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Stock Exchange Code 5976

June 8, 2023

(Date of commencement of electronic provision of materials: June 6, 2023)

**To Our Shareholders,**

Katsumi Omiya  
Representative Director, Member of  
the Board, President and Chief  
Executive Officer  
Neturen Co., Ltd.  
2-17-1 Higashi-Gotanda, Shinagawa-ku,  
Tokyo, Japan

### **Notice of Convocation of the 112th Annual Shareholders' Meeting**

We would like to take this opportunity to express our heartfelt gratitude to you, our shareholders, for your continued support to Neturen Co., Ltd. (the "Company," together with its subsidiaries, the "Group").

We are pleased to inform you that the 112th Annual Shareholders' Meeting of the Company will be held as set forth below.

In convening this Annual Shareholders' Meeting, the Company has taken electronic provision measures, which provide information contained in the Reference Documents for the Shareholders' Meeting (the "matters subject to electronic provision measures") in electronic format, and it has posted this information on the following websites on the Internet. Please access either of the following websites to review the information.

[The Company website]

<https://www.k-neturen.co.jp/en/ir/stock/meeting.html>

[Tokyo Stock Exchange (TSE) website (Listed Company Search)]

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

Please access the TSE website above, enter "Neturen" in the "Issue name (company name)" field or our stock exchange code "5976" in the "Code" field, and click on "Search" to find search results. Then, click on "Basic information" and "Documents for public inspection/PR information" in this order to find "[Notice of General Shareholders Meeting/Informational Materials for a General Shareholders Meeting]" in the "Filed information available for public inspection" section.

If you are not attending the meeting on the day, you can exercise your voting rights in written form or via the Internet. Please review the Reference Documents for the Shareholders' Meeting posted in the matters subject to electronic provision measures and exercise your voting rights by 5:45 p.m. JST, Tuesday, June 27, 2023.

Yours very truly,

## Notes

- 1. Date and Time:** 10:00 a.m. JST on Wednesday, June 28, 2023 (Registration will start at 9:00 a.m.)
- 2. Venue:** The Company's conference room, 15th Floor, Oval Court Ohsaki Mark West, 2-17-1 Higashi-Gotanda, Shinagawa-ku, Tokyo  
(Please see the access map to the venue at the bottom of this document.)

### 3. Meeting Agenda:

- Purpose of the Meeting**
- Matters to be reported:**
1. Report on the Business Report, Consolidated Financial Statements, and audit results for Consolidated Financial Statements by the independent auditor and the Audit and Supervisory Board for the 112th fiscal year (from April 1, 2022, to March 31, 2023)
  2. Report on Non-consolidated Financial Statements for the 112th fiscal year (from April 1, 2022, to March 31, 2023)

#### Proposals to be resolved:

<Company Proposals>

- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Election of 6 Directors, Members of the Board
- Proposal 3:** Election of 1 Substitute Audit and Supervisory Board Member

<Shareholder Proposals>

- Proposal 4:** Purchase of Treasury Shares

End

- ~~~~~
- If you are attending the meeting, you are kindly requested to submit the enclosed voting rights exercise form to the reception desk at the venue.
  - Documents sent to shareholders who requested the delivery of documents do not include following matters pursuant to the relevant laws and regulations and Article 16 of the Company's Articles of Incorporation. Therefore, the said documents constitute a part of documents audited by the Audit and Supervisory Board members and the independent auditor in preparing the audit reports.
    - Notes to the Consolidated Financial Statements
    - Notes to the Non-Consolidated Financial Statements
  - If any amendments are made to matters subject to electronic provision measures, such amendments will be posted on the respective websites where the matters are posted.

(Information) We plan to distribute the progress of this year's Shareholders' Meeting on our website in early July. We will notify shareholders about how to view this information by a resolution notice that will be sent to shareholders after the conclusion of the Shareholders' Meeting.

## **Guidance to Shareholders for Voting**

We inform you that you can exercise your voting rights via the Internet or in written form (the voting rights exercise form).

### **Exercising your voting rights by attending the Shareholders' Meeting**

The Shareholders' Meeting will be held at 10:00 a.m. JST on Wednesday, June 28, 2023.

Please submit the enclosed voting rights exercise form to the reception desk at the venue.

### **Not attending the Shareholders' Meeting**

#### **Exercising your voting rights in written form**

Deadline: to be received by 5:45 p.m. JST, Tuesday, June 27, 2023

Please send us the enclosed voting rights exercise form indicating your approval or disapproval of each proposal so that it is received by the deadline.

#### **Exercising your voting rights by "Smart Exercise"**

Deadline: to be exercised by 5:45 p.m. JST, Tuesday, June 27, 2023

Please scan the "QR Code<sup>®</sup> for logging in on the voting rights exercise website using a smartphone" printed on the enclosed voting right exercise form.

#### **Exercising your voting rights via the Internet**

Deadline: to be exercised by 5:45 p.m. JST, Tuesday, June 27, 2023

Please access the voting rights exercise website <https://www.web54.net> using a PC or other device, enter the voting rights exercise code and password printed on the enclosed voting right exercise form, and follow the onscreen instructions to enter your approval or disapproval of each proposal.

#### **Handling of duplicate voting**

- (1) In the case of duplicate voting done both via the Internet (including "Smart Exercise") and in written form, the vote placed via the Internet (including "Smart Exercise") will be considered valid.
- (2) In the case of voting twice or more times via the Internet (including "Smart Exercise"), the last vote will be considered valid.
- (3) In the case of voting twice or more times in written form, the last vote will be considered valid.

If you have any questions, please contact the following:

**Shareholders register administrator:**

**Stock Transfer Agency Administration Center, Sumitomo Mitsui Trust Bank**

Questions on exercise of voting rights:

[Telephone] **0120 (652) 031** (hours of operation: 9:00 a.m. to 9:00 p.m. JST)

Other questions:

[Telephone] **0120 (782) 031** (hours of operation: 9:00 a.m. to 5:00 p.m. JST on weekdays)

#### **For institutional investors**

Institutional investors may opt to exercise their voting rights electronically via the "Electronic Voting Rights Exercise Platform" operated by ICJ, Inc.

## **Guidance on Exercising your Voting Rights via the Internet**

### **Exercising Voting Rights by “Smart Exercise”**

**(1) Access the voting rights exercise website for smartphones**

Use a smartphone or a tablet device to scan the “QR Code<sup>®</sup> for logging in on the voting rights exercise website using a smartphone” printed on the bottom right of the enclosed voting right exercise form.

**(2) Open the voting rights exercise website**

When you open the indicated URL, the window of the voting rights exercise website will open.

**(3) Vote for or against each proposal separately**

Enter approval or disapproval of each proposal separately following the onscreen instructions.

If you have no objection to what is indicated on the confirmation window, press the button for “Vote with this content,” and the exercise of your voting right is completed.

If you want to change your vote after you have once exercised your voting rights, you will need to scan the QR Code<sup>®</sup> again and enter the “voting rights exercise code” and “password” printed on the enclosed voting right exercise form (you can also exercise your voting rights by directly accessing the voting rights exercise website <https://www.web54.net> using a PC or other device).

### **Exercising Voting Rights by Entering Your Voting Rights Exercise Code and Password**

**(1) Access the voting rights exercise website**

Access the voting rights exercise website using a PC or other device.

<https://www.web54.net>

**(2) Login**

Enter the “voting rights exercise code” printed on the enclosed voting right exercise form.

**(3) Enter the password**

Enter the “password” printed on the enclosed voting right exercise form.

Subsequently, follow the onscreen instructions to enter your approval or disapproval for each proposal.

\* Fees associated with using the voting rights exercise website such as connection fees and telecommunication charges are to be borne by the shareholder.

\* Depending on the Internet user environment, subscribed service, and the model of the device you are using, you may not be able to use the voting rights exercise website.

\* QR Code is a registered trademark of Denso Wave Inc.

# Reference Documents for the Shareholders' Meeting

## Proposals and References

### <Company Proposal (Proposal 1 through 3)>

#### **Proposal 1:** Appropriation of Surplus

In addition to its policy of maintaining stable dividends, the Company has a basic policy to distribute profits in accordance with its business performance and to make decisions on dividends, considering the business environment and financial conditions surrounding the Group.

As a general rule, the minimum amount of "stable dividends" is a dividend on equity (DOE) rate of 1.5%, and as for "distributing profits in accordance with business performance," the target is a consolidated payout ratio of at least 40%.

With regard to the year-end dividend (ordinary dividend) for the fiscal year ended March 31, 2023, though profit attributable to owners of parent significantly decreased due to the recording of an impairment loss, etc., operating income almost achieved the figures in the forecast announced on February 7, 2023. Under these circumstances, we propose a year-end dividend of 15 yen per share, placing importance on shareholder returns and taking into comprehensive consideration its business performance, financial conditions, and other factors. As a result, the total annual dividend, including the interim dividend of 15 yen, will be 30 yen per share.

- (1) Kind of property for dividends  
Cash
- (2) Matters related to allotment of property for dividends to shareholders and its total amount  
15 yen per share of common stock of the Company  
Total amount: 565,630,335 yen
- (3) Effective date for distribution of dividends from surplus  
June 29, 2023

**Proposal 2:** Election of 6 Directors, Members of the Board

The terms of office of six (6) Directors, Members of the Board will expire at the closing of this Annual Shareholders' Meeting. Accordingly, the election of six (6) Directors, Members of the Board are proposed. Note that Mr. Mineo Hanai and Ms. Yoshiko Moriyama are the candidates for Outside Directors, Members of the Board.

The candidates for Directors, Members of the Board are as follows:

No.	Name	Current positions	Attendance at the meetings of the Board of Directors
1	[Reelection] Katsumi Omiya	Representative Director, Member of the Board President and Chief Executive Officer	100% (15/15)
2	[Reelection] Nobumoto Ishiki	Director, Member of the Board Senior Managing Executive Officer	100% (15/15)
3	[Reelection] Takashi Suzuki	Director, Member of the Board Managing Executive Officer	100% (15/15)
4	[Reelection] Tomokatsu Yasukawa	Director, Member of the Board Executive Officer	100% (15/15)
5	[Reelection] [Outside officer] [Independent officer] Mineo Hanai	Director, Member of the Board	100% (15/15)
6	[Reelection] [Outside officer] [Independent officer] Yoshiko Moriyama	Director, Member of the Board	100% (11/11)

(Note) For Ms. Yoshiko Moriyama, only the number of attendance at the meetings of the Board of Directors held after her election as Director is counted.

Candidates for Directors, Members of the Board

No.	Name (Date of birth)	Career summary, positions, assignments and status of other important positions concurrently assumed	No. of the Company's shares owned by the candidate
1	<p style="text-align: center;"><u>Reelection</u></p> <p>Katsumi Omiya (March 24, 1960)</p> <p>Attendance at the meetings of the Board of Directors: 15/15 times</p>	<p>April 1983 Joined the Company</p> <p>June 2012 Director, Member of the Board</p> <p>June 2016 Managing Director, Member of the Board</p> <p>October 2020 Representative Director, Member of the Board and President</p> <p>June 2021 Representative Director, Member of the Board, President and Chief Executive Officer</p> <p>To present</p>	61,714
<p>Reasons for nomination as a candidate for Director, Member of the Board</p> <p>Since his appointment as Director, Member of the Board in June 2012, Mr. Katsumi Omiya has appropriately operated businesses in line with management strategies, and contributed to resolving management issues of the Company, as well as those of the entire Group both domestically and overseas.</p> <p>In addition, since October 2020, he has been performing the supervision and management of the entire Group as Representative Director, Member of the Board and President of the Company actively and appropriately.</p> <p>Based on his abundant experience and track record, the Company has judged that he is an asset for the Company that can supervise and manage the entire Group appropriately in implementing any and all measures for improving the corporate value of the Group, and proposes his continued appointment as Director, Member of the Board.</p>			
2	<p style="text-align: center;"><u>Reelection</u></p> <p>Nobumoto Ishiki (October 9, 1959)</p> <p>Attendance at the meetings of the Board of Directors: 15/15 times</p>	<p>April 1982 Joined TRW Automotive Japan Co., Ltd. (currently, ZF Japan Co., Ltd.)</p> <p>February 2001 Joined Colin Corporation (currently, Fukuda Colin Co., Ltd.)</p> <p>April 2001 Joined the Company</p> <p>February 2006 Joined Toyo Fastener Co., Ltd.</p> <p>April 2007 Joined the Company</p> <p>June 2017 Director, Member of the Board</p> <p>April 2020 Managing Director, Member of the Board</p> <p>June 2021 Director, Member of the Board, Managing Executive Officer</p> <p>April 2023 Director, Member of the Board, Senior Managing Executive Officer; supervising engineering development and facilities; General Manager, IH Division; General Manager, Production Engineering Development Department, Product Engineering Headquarters</p> <p>To present</p> <p>[Status of other important concurrent positions]</p> <p>Representative Director and President, Neturen Heat Treat Co., Ltd.;</p> <p>Representative Director and President, NETUREN HYMEC CO., LTD; President, Guangzhou Fengdong Neturen Co., Ltd.;</p> <p>Representative Director, Korea Neturen Co., Ltd.; Representative Director and President, PT. Neturen Indonesia; Representative Director and President, Neturen Mexico, S.A. de C.V.</p>	30,622
<p>Reasons for nomination as a candidate for Director, Member of the Board</p> <p>Since his appointment as Director, Member of the Board in June 2017, Mr. Nobumoto Ishiki has contributed to resolving issues on the engineering aspect of management of the Company, particularly concerning engineering development and production engineering of the Company and the domestic and overseas group companies.</p> <p>Based on his abundant experience and track record, the Company has judged that he is an asset for the Company that can supervise and manage the entire Group and businesses he is in charge appropriately in aiming at the early introduction of new products and technologies as well as business reforms for improving the corporate value of the Group, and proposes his continued appointment as Director, Member of the Board.</p>			

No.	Name (Date of birth)	Career summary, positions, assignments and status of other important positions concurrently assumed	No. of the Company's shares owned by the candidate
3	<p style="text-align: center;"><u>Reelection</u></p> <p>Takashi Suzuki (June 29, 1962)</p> <p>Attendance at the meetings of the Board of Directors: 15/15 times</p>	<p>April 1985 Joined the Company June 2016 Director, Member of the Board April 2021 Managing Director, Member of the Board June 2021 Director, Member of the Board, Managing Executive Officer April 2023 Director, Member of the Board, Managing Executive Officer; supervising information strategies; General Manager, Specialty Steel &amp; Wire Products Division; General Manager, Global Procurement Headquarters; General Manager, Information Strategy Office To present</p> <p>[Status of other important concurrent positions] President, Neturen (China) Slewing Bearing Co., Ltd.; Representative Director and President, Neturen Czech s.r.o.</p>	36,113
<p>Reasons for nomination as a candidate for Director, Member of the Board</p> <p>Since his appointment as Director, Member of the Board in June 2016, Mr. Takashi Suzuki has contributed to resolving global management issues concerning procurement particularly of raw materials, electricity, etc. for the Company and the domestic and overseas group companies, as well as management issues concerning the revenue management of the entire Group.</p> <p>Based on his abundant experience and track record, the Company has judged that he is an asset for the Company that can supervise and manage the entire Group and businesses he is in charge appropriately in aiming at global development and revenue growth for improving the corporate value of the Group, and proposes his continued appointment as Director, Member of the Board.</p>			
4	<p style="text-align: center;"><u>Reelection</u></p> <p>Tomokatsu Yasukawa (January 6, 1963)</p> <p>Attendance at the meetings of the Board of Directors: 15/15 times</p>	<p>April 1986 Joined the Company June 2012 Director, Member of the Board June 2021 Director, Member of the Board, Executive Officer April 2022 Director, Member of the Board, Executive Officer; supervising safety, health and environmental affairs; General Manager, Administrative Headquarters To present</p> <p>[Status of other important concurrent position] Representative Director and President, Neturen Meinan Co., Ltd.</p>	46,948
<p>Reasons for nomination as a candidate for Director, Member of the Board</p> <p>Since his appointment as Director, Member of the Board in June 2012, Mr. Tomokatsu Yasukawa has contributed to resolving management issues on the governance system for the Company as well as the domestic and overseas group companies and management issues on CSR activities positioning SDGs as the fundamentals of management.</p> <p>Based on his abundant experience and track record, the Company has judged that he is an asset for the Company that can supervise and manage the entire Group appropriately in promoting corporate management with a focus on ESG for improving the corporate value of the Group, and proposes his continued appointment as Director, Member of the Board.</p>			



No.	Name (Date of birth)	Career summary, positions, assignments and status of other important positions concurrently assumed	No. of the Company's shares owned by the candidate
5	<u>Reelection</u> <u>Outside officer</u> <u>Independent officer</u>  Mineo Hanai (July 19, 1947)  Attendance at the meetings of the Board of Directors: 15/15 times	April 1972 Joined Nippondenso Co., Ltd. (currently, Denso Corporation) March 2000 Earned a doctoral degree in Engineering at Nagoya Institute of Technology June 2006 Senior Managing Director, Denso Corporation June 2008 Representative Director and President, Asmo Co., Ltd. (currently, Denso Corporation) June 2017 Outside Director, Member of the Board, the Company To present	5,692
6	<u>Reelection</u> <u>Outside officer</u> <u>Independent officer</u>  Yoshiko Moriyama (June 26, 1964)  Attendance at the meetings of the Board of Directors: 11/11 times	April 1998 Registered as Attorney-at-Law (Daini Tokyo Bar Association) December 2004 Qualified as attorney, State of New York, U.S. July 2006 Joined TMI Associates January 2010 Partner, TMI Associates February 2015 Counsel, TMI Associates June 2022 Outside Director, Member of the Board, the Company November 2022 Outside Director, YAMATO INTERNATIONAL INC. To present  [Status of other important concurrent positions] Counsel, TMI Associates; Outside Director, YAMATO INTERNATIONAL INC.	790
6		Reasons for nomination as a candidate for Outside Director, Member of the Board and expected role  Since his appointment as Outside Director, Member of the Board in June 2017, Mr. Mineo Hanai has utilized his abundant experience and achievements as a corporate manager in addition to specialist knowledge in the manufacturing industry to provide accurate advice and suggestions for issues for the improvement of technology development capabilities and business expansion promotion, contributing to resolving issues. In addition, he has contributed to raising the level of management as a whole through active and appropriate supervision and instruction, including providing suggestions for raising the level of top management and future human resources. The Company expects that he will continue to offer suggestions and advice on the management appropriately and supervise business execution from an independent position for improving the corporate value of the Company over the medium to long term based on his experience as a manager. For these reasons, the Company has judged that he is appropriately qualified as an Outside Director, Member of the Board of the Company, and proposes his continued appointment.	
6		Reasons for nomination as a candidate for Outside Director, Member of the Board and expected role  Since her appointment as Outside Director, Member of the Board in June 2022, with her specialist knowledge and abundant experience as an attorney, Ms. Yoshiko Moriyama has contributed to securing the legality and appropriateness of decision-making of the Board of Directors, through providing proactive suggestions and advice regarding management focused on corporate governance and compliance, from a position independent from the Company. She is also capable of offering suggestions from a broad perspective to promote the reforms, with her abundant experiences in corporate legal affairs at home and abroad and specialist knowledge regarding diversity and corporate social responsibility (CSR), etc. The Company expects that she will continue to offer suggestions and advice appropriately and supervise business execution from an independent position in terms of the legality and appropriateness of decision-making on the Company's management based on her experience as an attorney. For these reasons, the Company has judged that she is appropriately qualified as an Outside Director, Member of the Board of the Company, and proposes her continued appointment.	

- (Notes)
1. There are no special interests between the candidates and the Company.
  2. Mr. Mineo Hanai and Ms. Yoshiko Moriyama are candidates for independent officer based on the stipulations of Tokyo Stock Exchange, Inc.

3. Mr. Mineo Hanai is currently an Outside Director, Member of the Board of the Company, and the number of years since his appointment as Outside Director, Member of the Board shall be six years at the conclusion of this Shareholders' Meeting.
4. Ms. Yoshiko Moriyama is currently an Outside Director, Member of the Board of the Company, and the number of years since her appointment as Outside Director, Member of the Board shall be one year at the conclusion of this Shareholders' Meeting.
5. At the time of the appointment as Director, Member of the Board, the Company entered into an agreement with Mr. Mineo Hanai and Ms. Yoshiko Moriyama as provided for in the Company's Articles of Incorporation, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act to limit their liability pursuant to Article 423, Paragraph 1 of the Companies Act, and the maximum amount of liability pursuant to the agreement is the amount stipulated by laws and regulations. If the reappointment of Mr. Hanai and Ms. Moriyama is approved, the Company intends to continue the agreement.
6. The Company has entered into a Directors and Officers liability insurance policy with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act insuring all its Directors, Members of the Board to cover damages and litigation expenses incurred by the insured. Insurance premiums are fully borne by the Company. If the candidates take office as Director, Member of the Board, they will be insured under this contract, which is to be renewed with the same terms and conditions during the candidates' terms of office.

[Skills Matrix of Directors, Audit and Supervisory Board Members and Executive Officers]

If Proposal 2 is approved as originally proposed at this Annual Shareholders' Meeting, the composition and skills matrix of the officers and executive officers of the Company after the Annual Shareholders' Meeting will be as follows:

Name	Position	Outside	Executive Officer	Specialty and experience								
				Corporate Management	Technology/ Research	Manufacturing/ Quality	Global	Marketing	Information Strategy	CSR	Legal Affairs	Finance
				General	Basic Strategy			Management Base				
Katsumi Omiya	Representative Director, Member of the Board, President and Chief Executive Officer		•	•	•	•	•	•				
Nobumoto Ishiki	Director, Member of the Board, Senior Managing Executive Officer		•	•	•	•	•			•		
Takashi Suzuki	Director, Member of the Board, Managing Executive Officer		•	•	•			•	•			
Tomokatsu Yasukawa	Director, Member of the Board, Executive Officer		•							•	•	•
Mineo Hanai	Director	•		•	•	•	•	•				
Yoshiko Moriyama	Director	•					•			•	•	
Yoshihiro Ikegami	Audit and Supervisory Board Member (Full-time)				•			•			•	
Takeshi Nakano	Audit and Supervisory Board Member	•								•	•	•
Minoru Enjitsu	Audit and Supervisory Board Member	•		•			•		•			•
Yoshitaka Misaka	Executive Officer		•		•	•						
Nobuhiro Murai	Executive Officer		•		•	•		•				
Naoki Hisada	Executive Officer		•				•	•				•
Norio Tanaka	Executive Officer		•	•	•	•						

**Proposal 3:** Election of 1 Substitute Audit and Supervisory Board Member

The Company proposes that one Substitute Audit and Supervisory Board Member be elected to prepare for cases of insufficiency in the number of Audit and Supervisory Board Members as set forth in relevant laws and regulations.

In addition, this proposal has already been approved by the Audit and Supervisory Board.

The candidate for Substitute Audit and Supervisory Board Member is as follows:

Candidate for Substitute Audit and Supervisory Board Member

Name (Date of birth)	Career summary, positions and status of other important positions concurrently assumed	No. of the Company's shares owned by the candidate
<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Outside officer</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Independent officer</div> Daisuke Takahashi (February 27, 1980)	October 2005 Registered as Attorney-at-Law (Dai-Ichi Tokyo Bar Association) October 2005 Joined Shinwa Sogo Law Office September 2014 Partner, Shinwa Sogo Law Office To present [Status of other important concurrent position] Partner, Shinwa Sogo Law Office	0
<p>Reasons for nomination as a candidate for Substitute Outside Audit and Supervisory Board Member</p> <p>Mr. Daisuke Takahashi possesses specialist knowledge and experience as an attorney, and the Company has judged that he will be able to execute his duties appropriately as an Outside Audit and Supervisory Board Member. For these reasons, the Company intends for him to utilize his specialist knowledge and experience as an attorney in the audit operations of the Company, and proposes his appointment.</p>		

- (Notes)
1. There are no special interests between Mr. Daisuke Takahashi and the Company.
  2. Mr. Daisuke Takahashi will be elected as a Substitute Outside Audit and Supervisory Board Member. If he is appointed as an Audit and Supervisory Board Member, the Company intends to register him as an independent officer based on the stipulations of Tokyo Stock Exchange, Inc.
  3. Mr. Daisuke Takahashi is a candidate for Substitute Outside Audit and Supervisory Board Member. At the time of his appointment as Audit and Supervisory Board Member, the Company intends to enter into an agreement with Mr. Daisuke Takahashi as provided for in the Company's Articles of Incorporation, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act to limit his liability pursuant to Article 423, Paragraph 1 of the Companies Act, and the maximum amount of liability pursuant to the agreement shall be the amount stipulated by laws and regulations.
  4. The Company has entered into a Directors and Officers liability insurance policy with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act insuring all its Audit and Supervisory Board Members to cover damages and litigation expenses incurred by the insured. Insurance premiums are fully borne by the Company. If Mr. Daisuke Takahashi takes office as Audit and Supervisory Board Member, he will be insured under this contract.

## <Shareholder Proposal (Proposal 4)>

Proposal 4 has been submitted by one shareholder (the “Proposing Shareholder”).

The followings are the translation of the relevant parts of a shareholder proposal document submitted by the Proposing Shareholder. The original text of the shareholder proposal is in the Japanese version.

### **Proposal 4:** Purchase of Treasury Shares

#### 1. Details of proposal

Purchase common stock of the Company, up to 6,920,900 shares as the total number of shares, and 4,900,000,000 yen as the total amount of shares [or the maximum amount of shares allowed by the Companies Act, if the total amount of shares allowed by the Companies Act (the “Distributable Amount” pursuant to Article 461 of the Companies Act) is less than the said total amount of shares] in exchange for cash within one year after the conclusion of this Annual Shareholders’ Meeting pursuant to Article 156, Paragraph 1 of the Companies Act.

#### 2. Reason for proposal

- This proposal aims to optimize the excessive capital accumulated until now.
- The Company’s capital ratio was as high as 72.9% on December 31, 2022, also its market capitalization of approximately 27.3 billion yen on April 3, 2023 was about the same as the sum of cash, cash equivalents (approximately 16.7 billion yen) and investment securities (approximately 9.2 billion yen) as of December 31, 2022. These facts suggest that the value of its core business is worth little.
- The total amount of the treasury shares to be purchased in this proposal for 4.9 billion yen is equivalent to approximately 10% of retained earnings of the Company as of December 31, 2022. With the Company’s capital ratio to be reduced from the current 72.9% to approximately 67% after the purchase of treasury shares of 4.9 billion yen, the proposal contributes to optimizing the excessive capital of the Company.

#### ◆ Opinion of the Company’s Board of Directors

##### The Board of Directors opposes the Shareholder Proposal.

In May 2021, the Company issued its long-term management vision “NETUREN VISION 2030” (the “long-term management vision,” covering 10 years from April 2021 to March 2031) and the 15th Medium-term Management Plan “Change!! New NETUREN 2023” (the “medium-term management plan,” covering three years from April 2021 to March 2024) to raise capital efficiency and increase corporate value over the medium to long term by using the generated funds to enhance investments for the company’s growth and shareholder returns.

Having positioned the three years covered by the medium-term management plan as the first phase for achieving the long-term management vision, the Company is driving initiatives to contribute to a sustainable society and increase corporate value with following four basic strategies:

Basic strategies—Aiming to increase corporate value

- (1) Increase profit by strengthening the competitiveness of core businesses and introducing new technologies, new products, and new businesses to market.
- (2) Improve our information sharing system by promoting digitalization through the establishment of the N-DX (NETUREN Digital Transformation).
- (3) Place the SDGs as the core of management, promote CO<sub>2</sub> reduction, and contribute to the creation of a sustainable society.
- (4) Motivate human resources who can strengthen the Group’s global sales and marketing capabilities.

The outline of the capital policy and financial strategy for the medium-term management plan is stated below. The Company implements various measures to increase capital efficiency and manage its business in a way that emphasizes the perspectives of not only the profit and loss statement (PL) but also the balance sheet (BS) and cash flows (CF).

- (1) Set an appropriate capital ratio and generate cash flows through asset reduction.
  - (i) BS: Aim for an appropriate capital ratio
  - (ii) CF: Generate cash flows through asset reduction
- (2) Develop and implement measures for increasing ROE
  - (i) Reduce cross-shareholdings

- (ii) Measures targeting a ROE of 5.0% or above, higher than the cost of capital
- (iii) Measures targeting a PBR of 1.0 times or above
- (3) Financing  
While the Company will basically use cash on hand for its capital investments, if it becomes necessary to make a large-scale investment, we will procure external funds according to the Group's situation.
- (4) Reduce cross-shareholdings  
The Company will steadily reduce its cross-shareholdings in accordance with Japan's Corporate Governance Code. The cash from the sale of cross-held shares will be used to finance investments in various new businesses.

The main progresses of the above four basic strategies until now are as follows.

- (1) Increasing production capacity at the subsidiaries in the United States and Indonesia; installing the calculation programs of high-strength steel products for construction in design software which contributes to the improvement in the competitiveness of our core business; improving productivity by the automation of production facilities and the introduction of Internet of Things (IoT); the introducing 3D printers which contribute to significantly shortening the production term of induction heating coil and improving quality
- (2) Development of infrastructure at each site, including the adoption of information and communication technology (ICT)
- (3) Introduction of solar power generators which contributes to the reduction of CO<sub>2</sub> emission
- (4) Development of human resources with skills with the utilization of the mapping of skills

In addition, the Company is aggressively taking action for the corporate growth as a part of measures to improve its corporate value under the long-term management vision and the medium-term management plan.

Specifically, coping with the production increase plans of customers and the market expansion, the Company plans to make timely and aggressive investments, including the followings: The global expansion of the sales of high-strength spring steel wire (ITW), which contributes to weight saving and conversion to electric vehicles (EV); the enhancement of the production system of the induction heat treatment service in overseas sites with adaptation to markets; the development of new sales formats with a subscription service in the sales of equipment; and the development of computer simulation program of induction hardening, etc.

Also, the Company is implementing measures toward the optimum balance sheet. Especially for capital ratio, the Company aims to achieve a capital ratio between 60% and 65% in the fiscal year ending March 31, 2031 as the final year of the long-term management vision, based on the balance between financial soundness and capital efficiency and considering various risks associated with the drastic changes in the business environment, including the paradigm shift in the automobile industry expected in the near future; the risk of soaring price for electricity which is essential for the business operation; and geopolitical risks, etc. (The Company's capital ratio in the fiscal year ended March 31, 2023 was 74.3%, and it will be reduced to around 70% in the fiscal year ending March 31, 2024.)

While focusing on these strategic investments toward growth and achieving its capital ratio from the medium- to long-term perspective, the Company addresses shareholder returns as one of the most important management issues, as raised in the long-term management vision and the medium-term management plan.

As the dividend policy, the Company has set the lower limit of 1.5% DOE ratio and targeted a consolidated dividend ratio of 40% or higher. However, as announced on May 11, 2023, the Company decided to revise the dividend policy with the lower limit of 3.0% DOE ratio from the fiscal year ending March 31, 2024. The revision aims to accelerate the initiatives toward the early realization of the optimum balance sheet, an ROE of 8%, and a price book-value ratio (PBR) of 1.0 time or above, materializing both the aggressive strategic investments toward growth in the future and the further expansion of shareholder returns, through the capital allocation with the cost of capital in mind.

The company has achieved the forecasted operating income announced on February 7, 2023, even though we decreased profit attributable to owners of parent significantly due to impairment losses, etc., Under these circumstances, and based on the dividend policy, we plan to propose a dividend of 15 yen per share as the year-end dividend for the fiscal year ended March 31, 2023, in the Company proposal on

appropriation of surplus at the Shareholders' Meeting, comprehensively considering shareholders' return, its business performance, financial standing, and other factors. The total annual dividend per share will be 30 yen, in combination with the interim dividend of 15 yen, which is already distributed, and as a result, the DOE ratio for the fiscal year ended March 31, 2023, will be 2.0%. (Reference: Consolidated dividend ratio at 303.2%)

Due to the revised dividend policy as above, the annual dividend per share will be 48 yen (24 yen as the interim dividend and 24 yen as the year-end dividend) for the fiscal year ending March 31, 2024.

The Company purchased its own shares amounting to 1.5 billion yen in the period from May to December in 2022 and canceled them in February 2023, according to the capital allocation policy to cope with the changes in a business environment. The Company aims to purchase its own shares amounting to 3.0 billion in total to further expansion of shareholder's return, with the announcement of the implementation of another purchase of its shares amounting to 1.5 billion yen on May 11, 2023.

On the other hand, the Shareholder Proposal requests a drastic reduction of the capital ratio of the Company in short term, calling for reducing the capital ratio to approximately 67% by the large-scale purchase of its own shares, which amounts to 4.9 billion yen and accounts for 16.9% of the total number of issued shares, within one year after the upcoming Shareholders' Meeting.

As mentioned above, the Company aims for a capital ratio in the range of 60% to 65% in the fiscal year ending March 31, 2031, as the final year of the long-term management vision, considering the balance between financial soundness and capital efficiency, etc. Therefore, the Shareholder Proposal differs materially from the policy of the Company.

The Company's stagnant production due to the shortage of parts such as semiconductors and cost increases by soaring costs for materials, such as steel, electricity, and logistics, remains our serious concern to our business. Additionally, geopolitical risks, such as continuing conflict in Ukraine, global inflation, and financial instability, may bring about a strong sense of stagnation, and the Company believes that the maintenance of the financial soundness of the Company is especially important.

Based on the above, the proposal for the large-scale purchase of own shares related to the Shareholder Proposal sounds only coming from short-term perspective without considering the Company's situation. If approved, the proposal may harm the Company's financial soundness, entailing the risk of inhibiting growth in corporate value over the medium to long term and as a result, it harms shareholders' interests.

For the reasons stated above, the Company's Board of Directors opposes the Shareholder Proposal.

End