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Securities Code: 6358

June 7, 2022

To our shareholders:

Ichiro Sakai  
President and Representing Director  
**SAKAI HEAVY INDUSTRIES, LTD.**  
1-4-8 Shibadaimon, Minato-ku, Tokyo

## Notice of the 74th Annual General Meeting of Shareholders

We are pleased to announce the 74th Annual General Meeting of Shareholders of SAKAI HEAVY INDUSTRIES, LTD. (the “Company”), which will be held as indicated below.

In lieu of attending the meeting in person, you may exercise your voting rights in writing (by postal mail) or via the Internet. Please review the attached Reference Documents for General Meeting of Shareholders, and indicate your approval or disapproval of the proposals in the enclosed voting form, and exercise your voting rights no later than 5:45 p.m. on Tuesday, June 28, 2022 (JST).

**1. Date and Time:** Wednesday, June 29, 2022 at 10:00 a.m. (JST)

**2. Venue:** Shiba Park Hotel, 2F, Rose  
1-5-10 Shiba Koen, Minato-ku, Tokyo

**3. Purposes:**

**Items to be reported:**

1. The Business Report and the Consolidated Financial Statements for the 74th fiscal year (from April 1, 2021 to March 31, 2022), and the results of audits of the Consolidated Financial Statements by the Financial Auditor and the Audit and Supervisory Committee
2. The Non-consolidated Financial Statements for the 74th fiscal year (from April 1, 2021 to March 31, 2022)

**Items to be resolved:**

- Proposal No. 1** Appropriation of Surplus
- Proposal No. 2** Partial Amendments to the Articles of Incorporation
- Proposal No. 3** Election of Two Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
- Proposal No. 4** Election of One Director Who Is Audit and Supervisory Committee Member
- Proposal No. 5** Renewal of Policy Regarding Large-quantity Purchases of the Company’s Shares (Anti-takeover Measures)

**4. Instructions for Exercising Voting Rights**

Please refer to the “Instructions for Exercising Voting Rights” on page 3.

## **5. Matters Disclosed on the Internet**

In accordance with laws and regulations and Article 15 of the Company's Articles of Incorporation, the Company has posted on the Company's website, the following items, which are part of the documents attached to this Notice and the Reference Documents for the General Meeting of Shareholders, and therefore, those items are not included in the documents attached to this Notice and the Reference Documents for the General Meeting of Shareholders.

- (1) "Resolutions regarding the System to Ensure the Appropriateness of Business Operations," "Basic Policy and Progress of System Development for Eliminating Antisocial Forces," "Overview of Operation Status to Ensure the Appropriateness of Business Operations," and "Basic Policy for Control of Stock Company" in the Business Report
- (2) "Notes to Consolidated Financial Statements" in the Consolidated Financial Statements
- (3) "Notes to Non-consolidated Financial Statements" in the Non-consolidated Financial Statements

Therefore, the documents attached to this Notice make up a part of the Consolidated Financial Statements and Non-consolidated Financial Statements audited by the Financial Auditor in preparing its Financial Auditor's Reports, and a part of the Business Report, Consolidated Financial Statements and Non-consolidated Financial Statements audited by the Audit and Supervisory Committee in preparing its Audit Report.

If you attend the meeting in person, please submit the enclosed voting form at the reception desk.

Any changes to the Reference Documents for the General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements and Consolidated Financial Statements will be posted on the Company's website on the Internet.

**Company's website (<https://www.sakainet.co.jp/>)**

## Instructions for Exercising Voting Rights

The exercise of voting rights in the General Meeting of Shareholders is the important right of all shareholders.

Please exercise your voting rights after reviewing the Reference Documents for the General Meeting of Shareholders.

There are three ways to exercise your voting rights as described below.

### Attending the General Meeting of Shareholders

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Please submit the enclosed voting form at the reception desk.

**Date and time:** Wednesday, June 29, 2022, at 10:00 a.m. (JST)

### Exercising Voting Rights in Writing (by Postal Mail)

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Please indicate your approval or disapproval of each proposal on the enclosed voting form, and post it without affixing postage stamps.

**Exercise due date:** to be received by 5:45 p.m. on Tuesday, June 28, 2022 (JST)

### Exercising Voting Rights via the Internet

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Please indicate your approval or disapproval of each proposal in accordance with the instructions on the following page.

**Exercise due date:** to be given by 5:45 p.m. on Tuesday, June 28, 2022 (JST)

## Instructions for Filling Out the Voting Form

### Proposals No. 1, No. 2, No. 4 and No. 5

- If you approve, put a circle in the box marked 賛.
- If you disapprove, put a circle in the box marked 否.

### Proposal No. 3

- If you approve all candidates, put a circle in the box marked 賛.
- If you disapprove all candidates, put a circle in the box marked 否.
- If you disapprove of some candidates, put a circle in the box marked 賛 and write the candidates' number of whom you disapprove.

If you exercise your voting rights both in writing (by postal mail) and via the Internet, we will only accept the exercise of your voting rights via the Internet as effective. If you exercise your voting rights more than once via the Internet, only the last vote shall be deemed effective.

## Instructions for Exercising Voting Rights via the Internet, Etc.

### How to scan the QR Code

You can log in to the voting rights exercising website without entering the login ID and temporary password indicated on the voting form.

1. Scan the QR Code indicated on the voting form.

Note: “QR Code” is a registered trademark of DENSO WAVE INCORPORATED.

2. Indicate your approval or disapproval by following the on-screen instructions.

**It is only possible to log in with the QR Code one time.**

If you wish to re-exercise your voting rights, or if you wish to exercise your voting rights without using the QR Code, please refer to “How to enter your login ID and temporary password” below.

### How to enter your login ID and temporary password

Voting rights exercising website (<https://evote.tr.mufg.jp/>)

1. Access the voting rights exercising website.
2. Enter the “login ID and temporary password” indicated on the voting form and click “Login.”
3. Register a new password.
4. Indicate your approval or disapproval by following the on-screen instructions.

If you have any difficulties about the use of a personal computer, smartphone or mobile phone for exercising your voting rights via the Internet, please contact:

Securities Agency Division (Help Desk), Mitsubishi UFJ Trust and Banking Corporation

**Phone: 0120-173-027**

(toll-free and available from 9:00 a.m. to 9:00 p.m., only in Japan)

# Reference Documents for the General Meeting of Shareholders

## Proposal No. 1 Appropriation of Surplus

The Company proposes the appropriation of surplus as follows:

### Year-end dividends

The Company works to secure a stable management base over the long term, and also places importance on the continuation of stable dividends, and makes it a basic policy to distribute results that are supported by business performance and a sound financial structure.

The Company has given comprehensive consideration to matters including the business performance of the fiscal year, and it proposes to pay year-end dividends for the fiscal year as follows:

#### (1) Type of dividend property

To be paid in cash.

#### (2) Allotment of dividend property and their aggregate amount

105 yen per common share of the Company

Total dividends: 442,069,740 yen

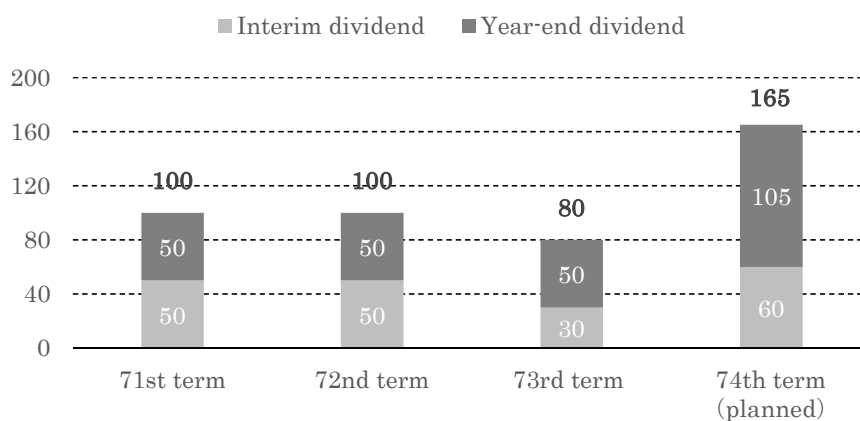
Accordingly, the annual dividend for the fiscal year, including the interim dividend, will be 165 yen per share.

#### (3) Effective date of dividends of surplus June 30, 2022

### Reference

#### Dividend trends

(Yen)



## Proposal No. 2 Partial Amendments to the Articles of Incorporation

### 1. Reasons for Proposal

As the revised stipulations stipulated in the proviso of Article 1 of the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) will be enforced on September 1, 2022 to introduce the system for electronic provision of materials for general meetings of shareholders, the Company proposes the following amendments to the Articles of Incorporation.

- (1) Article 15 (Measures for electronic provision, etc.), Paragraph 1 of the proposed amendments shall be newly established, as the Company will be required to stipulate in its Articles of Incorporation that it will take measures for electronic provision of information that is the content of reference documents for the general meeting of shareholders, etc.
- (2) Article 15 (Measures for electronic provision, etc.), Paragraph 2 of the proposed amendments shall be newly established to allow the Company to limit the scope of matters to be recorded in physical documents that are provided to shareholders who request provision of physical documents, among the matters for which measures for electronic provision of information that is the content of reference documents for the general meeting of shareholders, etc. is taken, to the scope specified by the Ordinance of the Ministry of Justice.
- (3) Once the system for electronic provision of materials for general meetings of shareholders is introduced, the provision of Article 15 of the current Articles of Incorporation (Internet disclosure and deemed provision of reference documents for general meetings of shareholders) will no longer be necessary. Accordingly, these shall be deleted.
- (4) Supplementary provisions regarding the effect of the provisions to be newly established and deleted above shall be established. These supplementary provisions shall be deleted after certain date.

### 2. Contents of the amendments

The contents of the amendments are as follows.

(Underlines indicate amended sections.)


Current Articles of Incorporation	Proposed amendments
<p><u>Article 15 (Internet disclosure and deemed provision of reference documents for general meetings of shareholders)</u></p> <p><u>In the convocation of general meetings of shareholders, the Company may deem that it has provided to shareholders information concerning matters that must be stated or displayed in the reference documents for general meetings of shareholders, business report, non-consolidated financial statements, and consolidated financial statements via internet disclosure in conformity with definitions provided in the Ordinance of the Ministry of Justice.</u></p> <p>(Newly established)</p>	<p>(Deleted)</p> <p><u>Article 15 (Measures for electronic provision, etc.)</u></p> <p><u>1. In the convocation of general meetings of shareholders, the Company shall take measures for electronic provision of information that is the content of reference documents for the general meeting of shareholders, etc.</u></p> <p><u>2. Of the matters to which measures for electronic provision measures apply, the Company shall not be required to state all or part of matters stipulated in the Ordinance of the Ministry of Justice in the physical documents provided to shareholders who made requests for provision of physical documents by the record date for voting rights.</u></p>

Current Articles of Incorporation	Proposed amendments
(Newly established)	<p data-bbox="805 241 1077 271"><u>(Supplementary provisions)</u></p> <p data-bbox="805 275 1385 367"><u>Article 2 (Transitional measures on electronic provision of materials for general meetings of shareholders)</u></p> <ol style="list-style-type: none"> <li data-bbox="821 371 1385 591">1. <u>The deletion of Article 15 (Internet disclosure and deemed provision of reference documents for general meetings of shareholders) of the Articles of Incorporation and new establishment of Article 15 (Measures for electronic provision, etc.) of the Articles of Incorporation shall take effect from September 1, 2022.</u></li> <li data-bbox="821 595 1394 786">2. <u>Notwithstanding the provisions of the previous paragraph, Article 15 (Internet disclosure and deemed provision of reference documents for general meetings of shareholders) shall remain valid for general meetings of shareholders held on a day that is within six months from September 1, 2022.</u></li> <li data-bbox="821 790 1385 947">3. <u>This Article shall be deleted on the day after which six months have elapsed from September 1, 2022 or the day after which three months have elapsed since the day of the general meeting of shareholders in the previous paragraph, whichever is later.</u></li> </ol>


### Proposal No. 3 Election of Two Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

The terms of office of two Directors, excluding Directors who are Audit and Supervisory Committee Members, will expire at the conclusion of this meeting. Therefore, the Company proposes the election of two Directors, excluding Directors who are Audit and Supervisory Committee Members.

Candidates for the role of Director (excluding Director who is an Audit and Supervisory Committee Member) are as follows:

 <p>Number of the Company's shares owned: 133,464 shares</p> <p>Tenure: 30 years</p> <p>Attendance at Board of Directors meetings: 18/18</p>	Candidate No. 1	<b>Ichiro Sakai</b>	Date of birth December 4, 1961	Reelection
	<p><b>Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)</b></p> <p>July 1990      Joined the Company</p> <p>June 1991      Director and Deputy General Manager of Corporate Planning Office</p> <p>July 1993      Managing Director and General Manager of Business Promotion Office</p> <p><b>Mar. 1995      President and Representing Director (current position)</b></p> <p>Apr. 1995      Director and Chairman of SAKAI AMERICA, INC.</p> <p>Jan. 2000      Director and Chairman of SAKAI AMERICA MANUFACTURING, INC.</p> <p>Dec. 2008      Director and Chairman of SAKAI AMERICA, INC.</p> <p><b>June 2019      Outside Director of PRONEXUS INC. (current position)</b></p> <p><b>Reasons for nomination as candidate for Director</b></p> <p>Ichiro Sakai assumed the office as Director in June 1991, and has served as President and Representing Director of the Company since March 1995, and has abundant experience and advanced knowledge as a manager. The Company has nominated him as a candidate for Director because he is considered to be suitable for the medium-term development of the Group and the strengthening of corporate governance.</p>			



 <p>Number of the Company's shares owned: 13,100 shares</p> <p>Tenure: - years</p> <p>Attendance at Board of Directors meetings: -/-</p>	Candidate No. 2	<b>Kenichi Mizuuchi</b>	Date of birth February 23, 1955	New election
	<p><b>Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)</b></p> <p>Aug. 1982      Joined the Company</p> <p>Apr. 1995      Head of Shikoku Sales Office, Domestic Sales Department, Sales Division</p> <p>Apr. 2006      General Manager of Extensive Sales Department, Domestic Business Division</p> <p>Apr. 2014      General Manager of Domestic Business Division and General Manager of Domestic Sales Department</p> <p>June 2014      Director, General Manager of Domestic Business Division, General Manager of Domestic Sales Department</p> <p>June 2016      Director, General Manager of Domestic Business Division and General Manager of Domestic Sales Department</p> <p>July 2017      Managing Director, General Manager of Domestic Business Division and General Manager of Domestic Sales Department</p> <p>June 2019      Managing Executive Officer, General Manager of Domestic Business Division and General Manager of Domestic Sales Department</p> <p>Apr. 2020      Senior Managing Executive Officer, General Manager of Domestic Business Division and General Manager of Domestic Sales Department</p> <p><b>Apr. 2022      Senior Managing Executive Officer and General Manager of Domestic Business Division (current position)</b></p> <p><b>Reasons for nomination as candidate for Director</b></p> <p>Kenichi Mizuuchi assumed the Office as Director in June 2014, and has been engaged in the sales activities of the Company's products in the domestic market as General Manager of Domestic Business Division. The Company has nominated him as a candidate for Director because he has abundant sales and marketing experience in road machinery and is considered to be suitable for developing the Company's global niche strategy.</p>			


- Notes: 1. There is no special interest between each of the candidates and the Company.
2. 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 of Japan, and the policy covers damages and litigation expenses incurred by the insured, including the Company's Directors. (However, there are certain exemptions, such as damages not being covered for acts committed by the insured with the knowledge that they were in violation of laws and regulations). In the event that each candidate is elected and assumes the office as a Director, they will be the insured under the policy. In addition, the Company plans to renew the policy with the same terms at the next renewal.

## Proposal No. 4 Election of One Director Who Is Audit and Supervisory Committee Member

To strengthen the audit system, the Company proposes to increase the number of Director who is an Audit and Supervisory Committee Member by one, and proposes to elect one Director who is an Audit and Supervisory Committee Member.

In addition, the consent of the Audit and Supervisory Committee has been obtained for this proposal.

Candidate for the role of Director who is an Audit and Supervisory Committee Member is as follows:

	<b>Kaori Sato</b>		Date of birth November 19, 1971	New election
	<b>Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)</b>			
	Jan. 1993      Joined SATO Co., Ltd. Jan. 2007      Senior Managing Director of SATO Co., Ltd. <b>Nov. 2012      Representative Director of SATO Co., Ltd. (current position)</b>			
Number of the Company's shares owned:      - shares Tenure:      - years Attendance at Board of Directors meetings:      -/- Attendance at Audit and Supervisory Committee meetings:      -/-	<b>Reasons for nomination as candidate for outside Director and outline of expected roles</b> Kaori Sato is a female manager who has served as Representative Director of SATO Co., Ltd. since November 2012 and has extensive experience in management of construction equipment rental and overseas business. She also has extensive insight on the Company's road machinery business, and the Company believes she is suitable to serve as an outside Director Who is an Audit and Supervisory Committee Member.			

- Notes:
1. There is no special interest between the candidate and the Company.
  2. Kaori Sato is a candidate for outside Director of the Company.
  3. Pursuant to Article 427, paragraph (1) of the Companies Act of Japan, if the election of Kaori Sato is approved, the Company will enter into an agreement with her to limit her liability for damages under Article 423, paragraph (1) of the same Act. The maximum amount of liability for damages based on such agreement shall be the minimum liability amount stipulated in Article 425, paragraph (1) of the same Act.
  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 of Japan, and the policy covers damages and litigation expenses incurred by the insured, including the Company's Directors. (However, there are certain exemptions, such as damages not being covered for acts committed by the insured with the knowledge that they were in violation of laws and regulations). In the event that the candidate assumes the office as a Director, she will be the insured under the policy.
  5. The transactions between SATO Co., Ltd., for which Kaori Sato currently serves as Representative Director, and the Company are minimal, accounting for less than 0.1% of the Company's consolidated net sales for the fiscal year under review. Therefore, there is no business relationship that should be noted as having an impact on the performance of her duties as an outside Director.

## **Proposal No. 5 Renewal of policy regarding large-quantity purchases of the Company's shares (anti-takeover measures)**

After the conclusion of the first Board of Directors Meeting to take place after this General Meeting, the term for the policy regarding large-quantity purchases of the Company's shares will expire. Therefore, in order to ensure and improve the Company's corporate value and the common interest of shareholders, we propose to the shareholders renewal of anti-takeover measures for three years. The details of the contents of the proposal are as follows.

### **(About views regarding the Company's anti-takeover measures)**

The Company has a history of over 100 years as a specialized manufacturer of road construction machinery, a niche field even within the construction machinery industry. The Company intends to grow further through the global market by specializing and continuing to improve in this road construction machinery business.

The business is an accumulation of know-how supported by extensive experience in the manufacture and sales of road construction machinery, starting with rollers. Although the construction machinery business is the type of business that rides on boom and bust cycles due to fluctuation in public investment, a highly specialized global niche business such as the Company's has the opposite of short-sighted management positions, which largely change technological development investments and development plans due to short-term achievements.

Furthermore, from a legal aspect, under current Japanese laws, even in the event of a large-quantity purchase of shares that violates the Company's corporate value and the common interest of shareholders, the fact is there is danger of not having enough time to consider the contents and obtain reasonable time and information in order to suggest an alternative.

The Company, taking into consideration the aforementioned points, has passed a resolution at the Board of Directors Meeting aimed at continuing the anti-takeover measures for another three years, as described below. By presenting the proposal at the Company's 74th Annual General Meeting of Shareholders planned to be held on June 29, 2022, the plan is to receive approval from the shareholders.

Needless to say, the Company plans to strengthen the corporate governance system and plans to strengthen highly objective supervisory functions by reorganizing the Board of Directors, and would like your understanding regarding the renewal of these anti-takeover measures.

(Please see "Changes to the fundamental concept regarding corporate governance and the introduction of the Executive Officer System" published on April 17, 2019)

### **(About renewal of anti-takeover measures)**

The Company, at the Board of Directors Meeting held on May 15, 2013, together with determining basic policy regarding persons who control the Company's decisions on financial matters and business policies, (Prescribed in Article 118, Item 3 of the Regulations for Enforcement of the Companies Act; the "Basic Policy") as framework to prevent decisions on the Company's financial matters and business policies to be controlled by persons not appropriate according to the Basic Policy (Article 118, Item 3, b (2) of the Regulations for Enforcement of the Companies Act), measures (the "Plan") regarding acts of acquisition (Prescribed in (Note 1) below; the "Special Acquisitions Act.") of 20% or more of the Company's shares were decided to be introduced. At the Company's 65th Annual General Meeting of Shareholders held on June 27, 2013, the shareholders approved to continue.

Furthermore, as of June 26, 2015, the Company has transitioned to a company with an Audit and Supervisory Committee, and necessary changes to the Plan have been made (Please see the notice related to the partial revision of the policy regarding large-quantity purchases of the Company's shares (anti-takeover measures), dated June 26, 2015).

Recently, the Plan's term of validity was until the end of the Board of Directors Meeting to be held upon the end of the 74th Annual General Meeting of Shareholders (the "Annual General Meeting of Shareholders") planned to be held on June 29, 2022. It was decided at the Board of Directors Meeting held on May 20, 2022, with approval at the Annual General Meeting of Shareholders as a requirement, to renew the Plan. From this,

the Plan, in the event of obtaining approval from the shareholders at the Annual General Meeting of Shareholders, will come into effect on the same day after resolution at the Board of Directors Meeting to be held upon the end of the Annual General Meeting of Shareholders.

Regarding renewal of the Plan, as for the aforementioned Board of Directors Meeting, approval with the support of all Directors including two outside Directors who are Audit and Supervisory Committee Members have been obtained, as well as approval from the Audit and Supervisory Committee. Furthermore, regarding the contents, there are no substantial changes to the contents disclosed on June 26, 2015.

Furthermore, as of today at this time, there are no concrete proposals of large-quantity purchases of the Company's shares.

(Note 1) "Special acquisitions act" is an act applicable to either of the following 1) or 2).

- 1) The Board of Directors will determine purchases or acts corresponding to purchases of the Company's share certificates, etc. (Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act), with an ownership ratio of share certificates, etc. (Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act), of 20% or more.\*
  - \* The contents of the resolution, "The Board of Directors will determine purchases or acts corresponding to purchases of the Company's share certificates, etc., with an ownership ratio of share certificates, etc., of 20% or more" made today by the Board of Directors is as follows.

Acts applicable to one of the following (a) through (d). Furthermore, regardless of the following (a) through (d), share certificates, etc. (Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act. Unless otherwise specified, the below is the same.), which the Company issues, or sales of share certificates, etc. (including mergers, share exchange, share transfer, and company splits by the Company), which are held by the Company, are not included in the Company's acquisition of share certificates, etc.

    - (a) Act pursuant to Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act, "purchases, etc.," (Acts pursuant to enforcement orders of Article 6, Paragraph 3 of the Financial Instruments and Exchange Act that transfers by purchases or other compensation and similar acts of share certificates, etc. (Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act).) that allows a person's ownership ratio of share certificates, etc., to be 20% or more of the Company's share certificates, etc.
    - (b) Act with the condition other than the above (a) pursuant to Article 27-23, Paragraph 1 and Paragraph 3 of the Financial Instruments and Exchange Act where a "holder's" ownership ratio of share certificates, etc., becomes 20% or more of the Company's share certificates, etc.
    - (c) Act whereby the ownership ratio of share certificates, etc., of a joint holder of a holder of the Company's share certificates, etc. (Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Act), becomes 20% or more of the Company's share certificates, etc.
    - (d) Act whereby the ownership ratio of share certificates, etc., of the Company's share certificates, etc., becomes 20% or more by having a relationship with a holder of the Company's share certificates, etc., pursuant to Article 27-23, Paragraph 6 of the Financial Instruments and Exchange Act.
- 2) Act starting tender offer ("ownership ratio of share certificates, etc., after purchasing" is decided based on what is listed in the tender offer registration form for the tender offer, and the business day after the day of tender offer notice is given is when the "special acquisitions act" occurs.) whereby the ownership ratio of share certificates, etc. (Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act; provided, however, that it is the total ownership ratio of share certificates, etc. of the tender offeror (Article 27-3, Paragraph 2 of the Financial Instruments and Exchange Act) and its specially related parties (Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act)), after purchasing becomes 20% or more of the Company's share certificates, etc. (Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act)

## **I. Basic policy regarding persons who control decisions on the Company's financial and business policies**

The Company's view is the persons who control decisions on the Company's financial and business policies need to sufficiently understand the Company's corporate values and management philosophy, source of corporate value of the Company, and relationship of trust with the Company's stakeholders, such as customer corporations, to ensure and improve the Company's corporate value and the common interest of shareholders.

On the other hand, the Company, as a party whose shares are listed on a financial instruments exchange, respects the free trading of shares of the Company in the market and does not unconditionally deny a large-scale purchase of shares of the Company by a particular party involved with transferring the

company's right to control as long as it contributes to ensuring and improving the Company's corporate value and the common interest of shareholders. Furthermore, in regard to whether to accept a proposal concerning a large-scale purchase, etc., of the Company's shares, we believe the decision should ultimately be entrusted to the shareholders.

However, within proposals concerning a large-scale purchase, etc., of the Company's shares, there are those that do not sufficiently reflect the Company's corporate value, those where the purpose obviously violates corporate value and the common interest of shareholders, those where the sale of shares is effectively coerced from shareholders, and those where the Company shareholders and Board of Directors consider the contents of a purchase or acquisition proposal but are not given the reasonably necessary time or information for the Company's Board of Directors to suggest an alternative.

The Company, in addition to the aforementioned examples, views persons who violate corporate value and the common interest of shareholders by large-scale purchase, etc., of the Company's shares unsuitable as persons who control the Company's financial and business policies. In regard to these persons who purchase the Company's shares, necessary and appropriate countermeasures will be adopted, and along with ensuring information and time for the shareholders to consider whether to accept a large-scale purchase, we feel the need to protect the Company's corporate value and the common interest of shareholders.

## **II. Initiatives contributing to the implementation of the basic policy**

### **1. About the management philosophy as well as the basic management policy**

The Company, through the road construction machinery business, contributes to social work via national land development as the basic policy of management. The Company feels its existence and duty are to provide manufactured goods and services that users everywhere can trust, to attempt to constantly deepen skills as a road construction machinery specialist, to create beneficial skills to develop the road business, and to make use of expertise cultivated by road construction machinery for businesses in nearby fields.

Based on this basic policy, with capital provided by shareholder investment as well as company management that brings forth the maximum ability of employees, we do our best to meet the expectations of shareholders with achievement.

### **2. Initiatives to improve corporate value**

Recently, there has been a sudden change in the Japanese construction machinery industry due to a reduction in domestic construction investment and intensification of global competition, and at the present time, it is entering a significant turning point. As for the Company, our policy is to proceed with strengthening reform of business structure by specializing further in our strength, the road construction machinery business, and moving toward internationalization of the company. To this end, we aim for the position as the leading manufacturer in the international market by (1) stabilizing domestic businesses, (2) expanding overseas businesses, (3) deciding on new product development with merit as a medium-term management subject, and improving international competitiveness and establishing a stable earnings structure for domestic and international businesses.

### **3. About corporate governance**

The Company has chosen to adopt the "Company with an Audit and Supervisory Committee System" as its corporate governance structure, and to strengthen the supervisory function, the composition of the Board of Directors shall be such that more than one-third of all Directors are independent outside Directors.

As for the operation of the Board of Directors, in order to ensure the separation of the supervisory and business execution functions of the Board of Directors and to secure cooperation between Directors and Executive Officers, the Board of Directors is divided into the Monitoring Board (all Directors), which focuses on the supervisory function, and the Management Board (all Directors and all Executive Officers), which focuses on the business execution function.

The Board of Directors, as a monitoring board, shall in principle meet once a quarter of the fiscal year, and shall have the basic roles of dismissing Representative Directors and supervising the execution of Directors' duties, as well as supervising management from an objective, medium- to long-term perspective and deliberating on important matters concerning the direction of management, including nominations and compensation, with a focus on the auditing functions of management.

The Board of Directors, as a management board, shall consist of Directors plus all Executive Officers and in principle meets once a month, and shall have the basic roles of making decisions on basic management policies and the development of systems, as well as reporting and deliberating on important matters concerning the execution of business operations.

Each Audit and Supervisory Committee Member participates in the deliberations of the Board of Directors as a Director and, as an Audit and Supervisory Committee Member, shall have the basic role of auditing the execution of duties by Directors, preparing audit reports, deciding proposals for the selection and dismissal of accounting auditors, decision-making regarding selection and dismissal of Directors and Director compensation, as well as auditing appropriateness and legality of the execution of Directors' duties.

The accounting auditor, PricewaterhouseCoopers Arata LLC, audits the non-consolidated financial statements and their supplementary schedules, the extraordinary financial statements, and the consolidated financial statements, and prepares the accounting audit report, and audits the internal control and prepares the internal control audit report.

Under this corporate governance system, we ensure the effectiveness of corporate governance through highly effective supervision of Directors and fair and prompt decision-making in the execution of business.

### **III. Purpose, outline, and contents of the renewal of the Plan**

#### **1. Purpose of the renewal of the Plan**

The Company, in regard to a special acquisitions act which violates the Company's corporate value and the common interest of shareholders, recognizes the necessity to ensure the Company's corporate value and the common interest of shareholders by taking appropriate countermeasures quickly and precisely. Recognizing this, the Company, in the event of a special acquisitions act, has decided to renew the Plan so the shareholders can decide whether the purchase violates the Company's corporate value and the common interest of shareholders, and to make it possible for the Board of Directors, on behalf of the shareholders, to negotiate with the large-scale purchaser to create a framework to ensure time to provide necessary information related to the special acquisitions act along with valuating, considering, negotiating, forming an opinion, and devising an alternative to the contents in advance.

#### **2. Outline of the Plan**

##### **(1) Procedures, etc., for the renewal of the Plan**

In order to get the chance to appropriately apply the shareholders' wishes in regard to the Plan, the shareholders will be consulted at this Annual General Meeting of Shareholders in regard to the Plan. Specifically, the shareholders will be consulted as we would like approval to add a fixed ancillary condition that corresponds with recognizing the point of view of ensuring and improving the Company's corporate value and the common interest of shareholders regarding the allotment of share acquisition rights without contribution (hereinafter "share acquisition rights") with exercise limitations for specified acquirers (Note 2).

Today, the Board of Directors has made resolutions of matters concerned with the Plan's concrete contents, including the contents (For details, please reference Appendix 1) of allotment of share acquisition rights without contribution. The Plan is dated to come into effect today, and regarding the Plan as of this Annual General Meeting of Shareholders, obtaining the approval (this approval is hereinafter "General Meeting approval") of the majority of attending shareholders with voting rights (However, this includes attendance by voting form. The same for the following.) is a

condition to make it come into effect on the same day as the Board of Directors Meeting to be held upon the end of this Annual General Meeting of Shareholders, and will be valid until the end of the Board of Directors Meeting to be held upon the end of the Annual General Meeting of Shareholders to be held in 2025. However, allotment of share acquisition rights without contribution will be conducted when specified acquirers (Note 2) make an appearance, and at the point in time of General Meeting approval, share acquisition rights will not actually be issued. Regarding allotment of share acquisition rights without contribution, on whether to disclose the contents in advance from the point of view of predictability, which we feel could contribute to the profits of shareholders and investors, the contents regarding allotment of share acquisition rights without contribution will be disclosed within the scope of feasibility by resolutions beforehand.

(Note 2) “Specified acquirers” are (1) specified acquirers along with (2) (regarding specified acquirers who perform a special acquisitions act as set in the above (Note 1) 1)) joint holders (Article 27-23, Paragraph 5, Paragraph 6 of the Financial Instruments and Exchange Act), (3) (regarding specified acquirers who do perform a special acquisitions act as set in the above (Note 1) 2)) specially related parties, and (4) persons\* determined to be substantially the same by the Board of Directors.

\* Today, the Board of Directors has passed a resolution on the following contents of “(4) persons determined to be substantially the same by the Board of Directors.”

Persons who are reasonably recognized by the Board of Directors as applicable to one of the following.

(a) Persons who, without approval from the Company, received share acquisition rights or inherited them from persons applicable to the above (1) through (3).

(b) “Related persons” of persons applicable to the above (1) through (3) or the above (a). “Related persons” are persons who substantively control or are controlled by or are under the common control with the other persons, or act in cooperation with the other persons. As for decisions on “related persons” concerned with associations or other funds, substantial identity of fund managers and other various reasons will be taken into consideration. Furthermore, concerning nominal stock lending or borrowing of the Company’s share certificates, etc., or transfer or other special agreements corresponding to the future issues of the Company’s stock certificates, etc., by exercising or obtaining stock acquisition rights, regarding persons who perform special acquisitions acts prescribed in the above (Note 1) 1) within the above (1) or persons who collaborate with persons applicable to the above (2), the Board of Directors is able to consider persons who perform special acquisitions acts prescribed in the above (Note 1) 1) within said (1) or persons applicable to the above (2) as “related persons.”

“Related persons” are persons who perform special acquisitions acts and persons who have not obtained a confirmation resolution mentioned in (2) below by the time ((Note 1) 1) or 2) above, whichever comes first.) of performing special acquisitions acts.

However, the following persons are not applicable to “specified acquirers.”

(a) The Company, subsidiaries of the Company, the Company’s employee shareholding association, or persons determined to be substantially the same by the Board of Directors\*.

(b) Persons whose ownership ratio of share certificates, etc. is 20% or more (excluding when the ownership ratio of share certificates, etc., of the persons increases by 1% or more after acts other than said acts) resulting only from the Company canceling or acquiring its own shares, or another act that the Board of Directors decides\*.

\* The Board of Directors, respectively decided “(a) The Board of Directors decides as substantially the same persons” as “persons who hold the Company’s shares for the Company’s employee shareholding association” and “(b) acts the Board of Directors decide” as “acts that decrease the total number of shares issued by the Company or total number of voting rights or acts that coerce acquisition of share acquisition rights allotment and exercise.”

## (2) Regarding the appearance of an acquisition proponent

The Plan, regarding impacts, etc., caused by special acquisitions acts on the Company’s corporate value and the common interest of shareholders, aims to ensure and improve corporate value and the common interest of shareholders by ensuring necessary and sufficient disclosure of information and suitable time, etc., to consider and consult in advance.

The Board of Directors, related to persons who plan special acquisitions acts (Including group companies or other related persons.), items related to proposals related to special acquisitions acts, the purpose of acquisition, management policies and business plan of the Company after an

acquisition, the basis of calculating compensation and the details thereof, guarantee of acquisition capital, impacts on the Company's stakeholders, and other information related to items listed below in 1) through 7) will list the necessary information reasonably required by the Company. Said proposal (Hereinafter "acquisition proposal" and persons proposing acquisition, "acquisition proponent.") with the necessary information listed is required to be submitted to the Company as documents in advance to request confirmation resolution, and before execution, the persons planning special acquisitions acts must request confirmation resolution by submitting the acquisition proposal. Furthermore, the language used for provision of necessary information and other notifications and communication to the Company is limited to Japanese.

"Confirmation resolutions" are resolutions by the Board of Directors that do not allocate share acquisition rights without compensation after receiving recommendation resolutions mentioned below from the Independent Committee. The Board of Directors, in the event of recommendation resolutions from the Independent Committee, will perform confirmation resolutions using these decisions with maximum respect to the recommendation resolutions, and in the event of recommendation resolutions, they will be disclosed. The Board of Directors, in regard to the acquisition proposal receiving confirmation resolutions, cannot allot share acquisition rights without compensation.

The consideration and deliberation period of the Board of Directors will be within sixty days (in the event of an acquisition proposal other than one with a set upper limit of the number of share acquisitions with compensation only as cash in yen, ninety days) of the day of receipt of the acquisition proposal. Limited to a case of reasonable grounds, it is possible to extend the consideration and deliberation period by a maximum of thirty days, and in this case, said grounds and planned extension period will be disclosed.

The Plan strives for suitable application and in order to prevent arbitrary decisions by the Board of Directors and guarantee security and rationality of the objectivity of decisions, the Board of Directors will promptly bring up the matter of the received acquisition proposal with the Independent Committee, and will disclose this in accordance with the required laws and regulations. The Independent Committee will consider the acquisition proposal, and in regard to said acquisition proposal, will deliberate on whether to recommend resolutions on whether the Board of Directors should go ahead with a confirmation resolution (hereinafter, "recommendation resolutions").

The Independent Committee will consider an acquisition proposal brought up by the Board of Directors, and from the point of view of whether corporate value and the common interest of shareholders are ensured and improved, other than deliberating on whether to pass the recommendation resolutions, deliberation on other items brought up by the Board of Directors will take place, and resolutions will take place in accordance with the majority of all members. The Independent Committee consists of three or more members, and the members of the Independent Committee are independent from the senior executives in charge of business execution of the Company and are elected from among outside Directors (including substitutes) and outside experts (lawyers, certified public accountants, university professors, etc.) by the Board of Directors. Furthermore, with the condition that the Plan will be approved at the Company's Annual General Meeting of Shareholders, elected as Independent Committee Members for the next term are Ryuichi Tokunaga and Makoto Kikkawa, outside Directors of the Company, and Yasushi Toyama, outside expert and lawyer. (Please reference Appendix 2 in regard to each person's career summary.). Furthermore, the Independent Committee, in the event it is decided as necessary, after obtaining the consent of the Board of Directors, can request the opinions of independent financial advisors, certified public accountants, lawyers, and other specialists with the burden of expense borne by the Company.

Consideration and deliberation concerning confirmation resolutions by the Board of Directors and recommendation resolutions by the Independent Committee are to be performed sincerely from the point of view (including the points of view of 1) through 7) below) of whether corporate value and the common interest of shareholders are ensured and improved by said acquisition proposal. Furthermore, regarding an acquisition proposal recognized as satisfying all items listed in 1) through 7) below, the Board of Directors must perform confirmation resolutions. In addition, the



Independent Committee can recommend not performing a confirmation resolution to the Board of Directors.

- 1) Not applicable in any way to any of the below
    - (a) Acts buying up shares and demanding a high-priced buyback of said shares to the Company or persons concerned.
    - (b) Acts that temporarily control the Company and transfer, etc., the Company's important assets, etc., or management that realizes profits to the acquisition proponent or group companies or other related persons by sacrificing the Company.
    - (c) Acts that misappropriate the Company's assets as collateral or reimbursement capital for the acquisition proponent's or group companies' or other related persons' liabilities.
    - (d) Acts that sacrifice the Company's continuous growth to temporarily obtain a high profit or other return by temporarily controlling the Company's management to decrease assets and funds necessary for future business development, product development, etc., and using this disposable profit to provide a temporary high dividend or aim for a sudden rise in share price in order to sell at a high price, etc.
    - (e) In addition, acts which improve the state of profitability of the acquisition proponent or group companies or other related persons by unreasonably harming profits of persons concerned to the Company, including the Company's shareholders, business partners, customers, and employees.
  - 2) The structure and contents, etc., of transactions related to said acquisition proposal abide by the relevant laws and regulations and rules, etc.
  - 3) The structure and contents of transactions related to said acquisition proposal are not coercive two-tier acquisitions (the method of carrying out an acquisition in two steps where the sale of all shares, etc., of the Company in the first stage are not solicited while specifying unfavorable terms and conditions for the purchase in the second stage or not clarifying the terms and conditions for purchase in the second stage) or other acquisitions that coerce the Company's shareholders as a matter of fact.
  - 4) Requests, etc., by the Company for information necessary and without misinformation in order to consider said acquisition proposal are provided timely and other procedures conforming to the Plan are sincerely handled.
  - 5) Time (within sixty days of the day of receipt of the acquisition proposal (In the event of an acquisition proposal other than one with a set upper limit of the number of share acquisitions with compensation only as cash in yen, ninety days. However, in case of reasonable grounds of the number of days which exceed this, said number of days.)) in order for the Company to consider (Including considering an alternative and suggesting to the Company's shareholders) said acquisition proposal is ensured.
  - 6) Not an acquisition proposal that is recognized as having the conditions of insufficient or unsuitable in reference to the Company's intrinsic value.
  - 7) In addition, reasonably recognized as ensuring and improving corporate value and the common interest of shareholders.
- (3) Regarding the appearance of a special acquisition proponent
- In the event (the presence or absence of the appearance is decided based on the statement of large-volume holdings submitted to the Company, tender offer notification, and other suitable methods) an acquisition proponent appears, namely the event where a special acquisitions act is performed without obtaining a confirmation resolution, the Board of Directors, other than disclosing that a special acquisitions person has appeared, will perform resolutions that decide allotment without contribution record date, allotment without contribution effective date, and other necessary items related to allotment of share acquisition rights without contribution, and after officially

announcing the decided items, will execute allotment of share acquisition rights without contribution. However, only in the case where one of the reasons in the following (a) through (c) occurs no later than the day\* decided by the Board of Directors and before the day of the allotment without compensation record date, a resolution which makes the resolution of allotment of share acquisition rights without compensation not effective by said day can be passed.

- (a) In the event the ownership ratio of share certificates, etc. of the specified acquirers falls below 20%, and a statement of large-volume holdings is submitted by the specified acquirers.
- (b) In the event a tender offer applicable to a special acquisitions act starts, and in the event said tender offer ends or is revoked, and as a result a holder of the Company's share certificates, etc., with an ownership ratio of share certificates, etc., of 20% or more does not appear.
- (c) In the event the Board of Directors reasonably recognizes threats due to said special acquisitions acts are no longer, other than the above (a)(b).

\* Today, the Board of Directors has decided on "day four working days before the allotment without compensation record date" as the "day the Board of Directors decide is the day before the allotment without compensation record date."

(4) General Meeting approvals and the Plan's term of validity, etc.

General Meeting approvals and the Plan's term of validity are until the end of the Board of Directors Meeting to be held upon the end of the Annual General Meeting of Shareholders to be held in 2025. However, even before the Plan's term of validity expires, the Board of Directors, through resolutions by the Board of Directors, can discontinue the Plan. In addition, in the event specified acquirers appear at the end of the General Meeting approvals and the Plan's term of validity, validity will continue as a measure against said specified acquirers.

Furthermore, confirmation and authorization, etc., of "ownership ratio of share certificates, etc.," "holder," "joint holder," "ownership ratio of share certificates, etc.," "specially related parties," "specified acquirers, etc.," "related persons," "persons substantially the same," and other necessary matters to apply the Plan will be performed by depending on the information reasonably obtained by the Company at the time when said confirmation and authorization, etc., are necessary.

Regarding the Plan, regarding terminology defined by depending on provisions of the Financial Instruments and Exchange Act (including revisions after Law 25, April 13, 1948), in the event of revisions to the Act, terminology will be revised to provisions corresponding to the Act after revisions.

The Board of Directors, even during the term of validity of the Plan, according to the establishment or revision to laws and regulations, precedents, regulations, etc., of the financial instruments exchange related to the Plan, including the Financial Instruments and Exchange Act, in the event revision to the terminology, etc., used in the Plan is necessary, and in the event revisions to the wording concerned with substitutions of the Members of the Independent Committee, changes, etc., to the business organization, or revisions to wording due to misspelling, omitted characters, etc., are suitable, there are cases where revisions or changes to the Plan are made after obtaining approval of the Independent Committee within the necessary scope of General Meeting approvals.

The Board of Directors, in the event of discontinuing, revising, or changing the Plan, will promptly disclose information regarding facts of said discontinuation, revision, or change, along with (in the event of revision or change) the contents and other items deemed suitable by the Board of Directors and the Independent Committee.

(5) Device to enhance the Plan's reasonableness (special measures, etc., to apply wishes of the shareholders).

Although the Plan was introduced with the aim of ensuring and improving corporate value and the common interest of shareholders, applied are special devices such as those below to enhance reasonableness.

(a) Confirmation of shareholder wishes regarding renewal of the Plan

To gain the chance to suitably apply the wishes of shareholders, the Company plans to consult with the shareholders regarding renewals to the Plan at the Annual General Meeting of Shareholders. In the event of renewing the Plan, complying with the contents of General Meeting approvals, the Board of Directors will decide on items related to allotment of share acquisition rights without compensation and necessary items and measures to smoothly execute the Plan.

The Plan will be invalidated in the event that approval by the majority of attending shareholders with voting rights regarding the Plan at the Annual General Meeting of Shareholders is not obtained.

(b) Application of shareholder wishes regarding the Plan

The Plan can be discontinued by resolutions by the Board of Directors of the Company, consisting of Directors elected at the General Meeting of Shareholders of the Company, and is not a dead-hand type of acquisition defense plan. In addition, the term of office of Directors who are not Audit and Supervisory Committee Members of the Company is one year, and even before the Plan's term of validity expires, it is possible for the shareholders to indicate their wishes through the election of Directors, and is also not the so-called slow-hand type of acquisition defense plan. Accordingly, the Plan's discontinuance and changes are structured so shareholder wishes are sufficiently applied.

(c) Recommendations by the Independent Committee

In order to secure the neutrality of decisions regarding the Plan, the Independent Committee, consisting of outside Directors (including substitutes) and outside experts (lawyers, certified public accountants, university professors, etc.) independent from the senior executives in charge of business execution of the Company, consider contents of an acquisition proposal and from the point of view of whether they ensure and improve corporate value and the common interest of shareholders, sincerely deliberate on whether to recommend resolutions on whether to confirm resolutions regarding the acquisition proposal.

And so, in the event of recommendation resolutions to confirm resolutions by the Independent Committee to the Board of Directors, the Board of Directors shall have maximum respect for said recommendation resolutions by the Independent Committee.

(d) Structure to enhance objectivity

The Board of Directors, regarding an acquisition proposal recognized as having satisfied every item listed in the above 2. (2) 1) through 7), must confirm resolutions, and so a structure to enhance objectivity is adopted.

(e) Establishment, etc., of the term of validity of General Meeting approvals

General Meeting approvals and the Plan's term of validity are set at three years from the General Meeting of Shareholders. However, even before the Plan's term of validity expires, the Board of Directors, through resolutions by the Board of Directors, can discontinue the Plan. At the point in time when three years have elapsed, the Board of Directors, including reconsideration, etc., of ancillary conditions, will confirm shareholder wishes once again, and plan to have the shareholders decide.

(f) The plan satisfies all requirements of legality and reasonableness of government guidelines.

The Plan satisfies all the requirements of legality (requirements that should, in order to not receive a prohibition of issuance of share acquisition rights, satisfy) required by the "Guideline related to acquisition defense plans to ensure and improve corporate value and the common interest of shareholders" prescribed by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005, and the requirements of reasonableness (requirements to gain the understanding of persons concerned, such as shareholders and investors). In addition, we are in agreement with the proposal contents of the report dated June 30, 2008 by the Corporate Value Research Society of the Ministry of Economy, Trade and Industry,

“Current state of acquisition defense plans based on changes to recent changes in the environment.”

#### **IV. Impacts, etc., on shareholders and investors**

##### **1. Impacts on shareholders and investors**

The Plan, as mentioned in the above III 1., aims to ensure and improve the Company's corporate value and the common interest of shareholders, and we feel it contributes to the profits of shareholders and investors. Also, share acquisition rights will not be issued at the time of the Plan's introduction, and there will be no impact on the rights of shareholders and investors.

Supposing a specified acquirers does appear in the future, namely in the event of special acquisitions acts that have not obtained confirmation resolutions, share acquisition rights without compensation as in the above III 2. (3) will be allotted, and because each shareholder will automatically be allotted share acquisition rights, there will be no persons with loss of rights due to not applying for an allotment of share acquisition rights. In addition, it is possible for the Company to coerce the acquisition of share acquisition rights simultaneously and issue the Company's shares for share acquisition rights that satisfy exercise conditions. Furthermore, interruption of allotment without compensation or obtaining without compensation allotted share acquisition rights mentioned in the above III 2. (3) after three working days before the allotment without compensation record date is not planned.

##### **2. Necessary procedures for shareholders and investors**

At the time of renewing the Plan, there are no necessary procedures, etc. for shareholders and investors.

Supposing a special acquisitions person does appear, as mentioned in the above IV 1., the Board of Directors will make a resolution and officially announce words to that effect, the allotment of share acquisition rights without compensation record date, etc. Because share acquisition rights without compensation will be automatically allotted to each shareholder at the time of the allotment of share acquisition rights without compensation record date, in accordance with the contents of guidance officially announced as by the above by the Company, we ask that the designated procedures are performed.

In the event of allotment of share acquisition rights without compensation, the shareholders, together with submitting the share acquisition rights request form designated by the Company and other documents decided by the Company, by paying 1 yen per share of obtained shares, can exercise share acquisition rights. However, as mentioned in the above IV 1., in the event of coerced acquisition of share acquisition rights, because the Company's shares will be automatically issued for share acquisition rights which satisfy exercise conditions, exercise procedures for share acquisition rights by the shareholders is not necessary. Furthermore, it is planned to decide on reasonable procedures to confirm that specified acquirers, etc., are not applicable.

#### **V. Other**

Limited to the case where approval of the shareholders is obtained regarding the Plan at the General Meeting of Shareholders, regarding renewal of the Plan by resolutions at the Board of Directors Meeting to be held at the end of the General Meeting of Shareholders, approval by every Director of the Company was recognized at the Board of Directors Meeting held on May 20, 2022. In addition, views to approve the renewal of the Plan were indicated by the Company's Audit and Supervisory Committee, including the two outside Directors.

**Contents of allotment of share acquisition rights without contribution**

(1) The contents of share acquisition rights are as follows.

1. Class of shares that are the subject of share acquisition rights

Common shares of the Company

2. Number of shares that are the subject of share acquisition rights

The number of shares that are the subject of each share acquisition right will be two or less shares, a number the Board of Directors will decide separately.

3. The value of a property that will be invested when exercising share acquisition rights

Cash is the subject of investments when exercising share acquisition rights, the amount based on the number of shares that is the subject of the value of 1 yen per each stock acquisition right.

4. Period to exercise stock acquisition rights

Within a specified period of time decided separately by the Board of Directors starting on a day after the effective day of allotment without contribution. In the event that the last day of the exercise period to pay cash in order to exercise is a business holiday for the place to handle the payments thereof, the last day will be the business day prior.

5. Exercise condition of share acquisition rights

- (1) Share acquisition rights (including rights held substantially) held by specified acquirers cannot be exercised.

- (2) Share acquisition rights holders, regarding the Company, can only exercise share acquisition rights by submitting the necessary documents regarding fulfilling the conditions of the above 5(1) (including fulfilling conditions of the above 5(1) by a third party in the event of exercising for said third party) deemed necessary by documents listing representation and warranty clauses, compensation clauses, and other clauses determined by the Company, materials indicating the conditions to fulfill requested by the Company within a reasonable scope, and laws and regulations.

- (3) Pursuant to the adopted foreign Securities Act and other laws and regulations, in regard to persons located under the area of jurisdiction of said laws and regulations exercising share acquisition rights, in the event executing the appointed procedures or fulfilling the appointed conditions is necessary, the persons located under the area of said jurisdiction can only exercise share acquisition rights if the Company recognizes said procedures or conditions are completely executed or fulfilled. Furthermore, even if the persons located under the area of said jurisdiction are able to exercise share acquisition rights due to the Company executing or fulfilling the above procedures or conditions, the Company does not bear the responsibility to execute or fulfill them.

- (4) Confirmation of fulfillment of conditions of the above 5(3) will be decided by the Board of Directors by the procedures based on the procedures prescribed by the above 5(2).

6. Exercise procedures, etc., of share acquisition rights

- (1) To exercise share acquisition rights, list the required items such as the number of share acquisition rights to be exercised, the number of intended shares, and an address, and other required items decided separately by resolutions by the Board of Directors on the share acquisition rights request form appointed by the Company. With a signature and seal on this form, exercising can be performed by submitting along with the required documents decided separately by resolutions by the Board of Directors to the place to handle payments thereof decided separately by resolutions by the Board of Directors, as well as payment in full of the amount prescribed in the above 3 to the said place to handle the payments thereof.
- (2) The validity of the exercise request of share acquisition rights is in accordance with what is prescribed in the above 6(1), and will come into effect upon arrival of the share acquisition rights request form concerning exercising as well as attached documents at the place to handle the payments thereof. The validity to exercise share acquisition rights will come into effect in the event that the exercise request of share acquisition rights becomes valid, and the amount corresponding to the full amount of exercise price of shares subject to share acquisition rights concerning said exercising is paid to the place to handle the payments thereof.

7. Transfer approval

Approval by the Board of Directors (or agency decided by the Board of Directors in accordance with the proviso to Article 265, Paragraph 1 of the Companies Act) is necessary to obtain share acquisition rights by transfer.

8. Clause to obtain

- (1) The Company, on the day decided by the Board of Directors, which is a day after the day allotment without contribution comes into effect, regarding the (Including share acquisition rights held by persons applicable to the above 5(3). To be “Share acquisition right eligible for exercise” as of 8(2) below.) unexercised share acquisition rights which are able to be exercised in accordance with the provisions of the above 5(1)(2) (namely held by persons not applicable to specified acquirers, etc.), the acquisition is possible by issuing the number of common shares corresponding to the integer part of the number multiplied by the number of shares that is the subject of one share acquisition right for the number of share acquisition rights concerned with the acquisition.
- (2) The Company, on the day decided by the Board of Directors, which is a day after the day allotment without contribution comes into effect, regarding unexercised share acquisition rights other than share acquisition rights eligible to be exercised, acquisition is possible by issuing the same number of share acquisition rights concerned with acquisition as share acquisition rights with affixed limits to exercising by specified acquirers, etc. Furthermore, cash will not be issued as compensation for said acquisitions.
- (3) Confirmation of fulfillment of conditions related to coerced acquisition of share acquisition rights will be decided by the Board of Directors by the procedures based on the procedures prescribed by the above 5(2).

9. Items related to share capital and reserves

Items related to increasing share capital and reserves are in accordance with obtaining, etc., based on clauses to exercise share acquisition rights and acquisitions are decided in accordance with provisions of laws and regulations.

#### 10. Fractions

Fractional shares issued to persons who exercise share acquisition rights that do not add up to one share will be rounded down. However, the number of shares issued to said persons with share acquisition rights can be calculated by the sum total of fractional shares issued due to exercising each share acquisition right when exercising multiple share acquisition rights at the same time by said person with share acquisition rights.

#### 11. Issuing share acquisition rights certificates

Regarding share acquisition rights, share acquisition rights certificates are not issued.

(2) The contents of allocation of share acquisition rights without contribution are as follows.

##### 1. Number of share acquisition rights allotted to shareholders

A ratio of one share acquisition right for one common share of the Company (common shares held by the Company are excluded) will be allotted, and the total number of allotted share acquisition rights will be the same number as the final total number of issued shares of the Company (However, common shares held by the Company are excluded.) on the record date of the allotment without contribution.

##### 2. Shareholders able to be allotted share acquisition rights without contribution

All common share shareholders of the Company (However, excluding the Company.) detailed or recorded in the Company's final shareholder register on the record date of the allotment without contribution.

##### 3. Effective date of the allotment of share acquisition rights without contribution

It will be a day separately decided by the Board of Directors after the record date of the allotment of share acquisition rights without contribution

### Names and career summaries of Independent Committee Members

The following three persons are planned to be Independent Committee Members following the renewal of the Plan.

(1) Ryuichi Tokunaga Born January 1946

<Career summary>

Mar. 1971	Joined The Japan Society of Industrial Machinery Manufacturers
Apr. 1987	General Manager of Construction Machinery Department
Apr. 1990	Transferred to Japan Construction Equipment Manufacturers Association, General Manager of Operation Department
June 1990	Transferred to Japan Construction Equipment Manufacturers Association (incorporated association), General Manager of Operation Department
Apr. 2003	Secretary General
Dec. 2005	Managing Director
Oct. 2011	Associate Director of Japan Construction Equipment Manufacturers Association (general incorporated association) (transferred from incorporated association in Sept. 2011)
May 2012	Retired
June 2012	Audit & Supervisory Board Member of the Company
June 2015	Director who is Audit and Supervisory Committee Member of the Company (current position)

There is no special interest between Mr. Tokunaga and the Company.



(2) Makoto Kikkawa Born August 1947

<Career summary>

Apr. 1970	Joined The Industrial Bank of Japan, Limited
Apr. 1996	General Manager of Nihonbashi Branch
June 1998	Director and General Manager of Administration Department
Nov. 1998	Director and Deputy President of The Long-Term Credit Bank of Japan, Limited
Mar. 2000	Managing Executive Officer of The Industrial Bank of Japan, Limited
Sept. 2000	Managing Executive Officer of Mizuho Holdings, Inc.
Apr. 2002	Senior Managing Executive Officer of Mizuho Bank, Ltd.
Apr. 2003	Administrative Officer of Mizuho Holdings, Inc.
May 2003	Representative Director and Vice President of Sogo Co., Ltd.
June 2003	Representative Director and Vice President of Millennium Retailing, Inc.
Mar. 2007	Advisor of Kyowa Hakko Kogyo Co., Ltd.
Apr. 2007	Corporate Officer
June 2007	Corporate Officer Representative Director & President of Kyowa Hakko Chemical Co., Ltd.
Apr. 2012	Representative Director, President & Chief Executive Officer of KH Neochem Co., Ltd.
June 2014	Outside Director of the Company
Sept. 2014	Director and Chairman of KH Neochem Co., Ltd.
June 2015	Director who is Audit and Supervisory Committee Member of the Company (current position)
July 2015	Advisor KH Neochem Co., Ltd.

There is no special interest between Mr. Kikkawa and the Company.

19 years have passed since he retired from Mizuho Financial Group, Inc.

(3) Yasushi Toyama Born May 1965

<Career summary>

Mar. 1988	Graduated School of Law, Waseda University
Apr. 1993	Registered attorney (Daini Tokyo Bar Association)
Sept. 2000	Established Toyama Yasushi Law Office (present-day)
Apr. 2006	Committee Member of Tokyo Summary Court Conciliation of Civil Affairs (current position)
Sept. 2012	Part-time lecturer at School of Cultural and Creative Studies, Aoyama Gakuin University (current position)
Jan. 2016	Committee Member of Tokyo Summary Court Administration of Justice (current position)

There is no special interest between Mr. Toyama and the Company.

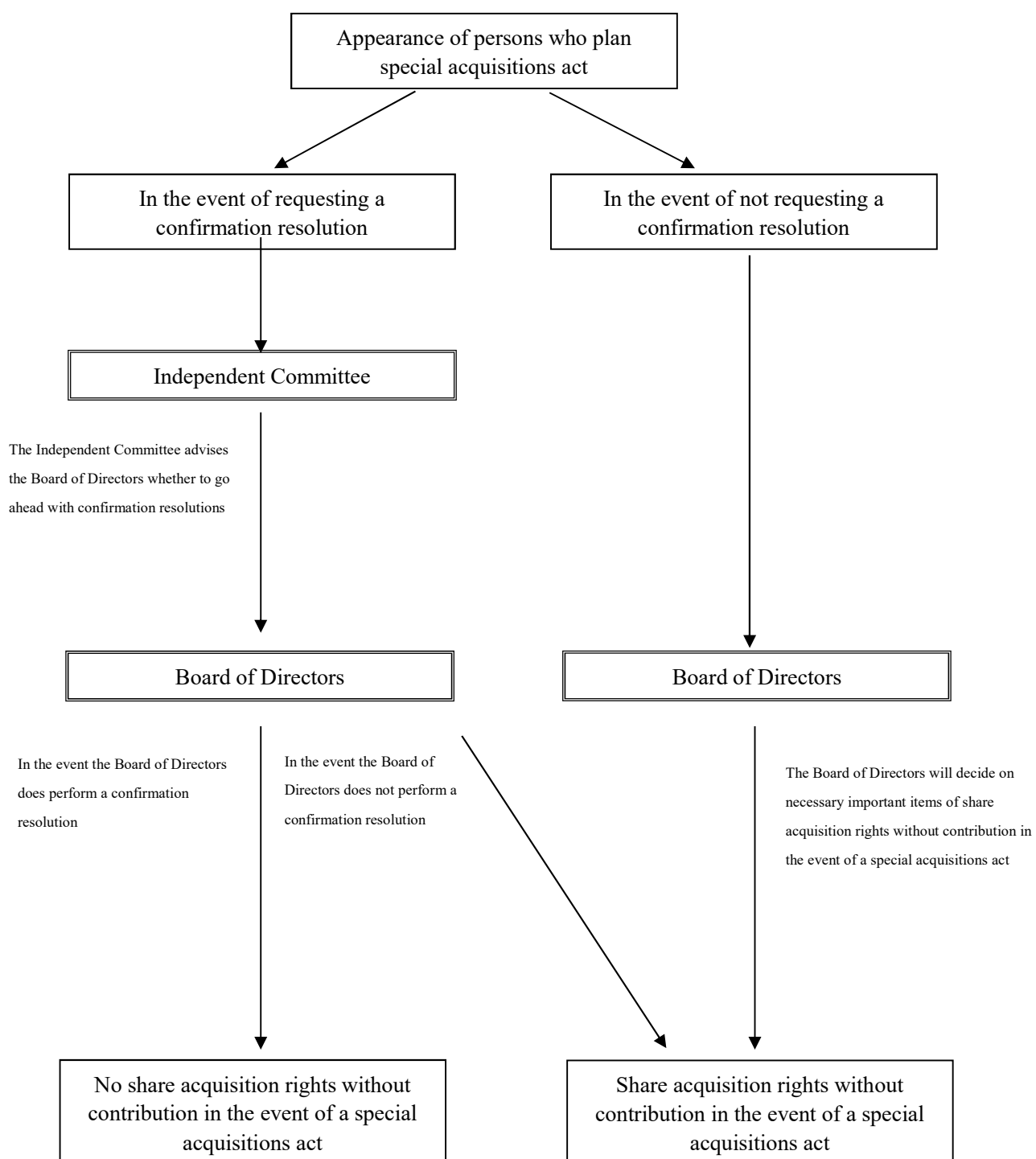
**Outlook of conditions of the Company's shares held (as of March 31, 2022)**

1. Total number of shares authorized 14,990,000 shares
2. Total number of shares issued 4,366,117 shares (common shares)
3. Major shareholders (Top 10)

Shareholder name	Number of shares held (Thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	497	11.81
MUFG Bank, Ltd.	209	4.98
Mizuho Bank, Ltd.	207	4.93
Custody Bank of Japan, Ltd. (Trust Account)	191	4.53
Nippon Life Insurance Company	150	3.57
The Dai-ichi Life Insurance Company, Limited	148	3.52
Ichiro Sakai	133	3.17
JPMorgan Securities Japan Co., Ltd.	88	2.09
NICHIREKI CO., LTD.	81	1.93
Yuken Kogyo Co., Ltd.	67	1.59

(Note) The share-holding ratio is calculated by subtracting Treasury shares (155,929 shares).

### Procedures involved in the Plan



\* Appendix 4 lists the outline related to procedures involved in the Plan. For details, please reference the text of Proposal No. 5 of this Reference Documents for General Meeting of Shareholders.

## Current status of the corporate group

### (1) Progress and results of operations

The business environment affecting SAKAI HEAVY INDUSTRIES, LTD. and its subsidiaries (the “Group”) during the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022), the business environment surrounding the Group has been undergoing an economic recovery in the post-corona era amidst a turbulent global situation, with the full-scale implementation of global warming countermeasures and the intensification of the Cold War structure between the United States and China, and the fluidization of the international security environment triggered by the outbreak of the Ukraine crisis, which has resulted in structural price increases in energy and materials, supply chain disruptions and container freight rate hikes as side effects.

Under such conditions, the Group continued to promote strengthening its pricing and product supply capabilities, creating a sustainable management structure through ESG and DX, medium- to long-term growth strategies based on overseas businesses and next-generation businesses.

As a result, net sales for the fiscal year under review were 26,590 million yen, an increase of 23.0% year on year, owing to demand recovery progressed in both domestic and overseas markets. Operating profit was 1,380 million yen, an increase of 97.3% year on year as a result of sales price revisions and improved logistics efficiency in response to a projected cost increase equivalent to about 500 million yen due to raw material and logistics costs. Ordinary profit was 1,400 million yen, an increase of 113.6% year on year, and profit attributable to owners of parent was 1,420 million yen as a result of the recognition of 380 million yen in deferred tax assets in accordance with accounting standards for tax effect accounting at a consolidated subsidiary in the United States.

The following presents net sales on a consolidated basis by geographic segment.

Net sales in Japan were 14,290 million yen, an increase of 9.6% year on year, due to continued strong sales against the backdrop of measures to accelerate national land resilience.

Net sales to overseas were 12,300 million yen, an increase of 43.4% year on year, due to the spread of market recovery in the post-corona era in major markets.

Net sales to North America were 5,030 million yen, an increase of 55.3% year on year, reflecting a strong demand recovery under favorable construction investment.

Net sales to Asia were 6,490 million yen, an increase of 33.7% year on year, due to a recovery in demand in Indonesia, which had been stagnant, in addition to strong sales in the Indochina Peninsula countries.

Net sales to the Middle East, Russia, and the CIS were 40 million yen, an increase of only 35.3% year on year, due to the stagnation of sales activities.

Net sales to other markets were 730 million yen, an increase of 62.7% year on year, as sales in Central and South America, Oceania, and Africa all showed signs of recovery.

	73rd term (Previous fiscal year) (From April 1, 2020 to March 31, 2021)	74th term (Fiscal year under review) (From April 1, 2021 to March 31, 2022)	Year-on-year change	
	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Millions of yen)	Increase (Decrease) (%)
Net sales	21,624	26,599	4,974	23.0
Operating profit	701	1,383	682	97.3
Ordinary profit	659	1,407	748	113.6
Profit attributable to owners of parent	4	1,427	1,423	—

Net sales in Japan and overseas are as presented in the following table.

Geographic segment	73rd term (Previous fiscal year) (From April 1, 2020 to March 31, 2021)		74th term (Fiscal year under review) (From April 1, 2021 to March 31, 2022)		Year-on-year change	
	Amount (Millions of yen)	Composition ratio (%)	Amount (Millions of yen)	Composition ratio (%)	Amount (Millions of yen)	Increase (Decrease) (%)
Japan	13,042	60.3	14,292	53.7	1,249	9.6
Overseas	8,582	39.7	12,306	46.3	3,724	43.4
North America	3,245	15.0	5,039	18.9	1,793	55.3
Asia	4,854	22.5	6,492	24.4	1,637	33.7
Middle East, Russia and the CIS	32	0.2	44	0.2	11	35.3
Others	449	2.0	731	2.8	281	62.7
Total	21,624	100.0	26,599	100.0	4,974	23.0

Note: Major countries and regions that belong to each overseas geographic segment in the fiscal year under review

North America ..... United States

Asia ..... Indonesia, China and the various countries surrounding the  
Mekong River

Middle East, Russia and the CIS ..... Yemen and Russia

Others ..... Africa, Oceania and Central and South America

## (2) Issues to be addressed

In Japan, the government's 15-trillion-yen, five-year national resilience plan to speed up countermeasures for disaster prevention and mitigation, and the United States is planning infrastructure investment totaling 1.2 trillion dollars, and ASEAN and emerging countries are also planning economic stimulus measures through expanded infrastructure investment. Global demand for construction equipment is expected to continue on a firm recovery path, despite a series of ups and downs amid the turbulent global situation.

On the other hand, the effects of increasing policies for decarbonization and the global economic bloc will further increase in the prices of energy and materials and increase pressure to restructure global supply chains.

Under these circumstances, the Group will reform its profit structure by revising selling prices and reducing costs, strengthen product supply capabilities by reinforcing supply chains, create a sustainable management structure through ESG and DX, and shift to a two-pronged management approach based on business growth and capital policy.

In addition, the Group will continue to aim for medium- to long-term business growth and increased corporate value to strengthen our capability to respond to changing demand, pioneer Asian markets while developing North American market, expand overseas business domain, develop next-generation businesses by leveraging new technologies, and cultivating a vibrant corporate culture.

## Consolidated Financial Statements

### Consolidated Balance Sheet (As of March 31, 2022)

(Thousands of yen)

Item	Amount	Item	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>25,075,675</b>	<b>Current liabilities</b>	<b>13,530,319</b>
Cash and deposits	7,993,405	Notes and accounts payable - trade	2,078,924
Notes and accounts receivable - trade	7,137,752	Electronically recorded obligations - operating	3,887,863
Electronically recorded monetary claims - operating	1,400,265	Short-term borrowings	5,688,722
Merchandise and finished goods	2,751,053	Income taxes payable	269,304
Work in process	1,347,188	Provision for product warranties	117,004
Raw materials and supplies	3,109,380	Other	1,488,501
Other	1,336,688	<b>Non-current liabilities</b>	<b>1,166,892</b>
Allowance for doubtful accounts	(59)	Long-term borrowings	17,164
<b>Non-current assets</b>	<b>12,782,908</b>	Lease liabilities	338,534
<b>Property, plant and equipment</b>	<b>6,985,162</b>	Deferred tax liabilities	402,781
Buildings and structures	2,965,404	Retirement benefit liability	173,232
Machinery, equipment and vehicles	662,008	Other	235,179
Land	3,010,196	<b>Total liabilities</b>	<b>14,697,211</b>
Leased assets	227,387	<b>Net assets</b>	
Other	120,164	<b>Shareholders' equity</b>	<b>21,087,515</b>
<b>Intangible assets</b>	<b>480,763</b>	Share capital	3,258,349
<b>Investments and other assets</b>	<b>5,316,982</b>	Capital surplus	6,504,292
Investment securities	3,421,772	Retained earnings	11,728,758
Deferred tax assets	456,786	Treasury shares	(403,884)
Other	1,438,685	<b>Accumulated other comprehensive income</b>	<b>2,026,029</b>
Allowance for doubtful accounts	(261)	Valuation difference on available-for-sale securities	1,564,136
		Foreign currency translation adjustment	465,857
		Remeasurements of defined benefit plans	(3,964)
		<b>Non-controlling interests</b>	<b>47,826</b>
		<b>Total net assets</b>	<b>23,161,371</b>
<b>Total assets</b>	<b>37,858,583</b>	<b>Total liabilities and net assets</b>	<b>37,858,583</b>

Note: Listed amounts have been rounded down to the nearest thousand yen.

**Consolidated Statement of Income** (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

Item	Amount	
<b>Net sales</b>		<b>26,599,084</b>
<b>Cost of sales</b>		<b>20,191,853</b>
<b>Gross profit</b>		<b>6,407,231</b>
<b>Selling, general and administrative expenses</b>		<b>5,023,927</b>
<b>Operating profit</b>		<b>1,383,303</b>
<b>Non-operating income</b>		
Interest income	9,570	
Dividend income	109,070	
Surrender value of insurance policies	24,205	
Foreign exchange gains	49,083	
Other	23,027	214,957
<b>Non-operating expenses</b>		
Interest expenses	100,404	
Bank charge	87,275	
Other	2,867	190,546
<b>Ordinary profit</b>		<b>1,407,714</b>
<b>Extraordinary income</b>		
Gain on sale of non-current assets	2,166	
Gain on sale of investment securities	61,380	63,547
<b>Extraordinary losses</b>		
Loss on disposal of non-current assets	43	
Loss on valuation of golf club membership	400	443
<b>Profit before income taxes</b>		<b>1,470,818</b>
Income taxes - current	427,645	
Income taxes - deferred	(386,450)	41,194
<b>Profit</b>		<b>1,429,623</b>
Profit attributable to non-controlling interests		2,289
<b>Profit attributable to owners of parent</b>		<b>1,427,334</b>

Note: Listed amounts have been rounded down to the nearest thousand yen.

# Consolidated Statement of Changes in Equity (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,221,868	6,467,811	10,769,680	(62,626)	20,396,733
Changes during period					
Issuance of new shares	36,480	36,480			72,961
Dividends of surplus			(468,256)		(468,256)
Profit attributable to owners of parent			1,427,334		1,427,334
Purchase of treasury shares				(341,257)	(341,257)
Net changes in items other than shareholders' equity					
Total changes during period	36,480	36,480	959,078	(341,257)	690,782
Balance at end of period	3,258,349	6,504,292	11,728,758	(403,884)	21,087,515

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,732,254	(124,237)	(7,417)	1,600,599	40,925	22,038,259
Changes during period						
Issuance of new shares						72,961
Dividends of surplus						(468,256)
Profit attributable to owners of parent						1,427,334
Purchase of treasury shares						(341,257)
Net changes in items other than shareholders' equity	(168,118)	590,094	3,453	425,429	6,900	432,330
Total changes during period	(168,118)	590,094	3,453	425,429	6,900	1,123,112
Balance at end of period	1,564,136	465,857	(3,964)	2,026,029	47,826	23,161,371

Note: Listed amounts have been rounded down to the nearest thousand yen.