

Note : This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



Jun 3, 2025

To whom it may concern:

Company Name: SAKAI HEAVY INDUSTRIES, LTD.
Representative: Ichiro Sakai, President and Representing Director
Securities Code: 6358 (Tokyo Stock Exchange Prime Market)
Contact: Yasuyuki Fujikawa
General Manager of Administration Division
Telephone: +81-3-3434-3401

Our View on the Proxy Voting Recommendations made by ISS

As a result of SAKAI HEAVY INDUSTRIES, LTD. (the “Company”) 's efforts to reduce the balance of cross-shareholdings since the last fiscal year, the ratio of the balance of cross-shareholdings to consolidated net assets as of the end of March 2025 is 18.7%, as shown in the table below.

On the other hand, regarding Proposal No.2 of the 77th the Annual General Meeting of Shareholders to be held on June 27, 2025, Institutional Shareholder Services, Inc.(“ISS”), which is a proxy advisory firm, has recommended voting against the election of Ichiro Sakai, who are candidates for director.

ISS has set a criterion to the effect of recommending votes “Against” nominees for director, a top executive, if the total amount of "investment shares held for purposes other than pure investment" recorded on the balance sheet and the off-balance sheet shares that are deemed to be held by the company (known as "minashi hoyu kabushiki" in Japanese) for 20% or more of the consolidated net assets.

However, since the Company's the Notice of the 77th the Annual General Meeting of Shareholders to be held on June 27, 2025(the “Notice”), did not include information corresponding to the off-balance sheet shares that are deemed to be held by the company (known as "minashi hoyu kabushiki" in Japanese) and the Notice does not meet ISS's policy guidelines, the Company understands that the 2023 securities report is considered to be the latest disclosure, and that the ratio for that fiscal year conflicts with ISS's quantitative criterion, and therefore ISS recommends voting against the proposal.

Status of cross-shareholdings

		FY 2023	FY 2024	Change
Number of companies (issues)	Unlisted shares	4	3	▲ 1
	Shares other than unlisted shares	30	27	▲ 3
	Total	34	30	▲ 4
Amount recorded in the balance sheet (thousand yen)	Unlisted shares	34,191	6,691	▲ 27,500
	Shares other than unlisted shares	5,958,572	5,618,326	▲ 340,246
	Total	5,992,763	5,625,017	▲ 367,746
Consolidated net assets (thousand yen)		29,165,866	30,130,504	+ 964,638
Ratio to consolidated net assets		20.5%	18.7%	▲ 1.8pt

※There are no off-balance sheet shares that are deemed to held by the company in fiscal 2023 or fiscal 2024.

We would like to ask shareholders and investors to confirm the following "Our view" and to understand the Company's proposal.

【Our view】

There were no off-balance sheet shares that are deemed to held by the company in fiscal 2023 or fiscal 2024. Accordingly, the ratio of cross-shareholdings to consolidated net assets in FY2024 is 18.7%, as described on page 10 of the Notice and in the table above, and there is no change.

Notice of the 77th Annual General Meeting of Shareholders

<https://www.sakainet.co.jp/ir/stock/item/77-01.pdf> (in Japanese)

The Company has established the “Policy on Cross-shareholdings” which stipulates that the Company will hold the cross-shareholdings as long as they are considered to contribute to the strengthening of business relationships with business partners, and the development of the Company’s business. For individual shares, the Company comprehensively examines whether to continue holding shares in light of the appropriateness of the holding purpose, the economic rationale for holding, various risks associated with holding, etc. at the Board of Directors meeting held periodically every year. In the event that the significance of holding shares becomes questionable, the Company will sell shares as appropriate.

In addition, in June 2024, the Company revised its “Policy on Cross-shareholdings.” As part of an initiative to reduce its cross-shareholdings, the Company clarified in the policy that the balance of cross-shareholdings should not exceed less than 20% of consolidated net assets.

Based on the above policy, the Company partially sold its cross-shareholdings during the fiscal year ended March 31, 2025, resulting in the sales of 5 companies' shares for 449,411 thousand yen (based on the selling price, selling all shares for 4 companies and partially for 1 company). As a result, the balance of the cross-shareholdings as of March 31, 2025 was 5,625,017 thousand yen, and the ratio to consolidated net assets is 18.7% The Company will continue to manage cross-shareholdings in accordance with this policy.

Based on the fact that we have reduced the balance of cross-shareholdings to 18.7% of consolidated net assets as of the end of fiscal 2024, and that we will continue the above policy in and after fiscal year 2025, we ask that shareholders and investors have a correct understanding of the proposal before you exercise your voting rights.