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Securities code: 5367

May 31, 2024

(Date of commencement of electronic provision measures: May 30, 2024)

**To Shareholders with Voting Rights:**

Hiroshi Ohnishi  
Director and President  
Nikkato Corporation  
3-2-24 Oriono-cho, Sakai-ku, Sakai,  
Osaka Prefecture, Japan

**NOTICE OF  
THE 154th ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

We hereby inform you that the 154th Annual General Meeting of Shareholders of Nikkato Corporation (the “Company”) will be held as described below.

When convening this General Meeting of Shareholders, the Company has taken measures for electronic provision and has posted matters subject to measures for electronic provision as “Notice of Convocation Annual General Meeting 2024” on the following website on the Internet.

The Company website: <https://www.nikkato.co.jp/english/>

Please access the above website and select “Investor Relations,” “IR Library,” and “General Meeting of Shareholders” to view the information.

In addition to the above, the information is also posted on the following website on the Internet.

Tokyo Stock Exchange website:

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

Please access the above website, enter the name of the Company or its securities code, and click “Search.” Then, select “Basic information” and “Documents for public inspection/PR information” to view the information.

Shareholders not attending on the day of the meeting may exercise their voting rights in writing by postal mail or electronically via the Internet or other such means, so please review the Reference Documents for the General Meeting of Shareholders found in the posted matters subject to measures for electronic provision, and use either of the methods indicated on page 3 of the Japanese version to exercise your voting rights by Thursday, June 20, 2024 at 4:45 p.m. Japan time.

- 1. Date and Time:** Friday, June 21, 2024 at 10:00 a.m. Japan time  
(Registration begins at 9:00 a.m.)
- 2. Place:** Garden Court, 3rd Floor, HOTEL Agora Regency Osaka Sakai  
4-45-1 Ebisujima-cho, Sakai-ku, Sakai, Osaka Prefecture
- 3. Meeting Agenda:**
- Matters to be reported:** The Business Report and Non-Consolidated Financial Statements for the Company's 154th Fiscal Year (April 1, 2023 - March 31, 2024)
- Proposals to be resolved:**
- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Election of Three (3) Directors (excluding Directors who are Audit & Supervisory Committee Members)
- Proposal 3:** Election of One (1) Substitute Director who is an Audit & Supervisory Committee Member
- Proposal 4:** Payment of Bonuses to Directors
- Proposal 5:** Continuation of Policy against Large-Scale Purchases, etc. of the Company's Shares (Takeover Response Policy)
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- Shareholders attending the General Meeting of Shareholders on the day of the meeting are requested to submit the enclosed Voting Rights Exercise Form at the venue's registration desk.
- Materials for the general meeting of shareholders (Reference Documents for the General Meeting of Shareholders, Business Report, Non-Consolidated Financial Statements, and Audit Report), which have been provided in paper form, will be posted on a web site in accordance with enforcement of the measures for electronic provision in response to amendments to the Companies Act. Please access the web site mentioned on page 1 for these materials. This notice of convocation includes the Reference Documents for the General Meeting of Shareholders so the shareholders will have the materials at hand for reviewing.
- The printed copies, which have been sent to shareholders who have made a request for delivery of printed materials, do not include the matters mentioned below in accordance with laws and regulations and the Company's Articles of Incorporation. As such, the printed copies are part of the documents audited by the Audit & Supervisory Committee and Accounting Auditor in the preparation of audit reports.  
- "Statements of Changes in Equity" and "Notes to Financial Statements" among Non-Consolidated Financial Statements  
For the General Meeting of Shareholders to be held after the 154th Meeting, shareholders who wish to receive printed copies but have not yet made the request, are asked to complete the procedures before the record date. For details about the procedure for the request for delivery of printed copies or other information, please contact your securities company or Mizuho Trust & Banking Co., Ltd., the Company's shareholder registry administrator.
- Should revisions arise to the matters subject to the measures for electronic provision, they will be posted on the corresponding websites.

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### Proposal 1: Appropriation of Surplus

The Company has a basic policy of maintaining a stable dividend. It proposes to appropriate surplus as follows based on a consideration of operating results and future business development.

Items related to the year-end dividend

(1) Type of dividend property

Cash

(2) Allotment of dividend property to shareholders and its total amount

Per share of the Company's common stock: ¥13

Total: ¥157,186,107

Note: 1. The full-year dividend for the fiscal year under review, which includes the interim dividend, is ¥24 per share (¥23 per share for the previous fiscal year).

2. The total amount of dividends includes the dividend in the amount of ¥2,028,000 for the Company's shares owned as the trust assets of Board Benefit Trust-Restricted Stock (BBT-RS).

(3) Effective date of the distribution of surplus

June 24, 2024

**Proposal 2:** Election of Three (3) Directors (excluding Directors who are Audit & Supervisory Committee Members)

The terms of office of all three (3) Directors (excluding Directors who are Audit & Supervisory Committee Members) will expire at the close of this General Meeting of Shareholders. Accordingly, the Company proposes to appoint three (3) Directors.

For this proposal, consideration has been made at the Audit & Supervisory Committee, where no concern has been raised.

The candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members) are as follows.

No.	Name (Birthdate)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	Hiroshi Ohnishi (March 15, 1958)	<p>April 1981 Joined the Company</p> <p>April 1998 General Manager of R&amp;D Department</p> <p>June 2003 Senior General Manager, General Manager of R&amp;D Department</p> <p>June 2010 Director, General Manager of R&amp;D Department</p> <p>April 2016 Director, General Manager of Production Division, General Manager of Production Management Department</p> <p>June 2016 Managing Director, General Manager of Production Division, General Manager of Production Management Department</p> <p>June 2017 Representative Director and Managing Director, General Manager of Production Division, General Manager of Production Management Department</p> <p>June 2018 Representative Director and President (current position)</p>	33,000
2	Etsuo Hamada (May 26, 1964)	<p>April 1987 Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.)</p> <p>April 2008 Branch Manager of Ikeda Branch</p> <p>June 2011 Branch Manager of Marunouchi-Chuo Branch</p> <p>April 2013 Branch Manager of Nanba Branch</p> <p>May 2016 Joined the Company</p> <p>General Manager in charge of Accounting Department</p> <p>June 2017 Director, General Manager of Accounting Department</p> <p>June 2021 Managing Director, General Manager of Accounting Department</p> <p>June 2023 Managing Director, Managing Executive Officer, General Manager of Accounting Department (current position)</p>	1,500
3	Eriko Tanabe (January 12, 1985)	<p>December 2011 Registered as an attorney</p> <p>Joined Nakanoshima Chuo Law Office</p> <p>February 2013 Academic Advisor, Graduate School of Law, Kansai University</p> <p>June 2014 Joined Management Jurists Associations</p> <p>November 2015 Member, Higashiosaka City Planning Commission (current position)</p> <p>July 2018 Seconded as Fixed-Term Official (International Research Officer), Osaka Regional Taxation Bureau</p> <p>July 2020 Returned to Nakanoshima Chuo Law Office</p> <p>January 2021 Partner (current position)</p> <p>June 2022 Director, the Company (current position)</p> <p>November 2023 Outside Auditor, JFLA Holdings Inc. (current position) (Significant concurrent position) Outside Auditor, JFLA Holdings Inc.</p>	-

- Notes: 1. There are no special interest relationships between the Company and any of the candidates.  
2. Ms. Eriko Tanabe is a candidate for Outside Director.

Ms. Tanabe possesses knowledge and experience as an attorney in such specialized fields as intellectual property and labor relations. The Company believes she will provide appropriate advice and supervision for the Company's management and initiatives for sustained growth and raising its corporate value, and is therefore proposing that she be appointed as an Outside Director. From an independent perspective, she will continue to provide appropriate advice and proposals on management, which gives the Company leverage to sustain growth and raise its corporate value. She

will have held the position of Outside Director of the Company for two (2) years at the close of this General Meeting of Shareholders.

3. Ms. Eriko Tanabe has met the independence requirements set forth by the Tokyo Stock Exchange. She is registered as an independent director in accordance with Rule 436-2 of the Tokyo Stock Exchange's Securities Listing Regulations and if her appointment is approved, she will continue holding the position as an independent director.
4. The Company has entered into an agreement with Ms. Eriko Tanabe that limits her liability for damages under Article 423, Paragraph 1 of the Companies Act. If her reappointment is approved, the Company intends to continue the liability limitation agreement with her. Under the agreement, liability is limited to the minimum amount stipulated in Article 425, Paragraph 1 of the act.

For Reference: Specialization and Experience of the Company's Directors and Directors who are Audit & Supervisory Committee Members (Skill Matrix)

Name	Position at the Company	Attributes	Years in office	Specific areas of specialization					Nomination and Compensation Committee
				Corporate management	Manufacturing and research	Sales and marketing	Financial affairs	Legal affairs and risk management	
Hiroshi Ohnishi	Representative Director and President		14	•	•	•		•	•
Etsuo Hamada	Managing Director, Managing Executive Officer, General Manager of Accounting Dept.		7	•		•	•	•	
Eriko Tanabe	Director	Independent Outside	2					•	•
Yuji Doi	Director	Full-Time Audit & Supervisory Committee Member	12					•	
Motoaki Nishimura	Director	Independent Outside Audit & Supervisory Committee Member	9					•	•
Shinji Usuma	Director	Independent Outside Audit & Supervisory Committee Member	9	•			•		•

Note: 1. This skill matrix shows the composition of the Board of Directors assuming Proposal 2 is approved as originally proposed at the General Meeting of Shareholders.

2. Directors (Audit & Supervisory Committee Members) Yuji Doi, Motoaki Nishimura, and Shinji Usuma are not the candidates for the proposal for election of Directors at this General Meeting of Shareholders.

**Proposal 3: Election of One (1) Substitute Director who is an Audit & Supervisory Committee Member**

To prepare for a contingency in which the number of Directors who are Audit & Supervisory Committee Members falls below that required by laws and regulations, the Company proposes to appoint one (1) substitute Director who is an Audit & Supervisory Committee Member.

The above appointment may be nullified by a resolution of the Board of Directors with the consent of the Audit & Supervisory Committee only before the candidate assumes office.

The Company has already obtained the consent of the Audit & Supervisory Committee for this proposal.

The candidate for the substitute Director who is an Audit & Supervisory Committee Member is as follows.

Name (Birthdate)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
Kenji Tabuchi (May 18, 1959)	March 1985 Graduated from Faculty of Law, Kyoto University October 1987 Passed the bar examination April 1990 Registered as an attorney (Osaka Bar Association) April 1990 Joined Tsukaguchi Law Office April 1995 Opened Tabuchi Law Office June 2001 Opened Tabuchi Nishino Law Office (current position)	—

- Note:
1. There are no special interest relationships between the Company and the candidate.
  2. Mr. Kenji Tabuchi, as an attorney, possesses extensive knowledge and experience. The Company believes that he will properly audit and supervise the performance of duties of the Directors from a neutral and objective standpoint, enhancing the company management and the function of the Company's Board of Directors. Therefore, the Company proposes that he be appointed as a substitute Director. Although Mr. Tabuchi has no direct experience in corporate management, we expect him to provide appropriate opinions and supervise the management from an independent standpoint by leveraging his expertise and wide-ranging experience, which we believe leads to the Company's sustained growth and improvement of the corporate value. Therefore the Company proposes that he be appointed as a substitute Director.
  3. The Articles of Incorporation of the Company provides that the Company may enter into a contract with Directors (excluding executive directors, managers, or any other type of employees) to limit their maximum liability for damages to the Company within a certain range under Article 427, Paragraph 1 of the Companies Act. Accordingly, if Mr. Kenji Tabuchi is appointed, the Company intends to enter into the limited liability agreement with him.
  4. Mr. Kenji Tabuchi is a candidate for Outside Director. If he is appointed, the Company intends to register him as an independent director in accordance with the rules of Tokyo Stock Exchange.

**Proposal 4: Payment of Bonuses to Directors**

The Company proposes to pay a total of ¥26,240,000 in bonuses to the two (2) Directors who were incumbents as of the end of the fiscal year under review (excluding one (1) Outside Director and three (3) Directors who are Audit & Supervisory Committee Members) based on a consideration of performance for the fiscal year and other factors.

Bonuses are paid to Directors (excluding one (1) Outside Director and three (3) Directors who are Audit & Supervisory Committee Members) in the form of cash compensation that is reflective of key performance indicators in order to increase awareness of improving performance each fiscal year. The bonuses are calculated based on the degree to which an operating margin target of 10% is achieved each fiscal year, and they are paid at a fixed time each year. Bonuses are determined upon the deliberations and reports of the Nomination and Compensation Committee based on the Policies concerning Decisions on Details of Compensation for Directors, and the Company judges this to be appropriate. It is proposed that the amounts to be paid for individual Directors (excluding one (1) Outside Director and three (3) Directors who are Audit & Supervisory Committee Members) be left to the discretion of the Board of Directors.



**Proposal 5:** Continuation of Policy against Large-Scale Purchases, etc. of the Company's Shares (Takeover Response Policy)

The Company introduced the "Policy against Large-Scale Purchases, etc. of the Company's Shares" (Current Plan) with the approval of shareholders at the 151st Annual General Meeting of Shareholders held on June 18, 2021. The effective period of the Current Plan will expire at the close of the Company's Annual General Meeting of Shareholders for the 154th fiscal year ended March 31, 2024 to be held on June 21, 2024 (hereinafter, "this Annual Shareholders Meeting"). Accordingly, the Company has continued to consider how the Current Plan should be like in the future for the purpose of continuing to achieve the Company's sustained growth as well as ensuring and enhancing its corporate value and the common interests of shareholders over the medium to long term. Then, at a meeting held on May 1, 2024, the Board of Directors passed a resolution to continue the Current plan (hereinafter, the continued response policy is referred to as the "Plan") as part of measures to prevent decisions on the Company's financial and operating policies from being controlled by a party deemed inappropriate (as provided for in Article 118, Item 3 (b) (2) of the Regulations for Enforcement of the Companies Act) in light of the Basic Policy on Persons Who Control Decisions on the Company's Financial and Operating Policies (as provided for in Article 118, Item 3 of the Regulations for Enforcement of the Companies Act; hereinafter, the "Basic Policy on Control of the Company"), subject to approval of a majority of the voting rights of the shareholders present at this Annual Shareholders Meeting. The aforementioned meeting of the Board of Directors was attended by all six (6) Directors, including three (3) Outside Directors, of the Company and they unanimously determined the content of this policy and its proposal at this Annual Shareholders Meeting.

The Plan, to be proposed at this Annual Shareholders Meeting, is a policy to respond to actions to purchase shares of the Company for the purpose of increasing the ratio of voting rights of a specific shareholder group to 20% or more; actions to purchase shares of the Company that would result in a specific shareholder group holding 20% or more of the voting rights of the Company; or agreements, etc. with other shareholders of the Company that will increase the ratio of voting rights of a specific shareholder group to 20% or more (hereinafter, such a purchase or agreement, etc. is referred to as a "Large-Scale Purchase" and a party conducting or intending to conduct a Large-Scale Purchase is referred to as a "Large-Scale Purchaser"). While the Company has not received any proposal concerning a Large-Scale Purchase at present, the Plan has been so designed that, if the Company receives any such proposal in the future, it enables shareholders to make a decision on whether they should accept the proposal with sufficient time and sufficient and accurate information.

**I. Basic Policy on Persons Who Control Decisions on the Company's Financial and Operating Policies**

The Company believes that persons who control decisions on the Company's financial and operating policies must fully understand the characteristics of the Company's business; the relationships built between the Company and its stakeholders, including shareholders, business partners, local communities, and employees; and the Company's corporate value to protect the Company's corporate value and the common interests of shareholders over the medium to long term and enhance them continuously or sustainably.

The Company also believes that, when a large-scale purchase of the Company's shares is conducted, a decision on whether or not to accept the proposal should ultimately be made by the free will and judgment of shareholders. In addition, the Company will not categorically reject all cases involving a large-scale purchase, provided that such case will benefit the Company's corporate value and the common interests of shareholders.

Nevertheless, it is undeniable that some large-scale purchases, judging by their purpose, would obviously infringe upon the Company's corporate value and the common interests of shareholders.

For that reason, the Company regards a specific person or group who intends to conduct a large-scale purchase of the Company's shares detrimental to the ensuring and enhancing of the Company's corporate value and the common interests of shareholders as a party inappropriate for controlling the Company's financial and operating policies. The Company therefore considers that it is essential to take necessary and appropriate action against such large-scale purchases to ensure and enhance the Company's corporate value and the common interests of shareholders.

## II. Measures to ensure and enhance the Company's corporate value and the common interests of shareholders

### 1. Details of measures taken by the Company

Since its foundation in June 1913, Nikkato Corporation has earned a high reputation for developing and delivering ceramics products, heating equipment, and temperature measurement equipment systems that always meet the demands of the times. The Company's basic corporate philosophy is to contribute to the development of science, technology, and industry through the production of creative and reliable products, aim for the growth and development of the Company, and contribute to society through friendly management. With this philosophy, the Company fulfills its social responsibilities for various stakeholders, including shareholders, business partners, local communities, and employees, and aims for the sustained enhancement of corporate value. The Company reviews its medium-term management strategies every year and will push forward with those strategies based on the "Medium-term Management Plan" covering the coming three years.

The priority issues set forth in the plan are as follows:

- (1) Ramp up production capacity for zirconia balls and heat treatment members for piezoelectric substances and next-generation batteries
- (2) Improve product quality and production technology and promote the rationalization of production through efficient energy use, such as reduction of greenhouse gas emissions, and through production reforms
- (3) Develop and increase sales of new ceramics products and new engineering products that meet market needs
- (4) Achieve workstyle reforms, secure medium- to long-term workforce, and promote personnel education
- (5) Strengthen risk management based on the construction of internal control systems and further develop internal management systems through the enhancement of internal audits

Through the above initiatives, will aim to be a leading company of ceramics in the specific areas we excel at as well as temperature measurement and heating equipment and strive to ensure and enhance the Company's corporate value and the common interests of shareholders.

### 2. Strengthening of corporate governance

The Company aims to continuously enhance its corporate value by ensuring the efficiency, soundness, and transparency of management. We recognize that, today, the key to the Company's future growth lies in promptly responding to changes in the surrounding environment and in how timely and accurately we can make decisions and take organizational initiatives. For that end, the Company has worked to strengthen its corporate governance, with an emphasis on speeding up its management, ensuring the transparency of its corporate behavior and, in particular, enhancing its disclosure and accountability to shareholders. In order to further strengthen its audit and supervisory functions by granting voting rights of the Board of Directors to those in charge of audits, the Company transitioned to a company with an audit & supervisory committee and newly appointed Outside Directors, with approval at the 145th Annual General Meeting of Shareholders held on June 19, 2015.

The Company has also set up a helpline within the Audit & Supervisory Committee to gather a wide range of information.

The Company's basic management policy is to enhance its corporate value for each individuals of its stakeholders, including shareholders, business partners, local communities, and employees. To this end, the Company has established and implemented the compliance rules and CSR Code and Standards of Conduct to ensure that Directors and employees comply with law and regulations, the Company's Articles of Incorporation, and other rules. At the same time, the Company is striving to enhance its internal control systems by, for example, working to strengthen its risk management system in accordance with the crisis management rules.

III. Necessity of measures to prevent decisions on the Company's financial and operating policies from being controlled by a party deemed inappropriate in light of the Basic Policy on Control of the Company

In light of the Basic Policy on Control of the Company mentioned in I. above, when a large-scale purchaser conducts a large-scale purchase of the Company's shares, the large-scale purchaser shall comply with the Plan described below. The Company considers that it needs to take measures to prevent decisions on the Company's financial and operating policies from being controlled by a party deemed inappropriate in light of the Basic Policy on Control of the Company by setting out certain response policies for cases where the large-scale purchaser is or is not in compliance with the Plan.

1. Necessity of continuation of the Plan

As a listed company that allows its shares to be freely traded, the Company's Board of Directors will not categorically reject a so-called "hostile takeover," which is conducted without the consent of the Board of Directors, provided that such takeover will benefit the Company's corporate value and the common interests of shareholders. The Board of Directors also believes that a decision on whether the Company should accept a takeover proposal, which will be accompanied by the transfer of control of the Company, should ultimately be made by shareholders.

Nevertheless, if the Company receives a takeover offer from a purchaser as an outsider, it would not always be easy for its shareholders to make an appropriate decision in a short period of time as to the possible impact of the proposed takeover on the Company's corporate value and the common interests of the shareholders, with the full understanding of Company's tangible and intangible management resources, potential effects of the Company's far-sighted initiatives, and other factors constituting the Company's corporate value. Therefore, when a takeover proposal is made, the Company must first secure an opportunity for its shareholders to make an appropriate decision to reflect their will properly. To do this, the Company's Board of Directors must conduct an honest and careful examination of the takeover proposal within a necessary and reasonable period of time and then provide shareholders with necessary and sufficient information for making the decision (and/or an alternative proposal from the Board of Directors in some cases).

Meanwhile, not a few takeovers conducted by purchasers would be detrimental to the Company's corporate value and the common interests of shareholders, such as those that, judging by their purpose or manner, are designed exclusively to pursue the profit of the purchaser without regard to the corporate value of the company subject to the takeover and the common interests of its shareholders; those that would effectively force shareholders to sell their shares; and those that do not allow a reasonable amount of time or information for the Board of Directors and shareholders to consider the details of the proposed takeover or for the Board of Directors to offer an alternative proposal. In the first place, in order to ensure and enhance the corporate value and the common interests of shareholders built up by the Company, it is essential to maintain relationships of trust built over years with all stakeholders surrounding the Company, including its employees who

support its research and development, production, and sales. The Company's corporate value and the common interests of shareholders would be impaired unless the purchaser of the Company's shares ensure and enhance these relationships over the medium to long term.

Based on this recognition, the Company's Board of Directors judged that, to deter large-scale purchases detrimental to the Company's corporate value and the common interests of shareholders, it is necessary to continue the Plan and set out concrete procedures to be complied with by a party who intends to conduct a large-scale purchase (hereinafter, a "Large-Scale Purchaser") and the Company's Board of Directors, when a proposal of the large-scale purchase is made.

Accordingly, the Company seeks the approval of shareholders for the continuation of the Plan, given that such continuation and the triggering of countermeasures thereunder would have a certain impact on them.

## 2. Details of the Plan

### (1) Outline of the Plan

#### 1) Request for provision of information by and setting of waiting period for the Large-Scale Purchaser

For the purpose of ensuring and enhancing the Company's corporate value and the common interests of shareholders, the Plan sets out the procedures through which, when a large-scale purchase of the Company's shares is conducted, the Company's Board of Directors (i) requests a Large-Scale Purchaser to provide necessary and sufficient information on the proposed large-scale purchase in advance; (ii) secures time to collect information to examine the large-scale purchase; and (iii) presents a plan or alternative proposal formulated by the Company's management to shareholders, and negotiates with the Large-Scale Purchaser. Added to this, to meet the intent and purpose of such procedures, the Board of Directors also requests the Large-Scale Purchaser and shareholders who belong to its specific shareholder group (as defined in III. 2. (2) below; the same applies hereinafter) to refrain from commencing the large-scale purchase until the procedures set out in the Plan have been completed.

#### 2) Establishment of the Independent Committee and consultation with the committee

In order to properly operate the Plan and eliminate any arbitrary decisions by the Company's Board of Directors, the Company has decided to establish an Independent Committee composed solely of outside experts (persons with experience of corporate management, attorneys, certified public accountants, academics, and other experts) who are independent from the Company's management.

For the details of the name and career summary of each member of the Independent Committee as of the time of continuation of the Plan, please refer to Appendix 1.

The Plan stipulates that significant decisions in such cases as where a countermeasure is triggered shall be made based on an objective judgment of the Independent Committee. The Company's Board of Directors shall respect recommendations from the Independent Committee to the maximum extent possible and promptly pass a resolution as to whether or not the countermeasure should be triggered to the extent deemed reasonable from the perspective of ensuring and enhancing the Company's corporate value and the common interests of shareholders based on said recommendations, within the period of evaluation by the Board of Directors.

The details of the establishment, authority, and other matters on the Independent Committee are as stated in Appendix 4 "Independent Committee Rules."

(2) Purchases, etc. subject to the Plan

The Plan shall apply to: (i) the purchases of shares<sup>3</sup> of the Company for the purpose of increasing the ratio of voting rights<sup>2</sup> of a specific shareholder group<sup>1</sup> to 20% or more (these include having the right to request delivery of shares under a sale and purchase or other agreement, and engaging in any of the transactions provided for in Article 6, Paragraph 2 or Article 14-6 of the Order for Enforcement of the Financial Instruments and Exchange Act, and are except for those by whom already approved by the Company's Board of Directors in advance, irrespective of the specific method of purchase, such as a market transaction or tender offer; the same applies hereinafter); (ii) a actions to purchase shares of the Company that would result in a specific shareholder group holding 20% or more of the voting rights of the Company; or (iii) agreements, etc.<sup>4</sup> with other shareholders of the Company that will increase the ratio of voting rights of a specific shareholder group to 20% or more (hereinafter, such a purchase or agreement, etc. is referred to as a "Large-Scale Purchase"; the same applies hereinafter).

(3) Submission of a letter of intent by the Large-Scale Purchaser

When a Large-Scale Purchaser intends to conduct a Large-Scale Purchase as defined in III. 2. (2) above, the Large-Scale Purchaser shall first submit to the Company a letter of intent prior to making the Large-Scale Purchase. The letter of intent shall clearly specify the name and address of the Large-Scale Purchaser, governing law for establishment, the name of representative, contacts in Japan, and an outline of the proposed Large-Scale, and include a pledge that the Large-Scale Purchaser will comply with the procedures set out in the Plan in Japanese, unless otherwise permitted by the Company's Board of Directors.

(4) Request for provision of information by the Large-Scale Purchaser

After receiving a letter of intent from the Large-Scale Purchaser, the Company's Board of Directors shall set an appropriate submission deadline for the Large-Scale Purchaser, and then deliver a list of information necessary and sufficient for the Company's shareholder to make a decision and for the Board of Directors to form opinions (hereinafter the "Required Information") to the Large-Scale Purchaser to request for the submission of information in accordance with said list.

The Independent Committee shall be provided with the Required Information through the Company's Board of Directors.

While the specific nature of the Required Information will vary depending on the attributes of the Large-Scale Purchaser and the details of the Large-Scale Purchase, the generally required information shall be as follows:

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1. A "specific shareholder group" means: (i) a holder (including those considered holders under Article 27-23, Paragraph 3 of the Financial Instruments and Exchange Act (the "Act"); the same applies hereinafter) of stock certificates and other securities (meaning the stock certificates and other securities provided for in Article 27-23, Paragraph 1 of the Act) of the Company and its joint holder(s) (meaning the joint holders provided for in Article 27-23, Paragraph 5 of the Act and including those deemed to be joint holders under Paragraph 6 thereof; the same applies hereinafter); or (ii) a party who conducts the purchase, etc. (meaning the purchase, etc. provided for in Article 27-2, Paragraph 1 of the Act and including purchases conducted in a securities market formed by a stock exchange, irrespective of whether or not conducted through the auction method) of stock certificates or other securities (meaning the stock certificates and other securities provided for in Article 27-2, Paragraph 1 of the Act) of the Company and its special related party(s) (meaning the special related parties provided for in Article 27-2, Paragraph 7 of the Act; the same applies hereinafter).
  2. In the calculation of the ratio of voting rights, the denominator shall be the total number of voting rights of all the issued shares of the Company at the time of calculation, less the number of treasury shares held by the Company as stated in the most recently filed document among: an Annual Securities Report, Quarterly Securities Report, and Share Buyback Report.
  3. "Shares" mean the stock certificates and other securities provided for in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act. The same applies hereinafter, unless otherwise specified.
  4. "Agreements, etc." mean the agreements to jointly acquire or transfer stock certificates or other securities of the Company or to exercise the voting rights or other rights as a shareholder of the Company; company split and other restructuring activities; and all other actions that result in a holder falling under the joint holder provided for in Article 27-23, Paragraph 5 and Paragraph 6 of the Financial Instruments and Exchange Act.

- 1) Details of the Large-Scale Purchaser and its group (joint holders, special related parties, (in the case of funds) partners, managing partners, and other members, as well as parties who continuously provide investment advice to these entities) (including the names, capital structure, financial conditions, lines of business, experience in managing the same type of business as that of the Company, the details and results of past transactions similar to the Large-Scale Purchase);
- 2) The status of shares of the Company held by the Large-Scale Purchaser and all past transactions involving the Company's shares entered into by the Large-Scale Purchaser (including the nature of the transactions, prices, locations and methods of the transactions, and counterparties to the transactions);
- 3) If the Large-Scale Purchaser has concluded any contracts, arrangements, and agreements involving the Company's shares (meaning all lease contracts, collateral contracts, resale contracts, sale and purchase reservation contracts, and other contracts and arrangements, including those made orally, irrespective of the likelihood of their fulfillment; hereinafter, "collateral contracts, etc."), the specific details of collateral contracts, etc., including the types of the collateral contracts, etc., counterparties, and the number of shares subject thereto;
- 4) If the Large-Scale Purchaser plans to conclude any collateral contracts, etc. and other agreements with a third party(s) involving shares of the Company to be acquired in the Large-Scale Purchase, the specific details of the planned collateral contracts, etc. and other agreements with the third party(s), including the types of said collateral contracts, etc. and other agreements with the third party(s), counterparties, and the number of shares subject thereto;
- 5) Purpose, method, and details of the Large-Scale Purchase (including the amount and type of consideration of the Large-Scale Purchase, timing of the Large-Scale Purchase, the scheme of related transactions, legality of the Large-Scale Purchase method, any possibility of the Company's stock being delisted following the completion of the Large-Scale Purchase and reason thereof, and feasibility of the Large-Scale Purchase and related transactions);
- 6) If there exist any communications with a third party(s) with regard to the Large-Scale Purchase (including contracts and other agreements or arrangements to jointly conduct the purchase of the Company's shares after the submission date of the Required Information), the purpose and details thereof, as well as the outline of said third party(s);
- 7) Basis for calculation of the purchase price of the Large-Scale Purchase (including facts as the basis for the calculation, calculation method, quantitative information used for the calculation, information regarding the amount of consideration when the Large-Scale Purchase is to be conducted with consideration other than cash, and the details of any synergy expected to arise as a result of a series of transactions related to the Large-Scale Purchase (including the amount or details of synergies to be distributed to minority shareholders )) and supporting evidence for the funds to be used for the Large-Scale Purchase (including the name of the fund provider (including any substantial provider), financing method, and the details of related transactions);
- 8) If the purpose of the Large-Scale Purchase is to acquire control or participate in management, the method of acquiring control or participating in management of the Company contemplated after the completion of the Large-Scale Purchase, and management policy after the acquisition of control or plans after the participation in management and policy on exercising voting rights; past experience in investment, management, and business involvement in relation to any company or any other legal entity (including those outside Japan) whose purpose is to conduct the same type of business as that of the Company and details and actual results thereof;
- 9) If the Large-Scale Purchase is conducted for the purpose of pure investment or strategic investment, policies on holding and sale and purchase of the Company's shares, policy on

exercising voting rights after the Large-Scale Purchase, and reasons thereof; if the Large-Scale Purchase is conducted as strategic investment with the purpose of long-term capital alliance, the necessity thereof; any possibility of changing the purpose of the Large-Scale Purchase to acquiring control or participating in management in the future, and information on in what cases the purpose will be changed;

- 10) If the purpose of the Large-Scale Purchase is to conduct an important proposal act, etc.<sup>5</sup>, or if there is any possibility of conducting an important proposal act, etc. after the Large-Scale Purchase, the purpose, details (if any change is made to the composition of officers, including the names of candidates for officers after the change), necessity, and timing of such important proposal act, etc., and information on in what cases such important proposal act will be conducted;
- 11) Whether the Large-Scale Purchaser plans to change the relationships between the Company and its business partners, customers, employees, and other stakeholders after the completion of the Large-Scale Purchase and details thereof;
- 12) Specific measures to be taken to avoid the conflict of interest with other shareholders of the Company; and
- 13) Other information deemed reasonably necessary by the Company's Board of Directors or Independent Committee.

The Company's Board of Directors shall immediately provide the Independent Committee with the information provided by the Large-Scale Purchaser, and make a judgment on whether or not the provided information is sufficient as the Required Information after careful examination of its content, respecting recommendations from the Independent Committee to the maximum extent possible. If, as a result, the Required Information is judged to be insufficient, the Board of Directors shall request the Large-Scale Purchaser to submit additional information after setting an appropriate deadline for the submission (in principle, a maximum of 60 days). In such a case, the Large-Scale Purchaser shall additionally submit the Required Information by said deadline.

The fact of a proposal of a Large-Scale Purchase and the Required Information provided to the Company's Board of Directors shall, if deemed necessary for the Company's shareholder in making their judgment, be disclosed, except for information deemed inappropriate to be disclosed in such terms as trade secrets, at the time the Board of Directors deems appropriate.

For the Required Information and additional information to be submitted, the original copy must be submitted in Japanese, no matter in what language such information is submitted, in order to appropriately disclose the information to shareholders.

- (5) Examination of the details of the Large-Scale Purchase, negotiation with the Large-Scale Purchaser, and consideration of alternative proposal

The Company's Board of Directors and Independent Committee shall set a period of 60 days (in the case of a purchase of all shares of the Company through a tender offer in exchange for cash (in Japanese yen) only) or 90 days (in the case of other Large-Scale Purchases), counting from the day following the expiry of a period allowed for a Large-Scale Purchaser to provide the Required Information or after a Large-Scale Purchaser has completed providing the Required Information (first day not to be counted in either case), as a period for the Board of Directors to examine the proposed purchase (hereinafter, the "Board Examination Period").

Provided, however, that the Company's Board of Directors may, after consulting the Independent Committee, extend the Board Examination Period to the extent necessary to, for

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5. An "important proposal act, etc." means the important proposal act, etc. provided for in Article 27-26, Paragraph 1 of the Financial Instruments and Exchange Act, Article 14-8-2, Paragraph 1 of the Order for Enforcement of the Financial Instruments and Exchange Act, and Article 16 of the Cabinet Office Order on Disclosure of the Status of Large-Volume Holdings in Share Certificates; the same applies hereinafter.

example, examine the details of the Large-Scale Purchase, negotiate with the Large-Scale Purchaser, and prepare an alternative proposal to ensure and enhance the Company's corporate value and the common interests of shareholders, respecting recommendations from the Independent Committee to the maximum extent possible. However, the extension of the Board Examination Period shall be limited to the extent deemed necessary to, among other things, evaluate and examine the information provided by the large-Scale Purchaser, negotiate with the Large-Scale Purchaser, and prepare an alternative proposal, and to the extent not exceeding 30 days.

In the case of having decided to extend the Board Examination Period based on the recommendation from the Independent Committee, the Company's Board of Directors shall promptly disclose the reason that led to the decision to extend the Board Examination Period, the extension period, and other matters deemed appropriate immediately after the resolution on the extension has been passed.

During the Board Examination Period, the Company's Board of Directors shall evaluate and examine the details of a Large-Scale Purchase proposed by a Large-Scale Purchaser from the perspective of ensuring and enhancing the Company's corporate value and the common interests of shareholders based on information and material documents provided by the Large-Scale Purchaser, while consulting the Independent Committee and, if necessary, receiving advice from external experts and other professionals. The Board of Directors shall then carefully summarize its own opinions and publish them, respecting recommendations from the Independent Committee to the maximum extent possible.

Furthermore, the Company's Board of Directors may discuss and negotiate with the Large-Scale Purchaser to improve the terms and conditions of the Large-Scale Purchase as necessary, and may present its own alternative proposal to shareholders.

No Large-Scale Purchaser and shareholders who belong to its specific shareholder group may initiate a Large-Scale Purchase until the Board Examination Period has elapsed.

### 3. Policy on responses in the case of commencement of a Large-Scale Purchase

#### (1) When the Large-Scale Purchaser complies with the procedures set out in the Plan

When the Large-Scale Purchaser complies with the procedures set out in the Plan, the Company's Board of Directors shall, in principle, not take any countermeasures against the Large-Scale Purchase.

However, even if the Large-Scale Purchaser complies with the Plan, the Company's Independent Committee may recommend the Board of Directors take a countermeasure to protect the interests of the Company's shareholders, if the Independent Committee judges that the Large-Scale Purchase is counter to ensuring and enhancing the Company's corporate value and the common interests of the shareholders and that it is appropriate to take the countermeasure. In triggering the countermeasure, the Company's Board of Directors shall convene a General Meeting of Shareholders to confirm the will of the Company's shareholders on the triggering of the countermeasure. The Company shall not trigger the countermeasure unless obtaining approval of a majority of the voting rights of the shareholders present at the General Meeting of shareholders held to confirm the will of the shareholders. In such a case, the Large-Scale Purchaser may not commence the Large-Scale Purchase until the will of the Company's shareholders is confirmed and a decision as to whether or not to trigger the countermeasure is made.

Specifically, if a Large-Scale Purchase is deemed to fall under any of the following categories, the Large-Scale Purchase is, in principle, considered to fall under the cases deemed



to be counter to ensuring and enhancing the Company's corporate value and the common interests of shareholders.

- 1) When the Large-Scale Purchase would obviously infringe upon the Company's corporate value and the common interests of shareholders due to the following or other similar actions:
    - (i) Action involving buying out the Company's shares to demand that the Company repurchase said shares at an inflated price
    - (ii) Action involving conducting business that benefits the Large-Scale Purchaser or its group companies to the detriment of the Company, such as taking temporary control of the Company's management for the low-cost acquisition of material assets of the Company
    - (iii) Action involving diverting the Company's assets to secure or repay debts of the Large-Scale Purchaser or its group companies
    - (iv) Action involving taking temporary control of the Company's management to dispose of high-value assets that are not presently related to the business of the Company and declaring temporarily high dividends from the disposal, or selling the shares at a high price, taking advantage of the opportunity afforded by the sudden rise in the share price created by the temporarily high dividends
  - 2) When the Large-Scale is likely to effectively force shareholders to sell shares, such as a so-called coercive two-tier tender offer (meaning the purchase of shares through such means as tender offer by setting more unfavorable purchase terms in the second stage than the first stage, or without clarifying purchase terms in the second stage):
  - 3) When it is judged that the acquisition of the Company's control by the Large-Scale Purchaser would not enhance the Company's corporate value on a medium- to long-term basis compared to the Company's projected corporate value without such acquisition
  - 4) When the Large-Scale Purchase involves inadequate or inappropriate purchase terms (including the amount and type of consideration, timing of the Large-Scale Purchase, legality of the Large-Scale Purchase method, feasibility of the Large-Scale Purchase, and the treatment and other policies for the Company's employees, business partners, customers, and other stakeholders after the Large-Scale Purchase) in light of the intrinsic value of the Company
  - 5) When the Large-Scale Purchase is expected to impair the Company's corporate value by destroying relationships with employees, customers, business partners, and other stakeholders of the Company that are essential to generating the Company's corporate value or the Company's corporate brand value or corporate culture
  - 6) When the Large-Scale Purchase is likely to hinder the stable supply of ceramics and other products of the Company due to an inadequate or inappropriate post-purchase management policy or business plans and other measures prepared by the Large-Scale Purchaser
  - 7) When it is judged that the growth and stability of the Company's business is likely to be impeded due to an inadequate or inappropriate post-purchase management policy and other measures prepared by the Large-Scale Purchaser
  - 8) When otherwise the Large-Scale Purchase is similar to those set forth in 1) through (7) above and is deemed likely to impair the Company's corporate value and the common interests of shareholders
- (2) When the Large-Scale Purchaser does not comply with the procedures set out in the Plan
- When the Large-Scale Purchaser does not comply with the procedures set out in the Plan, the Company's Independent Committee shall recommend the Board of Directors take a countermeasure for the purpose of ensuring and enhancing the Company's corporate value and the common interests of shareholders, irrespective of the specific purchase method. In triggering the countermeasure, the Company's Board of Directors shall convene a General

Meeting of Shareholders to confirm the will of the Company's shareholders on the triggering of the countermeasure. The Company shall not trigger the countermeasure unless obtaining approval of a majority of the voting rights of the shareholders present at the General Meeting of shareholders held to confirm the will of the shareholders. In such a case, the Large-Scale Purchaser may not commence the Large-Scale Purchase until the will of the Company's shareholders is confirmed and a decision as to whether or not to trigger the countermeasure is made.

(3) Specific content of countermeasures

Countermeasures that could be triggered against a Large-Scale Purchase under Plan include the gratis allotment of stock acquisition rights and other actions permitted under the Companies Act and other laws and regulations and the Company's Articles of Incorporation.

The Company's Board of Directors shall select the specific countermeasure that it deems most appropriate at the time, respecting recommendations from the Independent Committee to the maximum extent possible.

If the Board of Directors selects to conduct a gratis allotment of stock acquisition rights as a countermeasure against a Large-Scale Purchase, an outline of such countermeasure is as provided in Appendix 2 "Outline of Gratis Allotment of Stock Acquisition Rights."

(4) Suspension, etc. of triggering of countermeasures

If the Company's Board of Directors judges that it is inappropriate to trigger a countermeasure—for example, when the Large-Scale Purchaser withdraws or alters the nature of the Large-Scale Purchase, or when the Large-Scale Purchase proposed by the Large-Scale Purchaser no longer meets any of the requirements provided in III. 3. (1) or III. 3. (2) above as a result of changes in the facts based on which said recommendation was made, the Board of Directors may suspend or change the triggering of the countermeasure, even after it has decided to trigger the countermeasure under the response policy, respecting the recommendation from the Independent Committee to the maximum extent possible.

For example, when conducting a gratis allotment of stock acquisition rights as a countermeasure, if the Company's Board of Directors deems it inappropriate to trigger the countermeasure, such as when the Large-Scale Purchaser withdraws or alters the nature of the Large-Scale Purchase after shareholders who are entitled to receive the stock acquisition rights have been determined, the Board of Directors may suspend the triggering of the countermeasure as follows, respecting the recommendation from the Independent Committee to the maximum extent possible.

- 1) The Board of Directors may cancel the gratis allotment of stock acquisition rights at any time up to the effective date of the stock acquisition rights.
- 2) The Company may acquire the stock acquisition rights without consideration at any time up to the day preceding the start date of the exercise period after the effective date of the stock acquisition rights.

If it decides to suspend the triggering of countermeasure as just described, the Company's Board of Directors shall promptly disclose relevant information in accordance with laws and regulations, financial instruments exchange rules, and other such rules applicable to such cases, along with matters the Independent Committee deems necessary.

4. Impact on shareholders and investors, etc.

(1) Impact on shareholders and investors, etc. at the time of continuing the Plan

The purpose of the Plan is to provide information necessary for the Company's shareholders to make a decision as to whether they should accept the proposed Large-Scale Purchase, to provide the opinions of the Company's Board of Directors that is actually responsible for the Company's management to the shareholders, and furthermore, to ensure opportunities for the shareholders to be presented with alternative proposals.

This enables the Company's shareholders to make an appropriate decision on whether they should accept the proposed Large-Scale Purchase with sufficient information, which we believe will ensure and enhance the Company's corporate value and the common interests of the shareholders. We therefore consider that the establishment of the Plan will be the basis for Company's shareholders and investors to make an appropriate investment decision and contribute to the interests of the shareholders and investors.

As we mentioned in III. 3. above, since the response of the Company to a Large-Scale Purchase will vary depending on whether the Large-Scale Purchaser complies with the procedures set out in the Plan or not, the Company's shareholders and investors should pay attention to the actions of the Large-Scale Purchaser.

(2) Impact on shareholders and investors, etc. at the time of triggering countermeasures

The Company's Board of Directors may take countermeasures permitted under the Companies Act and other laws and the Company's Articles of Incorporation for the purpose of ensuring and enhancing the Company's corporate value and the common interests of shareholders, subject to the approval of shareholders at a General Meeting of Shareholders. Even in such a case, due to the scheme of said countermeasures, the triggering of the countermeasures will not directly have any specific impact on the legal rights or economic interests of the Company's shareholders (excluding those who are defined in Paragraph 7 of Appendix 2 "Outline of Gratis Allotment of Stock Acquisition Rights" as "Non-Qualified Parties," who are not permitted to exercise their rights such as the Large-Scale Purchaser and shareholders who belong to its specific shareholder group in order to ensure the effectiveness of the countermeasure). In the event that the Company's Board of Directors decides to take a specific countermeasure, the Board will make timely and appropriate disclosure in accordance with laws and regulations and the relevant financial instruments exchange rules.

If the Company's Board of Directors selects to conduct a gratis allotment of stock acquisition rights as a countermeasure, the stock acquisition rights shall be allotted without consideration to shareholders as of the record date for the allotment separately determined by its resolution on the gratis allotment of stock acquisition rights at a rate separately determined by the Board of Directors, which shall be at least one stock acquisition right for each share of the Company's common stock held. If a shareholder fails to complete the procedures to exercise his/her stock acquisition rights within the exercise period, the value of shares held by the shareholder will be diluted as a result of the exercise of stock acquisition rights by other shareholders.

Meanwhile, if the Company's Board of Directors decides to cancel the gratis allotment of said stock acquisition rights or acquire the issued stock acquisition rights without consideration after receiving the recommendations from the Independent Committee, no dilution of per share value will occur. However, shareholders or investors who have purchased or sold the Company's shares on the assumption that the per share value will be diluted on or after the ex-rights date with respect to the gratis allotment of said stock acquisition rights may suffer unexpected losses as a result of fluctuations in the stock price.

(3) Necessary procedures for shareholders upon the triggering of countermeasures

When conducting a gratis allotment of stock acquisition rights as a countermeasure, the Company shall publicly notice the record date for the gratis allotment of stock acquisition rights.

The stock acquisition rights shall be allotted without consideration to shareholders who are recorded in the final registry of shareholders as of the record date for allotment.

The Company will disclose to or notify shareholders of the particulars of the allotment method, exercise method, method of acquisition by the Company, and other relevant information after a resolution of the Board of Directors on the countermeasure has passed, so we request that shareholders review the content at the time.

5. Effective period, abolishment, and revisions of the Plan

The Plan shall, subject to approval of shareholders at this Annual Shareholders Meeting, go into effect on the date of such approval, and it shall expire at the close of the 157th Annual General Meeting of Shareholders to be held no later than June 30, 2027.

Even before the effective period expires, the Plan may be abolished through a resolution to abolish the Plan to be made at a General Meeting of Shareholders or by the Board of Directors of the Company. Therefore, the Plan may be abolished in accordance with the will of shareholders.

If the Plan is extended or abolished with the approval of shareholders, the Company's Board of Directors shall promptly notify shareholders of such matters.

Moreover, even during the effective period of the Plan, the Company's Board of Directors may revise or modify the Plan, respecting recommendations from the Independent Committee to the maximum extent possible, unless such revision or modification defeats the purpose of a resolution made at a General Meeting of Shareholders (including cases where any law, regulation, financial instruments exchange rule, or any other such rule relating to the Plan is newly established, amended, or abolished and it is appropriate to reflect such establishment, amendment, or abolition; where it is appropriate to revise the wording for reasons such as typographical errors and omissions; where such revision or modification is not detrimental to the Company's shareholders).

If the Plan is abolished, revised, or otherwise modified, the Company shall promptly disclose information on the fact that such abolition, revision, or modification has made, (in the case of revision or modification) the details of the revision or modification, and any other matters deemed appropriate by the Company's Board of Directors.

IV. Statements that the Plan is in line with the Basic Policy on Control of the Company and that the Plan is not detrimental to the common interests of shareholders, nor is it intended to maintain the position of the Company's officers, and reasons thereof

The Company believes that, upon the continuation of the Plan, the Plan is in line with the Basic Policy on Control of the Company and not detrimental to the common interests of shareholders, nor is it intended to maintain the status of its officers for the following reasons:

1. Full regard being given to the "Guidelines for Takeover Defense Measures," "Takeover Defense Measures in Light of Recent Environmental Changes," and "Guidelines for Corporate Takeovers"

The Plan gives full regard to the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests (Guidelines for Takeover Defense Measures)" published on May 27, 2005 by the Ministry of Economy, Trade and Industry (METI) and the Ministry of Justice as well as the content of the "Takeover Defense Measures in Light of Recent Environmental Changes" and "Guidelines for Corporate Takeovers" published by Corporate Value Study Group of the METI on June 30, 2008 and August 31, 2023, respectively.

2. The Plan being introduced with the purpose of ensuring and enhancing the common interests of shareholders

The plan is designed to be introduced when a Large-Scale Purchase of the Company's shares is conducted, for the purpose of ensuring and enhancing the Company's corporate value and the common interests of shareholders by, for example, enabling the shareholders to make a decision as to whether they should accept the proposed Large-Scale Purchase, ensuring necessary information and time for the Company's Board of Directors to present an alternative proposal, or enabling the Board of Directors to negotiate with the Large-Scale Purchaser on behalf of the shareholders.

As the Plan is designed to enable the Company's shareholders and investors to make an appropriate investment decision, the Company believes the Plan is not detrimental to their common interests, but rather serves their interests.

3. Valuing the will of shareholders

The Plan shall go into effect with the approval of shareholders at this Annual Shareholders Meeting.

In addition, as described in III. 5. above, even before the effective period expires, the Plan may be modified or abolished through a resolution to modify or abolish the Plan to be made at a General Meeting of Shareholders.

For these reasons, the decision on whether to abolish or retain the Plan depends on the will of the Company's General Meeting of Shareholders.

4. Ensuring the objectivity and reasonableness of judgment of the Company's Board of Directors through the establishment of the Independent Committee

Upon the introduction of the Plan, the Company has established an Independent Committee to eliminate arbitrary decisions by the Company's Board of Directors on the operation of the Plan, including the activation of the Plan, on behalf of shareholders.

The Independent Committee shall comprise at least three members who shall be appointed from among outside experts (persons with experience of corporate management, attorneys, certified public accountants, academics, and other experts) who are independent from the Company's executive management.

The Company's Board of Directors shall respect the decisions made by the Independent Committee to the maximum extent possible. This ensures a mechanism through which the Plan is operated in a transparent way to the extent it benefits the Company's corporate value and the common interests of shareholders.

5. Establishing reasonable and objective requirements for the activation of the Plan

As described in III. 3. above, the Plan is so designed that it will not be activated unless the predetermined reasonable and objective requirements for activation are met. This ensures a mechanism that prevents the Company's Board of Directors from activating the Plan in an arbitrary manner.

6. Setting the term of office of the Company's Director at one year

The Company sets the term of office of a Director at one year. This enables shareholders to reflect their will in the Plan through the annual election of Directors, even during the effective period of the Plan.

7. The Plan being neither “dead-hand” nor “slow-hand” takeover defense measure

As described in III. 5. above, the Plan may be abolished by the Board of Directors composed of Directors who are elected at the Company’s General Meeting of Shareholders. This may allow a Large-Scale Purchaser of the Company’s shares to elect Directors at the Company’s General Meeting of Shareholders and ultimately abolish the Plan through the Board of Directors composed of the elected Directors. The Plan, therefore, is not a dead-hand takeover defense measure (meaning a takeover defense measure in which even if a majority of the Board of Directors are replaced, the triggering of the measure cannot be stopped).

Even if the Plan is approved at this Annual Shareholders Meeting, as the Company does not adopt the staggered board system, the Plan is not a slow-hand takeover defense measure (meaning a takeover defense measure that requires time to stop the triggering of the measure due to the inability to replace the Board of Directors all at once) either.

Names and Career Summary of Members of the Independent Committee

Hiroshi Kitabayashi

Born on November 6, 1935

April 1965 Registered as attorney

April 1968 Opened Kitabayashi Legal Office

June 2004 Opened Honmachi Legal Office

Mr. Hiroshi Kitabayashi has no special interests or business relationships with the Company.

Kazuo Fujimaki

Born on October 14, 1943

April 1972 Registered as attorney

January 2001 Opened Fujimaki & Yamamoto Law Office

May 2020 Changed the office name to Minerva Law Office

Mr. Kazuo Fujimaki has no special interests or business relationships with the Company.

Hironori Watanabe

Born on October 23, 1967

October 1992 Joined Chuo Shinko Audit Corporation (later ChuoAoyama Audit Corporation)

April 1997 Registered as a certified public accountant

August 2000 Joined Yubisui Kaikei Center KK (currently Yubisui Public Tax Accountant's Corp.)

August 2002 Registered as a certified public tax accountant

Mr. Hironori Watanabe has no special interests or business relationships with the Company.

## Outline of Gratis Allotment of Stock Acquisition Rights

## 1. Total number of stock acquisition rights to be allotted

The total number of stock acquisition rights to be allotted shall be a number separately determined by the Company's Board of Directors, which shall be at least equal to the final total number of issued shares of common stock of the Company (excluding the Company's shares of common stock held by the Company at that time) on a certain date as separately determined by the Board of Directors (hereinafter, the "Allotment Date") in a resolution of the Board of Directors on the gratis allotment of stock acquisition rights (hereinafter, the "Gratis Allotment Resolution").

## 2. Shareholders entitled to the allotment

The stock acquisition rights shall be allotted without consideration to shareholders who are recorded in the final registry of shareholders as of the Allotment Date at a rate separately determined by the Company's Board of Directors, which shall be at least one (1) stock acquisition right for each share of the Company's common stock held (excluding the Company's shares of common stock held by the Company at that time).

## 3. Effective date of the gratis allotment of stock acquisition rights

The effective date of the gratis allotment of stock acquisition rights shall be separately determined by the Company's Board of Directors in the Gratis Allotment Resolution.

## 4. Class and number of shares to be delivered upon exercise of stock acquisition rights

The class of shares to be delivered upon the exercise of stock acquisition rights shall be shares of the Company's common stock, and the number of shares of common stock to be so delivered per stock acquisition right shall be separately determined by the Company's Board of Directors (hereinafter, the "Applicable Number of Shares." However, if the Company conducts a stock split, stock consolidation, or any other similar event, the necessary adjustments shall be made.

## 5. Nature and amount of assets to be contributed upon exercise of stock acquisition rights

The assets to be contributed upon the exercise of stock acquisition rights shall be cash, and the amount of such assets shall be one (1) yen for each share of the Company's common stock to be delivered by the Company upon the exercise of the stock acquisition rights.

## 6. Restriction on transfer of stock acquisition rights

Any transfer of the stock acquisition rights will require the approval of the Company's Board of Directors.

## 7. Conditions for exercise of stock acquisition rights

Parties who fall under any of (i) through (iii) below may not exercise the stock acquisition rights: (i) a Large-Scale Purchaser and shareholders who belong to its specific shareholder group, or any other parties deemed applicable by the Company's Board of Directors (provided, however, that this shall not be applied to such parties for whom the Board of Directors deems the acquisition or holding of the Company's shares not detrimental to the Company's corporate value or the common interests of shareholders and who are otherwise so specified by the Board of Directors in the Gratis Allotment Resolution); (ii) parties to whom the stock acquisition rights have been transferred or succeeded from parties falling under (i) without the approval of the Board of Directors; or (iii) any related parties<sup>6</sup> to those falling under either (i) or (ii) (such parties are hereinafter collectively referred to as "Non-



Qualified Parties”). The details of such conditions shall be separately determined in the Gratis Allotment Resolution.

8. Acquisition of stock acquisition rights by the Company

The Company may acquire the stock acquisition rights held by parties other than Non-Qualified Parties on a date separately determined by the Company’s Board of Directors, and in consideration thereof, deliver the Applicable Number of Shares of the Company’s common stock as of the date of said acquisition per stock acquisition right in exchange for the stock acquisition rights. The details of call provisions for the stock acquisition rights shall be separately determined in the Gratis Allotment Resolution. Provided, however, that the Board of Directors may not set forth any call provisions to the effect that the Company delivers cash as consideration for the acquisition of stock acquisition rights held by Non-Qualified Parties.

9. Gratis acquisition in the cases of suspending triggered countermeasures, etc.

If the Company’s Board of Directors resolves to suspend or change a triggered countermeasure or otherwise specified by the Board of Directors in the Gratis Allotment Resolution, the Company may acquire all the stock acquisition rights without consideration.

10. Issuance of certificates of stock acquisition rights

The Company shall not issue any certificates representing the stock acquisition rights.

11. Period for exercising stock acquisition rights, etc.

The period for exercising the stock acquisition rights and other necessary matters shall be separately determined by the Company’s Board of Directors in the Gratis Allotment Resolution.

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6. “Related parties” to a certain party mean any parties deemed by the Company’s Board of Directors to substantially control such a party, or be controlled by such a party, or be under common control with such a party, or any parties deemed by the Board of Directors to act in concert with such a party. “Control” in this context means “controlling decisions on the financial and operating policies” of another company or any other entity (as provided for in Article 3, Paragraph 3 of the Regulations for Enforcement of the Companies Act).

## Status of Major Shareholders of the Company

The status of the Company's major shareholders as of March 31, 2024 is as follows:

	Status of capital contribution to the Company	
	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Nikkato Clients Shareholding Association	821	6.8
Tosoh Corporation	599	5.0
CHINO CORPORATION	574	4.7
Mizuho Bank, Ltd.	499	4.1
Nikkato Employee Shareholding Association	400	3.3
KYOWA ELECTRONIC INSTRUMENTS CO., LTD.	400	3.3
The Master Trust Bank of Japan, Ltd. (Trust Account)	387	3.2
Asahi Mutual Life Insurance Company	353	2.9
TSUBAKI NAKASHIMA CO., LTD.	300	2.5
Takashi Nishimura	290	2.4
Total	4,625	38.3

- Notes:
1. The total number of issued shares is 12,135,695 shares (including 44,456 treasury shares, which excludes 156,000 shares of the Company held by the Custody Bank of Japan, Ltd. (Trust Account E) established upon the introduction of Board Benefit Trust-Restricted Stock (BBT-RS)).
  2. The shareholding ratio is the ratio to the total number of issued and outstanding shares, which is obtained by deducting the number of treasury shares from the total number of issued shares, and the ratio is calculated by rounding it off to one (1) decimal place.
  3. The number of shares held is rounded down to the nearest thousand.

## Independent Committee Rules

## 1. Establishment

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

## 2. Committee members

The Independent Committee shall comprise at least three (3) members, and in order to enable fair and neutral judgment, the members shall be appointed by the Board of Directors from among Outside Directors and outside experts (persons with experience of corporate management, attorneys, certified public accountants, academics, and other experts) who are independent from the Company's executive management.

The members of the Independent Committee and the Company shall, in principle, conclude an agreement that includes a provision on the duty of care and diligence to the Company.

The outside experts shall be appointed from among persons with proven experience of corporate management, persons familiar with investment banking, attorneys, certified public accountants, academics whose main research interests include the Companies Act, or persons with similar qualifications.

## 3. Term of office

The term of office of a member of the Independent Committee shall expire at the close of the Annual General Meeting of Shareholders to be held for the last fiscal year ending within three (3) years after the appointment, unless otherwise specified by a resolution of the Board of Directors.

## 4. Convocation

A meeting of the Independent Committee may be convened by any member of the Independent Committee in the event that a Large-Scale Purchase is conducted or at any time for other reasons.

## 5. Resolution

In principle, resolutions of the Independent Committee shall be, with all members of the Independent Committee attending, made by a majority of vote of those in attendance; provided, however, that if there are compelling reasons, such resolutions shall be, with a majority of the members of the Independent Committee attending, made by a majority of the voting rights of the members in attendance.

## 6. Matters to be resolved and other matters

(1) In the event that the Company's Board of Directors consults the Independent Committee, the committee shall consider the matters set forth in the following items according to matters consulted by the Board, decides the results of its consideration, and give recommendations to the Board of Directors, along with the reasons thereof:

- 1) whether the information submitted by the Large-Scale Purchaser is sufficient or not and whether the Independent Committee should request the Large-Scale Purchaser to provide additional information or not
- 2) whether the Board Examination Period should be extended or not
- 3) careful examination and consideration of the details of the Large-Scale Purchase
- 4) whether it can be evaluated that the Large-Scale Purchaser has complied with the Plan
- 5) whether or not to trigger a countermeasure

- 6) specific content of countermeasures to be triggered
  - 7) suspension, cancellation, or change of countermeasures
  - 8) revision or modification of the Plan
  - 9) matters otherwise prescribed by the Board of Directors as executable by the Independent Committee
- (2) To ensure that the judgment of the Independent Committee is made in a manner that benefits the Company's corporate value and the common interests of shareholders, the Independent Committee may, at the expense of the Company, obtain advice from independent third parties (including financial advisors, certified public accountants, attorneys, consultants, and other experts).
  - (3) Each member of the Independent Committee must make the above decisions solely from the perspective of whether such decisions benefit the Company's corporate value and the common interests of shareholders and not for the purpose of pursuing their own personal interests.