

To Our Shareholders

Koshienguchi 6-1-45, Nishinomiya-shi, Hyogo
KYOKUTO KAIHATSU KOGYO CO., LTD.
Tatsuya Nunohara, President

NOTICE OF THE 87th ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders,

We would like to inform you that the 87th Annual General Meeting of Shareholders will be held as follows.

In order to prevent the risk of infection with the novel coronavirus at the General Meeting of Shareholders, we encourage you not to attend the meeting and to exercise your voting rights either by mail or via the Internet.

You may use one of the methods below to exercise your voting rights. We ask that you exercise your voting rights by 5:30 p.m. on Monday, June 27, 2022 (JST), after having considered the accompanying "Reference Material for the General Meeting of Shareholders."

[Exercising voting rights by mail]

Please indicate your approval or disapproval for each of the proposals on the enclosed form for exercising voting rights and ensure that we receive it no later than the above-mentioned deadline.

[Exercising voting rights over the Internet]

Please access our designated voting website (<https://evote.tr.mufg.jp/>) from a computer or smartphone and use the Login ID and Temporary Password printed on the enclosed form for exercising voting rights (in case of a smartphone, there is no need to input if you read the QR code for login), and follow the onscreen instructions to enter your approval or disapproval for each of the proposals. In addition, if using the Internet to exercise your voting rights, we request that you kindly read the "Procedure for Exercising your Voting Rights via the Internet" (page 3).

Notice of Meeting

- 1. Date and Time** 10 a.m. on Tuesday June 28, 2022 (JST)
- 2. Place** Head Office Conference Room, KYOKUTO KAIHATSU KOGYO CO., LTD.
Koshienguchi 6-1-45, Nishinomiya-shi, Hyogo, Japan
- 3. Objectives of Meeting**
 - Reporting**
 - 87th business period (from April 1, 2021 to March 31, 2022)
Report on contents of Business Report, Consolidated Financial Statement, and results of Audit on Consolidated Financial Statement by accounting auditors and the board of corporate auditors
 - 87th business period (from April 1, 2021 to March 31, 2022) Report on contents of Financial Documents

Agenda

Company Proposals (Proposal 1 to Proposal 4)

- Proposal 1** Appropriation of retained earnings
- Proposal 2** Partial amendment to the Articles of Incorporation
- Proposal 3** Election of Eight (8) Directors
- Proposal 4** Election of one (1) Corporate Auditor

<Shareholder Proposals (Proposals 5 to 12)>

- Proposal 5** Appropriation of retained earnings
- Proposal 6** Amendment to the Articles of Incorporation regarding disclosure of cost of capital
- Proposal 7** Amendment to the Articles of Incorporation regarding disposition of real estate for lease, etc.
- Proposal 8** Disposition of real estate for lease, etc.

- Proposal 9** Amendment to the Articles of Incorporation regarding cancellation of treasury shares
Proposal 10 Cancellation of treasury shares
Proposal 11 Amendment to the Articles of Incorporation regarding cross-shareholdings
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- If you plan to attend the meeting in person, please submit the enclosed Exercise of Voting Rights form to the receptionist at the meeting.
- Of the documents to be provided in the Notice of the Annual General Meeting of Shareholders, the Notes to Consolidated Financial Statements and the Notes to Non-Consolidated Financial Statements are not included in the documents attached to the Notice of the Annual General Meeting of Shareholders because they are posted on the Company's website on the Internet (<https://www.kyokuto.com/>) in accordance with laws and regulations and Article 16 of the Articles of Incorporation of the Company. The Consolidated Financial Statements and the Non-Consolidated Financial Statements audited by Corporate Auditors and the Accounting Auditor are the Notes to Consolidated Financial Statements and the Notes to Non-Consolidated Financial Statements, which are posted on the Company's website above, in addition to each of the documents listed in the documents attached to the Notice of the Annual General Meeting of Shareholders.
- In case of any amendment to the Business Report, Consolidated Financial Statement, Financial Documents, and Reference Material for the General Meeting of Shareholders, the amended documents will be posted on the Company's website. (<https://www.kyokuto.com/>)

Procedure for exercising your voting rights via the Internet

If you exercise your voting rights via the Internet, please review the items below and exercise your voting rights.

If you intend to attend the General General Meeting of Shareholders in person, you are not required to exercise the voting rights either by mail (using the Voting Rights Exercise Form) or via the Internet.

1. About the voting website

- (1) Voting rights via the Internet may be exercised by accessing our designated voting website (<https://evote.tr.mufg.jp/>) from a PC or smartphone. (However, this will be suspended from 2 a.m. to 5 a.m. every day.)
- (2) Exercise of voting rights via the Internet will be accepted until 5:30 p.m. on Monday, June 27, 2022, Japan Time. We ask you to exercise your voting rights at your earliest convenience. Please contact the help desk should you have any questions.
- (3) Depending on your Internet connection environment, you may not be able to exercise your voting rights through your computer or smartphone. Such environments include cases where a firewall is used for the Internet connection, any antivirus software has been installed, a proxy server is used, or TLS encrypted communication has not been designated.

2. Method of exercising voting rights via the Internet

(1) With a PC

- Voting rights via the Internet may only be exercised by accessing the voting rights exercise website (<https://evote.tr.mufg.jp/>) from a computer, smartphone or cellular phone using the Login ID and Temporary Password printed on the enclosed form for exercising voting rights.
- Please note that you will be requested to change your Temporary Password on the voting rights exercise website in order to prevent any unauthorized access (“spoofing”) or alteration of your votes.
- A new Login ID and Temporary Password will be issued each time the General General Meeting of Shareholders is convened.

(2) With a smartphone

- You can automatically log into the voting website and exercise your voting rights by scanning the QR Code for login printed on the enclosed form for exercising voting rights with your smartphone. (No need to enter the Login ID and Temporary Password.)
- For security reasons, you can exercise your voting rights with your QR Code only once. From the second time, you will be required to enter your Login ID and Temporary Password even if you scan your QR Code.
- Depending on your smartphone model, QR Code login may not be available. When you cannot login with your QR Code, please exercise your voting rights with the method explained in the above 2. (1) with a PC.

*QR Code is the registered trademark of Denso Wave Incorporated.

3. Handling of voting rights exercised multiple times

- (1) If you exercised your voting rights both in writing and via the Internet, the voting rights exercised via the Internet shall be treated as the valid vote.
- (2) If you exercised your voting rights multiple times using the same method, the voting rights exercised last shall be treated as the valid vote.

4. Costs incurred for accessing the voting rights exercise website

Costs incurred for accessing the voting rights exercise website (such as Internet connection charges, packet data fees) shall be borne by the shareholder.

Inquiries about the system

Stock Transfer Agency Department (help desk), Mitsubishi UFJ Trust and Banking Corporation

Phone: 0120-173-027 (inquiries accepted from 9 a.m. to 9 p.m., toll free (only within Japan))

5. Platform for electronic exercise of voting rights (for institutional investors)

Nominee shareholders (including standing proxies), such as custodian trust banks, may use the Voting Rights Electronic Exercise Platform operated by ICJ Co., Ltd., if applied for in advance.

Reference Material for the General Meeting of Shareholders

Proposals and References

<Company Proposals (Proposal 1 to Proposal 4)>

Proposal 1 Appropriation of retained earnings

1. Year-end dividend

With regard to the year-end dividend for the 87th business period, the Company's policy is to continuously and gradually implement shareholder returns with an awareness of a higher dividend payout ratio while taking into consideration business performance trends. In light of this, with the primary objective of achieving both high and stable dividends to shareholders, the Company proposes the following in order to achieve sustainable growth of the Company and enhance its corporate value:

(1) Type of dividend

Money

(2) Allocation of dividend and the total amount

Year-end dividend 32 yen per common share of the Company

Total amount of dividend 1,278,404,736 yen

The annual dividend including the interim dividend for this business period will be 54 yen per share, up 12 yen from the former business period.

(3) Effective date of surplus allotment

June 29, 2022

2. Appropriation of retained earnings

With regard to appropriation of retained earnings, in order to enable flexible capital policies in response to future changes in the business environment, the Company proposes to withdraw the entire amount of contingent reserve separately and transfer it to earned surplus carried forward as follows:

(1) Retained earnings decreased and the amount

Contingent reserve 46,334,424,000 yen

(2) Retained earnings increased and the amount

Earned surplus carried forward 46,334,424,000 yen

Proposal 2 Partial amendment to the Articles of Incorporation

1. Reason for amendment

Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following amendment to the Company's Articles of Incorporation in preparation for the introduction of the system for providing informational materials for the general General Meeting of Shareholders in electronic format.

- (1) Article 16, Paragraph 1 in the proposed amendment below will stipulate that the Company shall take measures for providing information that constitutes the content of Reference Material for the General Meeting of Shareholders, etc. in electronic format.
- (2) Article 16, Paragraph 2 in the proposed amendment below will establish a provision to limit the scope of items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
- (3) Since the provisions for Disclosure via Internet of Reference Documents, etc. for the General General Meeting of Shareholders and Deemed Provision thereof (Article 16 of the current Articles of Incorporation) will no longer be required, they will be deleted.
- (4) Accompanying the aforementioned establishment and deletion of provisions, supplementary provisions regarding the effective date, etc. will be established.

2. Details of the amendment

The details of the amendment are as follows:

(Amendments are underlined)

Current Articles of Incorporation	Proposed amendment
<u>(Disclosure via Internet of Reference Documents, etc. for the General General Meeting of Shareholders and Deemed Provision Thereof)</u> <u>Article 16 By disclosing information relating to matters that shall be described or stated in any reference documents for the General General Meeting of Shareholders, business report, financial statement and consolidated financial statement upon convening a General General Meeting of Shareholders by a method utilizing the Internet in accordance as provided for in the Ordinance of the Ministry of Justice of Japan, the Company may be deemed to have provided such information to the shareholders.</u>	(Deleted)

Current Articles of Incorporation	Proposed amendment
(Newly established)	<p><u>(Measures, etc. for Providing Information in Electronic Format)</u> <u>Article 16 When the Company convenes a general General Meeting of Shareholders, it shall take measures for providing information that constitutes the content of reference material for the general General Meeting of Shareholders, etc. in electronic format.</u> <u>(2) Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p>
Article 17 (Provisions omitted)	Article 17 (Unchanged)
-	-
Article 45 (Provisions omitted)	Article 45 (Unchanged)
(Newly established)	<p><u>(Supplementary Provisions)</u> <u>(1) The deletion of Article 16 of the current Articles of Incorporation (Disclosure via Internet of Reference Documents, etc. for the General General Meeting of Shareholders and Deemed Provision Thereof) and establishment of Article 16 of the Proposed Amendment (Measures, etc. for Providing Information in Electronic Format) shall be effective as of the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the "Date of Enforcement").</u> <u>(2) Notwithstanding the provisions of the preceding paragraph, Article 16 of the current Articles of Incorporation shall remain effective regarding any general General Meeting of Shareholders held on a date within six (6) months from the Date of Enforcement.</u> <u>(3) These Supplementary Provisions shall be deleted on the date when six (6) months have elapsed from the Date of Enforcement or three (3) months have</u></p>

Current Articles of Incorporation	Proposed amendment
	<u>elapsed from the date of the general General Meeting of Shareholders in the preceding paragraph, whichever is later.</u>

Proposal 3 Election of Eight (8) Directors

The terms of office of eight (8) Directors — Kazuya Takahashi, Tatsuya Nunohara, Kazuhiko Harada, Takeo Norimitsu, Sadanobu Kato, Noboru Horimoto, Yoji Kido, and Akira Michigami — will expire at the close of this Annual General Meeting of Shareholders. Therefore, the Company proposes to increase the number of Outside Directors by one (1) and elect eight (8) Directors in order to further ensure the transparency of management and further strengthen corporate governance.

If this Proposal is approved and adopted as proposed, three (3) of the Directors will be Independent Executives in accordance with the regulations of Tokyo Stock Exchange, Inc., and at least one-third (1/3) of the Directors of the Company will be Independent Executives.

The candidates for Directors are as follows:

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
1	Tatsuya Nunohara (Jan. 21, 1959) <u>Reappointment</u>	<p>April 1982 Joined the Company</p> <p>April 2013 Executive Officer of the Company Deputy Executive General Manager of Engineering of the Company</p> <p>April 2015 Executive General Manager of Engineering of the Company</p> <p>April 2017 Executive General Manager of Production of the Company</p> <p>June 2017 Director of the Company</p> <p>April 2018 SPV Division Director of the Company</p> <p>June 2019 Associate Senior Executive Officer of the Company</p> <p>June 2020 Representative Director, President of the Company (current position) Chief Executive Officer of the Company (current position)</p> <p>(Representative position in other companies) Director of Japan Auto-Body Industries Association Inc.</p>	12,800	None
(Reason for selection as candidate for Director)				
He has been in charge of the management of the Company as Representative Director & President since June 2020, after serving in the SPV Development and Production Division for many years. We nominate him as a candidate for Director in order to continuously strengthen the management of the Company based on his extensive experience and accomplishments above.				

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company	
2	Kazuhiko Harada (Feb. 23, 1958) <u>Reappointment</u>	April 1980	Joined the Company	17,000	None
		April 2007	Director of NIPPON TREX Co., Ltd.; Accounting Manager of NIPPON TREX Co., Ltd.		
		April 2011	General Manager of Finance of the Company		
		April 2012	Director of NIPPON TREX Co., Ltd.; Executive Director of NIPPON TREX Co., Ltd. General Manager and Corporate Planning Manager of NIPPON TREX Co., Ltd.		
		April 2016	Executive Officer of the Company		
		April 2018	Deputy Executive General Manager of Administration of the Company General Manager of Finance of the Company		
		April 2019	Executive General Manager of Administration of the Company General Manager of Corporate Planning of the Company		
		June 2019	Director of the Company (current position)		
		April 2021	Associate Senior Executive Officer of the Company		
		April 2022	Senior Managing Executive Officer of the Company (current position)		
(Reason for selection as candidate for Director)					
We nominate him as a candidate for Director in order to continuously strengthen the management of the Company based on his knowledge of finance and accounting as he served in the Finance Division for many years, as well as his extensive experience and accomplishments as he served in the management of the important subsidiary in the SPV segment.					

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
3	Takeo Norimitsu (Aug. 15, 1958) <u>Reappointment</u>	<p>April 1982 Joined the Company</p> <p>April 2011 Executive Officer of the Company General Manager of Overseas Promotion of the Company</p> <p>April 2017 Overseas Operations Division Director of the Company General Manager of Overseas Sales of the Company</p> <p>June 2017 Director of the Company (current position)</p> <p>April 2018 Chairman of Kyokuto Special Automobile Trading (Shanghai) Co., Ltd. Chairman of Kyokuto Kaihatsu (Kunshan) Machinery Co., Ltd.</p> <p>June 2019 Associate Senior Executive Officer of the Company (current position)</p> <p>September 2020 Director of SATRAC ENGINEERING PRIVATE LIMITED (current position)</p> <p>April 2022 Executive General Manager of Administration of the Company (current position) General Manager of Corporate Planning of the Company (current position) Related to Overseas Operations Division of the Company (current position) Related to Parking and Other Operations Division of the Company (current position)</p>	9,000	None
<p>(Reason for selection as candidate for Director)</p> <p>We nominate him as a candidate for Director in order to continuously strengthen the management of the Company based on his extensive experience and accomplishments as he served in the Overseas Division and Planning Division for many years and has been in charge of the management of overseas subsidiaries.</p>				

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
4	Noboru Horimoto (Feb. 28, 1965) <u>Reappointment</u>	<p>April 1988 Joined the Company</p> <p>April 2008 General Manager of Environmental Division, Construction Department of the Company</p> <p>April 2010 General Manager of Environmental Division, Engineering Department of the Company</p> <p>April 2011 Executive Officer of the Company Environmental Division, Deputy Director of the Company</p> <p>April 2013 Executive General Manager of Environmental Division, Sales Department of the Company</p> <p> General Manager of Environmental Division, Service Department of the Company</p> <p>October 2013 General Manager of Environmental Division, Planning Department of the Company</p> <p>April 2019 Environmental Division, Director of the Company (current position)</p> <p>June 2019 Director of the Company (current position)</p> <p> Related to affiliate companies, Environmental Division of the Company (current position)</p> <p>April 2022 Associate Senior Executive Officer of the Company (current position)</p>	7,200	None
<p>(Reason for selection as candidate for Director)</p> <p>We nominate him as a candidate for Director in order to continuously strengthen the management of the Company based on his extensive experience and accomplishments as he served in the Environmental Division for many years.</p>				

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
5	Teruyuki Kizu (Jan. 7, 1966) <u>New appointment</u>	<p>November 1992 Joined the Company</p> <p>April 2016 Miki Plant Manager of the Company</p> <p>April 2017 Yokohama Plant Manager of the Company</p> <p>April 2018 Executive Officer of the Company</p> <p>April 2019 Executive General Manager of Production of the Company</p> <p>April 2021 Associate Senior Executive Officer of the Company (current position)</p> <p>April 2022 SPV Division, Director of the Company (current position)</p> <p>Chairman of the Kyokuto Special Automobile Trading (Shanghai) Co., Ltd. (current position)</p> <p>Chairman of the Kyokuto Kaihatsu (Kunshan) Machinery Co., Ltd. (current position)</p>	1,700	None
<p>(Reason for selection as candidate for Director)</p> <p>We nominate him as a candidate for Director in order to strengthen the management of the Company based on his extensive experience and accomplishments as he served in the SPV Production Division for many years.</p>				

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
6	Akira Michigami (May 5, 1953) <u>Reappointment</u> <u>Outside</u>	<p>April 1982 Registration as Lawyer</p> <p>April 1987 Vice President of Kobe Blue Sky Law Office (formerly Akagi & Michigami Lawyer's Office)</p> <p>April 1998 Deputy President of Hyogo Bar Association (formerly Kobe Bar Association)</p> <p>April 1999 Mediator of Sumoto Branch Office of Kobe District Court (current position)</p> <p>April 2007 President of Hyogo Bar Association</p> <p>June 2007 Outside Corporate Auditor of the Company</p> <p>March 2010 Independent Executive of the Company (current position)</p> <p>April 2010 Deputy President of Japan Federation of Bar Associations</p> <p>June 2011 Part-time Director of AWAJI SHINKIN BANK (current position)</p> <p>January 2012 President of Kobe Blue Sky Law Office (current position)</p> <p>June 2014 Outside Corporate Auditor of TOA Corporation (current position) Independent Executive of TOA Corporation (current position)</p> <p>June 2015 Outside Director of the Company (current position)</p> <p>April 2020 Chairman of Kinki Federation of Bar Associations</p>	0	None
<p>(Reason for selection as candidate for Outside Director and Overview of expected roles)</p> <p>He is a lawyer and has broad knowledge and abundant experience in corporate law and legal affairs. Therefore, we nominate him as a candidate for Outside Director again because we expect him to supervise our management objectively.</p> <p>He has not been involved in management of a company except as Outside Director and Outside Corporate Auditor. However, we deem that he will fulfill his duty as Outside Director properly due to the above-mentioned background.</p>				

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
7	Hiroyuki Terakawa (Nov. 13, 1956) <u>New appointment</u> , <u>Outside</u>	<p>April 1979 Joined HANSHIN ELECTRIC RAILWAY CO., LTD.</p> <p>July 2001 General Manager of Nishi-Umeda Management Department of HANSHIN ELECTRIC RAILWAY CO., LTD.</p> <p>July 2005 General Manager of Umeda Business Department of HANSHIN ELECTRIC RAILWAY CO., LTD.</p> <p>October 2007 Director of Hankyu Hanshin Building Management Co., Ltd. Senior Managing Executive Officer of HANSHIN ELECTRIC RAILWAY CO., LTD.</p> <p>April 2009 Director of HANSHIN ELECTRIC RAILWAY CO., LTD.</p> <p>April 2011 Deputy Executive General Manager of Real Estate Business Division of HANSHIN ELECTRIC RAILWAY CO., LTD.</p> <p>April 2013 Executive Director of HANSHIN ELECTRIC RAILWAY CO., LTD.</p> <p>April 2015 Executive General Manager of Real Estate Business Division of HANSHIN ELECTRIC RAILWAY CO., LTD.</p> <p>April 2017 Senior Executive Director of HANSHIN ELECTRIC RAILWAY CO., LTD.</p> <p>December 2017 Representative Director, Chairman of Hankyu Hanshin Building Management Co., Ltd. (current position)</p> <p>January 2018 Director of Osaka Building Owners & Managers Association (current position)</p> <p>April 2022 Director of Japan Life-Style Culture Association (current position)</p>	0	None
<p>(Reason for selection as candidate for Outside Director and Overview of expected roles)</p> <p>He has broad knowledge obtained through being involved in management in different types of business and extensive experience and accomplishments in management for many years. Therefore, we nominate him as a candidate for Outside Director because we expect he will be able to supervise our management objectively.</p>				

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
8	Keiko Kaneko (Nov. 27, 1958) <u>New appointment,</u> <u>Outside</u>	<p>April 1981 Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation)</p> <p>April 2007 Director, Corporate Information Security Division of Matsushita Electric Industrial Co., Ltd.</p> <p>April 2014 Assistant to Director, Senior Counsel for Personal Information Protection, Legal Division of Matsushita Electric Industrial Co., Ltd.</p> <p>October 2014 General Manager, Security Compliance Division, of Benesse Holdings, Inc.</p> <p>June 2016 General Manager, Information Security Division of Benesse Holdings, Inc.</p> <p>November 2016 Vice President of The Information Network Law Association</p> <p>April 2018 Associate Professor, Department of Business Law, Faculty of Business Administration, Osaka University of Economics</p> <p>June 2019 Outside Director of MARUDAI FOOD CO., LTD. (current position) Independent Director of MARUDAI FOOD CO., LTD. (current position)</p> <p>April 2022 Chief Researcher of Center for International Economic Collaboration (CFIEC) (current position)</p>	0	None
<p>(Reason for selection as candidate for Outside Director and Overview of expected roles)</p> <p>She has broad knowledge obtained through being involved in management in different types of business and specialized experience and extensive accomplishments through being involved in Legal and Information Security divisions for many years. Therefore, we nominate her as a candidate for Outside Director because we expect she will be able to supervise our management objectively.</p>				

Notes: 1. Akira Michigami, Hiroyuki Terakawa, and Keiko Kaneko are candidates for Outside Directors.

2. Seven (7) years will have passed at the end of this Annual General Meeting of Shareholders since Akira Michigami assumed the post of Outside Director of the Company.

3. Akira Michigami was Outside Corporate Auditor of the Company from June 27, 2007 to June 25, 2015.

4. We have reported Akira Michigami as Independent Executive of the Company in accordance with the regulation of Tokyo Stock Exchange, Inc.

5. If Hiroyuki Terakawa and Keiko Kaneko are elected as Directors and assume office, they will become Independent Executives in accordance with the regulation of Tokyo Stock Exchange, Inc.

6. The Company has entered into the limited liability contract prescribed in Article 427, Paragraph 1 of the Companies Act with Akira Michigami in accordance with the Articles of Incorporation of the Company. The limit of liability for damages pursuant to such limited liability contract is the minimum liability amount prescribed in Article 425, Paragraph 1 of the Companies Act.

In the event that the reappointment of Akira Michigami is approved, the Company plans to continue such limited liability contract with him.

7. If Hiroyuki Terakawa and Keiko Kaneko are elected as Directors and assume office, the Company will enter into the limited liability contracts prescribed in Article 427, Paragraph 1 of the Companies Act with Hiroyuki Terakawa and Keiko Kaneko in accordance with the Articles of Incorporation of the Company. The limit of liability for damages pursuant to such limited liability contracts is the minimum liability amount prescribed in Article 425, Paragraph 1 of the Companies Act.

8. The Company has entered into a directors and officers liability insurance policy prescribed in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The policy provides coverage for compensation for damages and litigation expenses that the insured would legally be responsible for paying as a result of claims made against them during the insurance period due to the execution of duties as a corporate officer. The candidates shall be included as the insured of the relevant insurance policy.

9. The Board of Directors consulted with the Company's Nominating Committee and carefully assessed each candidate's career background, competence, character, expertise, etc. in accordance with the Committee's counsel and recommendations before submitting this proposal.

The Committee was established in February 2020 as a voluntary advisory body under the Board of Directors, and is comprised of the Representative Director & President and two Outside Directors (an Outside Director serves as the chair).

Proposal 4 Election of One (1) Corporate Auditor

Corporate Auditor Harumi Sugimoto will resign at the close of this Annual General Meeting of Shareholders. Therefore, the Company proposes the election of one (1) Corporate Auditor as a substitute. The term of office of the Corporate Auditor to be elected shall be until the expiration of the term of office of the retiring Corporate Auditor pursuant to the provisions of Article 33 of the Articles of Incorporation of the Company.

This Proposal has been approved in advance by the Board of Corporate Auditors.

The candidate for Corporate Auditor is as follows:

Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
Akira Sakurai (Mar. 2, 1959) <u>New appointment</u>	April 1981 Joined the Company	1,700	None
	May 2000 President and Representative Director of Softec Co., Ltd.		
	April 2006 General Manager of Information System Department of the Company		
	April 2009 General Manager of General Affairs and Personnel Department of the Company		
	April 2013 Executive Officer of the Company (current position) Deputy Executive General Manager of Administration of the Company		
	April 2015 Related to CSR Office of the Company		
	April 2017 General Manager of Personnel Department of the Company		
	April 2019 Director of NIPPON TREX Co., Ltd.; Associate Senior Executive Director of NIPPON TREX Co., Ltd. Executive General Manager of Administration and General Manager of Audit Office of NIPPON TREX Co., Ltd.		
	April 2022 In Charge of Special Assignment of Administration of the Company (current position) In Charge of Special Assignment of Assistant to President of NIPPON TREX Co., Ltd. (current position)		

(Reasons for selection as a candidate for Corporate Auditor)

He has been in charge of the management of the Company, after serving in the General Affairs and Personnel divisions and being in charge of the management of subsidiaries for many years. We nominate him as a candidate for Corporate Auditor because he is expected to play a sufficient role in the effective audit of the Company's management based on his extensive experience and accomplishments above.

(Note) The Company has entered into a directors and officers liability insurance policy prescribed in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The policy provides coverage for compensation for damages and litigation expenses that the insured would legally be responsible for paying as a result of claims made against them during the insurance period due to the execution of duties as a corporate officer. The candidates shall be included as the insured of the relevant insurance policy.

<Proposals by Shareholders (Proposals 5 to 11)>

The details of the proposals and the reasons for the proposals are stated in the original text.

Proposal 5 Appropriation of retained earnings

1. Details of the proposal

(1) Type of dividend

Money

(2) Allocation of dividend and the total amount

The amount of dividend per common share shall be paid in an amount calculated by deducting from 339 yen, the amount of dividend per common share (hereinafter referred to as the "Company's Proposed Dividend Amount") based on a proposal related to the appropriation of retained earnings proposed by the Board of Directors of the Company that was approved at the 87th Annual General Meeting of Shareholders (hereinafter referred to as the "Company's Proposed Appropriation of Retained Earnings"), in addition to the Company's Proposed Dividend Amount.

If the amount obtained by rounding off the decimal places from the amount of net income per share for the 87th business period (hereinafter referred to as the "Actual EPS") differs from 339 yen, the initial 339 yen shall be replaced with the Actual EPS.

The total amount of dividends shall be the amount obtained by multiplying the number of shares subject to dividends as of the record date for the voting rights for the 87th Annual General Meeting of Shareholders of the Company.

(3) Effective date of surplus allotment

The day following the date of the 87th Annual General Meeting of Shareholders of the Company

In the event that the proposal for the Company's Proposed Appropriation of Retained Earnings is proposed at the 87th Annual General Meeting of Shareholders, this Proposal is additionally proposed as an independent and compatible proposal with the said proposal.

2. Reasons for the proposal

The proposal is intended to make all net income a dividend.

As of the end of March 2021, the Company's capital adequacy ratio was approximately 70%, which is a very high figure considering that ShinMaywa Industries, Ltd., a peer company in the Japanese SPV market with similar total assets, had a ratio of 41%. This is because the balance of interest-bearing debt of the Company was only 1.4 billion yen as of the end of March 2021, while that of ShinMaywa Industries, Ltd. was 54.9 billion yen.

Any further increase in the Company's equity capital would only reduce its ROE. Therefore, utilizing interest-bearing debt in business investment and returning net income to shareholders will lead to improvements in capital structure, increase shareholder value and, in turn, improve stock prices. Therefore, dividends from surplus should be significantly increased. In addition, I

would like the Company to clarify that the Company will not accumulate equity capital in the medium to long term by adopting a dividend payout ratio of 100% as the capital policy of the Company not only in the fiscal year ended March 31, 2022 but also in subsequent fiscal years.

It should be noted that the proposing shareholder had an interview with the management of the Company prior to this proposal, and the proposing shareholder explained in detail, using a simulation of financial conditions, that adopting a dividend payout ratio of 100% would not impede the making of investments pertaining to the business and would not cause the financial basis of the Company to deteriorate. The proposing shareholder strongly hopes that the Company's management will adopt appropriate capital policies to enhance shareholder value, rather than build up equity capital against unrealistic risks.

3. Opinion of the Board of Directors

The Board of Directors of the Company objects to this Proposal.

In "Appropriation of retained earnings" of Proposal 1 (Company Proposal) at this General Meeting of Shareholders, the year-end dividend for the fiscal year ended March 31, 2022 was set at 32 yen per common share in order to meet the daily expectations of shareholders. Including the interim dividend, the annual dividend was 54 yen, an increase of 12 yen from the annual dividend for the fiscal year ended March 31, 2021.

The consolidated dividend payout ratio for the fiscal year ended March 31, 2022 was approximately 42%, excluding extraordinary income resulting from the sale of real estate for rent and others, which is a special factor for the fiscal year under review.

In addition, under the new medium-term management plan announced on May 12, 2022, the Company will further enhance shareholder returns by setting a target of a total payout ratio of 50% (formerly the dividend payout ratio's target was 30%) and a minimum of 54 yen per share per year (formerly no minimum).

The Board of Directors of the Company plans a shareholder return that is consistent with the level of other listed companies.

If this Proposal were to be adopted, the dividend payout ratio would be 100%, meaning that all profits for the period would be returned to shareholders.

We believe that this is an extreme proposal that could hinder investments that are indispensable for the sustainable growth of the Company and the enhancement of corporate value over the medium to long term.

In addition, in order for the Company to ensure stable business continuity in preparation for the current international political unrest such as the Russian and Ukrainian issue, economic turmoil mainly caused by rising natural resources and energy prices, natural disasters such as earthquakes, and emergencies such as infectious diseases like COVID-19, it is necessary not to return all of its profits to shareholders, to secure a certain level of internal reserves, and to establish a stable management base.

Accordingly, the Board of Directors of the Company objects to this Proposal.

Proposal 6 Amendment to the Articles of Incorporation regarding disclosure of cost of capital

1. Details of the proposal

The following new chapter and articles shall be added to the current Articles of Incorporation.

Chapter 8 Disclosure of Cost of Capital

(Disclosure of Cost of Capital)

Article 46 The Company shall disclose in any report on its corporate governance filed by the Company with Tokyo Stock Exchange the weighted average cost of capital known to the Company within one (1) month prior to the date of filing of such report, together with the basis for the calculation of such cost.

2. Reasons for the proposal

Principle 5-2 of the Corporate Governance Code (hereinafter referred to as "CGC") requires management to accurately grasp the company's cost of capital. It should be noted that the management of the Company is also required to accurately grasp the Company's cost of capital and to plan and verify business plans, capital policies, etc. However, the Company's stock price has been valued at less than its dissolution value for an extended period of time. This means that the Company's ROE is not above the level required by investors (cost of equity).

In addition, the Company announced in its investment plan disclosed on November 17, 2021 that it would implement capital expenditures of 30 billion yen in total over the next three years. However, there is no mention of the return on invested capital, and it is unclear whether the Company's management is managing the company based on an accurate understanding of the cost of capital.

The Company should disclose its weighted average cost of capital and engage in dialogue with investors, including shareholders, to develop business strategies and plans based on an accurate understanding of the cost of capital. As a result, I believe these measures can improve the low market valuation of shares of the Company.

3. Opinion of the Board of Directors

The Board of Directors of the Company objects to this Proposal.

We do not believe that disclosure of the cost of capital is a matter that should be included in the Articles of Incorporation, which are the fundamental rules of the company. The Company's Articles of Incorporation do not include provisions for the disclosure of other management indicators, and we recognize that this is very common compared with the Articles of Incorporation of other listed companies.

The Board of Directors understands that the cost of capital is an indicator recommended in the Corporate Governance Code to be properly understood in order to improve corporate value.

The Company understands the cost of capital accurately mainly through repeated discussions with external experts and, based on dialogue with shareholders and investors, treats the cost of capital as one of the important indicators for establishing profit plans in the new medium-term management plan.

However, the cost of capital is characterized by large fluctuations in results depending on the method and entity of calculation, and uniform disclosure of figures may cause misunderstanding and confusion among shareholders and investors. Therefore, we would like to carefully refrain from disclosing figures at this time.

Accordingly, the Board of Directors of the Company objects to this Proposal.

Proposal 7 Amendment to the Articles of Incorporation relating to the disposition of real estate for lease, etc.

1. Details of the proposal

The following new chapter and articles shall be added to the current Articles of Incorporation.
Chapter 9 Disposition of Real Estate for Lease, Etc.

(Disposition of Real Estate for Lease, Etc.)

Article 47 In the event that an ordinary resolution is passed pursuant to Article 309, Paragraph 1 of the Companies Act to the effect that all or part of any real estate for lease, etc. held by the Company should be disposed of, the directors of the Company shall dispose of such assets in accordance with such ordinary resolution.

2. Reasons for the proposal

The Company owns real estate for lease, etc. with a market value of approximately 19.9 billion yen as of the end of the fiscal year ended March 31, 2021, for its non-core real estate leasing business. The act of investing a large amount of capital in the real estate leasing business, which is not in the Company's core business, rather than in the SPV business and the environmental business, which are its core businesses and in which the management has deep knowledge, in order to simply obtain stable profits is negligence on the part of the management. At the same time, such act is a breach of trust against the shareholders who elect directors in expectation of the Company's knowledge and management ability in the core business.

In fact, at a meeting between the proposing shareholder and the Company's management after the Company announced on March 30, 2021 the transfer of the leased real estate and recording of an extraordinary profit of approximately 13 billion yen, Kazuhiko Harada, Director and Associate Senior Executive Officer, stated that "the Company did not expect such a gain from the sale." This suggests that the Company's management lacks strategy and knowledge regarding the real estate leasing business.

In addition, the book value and market value of real estate for lease, etc. stated in the Annual Securities Report were from 6.9 billion yen and 10 billion yen at the end of the fiscal year ended

March 31, 2020 to 7.1 billion yen and 19.9 billion yen at the end of the fiscal year ended March 31, 2021, respectively, resulting in a significant increase of market value. This means that the market value that the Company itself initially calculated was 10.0 billion yen, but as a result of the higher-than-expected gain from the sale of the real estate for lease, as mentioned above, the market value increased to 19.9 billion yen after re-calculating the market value to reflect the actual sale price. Considering that the book value only increased by 200 million yen in one year, the Company underestimated the value of its real estate for lease, etc. by approximately 9.7 billion yen.

In this way, the Company holds a huge amount of real estate for lease, etc., but the management cannot even accurately evaluate the value of such real estate. Therefore, it would be a great risk for the Company to make the disposal of real estate for lease, etc. the exclusive decision of the Board of Directors of the Company. Therefore, the General General Meeting of Shareholders should be granted the right to decide on the disposition of real estate for lease, etc. so that it can confirm the will of shareholders as to whether or not to engage in the real estate lease business of the Company. The Company's management should accurately understand the expectations of shareholders when managing the company in order to increase shareholder value.

3. Opinion of the Board of Directors

The Board of Directors of the Company objects to this Proposal.

We do not consider the disposition of real estate for lease, etc. to be a matter that should be included in the Articles of Incorporation, which are the fundamental rules of the company. The Company's Articles of Incorporation do not contain provisions planning to restrict the holding of, or dispose of, certain other specific assets, and we recognize that this is quite common compared with the Articles of Incorporation of other listed companies.

As announced in its medium-term plan, the Company changed the name of its business segment from Real Estate Leasing and Other Operations to Parking and Other Operations from this fiscal year.

This represents the Company's determination to move away from its dependence on real estate leasing revenues and concentrate its management resources on its core businesses of SPV, environmental, and parking.

In the past, while the Company was in a period of poor business performance, for the purpose of securing stable earnings, etc., it had previously leased some business real estate only when the conditions were better than the sale. But from now on, it is our basic policy to concentrate on our three core businesses.

Of the approximately 19 billion yen in market value of the leased real estate that you mentioned, 16 billion yen (or approximately 85%) had already been sold by the end of March 2022.

As separately announced, we will actively use the funds obtained from these activities and management resources such as proceeds from the sale to strengthen the productivity and profitability of each of the aforementioned core businesses, to strengthen our R&D system as a future manufacturing company, and to utilize BCP, etc. for the safety of employees and business continuity.

We will continue to strive to secure profitability and enhance our corporate value by strengthening our core business and meet the expectations of our shareholders.

As mentioned above, the Board of Directors of the Company has been diligently working on the disposal of real estate for lease, etc. and has demonstrated its achievements. As a result, we hope that you will understand that there is already no need to amend the Articles of Incorporation.

Accordingly, the Board of Directors of the Company objects to this Proposal.

Proposal 8 Disposition of real estate for lease, etc.

1. Details of the proposal

Subject to the approval and adoption of Proposal 4, the Company shall dispose of all land and buildings of real estate for lease, etc. held by the Company as of the end of March 2022 (hereinafter referred to as the "Assets") by the end of March 2023 at the latest.

2. Reasons for the proposal

The assets that the proposing shareholder seeks to dispose of, namely real estate for lease, etc. (the Assets), are non-core assets that have no synergy with the Company's core business of the SPV business and environmental business. In addition, the market value of the Assets as of the end of the fiscal year ended March 31, 2021 was approximately 19.9 billion yen, and the profit concerning the real estate for lease for the same period was 764 million yen, and the estimated return on invested capital was only 2.7%. This holding of non-core assets with low capital efficiency is not an acceptable use of capital, and management should promptly sell the Assets and use the proceeds from the sale to increase shareholder value.

3. Opinion of the Board of Directors

The Board of Directors of the Company objects to this Proposal.

Please refer to page 51 as it is the same as the opinion of the Board of Directors on Proposal 7.

(Company Note) The above is a verbatim description of the content of the proposal and the reasons for the proposal in the shareholder proposal submitted by the proposing shareholder.

The term "Proposal 4" refers to Proposal 7.

Proposal 9 Amendment to the Articles of Incorporation regarding cancellation of treasury shares

1. Details of the proposal

The following new chapter and articles shall be added to the current Articles of Incorporation.

Chapter 10 Cancellation of Treasury Shares

(Cancellation of Treasury Shares)

Article 48 The Company may cancel its treasury shares (including the determination of the classes of treasury shares to be canceled and the number of treasury shares for each class) by an ordinary resolution of a general General Meeting of Shareholders as set forth in Article 309, Paragraph 1 of the Companies Act.

2. Reasons for the proposal

As of the end of December 2021, the Company held approximately 2.86 million shares of treasury shares, which is equivalent to 6.7% of the total number of shares outstanding. While it is possible that the Company may envision using treasury shares as consideration for M&A transactions, etc., considering the Company's financial situation, it is believed that using interest-bearing debt rather than treasury shares would enhance shareholder value. In addition, although it may be assumed that treasury shares will be used as stock-based compensation, considering the Company's financial condition and stock price level, it would be more beneficial for shareholders to implement appropriate share buybacks and use the treasury shares purchased.

Furthermore, this situation, in which the Company continues to hold a large number of its treasury shares, means that for shareholders, the Company's shares could be diluted at any time.

In light of the above, the cancellation of treasury shares is considered to contribute to the improvement of the Company's shareholder value. Nevertheless, the Board of Directors of the Company has not made a decision on the cancellation of treasury shares, and I propose that the Articles of Incorporation be amended to allow the cancellation of treasury shares by a resolution of the General General Meeting of Shareholders.

3. Opinion of the Board of Directors

The Board of Directors of the Company objects to this Proposal.

Treasury shares include a system under the Companies Act that allows the Board of Directors to freely and flexibly choose the use of treasury shares within certain limits, and we do not believe that this is a matter that should be included in the Articles of Incorporation, which are the fundamental rules of the company. We believe that this proposal will limit the company's range of options and flexibility and that there may be cases where this will not be in the interest of shareholders.

The treasury shares held by the Company were actively disposed of in the fiscal year ended March 31, 2022 by appropriating them to the directors' stock compensation plan and the employee stock ownership plan.

The Company believes that the utilization of treasury shares in this manner is in line with the purpose of the Corporate Governance Code and will benefit shareholders.

If the Board of Directors determines that the cancellation of treasury shares will contribute to the interests of shareholders in light of future circumstances, the Company will flexibly consider implementing the option.

Based on the above, the Company believes that it is not necessary to amend the Articles of Incorporation to cancel treasury shares or to pass a resolution at the General General Meeting of Shareholders to cancel treasury shares.

Accordingly, the Board of Directors of the Company objects to this Proposal.

Proposal 10 Cancellation of treasury shares

1. Details of the proposal

Subject to the approval and adoption of Proposal 6, the Company will cancel all treasury shares held by the Company.

2. Reasons for the proposal

As the reason for Proposal 6, since the cancellation of treasury shares contributes to the enhancement of shareholder value of the Company, this proposal is to cancel all of the treasury shares held by the Company if the amendment to the Articles of Incorporation relating to Proposal 6 is adopted.

3. Opinion of the Board of Directors

The Board of Directors of the Company objects to this Proposal.

Please refer to pages 53 to 54 as it is the same as the opinion of the Board of Directors on Proposal 9.

(Company Note) The above is a verbatim description of the content of the proposal and the reasons for the proposal in the shareholder proposal submitted by the proposing shareholder.

The term "Proposal 6" refers to Proposal 9.

Proposal 11 Amendment to the Articles of Incorporation regarding to cross-shareholdings

1. Details of the proposal

The following new chapter and articles shall be added to the current Articles of Incorporation.

Chapter 11 Cross-Shareholdings

(Verification of Purpose of Cross-Shareholdings and Disclosure of Results)

Article 49

- (1) At least once a year, the Company shall inform the issuer of cross-shareholdings that it holds of its desire to sell such shares in order to verify whether the Company is actually fulfilling its purpose of holding cross-shareholdings held by the Company, "to increase earnings by strengthening business relationships" through the holding of cross-shareholdings.
- (2) The Company shall disclose the details of the responses it received from the issuer in response to the approach to the issuer to sell the shares under the preceding paragraph in a report on corporate governance for each issuer to be submitted by the Company to Tokyo Stock Exchange.

2. Reasons for the proposal

The Company has approximately 12.1 billion yen of cross-shareholdings as of the end of the fiscal year ended March 31, 2021. The proposing shareholder believes that the Company should not have any cross-shareholdings and that there is no causal relationship between the cross-shareholdings and the business relationship.

In fact, almost all of the issuers of cross-shareholdings held by the Company comply with CGC Supplementary Principle 1-4-1, and in response to inquiries from the proposing shareholder to the issuers, I received responses from several companies including Sumitomo Realty & Development Co., Ltd. denying the relationship between shareholdings and transactions.

Therefore, I believe that the purpose of the holding of cross-shareholdings disclosed by the Company in its Annual Securities Report for the fiscal year ended March 31, 2021, "to increase earnings by strengthening business relationships," is incorrect.

In light of the above responses from the issuers as well, this shareholder proposal requires a re-examination of whether the purpose of the holding of cross-shareholdings disclosed by the Company is actually fulfilled. And the policy should be to reduce the number of shares held in accordance with CGC for cross-shareholdings that do not fulfill the purpose of holding since the rationale for holding these shares cannot be recognized.

3. Opinion of the Board of Directors

The Board of Directors of the Company objects to this Proposal.

The Company's policy on cross-shareholdings is already disclosed in the Company's Corporate Governance Code, etc. and is not considered a matter that should be reiterated in the Articles of Incorporation, which are the fundamental rules of the company.

The Company is striving to reduce its cross-shareholdings in accordance with the purpose of the Corporate Governance Code. Based on the basic policy of disposing of or reducing the number of shares as promptly as possible, the Board of Directors at the beginning of each fiscal year examines the appropriateness of holding each individual stock and formulates and executes a plan for its sale.

Since the launch of the Corporate Governance Code, the Company has sold a cumulative total of 14 stocks of cross-shareholdings (23%). On a market value basis, we completed the sale of approximately 16%. During the fiscal year ended March 31, 2022, the Company sold three stocks annually. We will continue to take the same steps every year to reduce our cross-shareholdings.

The details of the individual stocks to be sold, the number of stocks to be sold, and others are determined based on a comprehensive review of the profit/loss, financial plan, tax effects, etc. that will occur in the relevant fiscal year, and we basically request that you leave this matter to the discretion of the Board of Directors. Therefore, we believe that amending the Articles of Incorporation to require the sale of all cross-shareholdings during the 88th fiscal year would not fit in with our operating policy described above and is not necessary.

Accordingly, the Board of Directors of the Company objects to this Proposal.