

[NOTICE: This document has been translated from the Japanese original for the convenience of non-Japanese shareholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.]

Securities Code: 7279

January 6, 2025

To Our Shareholders

12-28, Sakaemachi 1-chome, Takarazuka-shi, Hyogo

**HI-LEX CORPORATION**

President and Representative Director Taro Teraura

## Notice of the 81st Annual Meeting of Shareholders

HI-LEX Corporation cordially invites shareholders to the 81st Annual Meeting of Shareholders as described below.

**In convening this Meeting, we have taken measures to provide information electronically, which is the content of the Reference Documents for the Meeting, etc. (Matters to Be Provided Electronically) published on each of the following websites on the Internet, so please access each of these websites and check the information.**

**[Our Company Website]**

<https://www.hi-lex.co.jp/shm/>



**[Website for the publication of documents for the Annual Meeting of Shareholders]**

<https://d.sokai.jp/7279/teiji/>



**[Tokyo Stock Exchange Website (Listed Company Search)]**

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>



(Please access the TSE website above, enter and search “HI-LEX CORPORATION” in “Issue name (company name)” or “Code” with our company’s stock code “7279,” select “Basic information” and then “Documents for public inspection/PR Information,” and check from the “Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting” section under “Filed information available for public inspection.”)

If you are unable to attend the Meeting, you may exercise your voting rights via the Internet or in writing (by mail). Please review the “Reference Document for the Annual Meeting of Shareholders” and exercise your voting rights in accordance with the “Guide to the Exercise of Voting Rights” shown below by the close of the Company’s business hours (5:20 p.m.) on Friday, January 24, 2025 (JST).

1. **Date** 10 a.m., Saturday, January 25, 2025 (reception opens at 9 a.m.)  
2. **Venue** 1-1-33 Sakae-machi, Takarazuka-shi, Hyogo  
1st Floor, Banquet Hall Houju, Takarazuka Hotel

**Please refer to the “Annual Meeting of Shareholders Venue Map” at the end of this document if you are visiting the venue.**

3. **Purpose**

- Items to be reported**
1. Business Report, Consolidated Financial Statements and Audit Results of Consolidated Financial Statements by Accounting Auditors and the Board of Corporate Auditors for the 81st business period (from November 1, 2023 to October 31, 2024)
  2. Non-consolidated Financial Statements for the 81st business period (from November 1, 2023 to October 31, 2024)

**Items to be resolved**

**Company Proposal**

- Item No. 1:** Appropriation of Surplus  
**Item No. 2:** Election of Four (4) Directors  
**Item No. 3:** Election of One (1) Substitute Corporate Auditor

**Shareholder Proposal**

- Item No. 4:** Abolition of the Response Policy on Large-scale Purchases, etc. of the Company's Shares (Takeover Defense Measures)  
**Item No. 5:** Partial Amendment to the Articles of Incorporation (Disclosure of Cost of Capital)  
**Item No. 6:** Partial Amendment to the Articles of Incorporation (Individual Disclosure of Remuneration for Directors)  
**Item No. 7:** Partial Amendment to the Articles of Incorporation (Sale of Shares Held for Strategic Purposes)  
**Item No. 8:** Appropriation of Surplus  
**Item No. 9:** Purchase of Treasury Shares  
**Item No. 10:** Appropriation of Surplus

- ◎ **When you attend the meeting, please submit the enclosed voting form to the receptionist at the venue.**
- ◎ **In the event of a change to the Matters to Be Provided Electronically, a statement to that effect and the matters before and after the change will be published on each of the above websites.**
- ◎ **For this Meeting, the Company will send a document entitled “Matters to Be Provided Electronically” to all shareholders with voting rights, regardless of whether they have requested delivery of the document or not.**

**In addition, the following items of “Matters to Be Provided Electronically” will not be included in the document to be sent pursuant to the provisions of laws and regulations and Article 16, Paragraph 2 of the Articles of Incorporation of the Company.**

- (i) **Matters related to accounting auditors**
- (ii) **Systems to ensure the appropriateness of business operations and the status of operation of such systems**
- (iii) **Consolidated statement of changes in equity**
- (iv) **Notes to Consolidated Financial Statements**
- (v) **Statement of changes in equity**
- (vi) **Notes to Non-Consolidated Financial Statements**

**Accordingly, the corporate and accounting auditors have audited the documents to be audited, including the above matters.**

## Reference Document for the Annual Meeting of Shareholders

### Meeting Agenda and Reference Matters

#### <Company Proposals 1 to 3>

Proposals 1 to 3 are Company Proposals.

#### Item No. 1: Appropriation of Surplus

Regarding the year-end dividend and appropriation of surplus for the fiscal year under review, the Company proposes the following, considering strengthening of the management structure and future business development, as well as internal reserves and the consolidated dividend payout ratio.

1. Year-end Dividend

- (1) Matters concerning the allocation of dividend assets to shareholders and the total amount thereof

The Company would like to disburse 20 yen per common share of the Company.

Total amount of dividends 750,895,400 yen

- (2) Date on which the dividends of surplus will take effect

January 27, 2025

## Item No. 2: Election of Four (4) Directors

As the terms of office of all four (4) Directors will expire at the conclusion of this Annual Meeting of Shareholders, the Company proposes that four (4) Directors be elected.

The candidates for Director are as follows.

### List of Candidates

Candidate No.	Attribute	Name [First / Last]	Present Position in the Company	Attendance at Board of Directors Meetings	Term of Office as Director (At closing of Annual Meeting of Shareholders)
1	Reap- pointment	Taro Teraura	President and Representative Director	12/12 times	12 years
2	Reap- pointment Outside Independ- ent	Yasuko Masaki	Director	12/12 times	17 years
3	Reap- pointment Outside Independ- ent	Hiromi Yoshikawa	Director	12/12 times	4 years
4	Reap- pointment Foreign nationality Outside Independ- ent	Kenji Uenishi	Director	10/10 times	1 year

Reap- pointment	Candidate for re- election of Direc- tor	Outside	Candidate for Outside Director	Independ- ent	Candidate for Independent Officer as stip- ulated by the Tokyo Stock Exchange
Foreign nationality	Candidate for Di- rector with foreign nationality				

Candidate No.	Name [First / Last] (Date of Birth)	Brief Profile, Position and Responsibility at the Company, and Important Concurrent Positions	No. of Company's Shares Owned
1	<p style="text-align: center;">Taro Teraura (Born on May 12, 1977)</p> <div style="border: 1px solid black; width: fit-content; margin: 0 auto; padding: 2px;">Reap- pointment</div>	<p>Sep. 2002    Joined the Company  Jan. 2012    Executive Officer of the Company  Jan. 2013    Managing Director of the Company  Dec. 2013    In charge of Chennai, India Business of the Company  Jan. 2018    Senior Managing Director of the Company  Jun. 2018    In charge of Global Sales Department and European Business of the Company  Jan. 2020    President and Representative Director (incumbent)  [Important concurrent positions]  HI-LEX HUNGARY CABLE SYSTEM MANUFACTURING LLC CEO  HI-LEX CZECH, S.R.O. CEO</p>	512,777 shares
<p>[Reason for nomination as a candidate for Director]  Mr. Taro Teraura is expected to make appropriate management judgments and decisions in order for the Group to achieve sustainable growth in the future. This includes making use of his abundant experience and knowledge to make management judgments and decisions in the global development of the business founded on the Company's bases in 15 countries around the world, and boldly taking on challenges in this era of dramatic change in the automobile industry. For this reason, he continues to be a candidate for the position of Director.</p>			

Candidate No.	Name [First / Last] (Date of Birth)	Brief Profile, Position and Responsibility at the Company, and Important Concurrent Positions	No. of Company's Shares Owned			
2	<p data-bbox="363 555 624 618">Yasuko Masaki (Born on April 8, 1955)</p> <table border="1" data-bbox="357 667 632 719"> <tr> <td data-bbox="357 667 453 719">Reappointment</td> <td data-bbox="453 667 544 719">Outside</td> <td data-bbox="544 667 632 719">Independent</td> </tr> </table>	Reappointment	Outside	Independent	<p data-bbox="651 297 1222 387">Apr. 1982 Registered as a practicing attorney (Kobe Bar Association (current Hyogo-Ken Bar Association)) (incumbent)</p> <p data-bbox="651 387 1206 450">Apr. 2004 Professor of the Law School, Kwansei Gakuin University</p> <p data-bbox="651 450 1198 481">Jan. 2008 Director of the Company (incumbent)</p> <p data-bbox="651 481 1198 544">Apr. 2008 President of Hyogo-Ken Bar Association</p> <p data-bbox="651 544 1206 607">Apr. 2011 Manager of Hyogo District Office, Japan Legal Support Center</p> <p data-bbox="651 607 1190 669">Apr. 2013 President of Kinki Federation of Bar Associations</p> <p data-bbox="651 669 1206 732">Jun. 2014 Non-member Auditor, Consumers Cooperative Kobe (incumbent)</p> <p data-bbox="651 732 1206 763">Mar. 2018 Outside Auditor of Noritz Corporation</p> <p data-bbox="651 763 1198 826">Apr. 2018 Vice President of Japan Federation of Bar Associations</p> <p data-bbox="651 826 1206 1093">Mar. 2019 Director (Audit and Supervisory Committee Member) (Outside) of Noritz Corporation (incumbent) [Important concurrent positions] Non-member Auditor, Consumers Cooperative Kobe Director (Audit and Supervisory Committee Member) (Outside) of Noritz Corporation</p>	- shares
Reappointment	Outside	Independent				
<p data-bbox="349 1099 1302 1131">[Reason for nomination as a candidate for Outside Director and outline of expected role]</p> <p data-bbox="349 1131 1396 1279">Ms. Yasuko Masaki has a wealth of experience and deep insight, having worked as a lawyer for many years and held important positions in several bar associations. As Outside Director of the Company, she has provided useful suggestions as a legal expert by utilizing her abundant experience, and also attended the Nomination &amp; Compensation Committee and actively expressed her opinions as a member of it.</p> <p data-bbox="349 1279 1396 1426">Based on the above, she is expected to strengthen the corporate governance of the Company by providing findings and proposals on the issues of Company's overall management, and by providing appropriate involvement and advice as independent Outside Director and a member of the Nomination &amp; Compensation Committee, which is a voluntary organization. For this reason, we continue to nominate her as a candidate for the position of Outside Director.</p>						

Candidate No.	Name [First / Last] (Date of Birth)	Brief Profile, Position and Responsibility at the Company, and Important Concurrent Positions	No. of Company's Shares Owned			
3	<p data-bbox="359 432 628 495">Hiromi Yoshikawa (Born on May 13, 1953)</p> <table border="1" data-bbox="359 546 628 595"> <tr> <td data-bbox="359 546 448 595">Reap- pointment</td> <td data-bbox="448 546 537 595">Outside</td> <td data-bbox="537 546 628 595">Independ- ent</td> </tr> </table>	Reap- pointment	Outside	Independ- ent	<p data-bbox="652 297 1222 808"> Apr. 1976    Joined Otsuka Pharmaceutical Co., Ltd.  Jul. 2001    Director of Otsuka Pharmaceutical Co., Ltd.  Jul. 2007    Managing Director of Otsuka Pharmaceutical Co., Ltd.  Apr. 2009    Executive Senior Managing Director of Otsuka Pharmaceutical Factory, Inc.  Mar. 2017    Advisor of Otsuka Pharmaceutical Factory, Inc.  Sep. 2017    Director of MNES Inc.  Nov. 2018    COO and Director of MNES Inc.  Jan. 2021    Director of the Company (incumbent)  Feb. 2021    Advisor of CureApp, Inc.  May 2021    Outside Director of CureApp, Inc. (incumbent)  [Important concurrent positions]  Outside Director of CureApp, Inc. </p>	- shares
Reap- pointment	Outside	Independ- ent				
<p data-bbox="349 824 1396 1122"> [Reason for nomination as a candidate for Outside Director and outline of expected role]  Mr. Hiromi Yoshikawa has held important positions such as director at several companies, and has a wealth of experience and broad insight as a corporate manager in other industries. As Outside Director, he plays an important role in ensuring the adequacy and appropriateness of management decisions and supervision by the Board of Directors of the Company, and provides useful advice and suggestions based on his extensive experience in corporate management. He is, based on the above, expected to identify issues and make proposals on the Company's overall management, thereby ensuring the Company's sustainable growth, enhancing corporate value, ensuring sound management, and strengthening corporate governance. For this reason, he continues to be a candidate for the position of Outside Director. </p>						

Candidate No.	Name [First / Last] (Date of Birth)	Brief Profile, Position and Responsibility at the Company, and Important Concurrent Positions	No. of Company's Shares Owned
4	<p style="text-align: center;"><b>Kenji Uenishi</b> (Born on August 11, 1953)</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; padding: 2px; font-size: 8px;">Reap- pointment</div> <div style="border: 1px solid black; padding: 2px; font-size: 8px;">Outside</div> <div style="border: 1px solid black; padding: 2px; font-size: 8px;">Independ- ent</div> </div> <div style="margin-top: 5px;"> <div style="border: 1px solid black; padding: 2px; font-size: 8px;">Foreign nationality</div> </div>	<p>Jun. 1983    Joined Acoustic Technology Inc. (U.S.)  Jul. 1985    Joined Vigyan Associates Inc. (U.S.)  Jul. 1987    Joined GE Aviation (U.S.)  Mar. 1997    President of Japan Branch, GE Aviation (U.S.)  Jan. 2008    President of Asia Pacific, GE Energy (U.S.)  Oct. 2013    Director, Senior Managing Executive Officer, LIXIL Corporation  Jul. 2017    President and Representative Director of Xacti Corporation  Jan. 2019    Director, PriceHubble Japan Co., Ltd. (incumbent)  Jan. 2024    Director of the Company (incumbent)  [Important concurrent positions]  Director, PriceHubble Japan Co., Ltd.</p>	10,000 shares
<p>[Reason for nomination as a candidate for Outside Director and outline of expected role]  Mr. Kenji Uenishi is a U.S. citizen and has worked in research and technology for a U.S. NASA (National Aeronautics and Space Administration) company. Over the years, he has managed the overseas operations of a multinational conglomerate in several countries and regions, uniting many teams of different races, languages and cultures and contributing to the significant business growth of the company. He has since served as a Director and in other capacities for a number of companies, utilizing the knowledge gained from this experience.  He is, based on the above, expected to identify issues and make proposals on the Company's overall management, thereby ensuring the Company's sustainable growth, enhancing corporate value, ensuring sound management, and strengthening corporate governance. For this reason, he continues to be a candidate for the position of Outside Director.</p>			

- Notes:
1. There is no special conflict of interest between the candidates and the Company.
  2. Ms. Yasuko Masaki, Mr. Hiromi Yoshikawa, and Mr. Kenji Uenishi are candidates for Outside Director. Their terms in office for Outside Director will be seventeen (17) years for Ms. Yasuko Masaki, four (4) years for Mr. Hiromi Yoshikawa and one (1) year for Mr. Kenji Uenishi at the conclusion of this Annual Meeting of Shareholders.
  3. Ms. Yasuko Masaki has no previous experience in corporate management other than as an Outside Director or Outside Corporate Auditor. However, as stated above in the "Summary of Reasons and Expected Roles of Candidates for Outside Directors," we believe that she will be able to appropriately perform her duties as an Outside Director.
  4. The Company has entered into an agreement with Ms. Yasuko Masaki, Mr. Hiromi Yoshikawa and Mr. Kenji Uenishi to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act, pursuant to Article 427, Paragraph 1 of the same Act, up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the same Act. If the three (3) candidates are elected at this Annual Meeting of Shareholders as proposed, the said agreement limiting liability will be continued.
  5. The Company has designated Ms. Yasuko Masaki, Mr. Hiromi Yoshikawa and Mr. Kenji Uenishi as Independent Officers set forth by the Tokyo Stock Exchange and registered them thereto. If these three (3) candidates are elected as proposed, the Company will continue to register them as Independent Officers with the Tokyo Stock Exchange.
  6. The Company has entered into a Directors and Officers Liability Insurance policy with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act, as described in "4. (4) Outline of the coverage of Directors and Officers Liability Insurance policy, etc." on page 42 of the Japanese version of the Business Report. If the candidates are elected at this Annual Meeting of Shareholders as proposed, they will continue to be included as insured persons under the said insurance policy. In addition, the insurance policy is scheduled to be renewed with the same coverage at the next renewal.



### Item No. 3: Election of One (1) Substitute Corporate Auditor

In preparation for a shortage in the number of Corporate Auditors stipulated by laws and regulations, the Company proposes the election of Ms. Eri Shimao as a substitute for Outside Corporate Auditors Mr. Takashi Ueda and Mr. Kenryo Goto.

The effectiveness of the appointment pursuant to this Proposal may be revoked by a resolution of the Board of Directors with the consent of the Board of Corporate Auditors only prior to appointment to the position.

With regard to this proposed item, consent of the Board of Corporate Auditors has been obtained.

The candidate for substitute Corporate Auditor is as follows.

Name [First / Last] (Date of Birth)	Brief Profile, Position at the Company, and Important Concurrent Positions	No. of Company's Shares Owned
<p>Eri Shimao (Born on January 26, 1963)</p> <p>New Appointment    Outside    Independent</p>	<p>Apr. 1994    Registered as a practicing attorney (Osaka Bar Association) (incumbent)</p> <p>Apr. 2017    Vice President, Osaka Bar Association</p> <p>Apr. 2017    Director, Kinki Federation of Bar Associations</p> <p>Apr. 2020    Member of the Yomiuri Television Program Council (incumbent)</p> <p>Feb. 2021    Representative Director, Osaka Tsubasa Scholarship Foundation (incumbent)</p> <p>Apr. 2023    Executive Director, Japan Federation of Bar Associations</p> <p>Apr. 2024    Western Japan Immigration Detention Facilities Visiting Committee (incumbent)</p>	- shares

- Notes:
- There is no special conflict of interest between the candidate and the Company.
  - Ms. Eri Shimao is a candidate for substitute Outside Corporate Auditor. The Company intends to designate the candidate as an Independent Auditor as stipulated by the Tokyo Stock Exchange upon her appointment as an Outside Corporate Auditor.
  - Ms. Eri Shimao is an experienced attorney and has served in a wide range of important positions, including Vice President of the Osaka Bar Association and Executive Director of the Japan Federation of Bar Associations, and currently serves as a member of the Yomiuri Television Program Council and a member of the Western Japan Immigration Detention Facilities Visiting Committee. She has been selected as a candidate for substitute Outside Corporate Auditor because she is expected to reflect in the Company's auditing system the high level of expertise she has developed as a legal specialist and the broad insight she has gained from her experience serving on advisory bodies for corporations and public institutions. Although Ms. Eri Shimao has never been involved in corporate management, for the reasons stated above, we believe that she can appropriately perform her duties as an Outside Corporate Auditor.
  - If Ms. Eri Shimao is appointed as an Outside Corporate Auditor, the Company plans to enter into an agreement with her to limit her liability for damages under Article 423, Paragraph 1 of the Companies Act, pursuant to Article 427, Paragraph 1 of the same Act, up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the same Act.
  - 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, as described in "4. (4) Outline of the coverage of Directors and Officers Liability Insurance policy, etc." on page 42 of the Japanese version of the Business Report. If Ms. Eri Shimao is appointed as an Outside Corporate Auditor, she will be included as an insured person under the said insurance policy. In addition, the insurance policy is scheduled to be renewed with the same coverage at the next renewal.

**[Reference] Area of Special Expectations for the Company's Directors and Corporate Auditors**

Based on the expertise and experience of the Company's Directors and Corporate Auditors, the areas in which the Company particularly expects each of them to excel are listed below and do not represent the full range of knowledge owned by the candidates.

(Plan after the conclusion of Ordinary Annual Meeting of Shareholders)

Name [First / Last]	Position in the Company	Gender	Nationality	Outside	Nomination & Compensation Committee	Independent Committee *	Area of Particular Expectation					
							Corporate management	Management strategy	Risk management	Legal	Finance	Corporate philosophy
Taro Teraura	President and Representa- tive Director	Male	Japan		•		•	•				•
Yasuko Masaki	Director	Female	Japan	•	•	•			•	•		
Hiromi Yoshikawa	Director	Male	Japan	•	•	•	•		•		•	
Kenji Uenishi	Director	Male	U.S.	•	•	•	•	•	•			
Koichi Matsumoto	Full-time Corporate Auditor	Male	Japan							•	•	
Takashi Ueda	Corporate Auditor	Male	Japan	•		•			•		•	
Kenryo Goto	Corporate Auditor	Male	Japan	•		•			•		•	

\* Voluntarily established under the Policy on Large-scale Purchases, etc. of the Company's shares (Takeover Defense Measures).

## <Shareholder Proposals 4 to 10>

Proposals No. 4 to No. 10 are proposals submitted by two shareholders.

The content of each proposal (Outline of the Proposal) and the Rationale for the Proposal, including the wording and factual recognition, are presented in the original text as submitted by the proposing shareholder, except for non-substantive corrections.

### **Item No. 4: Abolition of the Response Policy on Large-scale Purchases, etc. of the Company's Shares (Takeover Defense Measures)**

1. Outline of the Proposal

Abolish the “Response Policy on Large-scale Purchases, etc., of the Company's Shares (Takeover Defense Measures)” (hereinafter referred to as “Takeover Defense Measures”), the continuation of which was approved at the 79th Annual Meeting of Shareholders held on January 28, 2023.

2. Rationale for the Proposal

The significance of the Company's listing is being questioned. The Company's stock price continues to languish at a level where the price-to-book ratio (PBR), its dissolution value, is no more than about 0.3x, and not only has being significantly below 1x been normalized, real enterprise value (EV) taking investment securities into account is negative. A negative EV means that if the Company is purchased without a premium, the business will be obtained for free and we will only get change back, which is an abnormal valuation.

Excess capital ignoring capital allocation (reallocation of capital) is behind this, and the corresponding assets include 54.9 billion yen in cash and deposits, 8.4 billion yen in securities in current assets, and 46.8 billion yen in investment securities in non-current assets as of the end of July 2024. The total value of these financial investment assets is about 110 billion yen, reaching about 190% of market capitalization as of November 15, 2024.

Nevertheless, the Company has introduced the Takeover Defense Measures, which are a convenient means for management to protect itself even when the stock price and business performance are sluggish, and problems exist in corporate governance. Many institutional investors are opposed to the introduction and continuation of the Takeover Defense Measures because if introduced and operated inappropriately, they will function as a means of enabling management to “make the Company their own” and neglect the common interests of shareholders.

The Company's June 2024 announcement, “Measures to realize management that takes into account capital costs and stock prices” does not mention the Takeover Defense Measures, which are a factor in the discounting of the stock price, and continuing the Takeover Defense Measures while leaving the PBR below 1x and real EV negative leaves no choice but to question the Company's eligibility as a publicly listed Company.

## Opinion of the Company's Board of Directors

### We oppose the Proposal.

This Proposal requests the abolition of the “Response Policy on Large-scale Purchases, etc. of the Company’s Shares” (hereinafter referred to as “Takeover Defense Measures”) due to concerns regarding the appropriate introduction and operation of the Takeover Defense Measures.

Even a large-scale purchase of the Company’s shares by a specific party is not to be denied if it leads to the enhancement of the Company’s corporate value and, as a consequence, the common interests of our shareholders.

However, there are several types of large-scale purchases that are contrary to the corporate value of the Company and the common interests of our shareholders. These include those that clearly infringe upon corporate value and the common interests of shareholders in terms of their purpose, etc., those that effectively force shareholders to sell their shares, those that do not provide sufficient information or time for consideration for the Board of Directors to present an alternative proposal, those that do not provide shareholders with sufficient time and information for consideration, and those that require the Company to negotiate with Offerors, etc. to bring about more favorable terms than those presented by Offerors, etc.

Therefore, the Company will collect and provide information necessary for the shareholders who will make a final decision on whether to accept the Large-scale Purchases, etc. to make an appropriate judgment. The Company will make it possible for them to assess and examine whether the management policy of the Company after the acquisition as intended by Offerors, etc. will contribute to the improvement of the corporate value of the Company and the common interests of shareholders. If, as a result of such assessment and examination, it is determined that the purchase is detrimental to the corporate value of the Company and the common interests of shareholders, we believe it is necessary to negotiate with Offerors, etc. to improve the details of purchase proposals and, if necessary, to take countermeasures.

Based on this basic approach, the Company submitted a proposal for its continued introduction to the 79th Annual Meeting of Shareholders held on January 28, 2023 and obtained approval, believing that it will contribute to securing and enhancing the Company’s corporate value and the common interests of shareholders if large-scale purchases are carried out in accordance with certain reasonable rules.

In addition, to operate the Takeover Defense Measures properly, prevent arbitrary judgments by the Board of Directors of the Company, and ensure the reasonableness and fairness of those decisions, the Company has established an Independent Committee appointed from among outside directors and outside auditors independent of the management team that executes the Company’s business. In making judgments on the countermeasures stipulated in the Takeover Defense Measures, the Board of Directors of the Company will consult with the Independent Committee to ensure reasonableness and will follow the recommendations of the Independent Committee in principle. Furthermore, under the Company’s Takeover Defense Measures, it has to confirm the shareholders’ intent to trigger the countermeasures for Large-scale Purchases, etc., and in certain cases, the Company has to confirm the shareholders’ intention without exception.

Based on the above, we have judged that the Company’s Takeover Defense Measures have been introduced and are operated as something necessary to enhance the corporate value of the Company and the common interests of shareholders, rather than as a means for management to protect itself.

Because of the above, the Board of Directors opposes the Proposal.

**Item No. 5: Partial Amendment to the Articles of Incorporation (Disclosure of Cost of Capital)**

1. Outline of the Proposal

Newly add the following chapter and article to the Company’s Articles of Incorporation. If formal adjustments (including, but not limited to, the correction of shifts in article numbers) to the text of the article described in this Proposal is necessary due to the passage of other proposals at this Annual Meeting of Shareholders (including those proposed by the Company), the article relating to this Proposal is to be read as the article after the necessary adjustments have been made.

(Underlining indicates changes.)

Current Articles of Incorporation	Proposed Amendment
[New]	<p><u>Chapter 8: Disclosure of the cost of shareholders’ equity</u></p> <p><u>(Disclosure of the cost of shareholders’ equity)</u>  <u>Article 48 The Company must disclose in the reports on corporate governance that it submits to the Tokyo Stock Exchange the cost of shareholders’ equity that the Company ascertains within one month prior to the date of submission of a report, together with the grounds for its calculation.</u></p>

2. Rationale for the Proposal

The Company’s capital adequacy ratio was at the high level of about 62% as of July 31, 2024, and large amounts of cash and deposits and investment securities lie in the background to that. The Company’s over-capitalization brings about a Cost of Capital that exceeds business risk and a return on equity (ROE) that does not fully reflect its ability to earn from its core business, but the “Measures to realize management that takes into account capital costs and stock prices” announced by the Company does not raise specific Cost of Capital or ROE targets, and lacks discussion on the optimal capital structure. The disclosure emphasizes the strengthening of the business base and growth platform, but the expansion of business that does not cover the Cost of Capital will only further increase the discounting of the Company’s stock valuation.

In order to calculate the weighted average Cost of Capital (WACC), the hurdle rate for a business to eliminate a PBR below 1x, the first step is to grasp the Cost of Capital (cost of shareholders’ equity) from a shareholder perspective.

In the “Summary of Discussions on Measures to Improve the Effectiveness of the Market Restructuring” released by the Tokyo Stock Exchange on January 30, 2023, after positing that “In Japan, there are many cases where management is unaware of the Cost of Capital and stock price. It is necessary to improve management's awareness and literacy of these concepts and allow autonomy in corporate management functions” and “first, TSE could encourage management to properly identify the company's Cost of Capital and capital efficiency, evaluate those statuses and its stock price and market capitalization, and disclose policies and specific initiatives for improvement as necessary. This could be a catalyst for promoting dialogue with investors and improving management literacy,” the TSE stated that “In particular, companies with a PBR consistently below 1x (i.e., not achieving capital efficiency in excess of their Cost of Capital, or achieving capital efficiency in excess of their Cost of Capital but future growth potential is not adequately expected by investors) should be required to disclose their policies and specific initiatives for improvement.”

## Opinion of the Company's Board of Directors

### **We oppose the Proposal.**

This Proposal seeks to add an article to the Articles of Incorporation on disclosing the cost of shareholders' equity as ascertained by the Company together with the grounds for its calculation. On the other hand, Principle 5.2 of the Corporate Governance Code does not require disclosure of the figures on Cost of Capital itself, but indicates that while presenting targets for profitability and capital efficiency, explaining to investors the Company's thinking on its Cost of Capital, its thinking behind calculations formulas, and how the Cost of Capital relates to the targets for profitability and capital efficiency could be considered.

In "Measures to realize management that takes into account capital costs and stock prices," announced by the Company in June 2024, we explained our analysis of the current situation of the Company and our initiatives in response, which also included the expansion of engagement with various stakeholders.

The Company believes that considering and responding to disclosure of the Cost of Capital in future dialogue with shareholders and investors on a case-by-case basis, taking into account factors such as the business environment at the time and the state of such dialogue, is appropriate, and that it should not be stipulated uniformly in the Articles of Incorporation.

Because of the above, the Board of Directors opposes the Proposal.

**Item No. 6: Partial Amendment to the Articles of Incorporation (Individual Disclosure of Remuneration for Directors)**

1. Outline of the Proposal

Newly add the following article to the Company’s Articles of Incorporation. If formal adjustments (including, but not limited to, the correction of shifts in article numbers) to the text of the article described in this Proposal is necessary due to the passage of other proposals at this Annual Meeting of Shareholders (including those proposed by the Company), the article relating to this Proposal is to be read as the article after the necessary adjustments have been made.

(Underlining indicates changes.)

Current Articles of Incorporation	Proposed Amendment
[New]	(Remuneration, etc.) Article 23 (Omitted) <u>2. The Company is to disclose the amount, details and method of determining the remuneration of directors individually in the Business Report and Annual Securities Report each year.</u>

2. Rationale for the Proposal

It must be said that the interests of minority shareholders are being disregarded at the Company where a PBR below 1x and a negative real EV become permanent. Moreover, the Company maintains Takeover Defense Measures that would function as a means of enabling management to “make the Company their own” and neglect the common interests of shareholders if introduced and operated inappropriately while policies for the improvement of shareholder value remain insufficient, and its Board of Directors cannot be expected to play a role in improving the problems in corporate governance the Company faces and give management a sense of responsibility over results too. Therefore, the purpose of the proposal is to create an environment in which minority shareholders can actively make checks more effective.

The “Guidelines for Corporate Takeovers” released by the Ministry of Economy, Trade and Industry on August 31, 2023 state with regard to takeover defense measures that “if a company is considering to adopt a response policy, it is first and foremost required to make reasonable efforts to enhance corporate value at a normal phase, and to take steps to ensure that such increase is reflected in market capitalization (p.33-34 of the Guidelines for Corporate Takeovers), but given the Company’s stagnant share price, it cannot be said that reasonable efforts to enhance its corporate value and to reflect those efforts in its market capitalization have been achieved at the Company, which has already introduced Takeover Defense Measures.

In contrast, the remuneration of individual directors shows how the Board of Directors evaluates the issues facing the Company and how that is reflected in the remuneration of individual directors, and plays the role of clarifying the causes of the problems of corporate governance and capital allocation.

The Corporate Governance Code stipulates in Supplementary Principle 4.2.1 of “Principle 4.2 Roles and Responsibilities of the Board (2)” that “The board should design management remuneration systems such that they operate as a healthy incentive to generate sustainable growth, and determine actual remuneration amounts appropriately through objective and transparent procedures. The proportion of management remuneration linked to mid- to long-term results and the balance of cash and stock should be set appropriately.” However, it is highly likely that the Company’s system of remuneration for directors is not one that contributes to the common interests of shareholders.

## Opinion of the Company's Board of Directors

### **We oppose the Proposal.**

The Company discloses its policy for determining remuneration for directors (and other officers) appropriately under "Amounts of remuneration, etc., for directors and auditors," in the Company's Business Report.

Our basic policy is to have a remuneration system commensurate with the roles and responsibilities of the company group's management, that functions as an incentive to improve the group's corporate value and results over the medium to long-term, and allow us to share an awareness of profit with shareholders and other stakeholders. The Nomination & Compensation Committee, an optional advisory body at the Company, deliberates on the basic policy, etc., related to the remuneration of directors and executive officers, etc., taking into comprehensive consideration their positions, responsibilities, results, etc., and reports the results of its deliberations to the Board of Directors.

Therefore, the Company believes that the objectivity and transparency of the remuneration determination process are guaranteed, and has judged that it is in compliance with Supplementary Principle 4.2.1 of the Corporate Governance Code.

In addition, we have judged that it is not appropriate to stipulate detailed matters such as the individual disclosure of remuneration for directors in the Articles of Incorporation, which stipulate the basic matters of the Company.

Because of the above, the Board of Directors opposes the Proposal.



**Item No. 7: Partial Amendment to the Articles of Incorporation (Sale of Shares Held for Strategic Purposes)**

1. Outline of the Proposal

Newly add the following chapter and article to the Company’s Articles of Incorporation. If formal adjustments (including, but not limited to, the correction of shifts in article numbers) to the text of the chapter and article described in this Proposal is necessary due to the passage of other proposals at this Annual Meeting of Shareholders (including those proposed by the Company), the article relating to this Proposal is to be read as the article after the necessary adjustments have been made.

(Underlining indicates changes.)

Current Articles of Incorporation	Proposed Amendment
[New]	<p><u>Chapter 9 Sale of Shares Held for Strategic Purposes</u></p> <p><u>(Sale of shares held for strategic purposes)</u></p> <p><u>Article 49. The Company must dispose of all of its shares held for strategic purposes by October 31, 2027.</u></p>

2. Rationale for the Proposal

Shares Held for Strategic Purposes, which function as a means of manipulating stable shareholders and producing arbitrary profits to enable the introduction and renewal of the Takeover Defense Measures, are harmful to management discipline, but as of the end of October 2023, the Company held about 43 billion yen of Shares Held for Strategic Purposes, reaching more than 20% of net assets.

In the first place, Shares Held for Strategic Purposes are non-core assets with high volatility relative to returns. As the “Ito Review of Competitiveness and Incentives for Sustainable Growth - Building Favorable Relationships between Companies and Investors -” recommends, listed companies require a “Minimum Level of ROE to be Targeted and ... Need ... a Higher Awareness of the Cost of Capital” (p.13), but the Company’s Shares Held for Strategic Purposes bring about a Cost of Capital greater than business risk and an ROE that does not fully reflect its ability to earn money in core business.

Therefore, we propose establishing a provision in the Articles of Incorporation to the effect that the Company is obliged to dispose of all of its Shares Held for Strategic Purposes by a certain deadline to make the Company reduce its Shares Held for Strategic Purposes promptly. The three-year sales period is one with sufficient leeway that will allow the Company to respond in view of the liquidity of the Company’s Shares Held for Strategic Purposes.

## Opinion of the Company's Board of Directors

### **We oppose the Proposal.**

Based on the Stock Holding Management Rules, the Company's Board of Directors examines the appropriateness of holdings of Shares Held for Strategic Purposes, taking into consideration the benefits and risks of those holdings, including the maintenance and strengthening of business relationships and the stabilization of financial transactions, etc., and reduces the numbers of stocks whose continued holding is not appropriate.

In accordance with the above policy, the Company has sold a total of 10.1 billion yen of such stocks over the past five years. As stated in "Measures to realize management that takes into account capital costs and stock prices," announced by the Company in June 2024, we will continue to sell Shares Held for Strategic Purposes aiming for the level of 10% of consolidated net assets.

This Proposal seeks to newly establish a provision in the Articles of Incorporation to the effect that the Company sells all Shares Held for Strategic Purposes by October 31, 2027, but we believe that careful judgment is required when selling individual stocks, taking into account the business relationship with the investment recipient, the Company's financial situation, investment plans, etc.

In addition, we have judged that it is not appropriate to stipulate provisions setting a deadline to dispose of assets, like this Proposal, in the Articles of Incorporation, which stipulate the basic matters of the Company.

Because of the above, the Board of Directors opposes the Proposal.

## Item No. 8: Appropriation of Surplus

### 1. Outline of the Proposal

The appropriation of surplus is to be as follows.

If the Board of Directors of the Company makes a proposal on the appropriation of surplus at this Annual Meeting of Shareholders, we make the proposal detailed below as an additional proposal independent of that Proposal.

#### a. Type of dividend assets

Cash

#### b. Dividend per share

41 yen per share of the Company's common stock, less the amount of the dividend of surplus per share of common stock proposed by the Board of Directors of the Company and approved at this Annual Meeting of Shareholders (41 yen per share of common stock if the Board of Directors does not make a proposal on the appropriation of surplus at this Annual Meeting of Shareholders)

#### c. Matters concerning the allocation of dividend assets and the total amount thereof

Dividend per share of common stock of (a) above per share of common stock of the Company (the total amount of the dividends is the amount calculated by multiplying the dividend per share by the total number of shares of common stock issued and outstanding (excluding treasury shares) as of October 31, 2024)

#### d. Date on which the dividends of surplus will take effect

Date of this Annual Meeting of Shareholders

#### e. Dividend payment start date

The day after three weeks counted from the business day following the date of this Annual Meeting of Shareholders

### 2. Rationale for the Proposal

The extremely low valuation of the Company's stocks is the result of ignoring the optimal capital allocation and preserving large amounts of cash and deposits and investment securities, mainly Shares Held for Strategic Purposes, which invites the deterioration of capital efficiency, and leaving the corresponding excess capital untouched. If we take into account the risk that corporate value and shareholder value will continue to be damaged by the further bloating of shareholders' equity and the prolongation of a PBR below 1x and negative real EV, embarking on full-scale shareholder returns to put the brakes on the vicious cycle of continuing deterioration of capital efficiency at the Company will contribute to the protection of minority shareholders.

The Corporate Governance Code established by the Tokyo Stock Exchange establishes in "Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans" that "When establishing and disclosing business strategies and business plans, companies should articulate their earnings plans and capital policies, and present targets for profitability and capital efficiency after accurately identifying the company's Cost of Capital. Also, companies should provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human capital, and specific measures that will be taken in order to achieve their plans and targets." However, "Measures to realize management that takes into account capital costs and stock prices," announced by the Company in June 2024, lacks numerical specifics for improvement of the PBR, and it must be said that the Company has neglected to "provide explanations that are clear and logical to shareholders."

Therefore, a dividend payout ratio of at least 100% is required, and as stated in 1. above, we propose that the Company distributes to shareholders 41 yen per share, which is the profit per share in the Company's results forecast for the fiscal year ended October 2024 after subtracting the interim dividend of 20 yen per share.

## Opinion of the Company's Board of Directors

### **We oppose the Proposal.**

The Company's dividend policy is to maintain stable dividends over the long term, taking into account profitability for shareholders, future earnings forecasts, future business development, and other factors. The Company has implemented this policy according to the level of retained earnings in response to changes in the business environment and other factors, as well as the long-term stable dividend and consolidated dividend payout ratio.

On the other hand, with regard to the business environment surrounding the Company, the trend toward electrification is advancing in the automobile industry, the Company's main business, and the decline in demand for control cables, which have been major products at the Company, continues. At the same time, the modularization of parts is progressing in the automobile industry, and the requirements of parts manufacturers, including the company, are changing, with new business opportunities being generated.

Under these circumstances, the Company will promote measures such as increasing customer value by strengthening the supply system for competitive products and developing new products with new added value, and will strengthen its stable profit structure and ability to generate funds to ensure the Group's continued growth in the future and increase its corporate value. We believe this will ultimately result in returns to our shareholders.

This Proposal is one concerning dividends of surplus, etc., that requires a 100% dividend payout ratio without taking into consideration the business environment the Company finds itself in or the trends in its results, and would have the Company pay shareholders a dividend of 41 yen per share, the amount calculated by subtracting the interim dividend of 20 yen per share from the profit per share of the Company's results forecast for the fiscal year ended October 2024. As a result, it may hinder the maintenance of the long-term stable dividends that are the basic policy of the Company, and may also impede the implementation of growth investments based on a medium- to long-term perspective, which may not lead to an increase in corporate value.

Because of the above, the Board of Directors opposes the Proposal.

## **Item No. 9: Purchase of Treasury Shares**

### **1. Outline of the Proposal**

Based on the provisions of Article 156, Paragraph 1 of the Companies Act, the Company will purchase as treasury shares 3 million common shares of the Company within one year from the conclusion of this Annual Meeting of Shareholders at a maximum total purchase price of 4.8 billion yen (or, if the total purchase price permitted under the Companies Act (the “Distributable Amount” established in Article 461 of the Companies Act) is less than that amount, the maximum total purchase price permitted under the Companies Act) by means of cash delivery.

### **2. Rationale for the Proposal**

The Company's capital adequacy ratio was at the high level of about 62% as of July 31, 2024. If financial investment assets that are disproportionately large in relation to market capitalization and excess capital are left alone, the inefficient allocation of capital, with ROE subordinated to the cost of shareholders' equity, cannot be corrected, and it is highly likely that the PBR below 1x will become permanent and real EV will drop further.

Consequently, a drastic stock buyback is required. As mentioned above, the company has sufficient resources for the purchase of treasury shares, as it has cash and deposits as well as investment securities that do not contribute to its core business equivalent to about 190% of its market capitalization. The total number of shares proposed is equivalent to 20% of the trading volume of the Company's shares over the past year, a reasonable level that the market can absorb fully from the perspective of liquidity.

## Opinion of the Company's Board of Directors

### **We oppose the Proposal.**

The Company recognizes that the purchase of treasury shares is an effective means to implement a flexible capital policy in response to changes in the business environment and to enhance shareholder returns.

With respect to such repurchases, the Company has a policy of implementing such repurchases flexibly and as needed, taking into comprehensive consideration the business environment, performance trends, financial position, and other factors, and has made efforts to return profits to shareholders through the purchase of treasury shares of approximately 1 billion yen in FY2021.

The Company has experienced sluggish earnings growth in recent years and is taking seriously the condition of its PBR, which has fallen well below 1× due to a weak stock price.

On the other hand, as mentioned above, the business environment in which we operate is facing significant changes, and the Group needs to make strategic investments for growth, including facilities, R&D, and M&A, which are necessary for continued growth and increased corporate value in the future.

In contrast, this Proposal does not take into sufficient consideration the implementation plans for the above-mentioned strategic investments for growth or the related disposal of Shares Held for Strategic Purposes, and there are concerns that this Proposal may make securing the financial resources for investments difficult, which, as a result, may not lead to an increase in the corporate value of the Company or profits for shareholders.

Because of the above, the Board of Directors opposes the Proposal.

## Item No. 10: Appropriation of Surplus

### 1. Outline of the Proposal

The Company will appropriate the surplus as follows so that total annual dividends are equivalent to 3% of net assets.

If the Board of Directors of the Company makes a proposal on the appropriation of surplus at this Annual Meeting of Shareholders, we make the proposal detailed below as an additional proposal independent of that Proposal.

#### a. Type of dividend assets

Cash

#### b. Dividend per share

119 yen per share of the Company's common stock, less the amount of the dividend of surplus per share of the Company's common stock proposed by the Board of Directors of the Company and approved at this Annual Meeting of Shareholders

#### c. Matters concerning the allocation of dividend assets and the total amount thereof

Dividend per share of common stock of (a) above per share of common stock of the Company (the total amount of the dividends is the amount calculated by multiplying the dividend per share by the total number of shares of common stock issued and outstanding (excluding treasury shares) as of October 31, 2024)

#### d. Date on which the dividends of surplus will take effect

Date of this Annual Meeting of Shareholders

#### e. Dividend payment start date

The day after three weeks counted from the business day following the date of this Annual Meeting of Shareholders

### 2. Rationale for the Proposal

The Proposal aims for the payment of an annual dividend 5.2 billion yen, which is equivalent to a dividend on equity (DOE) ratio of 3%.

The Company has a high market share in control cables and door modules. However, since the fiscal year ended October 2018, ROE started to fall below 5%, averaging only 0.1% since then, and the PBR has also trended at about 0.3x. The main reason for that is the accumulation of excessive net assets.

To correct the decline in ROE and increase corporate value, we believe the optimization of net assets through shareholder returns, in parallel with the improvement of profitability, will be essential.

The Company's market capitalization was 58.2 billion yen as of the end of October 2024, but as of the end of July 2024, the Company held 47.7 billion yen in other financial assets in addition to 63.3 billion yen in cash, etc., so a DOE of 3% is not an excessive level, even when looking ahead to future investments.

With demand growing for "management aware of the Cost of Capital and stock prices" at listed companies, inspired by the demands of the Tokyo Stock Exchange, the Company needs to expand shareholder returns to optimize shareholders' equity. On the other hand, we believe that implementing management removed from the requirements of a listed company by going private is also a reasonable option.

## Opinion of the Company's Board of Directors

### We oppose the Proposal.

The Company's dividend policy is to maintain stable dividends over the long term, taking into account profitability for shareholders, future earnings forecasts, future business development, and other factors. The Company has implemented this policy according to the level of retained earnings in response to changes in the business environment and other factors, as well as the long-term stable dividend and consolidated dividend payout ratio.

On the other hand, with regard to the business environment surrounding the Company, the trend toward electrification is advancing in the automobile industry, the Company's main business, and the decline in demand for control cables, which have been major products at the Company, continues. At the same time, the modularization of parts is progressing in the automobile industry, and the requirements of parts manufacturers, including the company, are changing, with new business opportunities being generated.

Under these circumstances, the Company will promote measures such as increasing customer value by strengthening the supply system for competitive products and developing new products with new added value, and will strengthen its stable profit structure and ability to generate funds to ensure the Group's continued growth in the future and increase its corporate value. We believe this will ultimately result in returns to our shareholders.

On the other hand, this Proposal is one concerning dividends of surplus, etc., whose main focus is return on equity without taking into consideration the business environment the Company finds itself in or the trends in its results, and would have the Company pay shareholders a dividend of the amount calculated by subtracting the amount of the dividend of surplus per share of the Company's common stock proposed by the Board of Directors of the Company and approved at this Annual Meeting of Shareholders from 119 yen, which may hinder the implementation of flexible capital policies by the Company group and the maintenance of the Company's financial strength. It could also impede the implementation of growth investments based on a medium- to long-term perspective, which may not lead to an increase in corporate value.

Because of the above, the Board of Directors opposes the Proposal.