

[Translation]: This represents an excerpted translation, for reference and convenience only, of the original notice issued in Japanese. In the event of any discrepancies between the Japanese and English versions, the former shall prevail.

HOKUETSU METAL Co., Ltd.  
(Securities Code: 5446)  
June 6, 2022

## **Notice of Convocation of the 106th Annual General Meeting of Shareholders**

Dear Shareholders:

Notice is hereby given that the 106th Annual General Meeting of Shareholders of the Company will be held as set forth below.

Please review the accompanying "Reference Document Concerning the General Meeting of Shareholders" and cast your votes so as to reach the Company prior to the end of business hours (5:00 p.m. JST) on June 20, 2022 (Monday).

Yours very truly,

Akira Tanahashi  
President and Representative Director

HOKUETSU METAL Co., Ltd.  
3-1, Zaou 3-chome, Nagaoka-city,  
Niigata, Japan

## Particulars

### 1. Date and time of the meeting:

Tuesday, June 21, 2022, at 10:00 a.m. (JST)  
Reception will start at 9:00 a.m. (JST)

### 2. Place of the meeting:

Hotel New Otani Nagaoka, 2F (*Hakucho's* room)  
8-35, Daimachi 2-chome, Nagaoka-city, Niigata

### 3. Agenda of the meeting:

#### Matters to be reported:

1. Report on the Business Report and Consolidated Financial Statements for the 106th fiscal year (from April 1, 2021 to March 31, 2022) and the results of the audits of the Consolidated Financial Statements by the Accounting Auditor and Board of Company Auditors Meeting.
2. Report on the Non-Consolidated Financial Statements for the 106th fiscal year (from April 1, 2021 to March 31, 2022).

#### Matters for resolution:

##### <Proposals from the Company>

**Proposal No. 1: Partial Amendment of the Articles of Incorporation**

**Proposal No. 2: Election of Five (5) Directors**

**Proposal No. 3: Election of One (1) Substitute Company Auditor**

##### <Proposals from a Shareholder>

**Proposal No. 4: Election of Three (3) Directors**

**Proposal No. 5: Election of One (1) Substitute Company Auditor**

<b>The Board of Directors is opposed to both of the Proposals from the Shareholder.</b>
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©In the event of any amendment to the Reference Document Concerning the General Meeting of Shareholders, Business Report, Consolidated Financial Statements, or Non-Consolidated Financial Statements, the Company will post the amended items on the Company's website (<https://www.hokume.co.jp/>).

©If you do not express the approval or disapproval on the voting, the Company will consider it indicative of approval for all proposals from the Company and indicative of disapproval for all proposals from the Shareholder.

©In the event that one and the same shareholder exercises voting rights both via return mail and via the Internet, the Company will consider the exercise of voting rights via the Internet to be valid. Moreover, in the event one and the same shareholder exercises voting rights several times via the same method, the Company will consider the last exercise of voting rights to be valid.

## Reference Document Concerning the General Meeting of Shareholders

### Proposals and Matters for Reference

#### <Proposals by the Company (Proposal No. 1 to No. 3)>

#### Proposal No. 1: Partial Amendment of the Articles of Incorporation

##### 1. Reasons for Proposal

(1) Article 2 (Purposes) in the proposed amendment will add additional purposes to the current purposes of the Company to align with the diversified businesses of the Company and its subsidiaries.

(2) The revised regulations specified in the Proviso to Article 1 of the Supplementary Provisions to the Act on Partial Amendment of the Companies Act (No. 70 of 2019) will become effective on September 1, 2022. Accordingly, in order to prepare for the introduction of systems for electronic provision of materials for general meetings of shareholders, the Company's Articles of Incorporation will be amended as follows.

- ① Proposed Article 14, Paragraph 1 in the Articles of Incorporation stipulates that the Company takes measures for electronic provision of information contained in reference documents, etc., for the general meeting of shareholders.
- ② Proposed Article 14, Paragraph 2 in the Articles of Incorporation establishes a provision to limit the scope of matters to be described in paper copies delivered to shareholders who request delivery of such copies.
- ③ The stipulation on internet disclosure and deemed provision of reference documents, etc., for general meetings of shareholders (the current Article 14 of the Articles of Incorporation) is to be deleted, as it will no longer be necessary.
- ④ In tandem with the above additions and deletions, supplementary provisions will be established with respect to effective dates and other matters.

##### 2. Details of Amendment

Details of the proposed amendments are as follows.

(The underlined portions indicate amendments.)

Current Articles of Incorporation	Proposed Amendments
Article 1 (Article Omitted)  (Purposes) Article 2. The purpose of the Company shall be to engage in the following businesses: 1. Manufacture, processing and sale of pig iron, copper materials, and primary products of iron and steel such as cast steel. 2. Manufacture, processing and sale of secondary products of iron and steel. 3. Manufacture, processing and sale of non-ferrous metals and alloy iron. 4. Manufacture, processing and sale of iron and steel structures. 5. Manufacture, processing and sale of machinery and equipment. <u>(New Addition)</u>	Article 1 (No Amendment)  (Purposes) Article 2. The purpose of the Company shall be to engage in the following businesses: 1. Manufacture, processing and sale of pig iron, copper materials, and primary products of iron and steel such as cast steel. 2. Manufacture, processing and sale of secondary products of iron and steel. 3. Manufacture, processing and sale of non-ferrous metals and alloy iron. 4. Manufacture, processing and sale of iron and steel structures. 5. Manufacture, processing and sale of machinery and equipment. <u>6. Processing and sale of ceramic products, and</u>

Current Articles of Incorporation	Proposed Amendments
<p style="text-align: center;">(New Addition)</p> <p>6. Collection, transportation and disposal of domestic waste and industrial waste, and sale of recycled products thereof.</p> <p>7. Motor truck transportation business, forwarding business and warehousing business.</p> <p>8. Any and all businesses incidental or related to the preceding items.</p> <p>② For the purpose of executing the business above, the Company may jointly run a business, invest in other companies, or incorporate another company.</p>	<p><u>other civil engineering and building materials.</u></p> <p><u>7. Contracting and construction of civil engineering works.</u></p> <p>8. Collection, transportation and disposal of domestic waste and industrial waste, and sale of recycled products thereof.</p> <p>9. Motor truck transportation business, forwarding business and warehousing business.</p> <p><u>10. Any and all businesses incidental or related to the preceding items.</u></p> <p>② For the purpose of executing the business above, the Company may jointly run a business, invest in other companies, or incorporate another company.</p>
<p>Article 3 to Article 13 (Articles Omitted)</p>	<p>Article 3 to Article 13 (No Amendment)</p>
<p><u>(Internet Disclosure of Reference Documents, Etc., for General Meetings of Shareholders)</u></p> <p><u>Article 14. In convening a General Meeting of Shareholders, the Company shall be deemed to have provided to shareholders information concerning matters required to be described or presented in reference documents for General Meetings of Shareholders, business reports, financial statements and consolidated financial statements, by disclosing such information over the Internet in a manner set forth in the ministerial ordinances of the Ministry of Justice.</u></p>	<p style="text-align: center;">(Deletion)</p>
<p style="text-align: center;">(New Addition)</p> <p>Article 15 to Article 39 (Articles Omitted)</p>	<p><u>(Provision of Documents in Electronic Format, Etc.)</u></p> <p><u>Article 14. In convening a General Meeting of Shareholders, the Company shall provide the contents of the reference documents, etc., for the General Meeting of Shareholders in an electronic format.</u></p> <p><u>② Among the contents provided in an electronic format, the Company may exclude all or a part of the matters prescribed by the ministerial ordinances of the Ministry of Justice from the documents that will be delivered to shareholders who requested the delivery of such documents by the record date for voting rights.</u></p>
<p style="text-align: center;">(New Addition)</p>	<p>Article 15 to Article 39 (No Amendment)</p> <p><u>(Supplementary Provisions)</u></p>

Current Articles of Incorporation	Proposed Amendments
	<p><u>1. The deletion of Article 14 of the current Articles of Incorporation (Internet Disclosure of Reference Documents, Etc., for General Meetings of Shareholders) and the establishment of Article 14 (Provision of Documents in Electronic Format, Etc.) shall be effective from September 1st, 2022.</u></p> <p><u>2. Notwithstanding the provisions of the preceding paragraph, Article 14 of the current Articles of Incorporation shall remain effective regarding any General Meeting of Shareholders held on a date prior to the end of February 2023.</u></p> <p><u>3. These Supplementary Provisions shall be deleted on March 1<sup>st</sup>, 2023 or the date when three months have passed from the date of the General Meeting of Shareholders in the preceding paragraph, whichever is later.</u></p>

## Proposal No. 2: Election of Five (5) Directors

The terms of office of all five (5) Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, we propose to elect five (5) Directors.

The candidates for Directors are as follows:

Candidate Number	Name	Current Position
1.	<input type="checkbox"/> Reappointment Akira Tanahashi	Representative Director
2.	<input type="checkbox"/> Reappointment Yasutaka Takenaka	Senior Managing Executive Director
3.	<input type="checkbox"/> Reappointment <input checked="" type="checkbox"/> Outside Director Yoshihiko Ogura	Outside Director
4.	<input type="checkbox"/> Reappointment <input checked="" type="checkbox"/> Outside Director <input checked="" type="checkbox"/> Independent Director Kouzou Yoneda	Outside and Independent Director
5.	<input type="checkbox"/> Reappointment <input checked="" type="checkbox"/> Outside Director <input checked="" type="checkbox"/> Independent Director Hisashi Nakano	Outside and Independent Director

<input type="checkbox"/> Reappointment	Candidate for Reappointment as Director
<input checked="" type="checkbox"/> Outside Director	Candidate for Outside Director
<input checked="" type="checkbox"/> Independent Director	Independent Director as Stipulated by the Stock Exchange

## Candidates for Directors

Candidate Number	Name (Date of birth)	Brief history (Positions and responsibilities and important positions of other organizations concurrently held)	
1.	Reappointment  Akira Tanahashi (Nov. 18, 1956)	April 1980 April 2006  April 2007  June 2011 June 2011  April 2013  June 2013  April 2015  April 2016 April 2017	Joined Topy Industries, Limited (“Topy Industries”) Head of Toyohashi Factory, Steel Business Division of Topy Industries Executive Officer, Vice Manager of Steel Business Division, Head of Toyohashi Factory of Topy Industries Director of the Company Director of in charge of Steel and Iron Business, and Manager of Steel Business Division of Topy Industries Director in charge of Steel and Iron Business, Manager of Steel Business Division, and Project Leader of New Steel Factory Construction of Topy Industries Executive Officer in charge of Steel and Iron Business, Manager of Steel Business Division, and Project Leader of New Steel Factory Construction of Topy Industries Managing Executive Officer in charge of Steel and Iron Business, and Manager of Steel Business Division Senior Managing Director in charge of Group Management assisting President of the Company Representative Director of the Company (current)
			Number of shares of the Company held by Candidate <hr/> 6,000 shares <hr/> Length of terms 11 years <hr/> Attendance at Meetings of the Board of Directors 17/17
			(Important positions of other organizations currently held) None

### (Reasons for nomination as a Director Candidate)

Mr. Akira Tanahashi has demonstrated strong leadership as a director (Representative Director) who also has served as a business executive (President), and has promoted management structural reforms of Hokuetsu Metal Group (“the Group”). In addition, Mr. Tanahashi, in order to realize the long-term vision "Metal Vision 2030 <Kizuna>" announced in October 2019 and the medium-term five-year management plan "Kizuna 2024", executed the absorption-type merger of two wholly-owned subsidiaries in October 2019, made Kotecs Co., Ltd. a wholly owned subsidiary in April 2020, established Innovas Co., Ltd. in July 2021, and made large-scale capital investments such as rationalization work for the Nagaoka Rolling Plant.

The Nomination and Compensation Committee has determined that it can be expected to contribute to the sustainable improvement of corporate value of the Company, and has decided upon him as a candidate for director continuously.

### (Message for the Shareholders)

The medium-term management plan "Kizuna 2024", which was formulated to realize the "Metal Vision 2030 <Kizuna>" that depicts our company's vision toward 2030, has entered its third year in execution. The current business environment is harsher and more drastic than initially expected, and it is necessary to implement measures more speedily.

We will complete the medium-term management plan, which will lead to the improvement of our corporate value by continuously advancing aggressive "capital investment", "investment in people" aimed at strengthening of human resources, "strengthening of technological capabilities" by promoting new product development and technological development, and "strengthening of on-site capabilities" which is the basis of manufacturing. We would like to ask our shareholders for continued guidance and encouragement.

Candidate Number	Name (Date of birth)	Brief history (Positions and responsibilities and important positions of other organizations concurrently held)	
2.	Reappointment  Yasutaka Takenaka (March 23, 1960)	Oct. 1990 July 2003  July 2008 Oct. 2011  April 2012 April 2013 April 2014 April 2016  June 2016  April 2018  Jan. 2019  April 2020  April 2021	Joined Topy Industries Senior Manager, Machinery Business Division of Topy Industries General Manager, Qingdao Topy Machinery Ltd. General Manager, Qingdao Topy Machinery Ltd. and General Manager, Topy Undercarriage (China) Co., Ltd. Deputy Manager, Corporate Planning Division of Topy Industries Manager, Global Strategy Development Division of Topy Industries Head of Corporate Planning Office of the Company Executive Officer, Manager of Corporate Planning Division of the Company Director and Executive Officer in charge of Corporate Planning and Finance, and Manager of Corporate Planning Division of the Company Managing Director in charge of Corporate Planning, General Affairs, HR, Finance and System, Senior Manager of Overall Business of the Company Managing Director in charge of Corporate Planning, General Affairs, HR, Finance and System, Senior Manager of Overall Business, Chairman of Restructuring and Developing Group Business of the Company Managing Director in charge of Corporate Planning, General Affairs, HR, Finance and System, Senior Manager of Overall Business of the Company Senior Managing Director in charge of Corporate Planning, General Affairs, HR, Finance and System, Senior Manager of Overall Business of the Company (current)
			Number of shares of the Company held by Candidate  1,800 shares  Length of terms 6 years  Attendance at Meetings of the Board of Directors 17/17
			(Important positions of other organizations currently held) None

(Reasons for nomination as a Director Candidate)

Mr. Yasutaka Takenaka has combined the board of directors and business execution in both directions and promoted the organic integration of management and execution as a director who also has served as a business executive. In addition, Mr. Takenaka, in order to realize the long-term vision "Metal Vision 2030 <Kizuna>" announced in October 2019 and the medium-term five-year management plan "Kizuna 2024", has taken the lead of the business execution department and promotion to realize specific management structural reforms, alliance planning and promotion, and training of next-generation executive candidates.

The Nomination and Compensation Committee has determined that it can be expected to contribute to the sustainable improvement of corporate value of the Company, and has decided upon him as a candidate for director continuously.

(Message for the Shareholders)

The business environment is becoming more and more uncertain and complicated. In order to find opportunities in these major changes and aim for sustainable growth, we will continue to promote management structural reforms continuously this year based on the long-term vision "Metal Vision 2030 <Kizuna>" formulated in October 2019. In particular, as a director who executes business, I will connect the board of directors with the business execution department, and management strategy with business execution, and promote legal, appropriate, accurate, prompt and flexible business operations. In addition, I will implement concrete efforts to further strengthen the "four bonds (Kizuna)" that we will place importance on in the future. Within the company, in order to foster next-generation executive candidates and build a strong management foundation that can open up a new era autonomously and self-sufficiently, I will promote drastic organizational and institutional reforms without being bound by preconceived notions.



Candidate Number	Name (Date of birth)	Brief history (Positions and responsibilities and important positions of other organizations concurrently held)		
3.	Yoshihiko Ogura (May 15, 1969)	April 1992	Joined Itochu Corporation ("Itochu")	Number of shares of the Company held by Candidate
		Mar. 2021	Itochu Hong Kong Ltd. (expatriate in Hong Kong)	
		Oct. 2007	Leader of Project Development Team, Coal Department, Itochu	0 shares
		May 2011	Deputy Manager of Chinese Metal and Energy Group of Itochu, and Itochu (China) Holding Co., Ltd. (expatriate in Beijing)	
		April 2015	Deputy Manager, Coal Department of Itochu	Length of terms 1 year
		April 2017	Head of Brisbane Office, Itochu Australia Ltd. (expatriate in Brisbane), and temporary assignment to IMEA (manager)	
		April 2018	Manager of Metal Business Planning and CP/CITIC Strategy Office, Itochu	Attendance at Meetings of the Board of Directors 13/14
		April 2021	Deputy Manager of Metal Business Division, and Manager of Non-Metal and Recycling Division of Itochu (current)	
June 2021	Outside Director of the Company (current)			
		(Important positions of other organizations currently held) Deputy Manager of Metal Business Division, and Manager of Non-Metal and Recycling Division of Itochu Director of Itochu Metals Corporation		

(Reasons for nomination as a Candidate for Outside Director and summary of the expected roles)

As stated in the biography, Mr. Yoshihiko Ogura has a wealth of experience and a wide range of insights cultivated through his work in Japan and overseas at companies that are expanding globally. In the Board of Directors, Mr. Ogura has also actively played a role in providing management advice and supervising business execution.

The Nomination and Compensation Committee has determined that it can be expected to contribute to the sustainable improvement of corporate value of the Company, and has decided upon him as a candidate for outside director continuously.

The Company does not have any business with ITOCHU Corporation. In addition, the candidate also serves as a director of ITOCHU Metals Co., Ltd., which is a specific business operator of the Company, and the Company has a business relationship with the company (ITOCHU Metals Co., Ltd.), such as main raw materials.

(Message for the Shareholders)

We are entering an era in which "sustainable development goals," that is, "SDGs," are required worldwide, and "management from the perspective of ESG" is extremely important for companies as well.

Our company plays a part in the "recycling society that enables sustainable growth" by manufacturing and selling products such as building materials using iron scrap as the main raw material, and it is expected to be more important.

Although it depends on raw material prices and economic trends, we aim to achieve medium- to long-term and sustainable growth together with the local community while responding to such social needs.

From the position of overseeing management as an outside director, I will be involved in the reform of the business model that supports the growth, the improvement of corporate governance, etc., and will sincerely strive to improve the corporate value of the Company. I would like to humbly thank you.

(Summary of the liability limitation contract)

The Company has executed a contract with Mr. Yoshihiko Ogura in accordance with Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation of the Company, to limit his liability to the minimum liability under Article 425, Paragraph 1 of the Companies Act, in relation to the liability under Article 423, Paragraph 1 of the Companies Act. If his election is approved, the Company will continue the contract.

Candidate Number	Name (Date of birth)	Brief history (Positions and responsibilities and important positions of other organizations concurrently held)		
4.	Kouzou Yoneda (June 18, 1948)	Mar. 1972	Joined Sumitomo Bank, Limited (currently, Sumitomo Mitsui Banking Corporation)	Number of shares of the Company held by Candidate
		April 2001	Executive Officer, Manager of Sales Division II, Head Office, Sumitomo Mitsui Banking Corporation	
		June 2002	CEO and Chairman, Japan Equity Capital Co., Ltd.	0 shares
		April 2003	Advisor, Daiwa Securities SMBC Principal Investments Co. Ltd.	Length of terms
		June 2005	Representative Director, Hirata Corporation	
		April 2012	Representative Director, Kinrei Corporation (currently KR Holdings Corporation)	Attendance at Meetings of the Board of Directors
		Dec. 2014	Outside Director, Amifa Co., Ltd. (current)	
		June 2015	Outside Director, Takagi Co., Ltd.	
		June 2015	Outside Director, ANEST IWATA Corporation	
		Dec. 2015	Representative Manager, Three Fields Godo Kaisha (current)	
		Nov. 2016	Outside Director, FORLIFE Co., Ltd. (current)	
		June 2018	Outside Director of the Company (current)	
			(Important positions of other organizations currently held)	
			Outside Director, Amifa Co., Ltd.	
	Outside Director, ANEST IWATA Corporation			
	Representative Manager, Three Fields Godo Kaisha			
	Outside Director, FORLIFE Co., Ltd.			

(Reasons for nomination as a Candidate for Outside Director and summary of the expected roles)

As stated in his biography, Mr. Kouzou Yoneda has been involved in management of many companies for many years and still plays an active part as an outside director of multiple companies, and has a wealth of experience and a wide range of insights. In addition to actively providing management advice at the Board of Directors, he has also played a significant role in making proposals for improving governance from the perspective of shareholders and supervising business execution. Mr. Yoneda has also served as chair of the Nomination and Compensation Committee.

The Nomination and Compensation Committee has determined that it can be expected to contribute to the sustainable improvement of corporate value of the Company, and has decided upon him as a candidate for outside director continuously.

The Company does not have any business with Amifa Co., Ltd., Anest Iwata Corporation, Three Fields Godo Kaisha, or FORLIFE Co., Ltd.

(Message for the Shareholders)

The business environment is changing rapidly, such as escalating energy and resource prices due to economic sanctions against Russia that invaded Ukraine and a sharp depreciation of the yen due to rising overseas interest rates due to US monetary tightening, in addition to the COVID-19 pandemic, which has already lasted for more than two years.

On the other hand, with the demand for carbon neutrality and resource conservation, the resource-recycling electric furnaces that complement blast furnaces are expected to be more important.

The Company has formulated the long-term vision "Metal Vision 2030 <Kizuna>" and are working on our own transformation with the aim of building a corporate structure that can withstand such changes in the business environment and enable sustainable growth. To that end, it is indispensable to have a foundation of corporate culture that embraces diverse ideas and allows employees to act proactively with one's heart, and a stable management system that supports it.

As chair of the Nomination and Compensation Committee, I will strive to develop future executive candidates and improve corporate value.

(Summary of the liability limitation contract)

The Company has executed a contract with Mr. Kouzou Yoneda in accordance with Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation of the Company, to limit his liability to the minimum liability under Article 425, Paragraph 1 of the Companies Act, in relation to the liability under Article 423, Paragraph 1 of the Companies Act. If his election is approved, the Company will continue the contract.

Candidate Number	Name (Date of birth)	Brief history (Positions and responsibilities and important positions of other organizations concurrently held)	
5.	Hisashi Nakano (June 21, 1952)	April 1975	Joined Yasuda Fire and Marine Insurance Co., Ltd. (currently, Sompo Japan Insurance Inc., "Sompo Japan")
		July 1999	Chubu Business Division Manager, Sompo Japan
		July 2000	Temporary assignment to INA Himawari Life Insurance Co., Ltd. (currently, Sompo Himawari Life Insurance, Inc.)
		June 2002	Temporary assignment to Saison Automobile and Fire Insurance Co., Ltd.
		April 2005	Executive Office and HR Division Manager, Sompo Japan
		June 2016	Director and Managing Executive Officer, HR Division Manager, Sompo Japan
		April 2008	Representative Director and Managing Executive Officer, Kansai I Division Senior Manager, Sompo Japan
		April 2009	Representative Director and Senior Managing Executive Officer, Kansai I Division Senior Manager, Sompo Japan
		April 2010	Representative Director and Vice President, Kansai I Division Senior Manager, Sompo Japan
		June 2010	Retired from Director of Sompo Japan
		June 2010	Representative Director, ZAIKEI JUTAKU KINYU Co., Ltd.
		June 2014	Retired form Director, ZAIKEI JUTAKU KINYU Co., Ltd.
		June 2014	Outside and full-time Company Auditor of the Company
		June 2018	Retired from Outside Company Auditor of the Company
June 2019	Outside Director of the Company (current)		
		(Important positions of other organizations currently held) None	Number of shares of the Company held by Candidate <hr/> 1,000 shares <hr/> Length of terms 3 years <hr/> Attendance at Meetings of the Board of Directors 17/17

(Reasons for nomination as a Candidate for Outside Director and summary of the expected roles)

As stated in his biography, Mr. Hisashi Nakano has been involved in management of many companies for many years and has a wealth of experience and a wide range of insights. In the Board of Directors, Mr. Nakano has also actively made proposals regarding human resources strategies (succession plans), and has fully played his role in providing advice to management and supervising business execution.

The Nomination and Compensation Committee has determined that it can be expected to contribute to the sustainable improvement of corporate value of the Company, and has continued to decide upon him as a candidate for outside director.

(Message for the Shareholders)

In order to improve corporate value and contribute to the creation of a circular economy, we have formulated a long-term vision "Metal Vision 2030 <Kizuna>" and aim to achieve the medium-term management plan "Kizuna 2024" that is the basis for this realization, and we are entirely working as one.

As an outside director, I will continue to closely monitor and supervise this progress and make positive opinions and suggestions, but the COVID-19 pandemic and the outbreak of the Ukrainian conflict have a negative impact on companies around the world, where it is undeniable that the outlook for the business environment is extremely difficult to forecast.

Under such circumstances, it is indispensable to broaden the perspective of thinking and efforts that are not an extension of the conventional ones, and to create a free and vibrant organizational culture, and the development of human resources who can embody these is becoming more important. We will focus on this human resource development by making use of the management experience of multiple companies and the knowledge as a senior in life.

We hope that these efforts will function organically and lead to the achievement of the medium-term management plan and the realization of the long-term vision.

Candidate Number	Name (Date of birth)	Brief history (Positions and responsibilities and important positions of other organizations concurrently held)
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(Summary of the liability limitation contract)

The Company has executed a contract with Mr. Hisashi Nakano in accordance with Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation of the Company, to limit his liability to the minimum liability under Article 425, Paragraph 1 of the Companies Act, in relation to the liability under Article 423, Paragraph 1 of the Companies Act. If his election is approved, the Company will continue the contract.

Notes:

1. The Company has no special interest with each of the Director candidates.
2. Mr. Katsuhiko Ogura, Mr. Kouzou Yoneda, and Mr. Hisashi Nakano are Outside Director candidates.
3. The Company has entered into indemnity contracts, as stipulated in Article 430-2, Paragraph 1 of the Companies Act, with Mr. Akira Tanahashi, Mr. Yasutake Takenaka, Mr. Katsuhiko Ogura, Mr. Kouzou Yoneda and Mr. Hisashi Nakano. In accordance with the said contracts, the Company will provide compensation for the expenses set forth in Article 430-2, Paragraph 1, Item 1 of the Companies Act and the losses set forth in Item 2 of the said Paragraph within the range stipulated by law. In the said contracts, reporting, loss mitigation and informing obligations by directors are stipulated, and there is a limitation of the indemnity in case of violation of such obligations. If they are re-elected, the Company intends to continue the said contracts.
4. The Company has concluded a directors and officers liability insurance agreement with an insurance company. Such insurance agreement will cover the liability of the insured including all Directors of the Company in relation to the exercise of the duty, or legal damages in the event of the claim, provided, however that there is a disclaimer for the acts which are recognized as violations of law. The Company bears all costs of the said insurance. Each Director candidate is an insured in the said insurance agreement. The agreement will be renewed with the same coverage and conditions at the next renewal date.
5. The Company has designated Mr. Kouzou Yoneda, and Mr. Hisashi Nakano as independent directors and submitted the statement to that effect to the Tokyo Stock Exchange, Inc. Upon their re-appointment as originally proposed, it is planned that they will continue to serve as independent directors.

For reference: Expertise and Experience of Director candidates

Name	Corporate management	Global business	Technologies and manufacturing	Finance and accounting	Legal compliance and risk management	Human resources
Akira Tanahashi	○		○		○	
Yasutake Takenaka	○	○		○	○	○
Katsuhiko Ogura	○	○			○	
Kouzou Yoneda	○	○		○	○	
Hisashi Nakano	○				○	○

(Note) The table above does not show all the knowledge, experience and skills of each director candidate.

### Proposal No. 3: Election of One (1) Substitute Company Auditor

We propose to elect one (1) substitute Company Auditor in anticipation of a case in which the number of Company Auditors might become less than the number provided for in the laws and regulations.

The validity of the resolution under this proposal can be nullified by resolution of the Board of Directors, with the consent of the Board of Corporate Auditors Meeting, only before he assumes office.

We have already obtained the consent of the Board of Corporate Auditors Meeting for the submission of this proposal.

The candidate for substitute Company Auditor is as follows:

Candidate Number	Name (Date of birth)	Brief history (Positions and responsibilities and important positions of other organizations concurrently held)	Number of shares of the Company held by Candidate
1.	Outside Company Auditor  Masatoshi Okura (Aug. 29, 1958)	<p>April 1982 Joined Itochu Corporation (“Itochu”)</p> <p>April 1997 Deputy Manager, Metal Material Section, Niigata Branch, Itochu</p> <p>Dec. 2002 Deputy Manager, Development and Recycling Section, Metal Material Division, Itochu</p> <p>April 2003 Deputy Manager, Metal Material Division</p> <p>April 2005 Director and Manager of West Japan Business Division, i-Recycle Inc. (currently, Itochu Metals Corporation)</p> <p>April 2007 Niigata Branch Manager, Itochu</p> <p>June 2011 Vice General Manager, Dalian New Green Recycle &amp; Resources Corporation (expatriate in Dalian)</p> <p>Deputy Manager, Metal Recycling Business Division, Itochu Metals Corporation</p> <p>Aug. 2012 Director, Educational Corporation NIIGATA Institute of Technology</p> <p>April 2018 Senior Director, Educational Corporation NIIGATA Institute of Technology</p> <p>April 2019 Chairman, Educational Corporation NIIGATA Institute of Technology (current)</p> <p>(Important positions of other organizations currently held)</p> <p>Chairman, Educational Corporation NIIGATA Institute of Technology</p>	0 shares

(Reasons for nomination as a Substitute Company Auditor candidate)

Mr. Masatoshi Okura is proposed for the position of Substitute Outside Company Auditor because he is expected to utilize his extensive experience and broad insight gained from his work at global companies in Japan and overseas as well as at the Niigata Institute of Technology as part of our auditing system.

The Company has no business transactions with ITOCHU Corporation or the Niigata Institute of Technology. The candidate was formerly a business executive of ITOCHU Metals Corporation, a specific business operator of the Company, and the Company has business transactions with ITOCHU Metals Corporation, including those for main raw materials.

(Summary of the liability limitation contract)

The Company will execute a contract with Mr. Masatoshi Okura, upon his assumption of office, in accordance with Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation of the Company, to limit his liability to the minimum liability under Article 425, Paragraph 1 of the Companies Act, in relation to the liability under Article 423, Paragraph 1 of the Companies Act.

Notes:

1. The Company has no special interest with the candidate.
2. Mr. Masatoshi Okura is a Substitute Outside Company Auditor candidate.
3. The Company has entered into indemnity contracts, as stipulated in Article 430-2, Paragraph 1 of the Companies Act, with Company Auditors. In accordance the said contracts, the Company will provide compensation for the expenses set forth in Article 430-2, Paragraph 1, Item 1 of the Companies Act and the losses set forth in Item 2 of the said Paragraph within the range

stipulated by law. In the said contracts, reporting, loss mitigation and informing obligations by directors are stipulated, and there is a limitation of the indemnity in case of violation of such obligations. If the candidate assumes the office of Company Auditor, the Company intends to enter into the said contract.

4. The Company has concluded a directors and officers liability insurance agreement with an insurance company. Such insurance agreement will cover the liability of the insured including all Company Auditors of the Company in relation to the exercise of the duty, or legal damages in the event of the claim, provided, however that there is a disclaimer for the acts which are recognized as violations of law. The Company bears all costs of the said insurance. The Substitute Company Auditor candidate will be an insured in the said insurance agreement upon being the Company Auditor. The agreement will be renewed with the same coverage and conditions at the next renewal date.

**<Proposals from a Shareholder (Proposal Nos. 4 and 5)>**

Proposal Nos. 4 and 5, made by a shareholder, are quoted below.  
The number of voting rights held by the shareholder is 13,221.

**Proposal No. 4: Election of Three (3) Directors**

(1) Outline of the proposal

The following three persons shall be elected as directors of HOKUETSU METAL Co., Ltd. (the “Company”):

Katsuyoshi Daido;  
Masaki Takeuchi; and  
Kazuhiko Amakawa.

(2) Reason for the proposal

In order to increase the Company’s corporate value over the medium to long term, it is essential to maintain and strengthen a cooperative business framework that enables us to share the know-how and resources of the electric furnace operations that the Topy Industries Group has cultivated over many years, while maintaining the Company’s independence as a listed company. This will enable us to enjoy various managerial advantages, such as enhancing our technological capabilities and on-site capabilities, and responding appropriately to our important issues, such as countermeasures against the aging of production facilities, thereby improving our presence as an electric furnace manufacturer.

However, the Company’s current management has neglected the above framework and in 2021 caused serious equipment failures at its major plants and employee fatalities. It failed to utilize the know-how of the Topy Industries Group in preventing, and taking follow-up measures against, those incidents. The Company cannot increase its corporate value over the medium to long term with such management.

Accordingly, we propose the appointment of new management personnel and independent outside directors in order to rebuild the cooperative framework described above and realize the enhancement of corporate value over the medium to long term.

(3) Names, brief history, etc., of candidates

Candidate Number	Name (Date of birth)	Brief history (Positions and responsibilities and important positions of other organizations concurrently held)	Number of shares of the Company held by Candidate	
1	Katsuyoshi Daido (December 3, 1959)	April 1982	Joined Topy Industries, Limited (“Topy Industries”)	0 share
		July 2004 - March 2013	Director in charge of Corporate Planning Business, Corporate Planning Division; Head of Accounting, Finance Division; Director in charge of Financial Accounting	
		April 2013 April 2016 April 2018 June 2021	Executive Officer, Finance Manager Executive Officer, Manager of Steel Business Division Managing Executive Officer, Manager of Internal Audit Division Senior Managing Director (current)	
(Important positions of other organizations currently held) Senior Management Director of Topy Industries				
(Reasons for nomination as a Director Candidate) Mr. Daido is capable of making balanced analyses, has planning ability, power to disseminate information, and a large network of contacts in Topy Industries Group from his long years of experience as a finance manager and abundant knowledge from his experience in corporate planning and management at Topy Industries. Mr. Daido also has experience in business management gained from, among other responsibilities, coordinating subsidiaries as the Manager of the Steel Business Division in the Steel and Iron Department. Therefore, Mr. Daido is expected to strengthen the Company’s cooperative ties with Topy Industries and contribute to the enhancement of mid- to long-term corporate value of the Company.				
2	Masaki Takeuchi (September 18, 1965)	April 1988	Joined Topy Industries	0 share
		April 2013	Production Manager, Toyohashi Factory, Steel Business Division	
		April 2015	Manager of Technology Management Division, Toyohashi Factory, Steel Business Division	
April 2017	Director, Engineering Manager, Toyohashi Factory, Steel Business Division			
April 2019	Director, Head of Toyohashi Factory, Steel Business Division			
April 2021	Director, temporary assignment to HR (current)			
June 2021	Director of Topy Marine Transport, Limited (current)			
(Important positions of other organizations currently held) Director of Topy Industries, Director of Topy Marine Transport, Limited				
(Reasons for nomination as a Director Candidate) Mr. Takeuchi has abundant knowledge and experience in technology from his long years of experience as the head of Toyohashi Factory, Steel Business Division of Topy Industries, has demonstrated strong leadership as the head of the factory with a “workplace-oriented” perspective and gained the confidence of front-line workers. Following the assumption of the office of director of Topy Marine Transport, Mr. Takeuchi has largely contributed to logistics reforms by bolstering its relationship with Topy Industries. Mr. Takeuchi is expected to strengthen the Company’s technological abilities and workers’ capabilities and contribute to the enhancement of mid- to long-term corporate value of the Company through cooperative ties with Topy Industries.				
3	Kazuhiko Amakawa (August 1, 1954)	April 1980	Joined Nippon Steel Corporation	0 share
		July 1994	Head of Iron and Steel Production Division, Kimitsu Works	
		March 1996	Deputy Manager of Production Technology	



		December 1998 Division, Kimitsu Works April 2004 Joined Japan Institute of Plant Maintenance April 2019 Head of Research and Development Visiting Professor, Keio University Graduate School (current)	
	(Important positions of other organizations concurrently held)		
	None		
	(Reasons for nomination as a Candidate for Outside Director and summary of the expected roles)		
	<p>Mr. Amakawa served as the Head of the Iron and Steel Production Division and then as Deputy Manager of the Production Technology Division at Kimitsu Works, and engaged in factory operation reform. Mr. Amakawa also gave guidance regarding TPM (Total Productive Maintenance) at some 40 business locations for iron and steel production, copper refining and forging in and outside Japan as a member of Japan Institute of Plant Maintenance, thereby committing himself to the Company's production operation reform until March 2022. Mr. Amakawa is expected to strengthen the Company's foundation for "manufacturing things" with his ample knowledge and training experience regarding TPM, and contribute to the enhancement of mid- to long-term corporate value of the Company.</p>		

Notes:

1. Each of the Director candidates has no special interest with the Company.
2. Mr. Kazuhiko Amakawa is an Outside Director candidate.

## **Opinion of the Board of Directors regarding Proposal No. 4 The Board of Directors opposes this Proposal.**

### **1. Introduction**

Our company will propose at the Shareholders Meeting the reappointment of the current five (5) directors of our company (the “Company Proposal”). We have determined that the appointment of the five (5) director candidates of the Company Proposal is the best way forward from the perspective of the stability of the corporate value of our company and Topy Industries, Ltd. (“Topy Industries”), and will lead to improvements in the common interest of all of the stakeholders of the two companies.

Since our receipt of the Shareholder’s Proposal, we held a series of discussions with Topy Industries, aiming for a resolution through dialogue with Topy Industries and keeping in mind with respect to the acceptance of the candidates of the Shareholder’s Proposal. However, Topy Industries notified us that, unless we abandon the reappointment of three (3) director candidates (two (2) of which are Independent Outside Directors) of the Company Proposal, Topy Industries will not agree to a resolution through dialogue.

Considering such negotiation process, it is obvious that Topy Industries is recommending the appointment of three (3) director candidates who are under the strong influence of Topy Industries and, at the same time, is opposing the appointment of at least three (3) director candidates of the Company Proposal and, therefore, the actual purpose of the Shareholder’s Proposal is to dissolve the current management structure of our company. Under such circumstances, as explained below, there is a risk that the reform we have worked on may fall through, and the motivation of our company’s employees may seriously decline, and that this in turn may invite a situation in which the common interests of all of the stakeholders of our company, including the proposing shareholder, Topy Industries, will be undermined.

In addition, our company will lose its independence as a listed company.

Therefore, the Board of Directors opposes the Shareholder’s Proposal.

### **2. The best way forward is to continue the business structure reform with the current management**

Since before, in anticipation of the future movement of the domestic electric furnace business, our company has worked to build a relationship with Topy Industries, especially considering that developing our business while keeping the independence of our management intact will contribute to the improvement of the corporate value of our company as well as Topy Industries. In particular, under a business environment where electric furnaces are drawing more attention from the perspective of SDGs, our company’s current management has been making efforts with the aim of business structure reform in order to play a central role in regional recycling of iron resources, and we believe that such efforts of our company aimed at the increase of our corporate value will directly lead to the corporate value of Topy Industries, which holds our company as an equity method affiliate.

On the other hand, since our company and Topy Industries are also both listed companies, from the perspective of establishing appropriate governance in the capital relationship, our company has secured the fairness, transparency and objectivity of the process regarding the nominating and compensation of directors and executive employees, and has established a Nomination and Compensation Committee (the chairman of which is an Independent Outside Director) composed of two (2) Independent Outside Directors, one (1) Outside Director, and one (1) Director, as a non-binding advisory board for the board of directors. We have also strengthened the structure through which the director candidates our company proposes will

be determined on the basis of the advice and recommendations of the Nomination and Compensation Committee.

All of the five (5) director candidates our company proposes were determined through such careful consideration as part of our company's governance structure, and have high levels of ethics and experience, expertise and knowledge necessary for performance of their duties. Such five (5) candidates have knowledge and experience in corporate management, global business, techniques and production, finance and accounting, legal affairs and risk management, and human affairs and labor issues, and their composition from a personnel perspective is well balanced as a whole.

Of the five (5) director candidates we propose, three (3) are Outside Directors and two (2) are Independent Outside Directors, so the majority of director candidates are Outside Directors and one third or more consist of Independent Outside Directors. We consider that having a good balance of experience, expertise and knowledge is necessary for corporate management and, in order to resolve the governance issue resulting from the capital relationship structure in which Topy Industries holds our company as an equity method affiliate, ensuring that the composition of the Board of Directors gives due consideration to the protection of the interests of minority shareholders with a high level of independence will lead to the improvement of the corporate value of our company and Topy Industries, in other words, it is in the common interest of all of the stakeholders, including the shareholders of both companies.

With such recognition, our company has developed the long-term vision "Metal Vision 2030 <Kizuna>" and the medium-term business plan "<Kizuna>2024" as our company's own path toward the continuous improvement of the corporate value of our company. Under the long-term vision "Metal Vision 2030 <Kizuna>" and medium-term business plan "<Kizuna>2024", we believe that, under the rapidly changing discontinuous and uncertain business environment where the domestic economy is contracting due to the falling birth rate and the aging population, as well as the increase in natural disasters due to climate change, we cannot deal with such issues by simply extending the management of the past. Accordingly, under such long-term vision and medium-term business plan, by applying our business foundation and brand power fostered in the region for years, and through cooperation with our business partners, we will broadly shift and renovate our business portfolio by developing new businesses, such as the expansion of sales of processed products, new products and the resource recycling business and aim for the establishment of a new business foundation.

In order to be able to continue to grow and develop as an independent listed company, our current management has actively engaged in business structure reform based on the long-term vision "Metal Vision 2030 <Kizuna>" and the medium-term business plan "<Kizuna>2024".

In particular, aiming for a departure from a management structure over-dependent on the bar steel business, which is difficult to differentiate, we have been strengthening the processed product business by enhancing a standardized business process from raw materials to processed products. In relation to such strengthening, in order to consolidate the management and indirect departments which are dispersed in each of the group companies, and to optimize the costs of the entire group, on October 1, 2019, we absorbed and merged with our consolidated subsidiaries, Hokuetsu Kogyo Co., Ltd. and Hokuetsu Tunbuckle Co., Ltd. As a result of such business structure reform, we succeeded in reducing the head office costs by seven percent (7%) in the fiscal year ending in March 2022 (the selling, general and administrative expenses, excluding temporary transfer costs) compared to that of the fiscal year ending in March 2018, which is the first year Mr. Tanahashi became the Representative Director of our company (excluding the costs of Kotecs Co., Ltd. which became our wholly owned subsidiary in April, 2020).

In addition, while in the past, we have procured the oxygen necessary for the operation of the electric furnace from affiliates in our group, and have used both PSA oxygen and liquid

oxygen, which is relatively expensive in cost, by assembling and absorbing part of such affiliates, we now self-manufacture PSA oxygen, and, by performing a stable and energy-efficient operation, we have reduced our environmental impact as well as our costs.

Furthermore, we have actively carried out M&A and alliances with other companies at the initiative of the management, such as by making Kotecs Co., Ltd., a sales company of high strength iron materials, a subsidiary, through the business alliance with Kyowa Concrete Industry Co., Ltd., a company engaged in a different business, through the expansion of our business scope through the establishment of Innovas Co., Ltd., a joint venture company with Kyowa Concrete Industry Co., Ltd., and through the renewal of a high-voltage substation at low cost under an umbrella agreement with a group company of Tokyo Electric Power Company Holdings, Inc.

In addition to the above, amid an increase in mandatory carbon neutrality, we are also newly proceeding with challenging projects such as exhaust heat recovery and efficient use of CO<sub>2</sub> through an academic-industrial alliance with a local university and joint research with business partners.

These business structure reforms are starting to achieve successful results despite an extremely difficult management environment due to the novel coronavirus pandemic, Russia's invasion of Ukraine, and the escalating price of iron scraps, materials and energy. However, there are many projects that are still only half-complete and in order for our company to continue to develop, it is necessary to complete this business structure reform with a sense of urgency. Since strong leadership, the ability to execute, and motivation is required for the implementation of this business structure reform, we are convinced that allowing the current management, which has these abilities, to continue to strongly implement the reform will improve our company's medium to long-term corporate value and will lead to the best interest of the shareholders, including Topy Industries.

From these perspectives, it is not appropriate to dissolve the current management structure.

### **3. The Shareholder's Proposal may interfere with the performance of the in-house employees**

Under the current circumstances of rapidly and significantly changing business environment, such as digitalization and SDGs, we consider that the importance of the performance of the in-house employees are increasing more than before. In order for our company to increase the organization strength and to continue to grow and develop, it is essential to discover and cultivate many human resources for management from in-house employees and to select leaders of the next generation who will cultivate the growth of our company. As such, in 2020, our company has started a program to develop candidates for next generation management personnel and has established a structure to continue to produce human resources for management systematically. In addition, from this fiscal year, by jointly conducting educational program for candidates of leaders who will support next generation leaders and cultivate the next generation, we have also started strengthening to establish a cycle to develop human resources for management. We will continue to provide more opportunities for performance and motivation to the in-house employees by continuing to discuss the advisability of the nomination of in-house employees as managing personnel and executive officers.

On the other hand, our company emphasizes on exchanges of personnel and establishment of cooperative relationships with other companies and has been accepting several executive officers from Topy Industries, the proposing shareholder, since before. Obviously, our company's attitude to emphasize relationships with stakeholders including Topy Industries has not changed even now. However, our company considers that the practice of "Ama-kudari",

where personnel from Topy Industries serve as executive officers in our company for a short term and automatically retire in accordance with Topy Industries' retirement age for executive officers, or token acceptance of executive officers which may be deemed as "*Koshi-kake*", where such personnel from Topy Industries reside in our office for a certain period and then are replaced automatically, may cause issues of management consistency and may cause negative effects taking away the opportunities for performance from in-house employees and lower their motivation.

In this regard, if it becomes a situation that the current management structure is dissolved and directors of the Shareholder's Proposal are appointed, it may create anxiety among our employees that "*Ama-kudari*" or "*Koshi-kake*" mentioned above may become the majority of our company's executive officers (For example, Topy Industries admits that Mr. Daido, one of the candidates of the Shareholder's Proposal, will serve as the director of our company for several years and then automatically retire in accordance with the retirement age of Topy Industries regardless of our company's business environment etc.).

This runs counter to the flow of the growth strategy our company proceeds with, the core of which is the human resources development program for the in-house employees, and it will have a significant adverse impact from the perspective of our company's medium-to long-term creation and improvement of corporate value.

Therefore, we consider that it is inappropriate to dissolve the current management structure and appoint the candidates of the Shareholder's Proposal as our company's directors.

#### **4. The Shareholder's Proposal is solely for the benefit of Topy Industries and may also impair the independence of our company**

Topy Industries is a major shareholder of our company holding 35.11% of our company's voting rights together with its subsidiaries. Under the background of such capital relationship, as mentioned above, we have continued to accept executive officers from Topy Industries.

On the other hand, as an independent listed company, our company has proceeded with improvement of further governance based on the recent request from the Tokyo Stock Exchange for the governance reformation in order not to impair the interest of the minority shareholders other than Topy Industries. More specifically, as mentioned above, we have improved the objectivity and fairness of the composition of the Nomination and Compensation Committee and we also consider that even with respect to personnel recommended by Topy Industries, we should not accept them blindly but the appropriate way is to have a process of fair discussion regarding the appointment of executive officers at the Nomination and Compensation Committee and the decision at the Board of Directors.

Our company views that personnel exchange between our company and Topy Industries, the major shareholder of our company, fulfils two (2) requirements, that is, the cooperative structure based on the capital relationship mentioned above and our company's independence as a listed company.

While we have been conducting a review of the future relationship between Topy Industries and our company based on the above view, in February 2021, Topy Industries requested us to accept Topy Industries' executive officers as our company's directors. The reasons for the request by Topy Industries were the following three (3):

- (i) Topy Industry would like to have their executive officers study the positions of directors of our company and after two (2) years, transferred back;
- (ii) Topy Industries would like to review the policy regarding our company's shares held by Topy Industries; and
- (iii) Our company should accept Topy Industries' demands in light of the shareholding ratio of Topy Industries in our company.

We determined that although Topy Industries is our largest shareholder, the reasons from (i) to (iii) above do not consider the interests of our company (furthermore, the interests of all of the shareholders of our company), and through discussion among all the directors including Outside Directors, we declined such proposal.

The request by Topy Industries regarding the appointment of our company's executive officers continued thereafter and we received inappropriate interventions such as, our company should apply the same retirement age of executive officers as Topy Industries although our company is not a subsidiary of Topy Industries, and Mr. Tanahashi, the representative director of our company, must submit to the Nomination and Compensation Committee the personnel proposal of executive officers reflecting the intent of Topy Industries.

Under such circumstances, just as we were seeking measures aiming to improve the relationship between Topy Industries and our company, we received the Shareholder's Proposal.

After the Shareholder's Proposal was submitted, reflecting the intent of Topy Industries, the largest shareholder, we have also considered to operate the Board of Directors for the next term as a place for substantive discussion aiming for the improvement of the common interests of all of the stakeholders of both companies associated with continuous improvement of the corporate value of both companies, and we have continued exchanging opinions and discussion with Topy Industries also regarding appointment of all eight (8) candidates in total, the candidates of the Company Proposal and the candidates of the Shareholder's Proposal. However, during such discussion, Topy Industries requested us to have three (3) (two (2) of which are Independent Outside Directors) of the four (4) directors comprising the Nomination and Compensation Committee to retire and didn't make any concession.

Considering such background, it is obvious that Topy Industries is seeking to substantially exclude our company's current management structure including two (2) Independent Outside Directors and to control the Board of Directors of our company on the ground that our Nomination and Compensation Committee didn't follow the intent of Topy Industries.

We consider that the process of determining the appointment of the executive officers on the basis of the fair opinion of the Independent Outside Directors is essential as our company's governance mechanism in order to protect the interests of minority shareholders and therefore, we oppose to the Shareholder's Proposal which seeks to exclude such mechanism.

## **5. Our company respects the cooperative structure with Topy Industries**

Although there is a statement in the Shareholder's Proposal to the effect that our company disrespects the cooperative structure with Topy Industries, such statement is incorrect. Between Topy Industries and our company, the factual cooperative structure based on the above-mentioned capital relationship has been established and we do not deny the usability of such cooperative structure. Actually, among Topy Industries and our company, at the field level, improvement proposal at factories, constant exchange such as participation in small group activities and information exchanges, etc., have been conducted. Also, recently, there were discussions between Mr. Daido of Topy Industries and Mr. Takenaka, the executive director of our company, regarding cooperative structure in order to achieve business synergies of both companies based on the guidelines such as Corporate Governance Code and Fair Disclosure Rule, etc. In addition, when equipment failure and an accident resulting in the death of an employee occurred in 2021 at our company, we immediately notified Topy Industries first and dealt with the resolution of such issues based on the advice of Topy Industries.

Although it is obvious that as an independent listed company, there is business information which we cannot disclose even to our major shareholder, Topy Industries, under such circumstances, we are seeking for the cooperative structure in order to maximize both interests

based on the current situation of the electric furnace business field, and we will keep and enhance such structure from now on.

The Shareholder's Proposal intends to have three (3) (including two (2) Independent Outside Directors) of the four (4) directors comprising the Nomination and Compensation Committee who do not follow the intent of Topy Industries retire under the name of "Restructuring of cooperative structure", and its content is to dissolve the current management structure and to make those who are under the strong influence of Topy Industries the majority of the Board of Directors. Thus, in case the Shareholder's Proposal is passed, under the name of the "cooperative structure", it may lead to a result in which the interests of our company as well as all of the shareholders of our company would be undermined.

Therefore, the Board of Directors of our company opposes the Shareholder's Proposal.

## Proposal No.5: Election of One (1) Substitute Company Auditor

### (1) Outline of the proposal

The following shall be elected as our substitute company auditor:  
Tsuyoshi Nakamura.

### (2) Reason for the proposal

The appointment of Tsuyoshi Nakamura, who was elected as a substitute company auditor at our 102<sup>nd</sup> annual shareholders' meeting held on June 21, 2018, is effective until the commencement of our 106th annual general meeting of shareholders scheduled to be held on June 2022. Therefore, we propose the election of one substitute company auditor in case there is a shortfall in the number of company auditors specified by law. This appointment may be rescinded by a resolution of the board of directors with the consent of the company auditors' meeting only before assuming office.

### (3) Name, brief history, etc. of candidate

Candidate Number	Name (Date of birth)	Brief history (Positions and responsibilities and important positions of other organizations concurrently held)	Number of shares of the Company held by Candidate	
1	Tsuyoshi Nakamura (April 2, 1960)	April 1983	Joined Topy Industries	0 share
		April 2016	Executive Officer, Manager of Technology Management Division	
		July 2016	Executive Officer, Manager of Technology Division	
		April 2018	Executive Officer, Manager of Steel Business Division	
		April 2020	Managing Executive Officer, Manager of Steel Business Division	
		April 2021	Managing Executive Officer, Manager of Corporate Planning Division	
		April 2022	Senior Executive Officer (current)	
		(Important positions of other organizations currently held) Senior Executive Officer of Topy Industries		
		(Reasons for nomination as a Substitute Company Auditor candidate and summary of expected roles) Mr. Nakamura specialized in steel making technology for electric furnaces at the Steel Business Division of Topy Industries, his expertise is well known to the industry, and he has attracted a number of investments in steel. Mr. Nakamura also has ample knowledge of Topy Industries' overall technology as well as a large network of contacts. Mr. Nakamura is expected to strengthen the Company's audit function through advice for securing the legality and adequacy of the decision making of the Board of Directors and comments to the Board of Auditors.		

#### Notes:

1. Mr. Tsuyoshi Nakamura has no special interest with the Company.
2. Mr. Tsuyoshi Nakamura is a Substitute Outside Company Auditor candidate.



**Opinion of the Board of Directors regarding Proposal No.5**  
**The Board of Directors opposes this Proposal.**

The candidate of substitute company auditor which our company proposes as the candidate of Outside Company Auditor has deep knowledge of the electric furnace business fostered by the past experience and high management capability.

The candidate of substitute auditor in the Shareholder's Proposal is a senior executive officer of Topy Industries. In addition, two (2) of the three (3) current auditors of our company are from Topy Industries. Such proposal intends nothing but to occupy almost all of the members' seats of the Board of Directors together with the director candidates of the Shareholder's Proposal.

Therefore, the Board of Directors of our company opposes the Shareholder's Proposal.

*The above represents an excerpted translation, for reference and convenience only, of the original notice issued in Japanese. We did our utmost to ensure accuracy in our translation and believe it to be of the highest standard. However, due to differences of accounting, legal, and other systems as well as of language, this English version might contain inaccuracies, and therefore, might be inconsistent with the original intended in Japanese. In the event of any discrepancies between the Japanese and English versions, the former shall prevail as the official version.*