paragraph 7 of the same Act),

or

- (iii) Meaning any person related to the persons in (i) or (ii) above (including (a) investment banks, securities firms and other financial institutions that have entered into financial advisory agreements with such persons or any other persons who share substantial interests with such persons, (b) tender offer agents, attorneys, accountants, tax accountants or other advisors of such persons, or (c) any person reasonably recognized by the Board of Directors as substantially controlled by such persons or acting in concert or coordination with such persons (Such determination shall be based on direct or indirect facts, etc., that may suggest the formation of a new investment relationship, business alliance relationship, transaction or contractual relationship, concurrent directorship, funding relationship, credit relationship, status of purchase of the Company's share certificates, etc., status of exercise of voting rights in relation to the Company's share certificates, etc., formation of substantial interest, etc. in the Company's share certificates, etc. through derivatives or stock lending, etc., or other communication of intention etc.)).

Note 2: Ratio of voting rights means

- (i) If the Specific shareholder Group is as described in (i) of Note 1, the percentage of share certificates, etc. held by such holders (meaning the percentage of share certificates, etc. held as provided in Article 27-23, Paragraph 4 of the same Act. In this case, the number of share certificates, etc. held by the joint holder(s) of such holder(s) (meaning the number of share certificates, etc. held as provided in the same Paragraph) shall also be considered in the calculation.)

or

- (ii) If the Specific Shareholder Group is as described in Note 1(ii), the total of the shareholding ratio of the Large-Scale Buyer and the Specially Related Parties (the shareholding ratio prescribed in Article 27-2(8) of the same Act).

For the calculation of the holding ratio of share certificates, etc., or shareholding ratio, (a) a person in special relationship with or a joint holder of a shareholder of the Company (hereinafter referred to as an “Initial Shareholder” in Note 2), and (b) an affiliated person of the Initial Shareholder or the person described in (a) above, shall be deemed to be a joint holder or a person having a special relationship with the Initial Shareholder under the Response Policy. The same shall apply below. For the calculation of the holding ratio of shares, and the ownership ratio of shares, the most recently calculated figures in securities reports, quarterly financial statements, and share buyback reports may be referred to in terms of the total number of voting rights (as defined by Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act) and the total number of issued shares (as defined in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act).

Note 3: Share certificates, etc. means share certificates, etc. as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act, including the rights to display securities with respect thereto as defined in Article 2, Paragraph 2 of the same Act.

Note 4: An agreement or other act that is conducted by a shareholder of the Company (hereinafter in this Note 4 referred to as “Initial Shareholders”) with another shareholder of the Company (including multiple shareholders; the same shall apply hereinafter in Note 4) that results in such other shareholders becoming joint holders with the Initial Shareholders, or an act reasonably recognized by the Board of Directors as establishing a relationship between the Initial Shareholders and such other shareholders in which one substantially controls the other or those persons act jointly or in coordination (Such determination shall be based on direct or indirect facts, etc., that may suggest the formation of a new investment relationship, business alliance relationship, transaction or contractual relationship, concurrent directorships, funding relationship, credit relationship, status of purchase of the Company’s share certificates, etc., status of exercise of voting rights regarding the Company’s share certificates, etc., formation of substantial interest, etc. in the Company’s share certificates, etc. through derivatives or stock lending, etc. or other communication of intention etc.).

#### 1. Need for continuing this response policy

As stated in I, the Company believes that a Large-scale Buyer should provide the Board of Directors in advance with necessary and sufficient information regarding the Large-Scale Acquisition in accordance with the Large-scale Acquisition Rules established and disclosed in advance by the Company for the shareholders’ judgment, prior to the Large-Scale Acquisition, and that such a Large-Scale Acquisition should be commenced only after a certain evaluation period for the Board of Directors has elapsed and the Board of Directors or the General Meeting of Shareholders of the Company has passed a resolution on whether or not to take countermeasures.

After such information is provided, the Board of Directors and the Independent Committee will promptly begin to consider their opinions with respect to the Large-Scale Acquisition, and will consult with financial advisors, certified public accountants, attorneys, consultants and other experts (hereinafter referred to as “Outside Experts, etc.”) to form an opinion after careful consideration of advice and to disclose as necessary. Furthermore, if deemed necessary, the Board of Directors will negotiate with the Large-scale Buyer to improve the proposal of the Large-scale Buyer and present an alternative proposal to the shareholders as the Board of Directors. This process will enable shareholders to consider the proposal of the Large-scale Buyer and (in the event that an alternative proposal is presented) the alternative proposal, while referring to the opinion of the Board of Directors, and will provide them with an opportunity to make an appropriate final decision on whether to accept or reject the proposal.

At the same time, the Company has established certain response policies for cases of compliance and non-compliance with the Large-Scale Acquisition Rules, and has decided to continue the Response Policy as a measure against a Large-Scale Acquisition by an inappropriate party in light of the Basic Policy on Company Control.

As of March 31, 2023, JFE Steel Corporation, the Company’s largest shareholder, held 34.0% of the Company’s shares. Although the Company and JFE Steel Corporation make decisions independently of each other regarding financial and business policies, JFE Steel Corporation has established a friendly relationship with the Company as a stable shareholder of the Company, and is not a target in the Response Policy. On the other hand, the Company has no other prominent major shareholders, and its shares are widely distributed among institutional investors, financial institutions, and individuals. Accordingly, in the event of a Large-Scale Acquisition that would materially damage the Company’s corporate value and/or the common interests of its shareholders in the future, the Company believes that it is necessary to ensure necessary and sufficient information and time for shareholders to consider the conditions and methods of such a Large-Scale Acquisition and for the Board of Directors to prepare opinions and alternative plans.



## 2. Establishment of Independent Committee

An Independent Committee will be established as an advisory body to ensure the proper operation of the Response Policy and to prevent arbitrary judgments by the Board of Directors. The Independent Committee shall consist of at least three members, who shall be appointed from among the Company's Outside Directors and outside experts (Note 5) who are independent of the Company's management team that executes the Company's business in order to enable fair and neutral judgments. The names and biographies of the members of the Independent Committee at the time of continuation of the Response Policy are set forth in Exhibit 3. In addition, a summary of the Independent Committee is attached as Exhibit 2.

The Response Policy establishes objective requirements for triggering countermeasures in the form that, if the Large-Scale Buyer complies with the Large-Scale Acquisition Rules as described in II 4.(1) below, countermeasures against such Large-Scale Acquisition will not be triggered in principle, and if the Large-Scale Buyer fails to comply with the Large-Scale Acquisition Rules as described in II 4.(2) below, the Company has established objective requirements for triggering the countermeasures. In addition, in making important decisions regarding the Response Policy, such as in the determination as to whether or not a Large-Scale Acquisition would materially damage corporate value and/or the common interests of shareholders (see II 4.(1) below), the determination of whether or not the Large-Scale Acquisition complies with the Large-Scale Acquisition Rules (see II 4. (2) below) and the determination of whether or not to trigger, fail to trigger, suspend, or change the countermeasures (see II 4. below) etc., the Board of Directors shall always consult with the Independent Committee, and shall respect the recommendations of the Independent Committee to the maximum extent possible.

The Independent Committee may, as necessary, obtain advice from Outside Experts, etc., independent of the Board of Directors and the Independent Committee. All costs incurred in obtaining such advice shall be borne by the Company, except in exceptional cases where such advice is deemed unreasonable.

Resolutions of the Independent Committee shall, in principle, be adopted by a majority of the votes of all the members present. However, if there are unavoidable circumstances that prevent all members of the Independent Committee from attending the meeting, resolutions shall be adopted by a majority of those present, with a majority of the members of the Independent Committee in attendance.

Note 5: Outside experts shall be appointed from among corporate executives with extensive management experience, persons familiar with investment banking, attorneys, certified public accountants, academic experts whose main research interests include corporate law, etc., or persons with similar qualifications.

## 3. Details of Large-Scale Acquisition Rules

### (1) Provision of information

The Large-Scale Acquisition Rules established by the Company require that a Large-Scale Buyer (1) provide the Board of Directors with necessary and sufficient information regarding the Large-Scale Acquisition in advance, (2) commence the Large-Scale Acquisition after a certain Evaluation Period for the Board of Directors has elapsed and (3) the Board of Directors or the General Meeting of Shareholders has resolved whether or not to take countermeasures. Specifically, first, the Large-Scale Buyer is requested to submit to the Company's Representative Director a "Statement of Intention" to the effect that it will comply with the Large-Scale Acquisition Rules, clearly indicating the name, address, governing law of incorporation, name of representative, domestic contact information, and outline of the proposed Large-Scale Acquisition, and then to submit to the Board of Directors the necessary and sufficient information for shareholders to make a judgment and for the Board of Directors and the Independent Committee to form an opinion (hereinafter referred to as "Necessary Information"). Within ten (10) business days after receipt of the Statement of Intention, the Board of Directors shall deliver to the Large-scale Buyer a list of the Necessary Information to be initially provided by the Large-scale Buyer. If, after careful examination of the information initially provided, it is deemed insufficient, the Board of Directors shall request the Large-scale Buyer to provide additional information until the Necessary Information is complete. The Board of Directors shall promptly provide the Independent Committee with the Necessary Information provided by the Large-scale Buyer. The specific contents of the Necessary Information will vary depending on the attributes of the Large-Scale Buyer and the purpose and details of the Large-Scale Acquisition, but some of the general items are as follows.

- i) Outline of the Large-Scale Buyer and its group (including joint holders, specially related parties and affiliates (and in the case of a fund, each partner and other constituent members)) (including information on the Large-Scale Buyer's business, capital structure, experience in the same type of business as that of the Company's Group, etc.).

- ii) All securities issued by the Company held by the Large-Scale Buyer, all transactions in the Company's securities conducted by the Large-Scale Buyer during the past 60 days (including the nature of the transaction, price, place and method of transaction, and counterparty of the transaction) and all contracts, arrangements and agreements (including oral and regardless of enforceability) entered into by the Large-Scale Buyer with respect to the Company's securities.
- iii) The purpose and details of the Large-Scale Acquisition (including the amount and type of consideration for the Large-Scale Acquisition, purchase period, related transaction mechanisms, legality of purchase method, and feasibility of such Large-Scale Acquisition and related transactions).
- iv) Whether there has been communication of intent with a third party at the time of the Large-Scale Acquisition (including communication of intent to make a material proposal, etc. to the Company as defined in Article 27-26, Paragraph 1 of the Financial Instruments and Exchange Act. The same shall apply below.) and, if communication of intent exists, the specific form and content of such communication.
- v) Basis for the calculation of consideration for the acquisition of Company shares, and supporting documents explaining the source of funds for the Large-Scale Acquisition (including the specific name of the provider of the funds (including substantial providers of funds), funding methods and the details of any related transactions)
- vi) Assumed candidates for management positions from participating in the management of the Company's Group (including information on experience, etc. in the same type of business as that of the Company's Group), management policies, business plans, financial plans, capital policies, dividend policies, and asset utilization policies, etc. (hereinafter referred to as "Post-Acquisition Management Policies, etc.")
- vii) Existence and details of any changes planned after the completion of the Large-Scale Acquisition with respect to the relationship between the Group and its stakeholders, including business partners, customers, and employees of the Group.
- viii) Specific measures to avoid conflicts of interest with other shareholders of the Company
- ix) Any other information that the Board of Directors reasonably deems necessary

The Board of Directors will disclose all or part of the fact that a Large-Scale Acquisition has been proposed and the Necessary Information provided to the Board of Directors

(2) Evaluation Period by the Company's Board of Directors

After the Large-Scale Buyer has completed providing the Necessary Information, the Board of Directors will set a period for the evaluation, consideration, negotiation, formation of opinions and alternate proposals by the Board of Directors, depending on the degree of difficulty in evaluating the Large-Scale Acquisition (hereinafter referred to as "Board of Directors Evaluation Period"), which will be a maximum of 60 days in case where all of the shares of the Company are acquired through a tender offer using cash only remuneration (yen), and a maximum of 90 days in case of any other Large-Scale Acquisition. Upon completion of the provision of the Necessary Information, the Board of Directors will promptly announce this fact and the date on which the Board of Directors Evaluation Period will expire.

During the Board of Directors Evaluation Period, the Board of Directors will, while consulting with the Independent Committee and receiving advice from Outside Experts, etc. as necessary, fully evaluate and consider the Necessary Information provided, and shall respect the recommendations of the Independent Committee to the maximum extent, and carefully formulate and announce its opinion. Also, as necessary, the Company's Board of Directors may negotiate with the Large-Scale Buyer to improve the conditions of the Large-Scale Acquisition or may offer alternative proposals to shareholders.

If there are unavoidable circumstances in which the Board of Directors does not reach a resolution to take or not to take countermeasures or a resolution to convene a General Meeting of Shareholders within the Board of Directors Evaluation Period due to reasons such as the Independent Committee's recommendation to the effect that the Board of Directors should consult with the Independent Committee on whether or not to take countermeasures, the Board of Directors may extend the Board of Directors Evaluation Period for up to 30 days within the necessary range. If the Board of Directors resolves to extend the Board of Directors Evaluation Period, the specific period thus determined, and the reason for the specific period being deemed necessary shall be promptly disclosed to the shareholders in accordance with applicable laws and regulations and the rules of financial instruments exchanges.

(3) Resolutions by the Board of Directors and holding the General Meeting of Shareholders

The Board of Directors shall, after respecting the recommendation of the Independent Committee to the maximum extent possible, pass a resolution for the implementation or non-implementation of countermeasures or a resolution to convene a General Meeting of Shareholders or other necessary resolutions within the Board of Directors Evaluation Period.

If the Board of Directors receives a recommendation from the Independent Committee to the effect that the General Meeting of Shareholders should be consulted on whether or not to implement countermeasures, or if the Board of Directors determines that the shareholders' opinion should be reflected after receiving a recommendation from the Independent Committee to implement countermeasures, the Board of Directors will, in principle, pass a resolution to convene a General Meeting of Shareholders in order to consult with shareholders regarding the advisability of implementing countermeasures, and shall hold a General Meeting of Shareholders within 60 days maximum from the date of such resolution.

When these resolutions are passed by the Board of Directors, or when a General Meeting of Shareholders is held, the Company will disclose information deemed appropriate in a timely and appropriate manner.

4. Response Policy in the Event of a Large-Scale Acquisition

(1) If the Large-Scale Buyer Has Complied with the Large-Scale Acquisition Rules

If a Large-Scale Buyer complies with the Large-Scale Acquisition Rules, the Board of Directors shall, even if it is opposed to the Large-Scale Acquisition, fulfill its responsibility to explain to the Company's shareholders by expressing its opposition to the Acquisition proposal or presenting an alternative proposal, and shall not, in principle, take any countermeasures against such Large-Scale Acquisition. Whether or not to accept the Large-scale Buyer's Acquisition Proposal shall be determined by the Company's shareholders after considering the Acquisition Proposal and the opinions, alternative plans, etc. presented by the Company in response to said Acquisition Proposal.

However, even if the Large-Scale Acquisition Rules are complied with, if the Large-Scale Acquisition is deemed to materially damage the corporate value of the Company and, in turn, the common interests of its shareholders, the Board of Directors may, in order to protect the corporate value and, in turn, the common interests of its shareholders, take countermeasures, such as issuing stock acquisition rights, as permitted by the Companies Act and other laws and the Articles of Incorporation of the Company (see II 4.(2) below for specific countermeasures). Specifically, in A through G below, in principle, a Large-Scale Acquisition is considered to be a case in which a Large-Scale Acquisition would materially damage corporate value and, in turn, the common interests of shareholders. In order to ensure the objectivity and reasonableness of the decision to take the above exceptional measures, the Board of Directors shall, based on the Necessary Information including the Post-Acquisition Management Policies, etc. provided by the Large-Scale Buyer and with advice from Outside Experts, etc., consider the specific details of said Large-Scale Buyer and the Large-Scale Acquisition and the impact of said Large-Scale Acquisition on corporate value and the common interests of shareholders, and shall make its decision after giving maximum respect to the recommendations from the Independent Committee.

In addition, if the Board of Directors receives a recommendation from the Independent Committee to the effect that the General Meeting of Shareholders should be consulted as to whether or not to implement countermeasures, or if the Board of Directors determines that the opinions of shareholders should be reflected after receiving a recommendation from the Independent Committee to implement countermeasures, it may, in principle, pass a resolution to convene a General Meeting of Shareholders and implement countermeasures in accordance with the resolution at said General Meeting of Shareholders (see II 3.(3) above for the procedures to be taken if a General Meeting of Shareholders is to be held).

A. If the Large-Scale Acquisition is likely to cause obvious harm to the Company's corporate value and, in turn, the common interests of its shareholders, by such acts as listed in (i) through (iv) below:

- i) Buying up shares and demanding that the company buy them back at a higher price.
- ii) Management that achieves the interests of the Buyer at the expense of the company, such as temporary control of the company and low-cost acquisition of the company's material assets, etc.
- iii) Misappropriation of company assets as collateral or source of repayment of debts of the Buyer or its group companies, etc.

- iv) Temporarily controlling the management of the company to dispose of high-value assets that have no current relevance to the company's business, and using the profits from such disposal to pay temporarily high dividends, or selling the shares at a high price, taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.
  - B. A "coercive two-tiered tender offers" (meaning conducting a tender offer, setting more unfavorable acquisition conditions for the second stage than the first stage, or not setting clear conditions for the second stage) etc., in the case of a Large-Scale Acquisition that may effectively coerce shareholders into selling their shares.
  - C. If the acquisition of control by the Large-Scale Buyer would damage the interests of stakeholders such as business partners, customers, and employees, and thereby materially impair the corporate value of the Group and, in turn, the common interests of its shareholders.
  - D. If the terms of the Large-Scale Acquisition (including the type and amount of consideration, timing of the Large-Scale Acquisition, legality of the purchase method, and policy for dealing with the Group's business partners, customers, employees, and other stakeholders after the Large-Scale Acquisition) are significantly insufficient or inappropriate in light of the Group's intrinsic value.
  - E. If the Large-Scale Buyer poses a significant risk of harm to the corporate value of the Group and, in turn, the common interests of its shareholders by, for example, destroying the Group's relationships with business partners, customers, employees, etc. or the Group's corporate culture, which are essential to the creation of the Group's corporate value.
  - F. If the Large-Scale Buyer is judged on reasonable grounds to be inappropriate as the controlling shareholder of the Company from the viewpoint of public order and morals, and where the management, major shareholders or investors of the Large-Scale Buyer includes persons who have relationships with antisocial forces.
  - G. Other cases similar to (a) through (f), where it is judged that the corporate value of the Group and, in turn, the common interests of its shareholders would be materially impaired.
- (2) If the Large-Scale Buyer does not comply with Large-Scale Acquisition rules
- If the Large-Scale Buyer fails to comply with the Large-Scale Acquisition Rules, regardless of the specific method of purchase, the Board of Directors may take countermeasures permitted under the Companies Act, other laws and the Articles of Incorporation of the Company, such as issuing stock acquisition rights, in order to protect corporate value and the common interests of shareholders, and to oppose the Large-Scale Acquisition. Whether the Large-Scale Buyer has complied with the Large-Scale Acquisition Rules and the appropriateness of triggering the countermeasures shall be determined by the Board of Directors with reference to the opinions of Outside Experts, etc. and with maximum respect for the recommendations of the Independent Committee.
- As to specific measures to be taken, the Board of Directors shall select those measures that it deems most appropriate at the time. For example, an outline of the gratis allotment of stock acquisition rights as a countermeasure is shown in Appendix 1, however, when actually issuing stock acquisition rights, an exercise period, exercise conditions, etc. may be set in consideration of the effect as a countermeasure, such as making it a condition for exercising stock acquisition rights that the holder not belong to a specific shareholder group whose ratio of voting rights exceeds a certain percentage.
- (3) Suspension, etc. of Implementation of Countermeasures
- If the Board of Directors determines that it is not appropriate to implement countermeasures, such as when the Large-Scale Buyer withdraws or changes the Large-Scale Acquisition after the Board of Directors has decided to implement countermeasures, the Board of Directors may suspend or change the implementation of countermeasures, respecting the recommendation of the Independent Committee to the maximum extent possible. For example, in the case of a gratis allotment of stock acquisition rights as a countermeasure, if the Board of Directors determines that it is not appropriate to trigger the countermeasure, for example, because the Large-Scale Buyer withdraws or changes the Large-Scale

Acquisition after the shareholders to receive the allotment of stock acquisition rights are determined, the Board of Directors may cancel or suspend the implementation of the countermeasure as follows.

- i) The gratis allotment of stock acquisition rights shall be suspended until the effective date of such gratis allotment of stock acquisition rights, respecting the recommendation of the Independent Committee to the maximum extent possible.
- ii) After the gratis allotment of stock acquisition rights becomes effective, the Company shall acquire said stock acquisition rights without consideration until the commencement of the exercise period, respecting the recommendation of the Independent Committee to the maximum extent possible.

In the event of such a suspension of the implementation of countermeasures, etc., the Independent Committee shall promptly disclose information together with matters deemed necessary by the Independent Committee.

## 5. Impact on shareholders and investors, etc.

### (1) Impact on shareholders and investors upon continuation of the Response Policy

Since the gratis allotment of stock acquisition rights and other measures will not be implemented at the time of continuation of the Response Policy, there will be no direct specific impact on shareholders and investors.

### (2) Impact on shareholders and investors upon triggering of countermeasures, etc.

If a Large-Scale Buyer fails to comply with the Large-Scale Acquisition Rules, etc., the Board of Directors may take countermeasures permitted under the Companies Act and other laws and the Articles of Incorporation of the Company based on a resolution of the Board of Directors or a resolution of the General Meeting of Shareholders for the purpose of protecting corporate value and the common interests of shareholders, however, based on the countermeasures mechanism, the Company does not anticipate any situation in which the Company's shareholders (excluding a Large-Scale Buyer who conducts the Large-Scale Acquisition that is the subject of such countermeasures) will suffer any particular loss in terms of legal rights or economic aspects. If the Board of Directors decides to implement a specific countermeasure, we will make timely and appropriate disclosure in accordance with laws and regulations and the rules of the financial instruments exchanges.

In the event that the Company implements a gratis allotment of stock acquisition rights as a countermeasure, shareholders will be required to pay a certain amount of money within a specified period in order to acquire new shares upon exercise of the stock acquisition rights. In addition, if the Board of Directors decides to acquire the stock acquisition rights, the Company may deliver new shares to the shareholders as consideration for the acquisition of the stock acquisition rights without the payment of an amount equivalent to the exercise price. Details of such procedures will be announced separately in accordance with laws and regulations when the Company makes the decision to issue stock acquisition rights.

If the Board of Directors cancels the issuance of stock acquisition rights or acquires the issued stock acquisition rights without consideration based on the recommendation of the Independent Committee, no dilution of the value per share will occur, so shareholders or investors who traded on the assumption that the value of shares will be diluted after the ex-rights date of the gratis allotment of the stock acquisition rights may suffer unexpected damages due to fluctuations in the Company's stock price.

## 6. Commencement of application of the Response Policy and effective date

The Response Policy is subject to approval by shareholders at this General Meeting of Shareholders and will be effective from the date of such approval. The effective period of the Policy shall expire at the conclusion of the Annual General Meeting of Shareholders relating to the last fiscal year ending within three years from the date of said approval, and thereafter, any renewal of the Response Policy (including continuation of the Policy with partial amendments) shall be subject to the approval of the General Meeting of Shareholders.

However, if, even during the effective period of the Response Policy, a resolution to abolish the Response Policy is passed at a General Meeting of Shareholders of the Company, or if the Board of Directors passes a resolution to abolish the Response Policy after respecting the recommendations of the Independent Committee to the maximum extent, the Response Policy shall be abolished as of the time of such resolution. In such cases, the Company will promptly disclose the fact of such discontinuation.

Even during the effective period of the Response Policy, the Company shall review the Policy from time to time from the perspective of enhancing corporate value, and, in turn, the common interests of shareholders, based on the development of relevant laws and regulations and the listing system stipulated by financial instruments exchanges, and may make changes to the Response Policy with maximum respect for the recommendations of the Independent Committee. In such cases, the Company will promptly disclose the details of such changes.

7. Amendment due to laws and regulations etc.

The provisions of laws and regulations cited in the Response Policy are based on the provisions in force as of May 11, 2023, and in the event that it becomes necessary to revise any of the provisions or the meanings of terms, etc. set forth in the above paragraphs due to the establishment, amendment or abolition of laws and regulations after that date, the provisions or the meanings of terms, etc. set forth in the above paragraphs may be read as appropriate within reasonable limits, taking the purpose of such establishment, amendment or abolition into consideration.

### Outline of Stock Acquisition Rights

1. Shareholders to whom stock acquisition rights are granted and terms and conditions of issue  
Share acquisition rights will be allotted without payment to shareholders registered on the final shareholder registry as of the record date determined by the Company's Board of Directors and at a ratio of one right per one ordinary share of the Company (excluding ordinary shares of the Company held by the Company).
2. Class and number of shares underlying the share acquisition rights  
The class of shares that is subject to share acquisition rights shall be ordinary share of the Company, and the total number of shares subject to share acquisition rights shall be limited to the total number of issuable shares of the Company as of the record date determined by the Board of Directors less the number of outstanding ordinary shares of the Company (excluding ordinary shares of the Company held by the Company). The number of shares to be issued upon exercise of each stock acquisition right (hereinafter "number of target shares") shall be determined separately by the Board of Directors. However, if the Company conducts a stock split or a reverse stock split, the necessary adjustments shall be made.
3. Total number of stock acquisition rights to be issued  
The total number of stock acquisition rights to be issued shall be determined separately by the Board of Directors.
4. Value of assets to be contributed upon exercise of each stock acquisition right (amount to be paid in)  
The amount of property to be contributed upon exercise of each stock acquisition right (the amount to be paid in) shall be ¥1 or more, as determined by the Board of Directors.
5. Restricted transfer of stock acquisition rights  
Any acquisition of share acquisition rights by transfer shall be subject to approval of the Company's Board of Directors.
6. Conditions for exercise of stock acquisition rights  
Persons belonging to a specific shareholder group who hold 20% or more of the voting rights (excluding, however, those who have been previously agreed to by the Board of Directors) may not, in principle, exercise stock acquisition rights. In addition, persons who are located in an area under the jurisdiction of applicable foreign laws and regulations and who are required to follow certain procedures to exercise their stock acquisition rights may not, in principle, exercise their stock acquisition rights (provided, however, that certain persons, such as persons who can use the exemption provisions under applicable foreign laws and regulations, may exercise their stock acquisition rights, and stock acquisition rights held by such persons shall also be subject to acquisition by the Company in exchange for shares in the Company as described in 8. below.). In addition, any person who does not submit documentation in the form prescribed by the Company confirming that he/she is not a member of the Specific Shareholder Group, etc. (excluding, however, those who are not requested to submit such documentation by the Company) may not exercise the Stock Acquisition Rights. The details shall be separately determined by the Board of Directors.
7. Exercise period, etc. of the share acquisition rights  
The first day of the exercise period shall be a date separately determined by the Board of Directors in the resolution for the gratis allocation of stock acquisition rights (the first day of such exercise period shall hereinafter be referred to as "the date of commencement of the exercise period"), and this period shall be from one month to three months. If the last day of the exercise period falls on a holiday of the place handling the payment of funds to be paid in upon exercise, the business day preceding the holiday shall be the last day of the exercise period.
8. Acquisition of stock acquisition rights by the Company
  - i) If at any time up to the day before the date of commencement of the exercise period the Board of Directors deems it appropriate to acquire the stock acquisition rights, the Company may acquire all the stock acquisition rights without consideration on a date separately determined by the Board of Directors of the Company.

- ii) The stock acquisition rights held by persons other than those belonging to the Specific Shareholder Group and those who do not submit written documentation in the form prescribed by the Company confirming that they are not a member of the Specific Shareholder Group, etc. by the date on which the acquisition is made (excluding those who have not been requested to submit such written request by the Company) that have not been exercised by preceding the date determined by the Board of Directors may all be acquired by the Company, and, in exchange, the Company may deliver the number of target shares of the Company for each stock acquisition right. In addition, if, on or after the date of such acquisition, the Board of Directors recognizes the existence of any person other than a person belonging to the Specific Shareholder Group among the holders of stock acquisition rights (however, in making such recognition, the Company may request such person to submit documentation in the form prescribed by the Company in Section 8.2), the Company may, on a date separately determined by the Company's Board of Directors after the date of such acquisition, acquire all stock acquisition rights held by such persons that have not been exercised by the day before the date determined by the Board of Directors and, in exchange, deliver shares of the Company in the number of target shares per one stock acquisition right, and the same shall apply thereafter.
- iii) Details of the acquisition terms shall be separately determined by the Board of Directors.



## Overview of the Independent Committee

### 1. Establishment

The Independent Committee shall be established by a resolution of the Board of Directors.

### 2. Members

The committee shall consist of at least three persons who are independent of the management team that executes the Company's business, and who are appointed by the Board of Directors, including Outside Directors, corporate managers with extensive management experience, persons familiar with investment banking, attorneys, certified public accountants, academic experts whose main research interests include corporate law, or any other similar person. The members at the time of continuation of the Response Policy shall be Mr. Kantaro Toyozumi, Mr. Masanori Sato, and Mr. Shigeru Nakajima.

### 3. Term

The term of office of members of the Independent Committee shall expire at the conclusion of the Annual General Meeting of Shareholders for the last fiscal year ending within three years after the conclusion of the current General Meeting of Shareholders. However, this shall not apply if otherwise determined by a resolution of the Board of Directors. In addition, if a member of the Independent Committee who is an Outside Director of the Company ceases to be a Director (except in the case of reelection), his/her term of office as a member of the Independent Committee shall also end at the same time. In the event of a vacancy in the position of a member of the Independent Committee, new committee members shall be appointed by resolution of the Board of Directors from among candidates who meet the requirements for appointment as described in 2. above. The term of office of a newly appointed committee member shall be the same as the remaining term of office of the vacated committee member.

### 4. Resolution requirements

Resolutions of the Independent Committee shall, in principle, be adopted by a majority vote of all the incumbent members of the Independent Committee being present at the meeting. However, if there are unavoidable circumstances that prevent all members of the Independent Committee from attending the meeting, resolutions of the Independent Committee shall be adopted by a majority of the members of the Independent Committee that are present. If a resolution of the Independent Committee is not approved because of a tied vote, the Company shall report to the Board of Directors that the resolution was not approved.

### 5. Matters to be resolved, etc.

If the Independent Committee is consulted by the Board of Directors of the Company, the Independent Committee shall, in principle, make decisions on the matters described in each of the following items and recommend the details of such decisions, together with the reasons therefor, to the Board of Directors. Each member of the Independent Committee must make such decisions from the perspective of whether or not they contribute to corporate value and, in turn, the common interests of shareholders, and shall not make such decisions solely for the purpose of pursuing his/her own personal interests or those of the Company's Directors.

- i) Determination of Large-Scale Acquisitions subject to the Large-Scale Acquisition Rules
- ii) Determination of the Necessary Information to be provided by the Large-Scale Buyer to the Board of Directors
- iii) Scrutiny and examination of the terms of the Large-Scale Acquisition by the Large-Scale Buyer
- iv) Determination as to whether or not the Large-Scale Acquisition constitutes a case of material damage to corporate value and/or the common interests of shareholders
- v) Determination as to whether the Large-Scale Buyer has complied with the Large-Scale Acquisition Rules
- vi) Determination of whether to extend the Board of Directors Evaluation Period
- vii) Determination of whether the implementation of countermeasures should be referred to the General Meeting of Shareholders
- viii) Determination of whether countermeasures should be triggered, not triggered, modified or suspended

- ix) Consideration of continuation, modification or abolition of the Large-Scale Acquisition Rules
- v) Other matters on which the Board of Directors has consulted the Independent Committee on matters that should be determined by the Board of Directors

In addition, in order to ensure proper judgment, the Independent Committee shall endeavor to collect necessary and sufficient information when making the above judgments, and may obtain advice from Outside Experts, etc. (including financial advisors, certified public accountants, attorneys, consultants and other experts) at the expense of the Company.

### Profile of Independent Committee Members

The following three members are scheduled to serve on the Independent Committee when the Response Policy is continued.

#### Kantaro Toyoizumi Profile

Born October 17, 1945

Apr. 1970	Registered as an attorney
Mar. 2004	Provisional Auditor of the Company
Apr. 2004	Professor of Keio University Law School
June 2004	Outside Audit and Supervisory Board Member of the Company
July 2004	Outside Audit & Supervisory Board Member of Nippon Life Insurance Company
June 2016	Outside Director (Audit and Supervisory Board Member) of the Company (current position) Outside Auditor of San-Ai Oil Co., Ltd. (present San-Ai Obbli Co., Ltd.) (current position)
July 2022	Outside Director (Audit & Supervisory Board Member) of Nippon Life Insurance Company (current position)

Mr. Toyoizumi is an Outside Director as defined in Article 2, Item 15 of the Companies Act. There is no special interest between him and the Company.

#### Masanori Sato Profile

Born July 28, 1947

Apr. 1970	Joined Asahi Kaikei-sha (present KPMG AZSA LLC)
Mar. 1973	Registered as a certified public accountant
May 2004	Board Chairperson of AZSA & Co. (present KPMG AZSA LLC)
June 2010	Retired from the corporation
Oct. 2010	Established Sato Accounting Firm
June 2011	Outside Audit and Supervisory Board Member of the Company
Feb. 2016	Outside Audit & Supervisory Board Member of Maruzen Yushodo Co., Ltd. (current position)
June 2016	Outside Director (Audit and Supervisory Committee Member) of the Company (current position)

Mr. Sato is an Outside Director as defined in Article 2, Item 15 of the Companies Act. There is no special interest between him and the Company.

#### Shigeru Nakajima Profile

Born December 27, 1949

Apr. 1979	Registered as an attorney
Apr. 1983	Established Nakajima Law Firm
Dec. 2000	Outside Audit & Supervisory Board Member of Nissei ASB Machine Co., Ltd. (current position)
June 2003	Outside Audit & Supervisory Board Member of Recruit Co., Ltd.
June 2004	Outside Audit & Supervisory Board Member of Mitsubishi Corporation
June 2015	Outside Director of the Company
June 2016	Outside Director (Audit and Supervisory Committee Member) (current position)

Mr. Nakajima is an Outside Director as defined in Article 2, Item 15 of the Companies Act. There is no special interest between him and the Company.