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Securities code: 8093
June 4, 2021

To Shareholders with Voting Rights:

Yoshiya Okada
Representative Director
President and Chief Executive Officer
Kyokuto Boeki Kaisha, Ltd.
2-1, Otemachi 2-chome, Chiyoda-ku,
Tokyo, Japan

CONVOCATION NOTICE
FOR THE 101ST ANNUAL GENERAL MEETING OF SHAREHOLDERS

We would like to express our appreciation for your continued support and patronage.

Please be informed that the 101st Annual General Meeting of Shareholders of Kyokuto Boeki Kaisha, Ltd. (the "Company") will be held as set forth below.

Considering the situation where the spread of the novel coronavirus disease (COVID-19) still remains, in order to prevent the infection, this year's General Meeting of Shareholders will be held with wider space provided between seats and decreased number of seats available at the venue.

For this year's General Meeting of Shareholders, in view of the risk of infection at the venue of the Meeting, we strongly encourage you to refrain from attending the Meeting in person, regardless of your health conditions on the day of the Meeting. If you will attend the Meeting, we ask you to visit the venue of the Meeting while taking measures to prevent infection such as wearing a mask.

If you do not attend the meeting, you can exercise your voting rights in advance in either of the following ways. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by close of business (5:40 p.m. JST) on Tuesday, June 22, 2021.

[Exercise of voting rights by postal mail (in writing)]

Please indicate your votes for or against the proposals on the enclosed Voting Rights Exercise Form and send it back to us so that it reaches us by the exercise deadline stated above.

[Exercise of voting rights via the Internet]

Please refer to "Instructions for Exercising Voting Rights via the Internet" on page 5 (available only in Japanese version) and enter your votes for or against the proposals by the exercise deadline stated above.

1. Date and Time: Wednesday, June 23, 2021 at 10:00 a.m. JST

2. Place: 6-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Conference Room B, 16F, Fukuracia, Marunouchi Kitaguchi Building

3. Meeting Agenda:

Matters to be reported:
1. The Business Report, Consolidated Financial Statements for the Company's 101st Term (April 1, 2020 - March 31, 2021) and results of audits by the Accounting Auditor and the Audit and Supervisory Committee of the Consolidated Financial Statements
2. Non-consolidated Financial Statements for the Company's 101st Term (April 1, 2020 - March 31, 2021)

Proposals to be resolved:

<Company Proposals (Proposals 1 to 3)>

Proposal 1:	Appropriation of Surplus
Proposal 2:	Election of Five Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)
Proposal 3:	Election of Three Directors Serving as Audit and Supervisory Committee Members

<Shareholder Proposals (Proposals 4 to 6)>

Proposal 4:	Election of One Director Not Serving as an Audit and Supervisory Committee Member
Proposal 5:	Revision of the Provisions of Articles with Regard to Disclosure of Cost of Capital
Proposal 6:	Revision of the Provisions of Articles with Regard to the Dissolution of Shares Held by the Company

When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
Of the documents required to be appended to this Convocation Notice as attachments, the Notes to the Consolidated Financial Statements and the Notes to the Non-consolidated Financial Statements have been posted on the Company's website (https://www.kbk.co.jp) in accordance with laws and regulations and Article 16 of the Articles of Incorporation of the Company.
Any revisions to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Non-consolidated Financial Statements or Consolidated Financial Statements will be posted on the Company's website (https://www.kbk.co.jp).

<Requests to Shareholders>

Please note that the number of seats available this year will be significantly smaller than usual years, as the space between seats will be expanded to prevent the spread of infection.

The above measures may be updated in response to the status of the spread of infection and the content of announcements by the government up to the day of the General Meeting of Shareholders. Please check the information we provide on our website (https://www.kbk.co.jp).

We ask shareholders attending the Meeting to bring and wear a mask. Our staff will work wearing a face mask at the Meeting after they check their physical conditions, including their body temperatures.

If it turns out that you have a fever or feel unwell as a result of the temperature measurement near the entrance of the venue, you may be asked not to enter the venue.

In order to secure social distancing at the venue, we will reduce the number of seats available. If the number of attendees exceeds the number of seats available, you may not be allowed to enter the venue.

For this year's General Meeting of Shareholders, detailed explanations of the matters to be reported (including audit reports) and the Proposals will be omitted at the venue, in order to reduce the time spent on the Meeting to prevent the spread of COVID-19. We ask you to read this Convocation Notice beforehand.

Reference Documents for the General Meeting of Shareholders

Proposals and References

<Company Proposals (Proposals 1 to 3)>

Proposal 1: Appropriation of Surplus

The Company proposes to appropriate its surplus as follows.

Matters concerning year-end dividends:

In order to continuously and positively give back to its shareholders and achieve sustained improvement in corporate value, the Company makes it a basic policy to distribute profits in consideration of future business development, financial conditions, revenue trends, and other factors, under an appropriate capital policy.

In comprehensive consideration of factors including business results for the current fiscal year, the business environment, and future business expansion, the Company proposes a year-end dividend as follows.

(1) Type of dividend property
Money

(2) Allocation of dividend property and total amount thereof
60 yen per share of common stock of the Company
In this case, the total amount of dividends will be 368,741,820 yen.

(3) Effective date of distribution of surplus
June 24, 2021

Proposal 2: Election of Five Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)

All five Directors (excluding Directors Serving as Audit and Supervisory Committee Members; hereinafter the same shall apply in this Proposal) will retire due to expiration of their terms of office at the conclusion of this General Meeting of Shareholders.

Accordingly, the Company proposes to elect five Directors.

The candidates for Directors are as follows.

With regard to this Proposal, the Audit and Supervisory Committee has determined that all candidates for Directors are appropriate.

No.		Name		Current positions and responsibilities	Attendance at Board of Directors meetings
1	Reappointment	Yoshiya Okada		Representative Director President and Chief Executive Officer; General Manager, Sales Headquarters	15/15 (100%)
2	Reappointment	Nobuki Tomabechi		Director and Managing Executive Officer; General Manager, Administrative Headquarters	15/15 (100%)
3	Reappointment	Masaharu Sato		Director and Managing Executive Officer; Deputy General Manager, Sales Headquarters; General Manager, Industrial Material Division	15/15 (100%)
4	Reappointment	Shinji Sakuma		Director and Executive Officer; Deputy General Manager, Sales Headquarters; General Manager, Mechanical Parts Division	12/12 (100%)
5	New candidate	Takashi Fujino	Outside Independent		

No.	Name (Date of birth)	Past experience, positions and responsibilities (Significant concurrent positions)		Number of shares of the Company held
1	Reappointment Yoshiya Okada (April 25, 1957) Attendance at Board of Directors meetings: 15/15 (100%)	April 1984 April 2003 June 2005 October 2009 April 2011 April 2012 April 2013 June 2013 April 2017 June 2017 April 2019	Joined the Company General Manager, Information & Environment Systems Department Managing Director, KBK Europe GmbH General Manager, Industrial Systems Department, the Company Executive Officer; General Manager, Industries & Resources Group General Manager, Industrial Systems Department Executive Officer; General Manager, Industries & Resources Group Executive Officer; General Manager, Industries & Resources Group; General Manager, Domestic Subsidiaries Management Group Director and Executive Officer; General Manager, Industries & Resources Group; General Manager, Domestic Subsidiaries Management Group Director and Managing Executive Officer; General Manager, Industries & Resources Group; General Manager, Domestic Subsidiaries Management Group Director and Managing Executive Officer; General Manager, Industries & Resources Group President and Chief Executive Officer General Manager, Sales Headquarters (to present)	15,241 shares
		<Reason for candidacy> Since joining the Company, Mr. Okada has engaged mainly in the basic industry-related business and has accumulated abundant experience and considerable achievements in the Company's various business areas. He also has management experience overseas, serving as a manager of a local subsidiary of the Company in Germany. Moreover, he assumed the office of President and Chief Executive Officer of the Company in 2019 and has since accumulated a high degree of expertise concerning business management as a whole through the above experience, and also possess abundant experience and insight as a corporate executive. The Company proposes to continue to elect him as Director because it believes that he can contribute to the sustained growth of the Company and further enhancement of corporate value.		

No.	Name (Date of birth)	Past experience, positions and responsibilities (Significant concurrent positions)	Number of shares of the Company held
2	Reappointment Nobuki Tomabechi (March 11, 1958) Attendance at Board of Directors meetings: 15/15 (100%)	April 1982 Joined the Company June 2006 General Manager, Accounting Department July 2006 General Manager, Accounting Department; General Manager, Affiliates Office April 2011 Executive Officer; General Manager, Administration and Planning Group; General Manager, Affiliates Companies April 2013 Executive Officer; General Manager, Administration and Planning Group; General Manager, Group Planning Office June 2015 Director and Executive Officer April 2017 Director and Managing Executive Officer; General Manager, Administration and Planning Group; General Manager, Group Planning Office April 2019 Director and Senior Managing Executive Officer; General Manager, Administrative Headquarters; General Manager, Administration and Planning Group; General Manager, General Overseas Business Group December 2019 Director and Managing Executive Officer; General Manager, Administrative Headquarters (to present) <Reason for candidacy> Since joining the Company, Mr. Tomabechi has engaged in duties in the administrative division and has served as General Manager of Accounting Department, Affiliates Office, and Administration and Planning Group, accumulating abundant experience and considerable achievements in the areas of accounting, finance, and overall administrative operations. He also has a global perspective, having worked at a local subsidiary of the Company in the U.S. The Company proposes to continue to elect him as Director because it believes that he has been contributing to the sustained growth of the Company and further enhancement of corporate value through his high degree of expertise concerning business management as a whole, which he has accumulated through the above experience.	11,512 shares
3	Reappointment Masaharu Sato (January 9, 1959) Attendance at Board of Directors meetings: 15/15 (100%)	April 1983 Joined the Company June 2005 General Manager, Plastics Department June 2009 Executive Officer; General Manager, Materials Group; General Manager, Plastics Department July 2009 Executive Officer; General Manager, Materials Group June 2017 Director and Executive Officer; General Manager, Materials Group April 2019 Director and Managing Executive Officer; Deputy General Manager, Sales Headquarters; General Manager, Industrial Material Division; General Manager, Mechanical Parts Division April 2021 Director and Managing Executive Officer; Deputy General Manager, Sales Headquarters; General Manager, Industrial Material Division (to present) <Reason for candidacy> Since joining the Company, Mr. Sato has engaged in the industrial materials-related business and has served as General Manager of Plastics Department and Materials Group, accumulating abundant experience and considerable achievements in those areas. In addition to having worked abroad, he has a wealth of business experience overseas involving coordination and negotiation with customers. The Company proposes to continue to elect him as Director because it believes that he has been contributing to the sustained growth of the Company and further enhancement of corporate value through his high degree of expertise concerning business management as a whole, which he has accumulated through the above experience.	8,095 shares

No.	Name (Date of birth)	Past experience, positions and responsibilities (Significant concurrent positions)	Number of shares of the Company held
4	Reappointment Shinji Sakuma (May 22, 1963) Attendance at Board of Directors meetings: 12/12 (100%)	April 1986 Joined the Company July 2009 General Manager, Kyokuto Trading (Shanghai) Co., Ltd. May 2013 General Manager, Industrial Systems Department, the Company April 2019 Executive Officer; General Manager, Basic Industry Division June 2020 Director and Executive Officer; Deputy General Manager, Sales Headquarters; General Manager, Basic Industry Division April 2021 Director and Executive Officer; Deputy General Manager, Sales Headquarters; General Manager, Mechanical Parts Division (to present) <Reason for candidacy> Since joining the Company, Mr. Sakuma has engaged in the industrial materials-related business and basic industry-related business, and has accumulated abundant experience and considerable achievements in the Company's various business areas. He also has management experience overseas, serving as General Manager of Kyokuto Trading (Shanghai) Co., Ltd., a local subsidiary of the Company in China. The Company proposes to continue to elect him as Director because it believes that he has been contributing to the sustained growth of the Company and further enhancement of corporate value through his high degree of expertise concerning business management as a whole, which he has accumulated through the above experience.	7,658 shares
5	New candidate Outside Independent Takashi Fujino (February 12, 1956)	April 1979 Joined Asahi Glass Co., Ltd. (currently AGC Inc.) January 2009 Executive Officer; General Manager, Corporate Planning Office January 2010 Senior Executive Officer; CFO; General Manager, President Office March 2010 Director; Senior Executive Officer; CFO; General Manager, President Office January 2015 Director; Senior Executive Officer; Assistant to President January 2015 Advisor, ISE CHEMICALS CORPORATION March 2015 President and Chief Executive Officer <Reason for candidacy and summary of expected roles> Mr. Fujino had served as Director in charge of finance, investor relations and corporate governance at Asahi Glass Co., Ltd. (currently AGC Inc.), and later as President at ISE CHEMICALS CORPORATION (listed on the second section of the Tokyo Stock Exchange). The Company has nominated him as a candidate for Outside Director in order for him to provide objective opinions on the Company's overall management from a broad and independent perspective based on his abundant experience and wide insight as a corporate manager. The Company expects him to perform a supervisory function from a standpoint independent of the management team, based on his abundant experience in corporate management.	0 shares

(Notes)

1. There are no special interests between the above candidates and the Company.
2. Attendance at Board of Directors meetings of Mr. Shinji Sakuma is counted for the Board of Directors meetings held after he took office as Director.
3. Mr. Takashi Fujino is a candidate for Outside Director.
4. The matters concerning candidates for Outside Directors are as follows:
   The Company plans to enter into a liability limitation agreement with Mr. Takashi Fujino if his election is approved as originally proposed. The outline of the agreement is as follows:
   Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the liability for damages under Article 423, Paragraph 1 of the said Act shall be limited to the higher of 7.2 million yen or the minimum amount of liability stipulated in Article 425, Paragraph 1 of the said Act.
5. The Company plans to register Mr. Takashi Fujino as an independent officer stipulated by the rules of the Tokyo Stock Exchange if his election is approved as originally proposed.
6. The Company has concluded a directors and officers liability insurance contract with an insurance company, with Directors and Auditors of the Company and its subsidiaries as the insured persons. The insurance contract covers damages, litigation expenses, etc. to be borne by the insured in the event that a claim for damages is made against the insured due to an act committed by the insured in his/her capacity as an officer of the Company. The Company bears the entire premium for all the insured persons.
   Each candidate will be included in the insured persons under the insurance contract The Company plans to renew the insurance contract of the same content at the time of next renewal.

Proposal 3: Election of Three Directors Serving as Audit and Supervisory Committee Members

All three Directors serving as Audit and Supervisory Committee Members will retire due to expiration of their terms of office at the conclusion of this General Meeting of Shareholders.

Accordingly, the Company proposes to elect three Directors serving as Audit and Supervisory Committee Members.

Prior consent has been obtained from the Audit and Supervisory Committee with respect to the submission of this proposal.

The candidates for Directors serving as Audit and Supervisory Committee Members are as follows.

No.	Name (Date of birth)	Past experience, positions and responsibilities (Significant concurrent positions)	Number of shares of the Company held
1	Reappointment Susumu Ohuchi (May 1, 1955) Attendance at Board of Directors meetings: 15/15 (100%) Attendance at Audit and Supervisory Committee meetings: 13/13 (100%)	April 1982 Joined the Company April 2003 General Manager, Business Planning Department June 2005 Senior General Manager; General Manager, Corporate Strategic Planning Department April 2012 Senior General Manager June 2012 Corporate Auditor June 2017 Director (Audit and Supervisory Committee Member) (to present) <Reason for candidacy> Mr. Ohuchi possesses abundant experience and advanced insight, developed through experience in finance, accounting, planning, and other operations at the Company over the years. The Company continues to nominate him as a candidate for Director serving as an Audit and Supervisory Committee Member as it expects that he will contribute to strengthening the audit systems of the Company and enhancing corporate value.	5,800 shares
2	Reappointment Outside Independent Mitsuharu Kaizuka (June 14, 1970) Attendance at Board of Directors meetings: 15/15 (100%) Attendance at Audit and Supervisory Committee meetings: 13/13 (100%)	October 2001 Registered as an attorney (Member, Dai-Ichi Tokyo Bar Association) October 2001 Joined Tanabe & Partners (to present) June 2019 Director (Audit and Supervisory Committee Member) (to present) <Reason for candidacy and summary of expected roles> Mr. Kaizuka possesses specialist knowledge, abundant experience, and advanced insight, developed through experience as an attorney over the years. The Company continues to nominate him as a candidate for Outside Director serving as an Audit and Supervisory Committee Member as it expects that he will contribute to strengthening the audit systems of the Company and enhancing corporate value, particularly from the perspective of an attorney.	0 shares

No.	Name (Date of birth)	Past experience, positions and responsibilities (Significant concurrent positions)	Number of shares of the Company held
3	New candidate Outside Independent Mariko Hidaka (May 4, 1961)	April 1984 Joined Chuo Accounting Office April 1987 Registered as certified public accountant (to present) July 2000 Partner, Chuo Audit Corporation July 2006 Senior Partner, ChuoAoyama Audit Corporation August 2007 Senior Partner, Shin Nihon & Co. June 2020 External Director, Tosoh Corporation (to present) August 2020 Established Hidaka Certified Public Accountant Office (to present) January 2021 Outside Auditor, SBI Sumishin Net Bank, Ltd. (to present) (Significant concurrent positions) External Director, Tosoh Corporation; Outside Auditor, SBI Sumishin Net Bank, Ltd. <Reason for candidacy and summary of expected roles> Ms. Hidaka possesses specialist knowledge, abundant experience, and advanced insight, developed through experience as a certified public accountant over the years. The Company has nominated her as a candidate for Outside Director serving as an Audit and Supervisory Committee Member as it expects that she will contribute to strengthening the audit systems of the Company and enhancing corporate value, particularly from an accounting perspective.	0 shares

(Notes)

1. There are no special interests between the above candidates and the Company.
2. Mr. Mitsuharu Kaizuka and Ms. Mariko Hidaka are candidates for Outside Director.
3. The matters concerning candidates for Outside Directors are as follows:

   Reasons the Company judges candidates will be able to appropriately execute their duties as Outside Directors

   Mr. Mitsuharu Kaizuka has never been directly involved in corporate management, but he possesses specialist knowledge, abundant experience, and advanced insight as an attorney over the years. Accordingly, the Company has judged that he will be able to appropriately execute his duties as Outside Director of the Company.

   Ms. Mariko Hidaka has never been directly involved in corporate management, but he possesses specialist knowledge, abundant experience, and advanced insight as a certified public accountant over the years, and also has experience as External Director and Outside Auditor at other companies. Accordingly, the Company has judged that she will be able to appropriately execute her duties as Outside Director of the Company.

   The Company plans to enter into a liability limitation agreement with Mr. Mitsuharu Kaizuka if his re-election is approved as originally proposed. The Company plans to enter into a liability limitation agreement with Ms. Mariko Hidaka if her election is approved as originally proposed. The outline of the agreement to be entered into with them is as follows:

   Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the liability for damages under Article 423, Paragraph 1 of the said Act shall be limited to the higher of 7.2 million yen or the minimum amount of liability stipulated in Article 425, Paragraph 1 of the said Act.

   Mr. Mitsuharu Kaizuka is currently an Outside Director of the Company serving as an Audit and Supervisory Committee Member and will have served in the position for two years at the conclusion of this Annual General Meeting of Shareholders.
4. The Company plans to continue the liability limitation agreement with Mr. Susumu Ohuchi if his re-election is approved as originally proposed. The outline of the agreement is as follows:

   Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the liability for damages under Article 423, Paragraph 1 of the said Act shall be limited to the higher of 7.2 million yen or the minimum amount of liability stipulated in Article 425, Paragraph 1 of the said Act.
5. The Company has registered Mr. Mitsuharu Kaizuka as an independent officer stipulated by the rules of the Tokyo Stock Exchange. If the election of Mr. Mitsuharu Kaizuka and Ms. Mariko Hidaka is approved, the Company plans to register both of them as independent officers.
6. The Company has concluded a directors and officers liability insurance contract with an insurance company, with Directors and Auditors of the Company and its subsidiaries as the insured persons. The insurance contract covers damages, litigation expenses, etc. to be borne by the insured in the event that a claim for damages is made against the insured due to an act committed by the insured in his/her capacity as an officer of the Company. The Company bears the entire premium for all the insured persons.

   Each candidate will be included in the insured persons under the insurance contract The Company plans to renew the insurance contract of the same content at the time of next renewal.

<Shareholder Proposals (Proposals 4 to 6)>

Proposals 4 to 6 were raised by two shareholders (hereinafter the "Proposing Shareholders").

Note that the proposals notified to the Company by the Proposing Shareholders and the main points of the proposals have been organized by proposal and are presented without modification.

Proposal 4: Election of One Director Not Serving as an Audit and Supervisory Committee Member

1. Content of Proposal

Appoint the candidate below as a director of the Board.

Name (Date of birth)	Past experience	Number of shares of the Company held
Tsuyoshi Maruki (July 23, 1959)	April 1982 Joined Nomura Securities Co., Ltd. August 1999 Executive vice-president, M & A Consulting Inc. May 2006 CEO, MAC Asset Management Co., Ltd. February 2010 Representative Director, TNP Strategic Capital Co., Ltd. September 2012 Representative Director (current position), Strategic Capital (Significant concurrent positions) Representative Director, Strategic Capital Co., Ltd. <Reason for candidacy> As a major shareholder of the Company, we strongly wish that the shareholder value of the Company will improve through management based on the cost of capital, and to also prevent damage to shareholder value by satisfying listing standards for the "Prime Market" even after the Tokyo Stock Exchange revises its market classification. Also, Strategic Capital, whose representative is the candidate, manages the Fund holding 17.18% of the total outstanding shares of the Company as of March 31, 2021. As the amount is greater than 10% of the total number of voting rights, the candidate is not expected to be registered as an independent director with the Tokyo Stock Exchange and will instead act as a part-time outside director.	0 shares

(Notes)

1. There is no particular interest between the candidate and the Company.
2. Strategic Capital, whose representative is the candidate, holds 200 shares of the Company's shares as of the end of March 31, 2020. Also, Strategic Capital is under a discretionary investment contract with INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (the Fund) and the Fund holds 1,116,000 shares of the Company's shares as of the same day.

2. Reasons for Proposal

The candidate is a representative of Strategic Capital Co., Ltd., the joint proposer of this shareholder proposal. Strategic Capital Co., Ltd., to date, has a track record of submitting various proposals and approaching many listed companies from the standpoint of the shareholder, and actually increasing shareholder value.

If either of Proposals 2. or 3., described below, is approved, the candidate can be expected to promote these initiatives as a member of the Board of Directors. Meanwhile, even if either of Proposals 2. or 3. is not approved, the candidate will be able to play a role in continuous discussions by proposing measures to increase the Company's shareholder value to the Board of Directors.

Furthermore, by leveraging his experience, the candidate is expected to lead the discussions of the Board on the measures to maintain the Company's listing on the Prime Market after the restructuring of the market segments of the Tokyo Stock Exchange.

Strategic Capital Co., Ltd. is a signatory of the UNPRI, United Nations Principles for Responsible Investment, and incorporates the so-called ESG perspective in the investment process. The Company is promoting the reduction of the size of its coal-power generation-related business as a policy to optimize its business portfolio. If the candidate is appointed as Director, he is expected to accelerate the aforementioned policy of optimizing the environmentally-friendly business portfolio, by revitalizing the discussions of the Board from the standpoint of the environment ("E" of ESG) and further restructure the business portfolio.

○ The Board of Directors' Opinion on the Proposal

The Board of Directors of the Company is opposed to this Proposal from the following reasons.

1) The Company regularly exchanges opinions with the candidate for Director of the Shareholder Proposal and the Company intends to continue these dialogues with him and exchange opinions toward the medium- to long-term enhancement of shareholder value and corporate value.
2) An independent, transparent, and highly effective corporate governance structure has been established based on the experiences of the candidates for Directors proposed by the Company in their respective fields.
3) The candidate for Director of the Shareholder Proposal may give priority to a certain major shareholder, and thus there may be a risk of intervention in management decisions in particular.
4) The above opinion is a result of the examination and deliberation by the Board of Directors based on the recommendations of the independent Nomination Committee.

The following is a detailed explanation.

The Company has established a Nomination Committee chaired by an Independent Outside Director and with the majority of the committee members comprising Independent Outside Directors, as a discretionary advisory body under the Board of Directors, to ensure the objectivity and fairness of the election of Directors. The Nomination Committee was consulted by the Board of Directors regarding this Shareholder Proposal as well as the proposal by the Company for the election of candidates for Directors to ensure the objectivity and transparency of deliberations.

The candidates for Directors submitted to this Annual General Meeting of Shareholders were deliberated by the Nomination Committee at the request of the Board of Directors based on various criteria including the guidelines for the nomination of the Company's Directors such as "a person who understands, shares and is capable of implementing the Company's motto, values, and corporate philosophy," and "a person equipped with extensive experience, management knowledge, broad perspective, strategic thinking, vision, a global sensibility, and good judgment." In light of the prevailing environment surrounding the Company and from the standpoint of steadily increasing corporate value going forward, the Nomination Committee concluded that increasing talent that would contribute to the diversification of the Board of Directors, adopting a policy that promotes the hiring of Directors with experience as CEOs of operating companies and Directors in charge of finance would be imperative in the improvement of medium- to long-term shareholder value and corporate value, as well as the effectiveness of the Board of Directors.

Based on this policy, the Company's Nomination Committee deliberated the content of the Company's Proposal for the election of Directors to be submitted to this Annual General Meeting of Shareholders and concluded that it was reasonable. Under the Company's Proposal, the candidates for Directors (excluding Directors serving as Audit and Supervisory Committee Members) comprise five candidates including four candidates for internal Director and one candidate for Independent Outside Director. The three candidates for internal Directors are from the sales divisions and are familiar with the Company's global businesses, and the other candidate is from the administrative division specializing in finance and accounting. The new candidate for Independent Outside Director is well-versed in corporate governance based on his experience as a Representative Director and President of a public company as well as Director in charge of finance at another public company. Additionally, the three candidates for Directors serving as Audit and Supervisory Committee Members comprise a person experienced in accounting, finance, and planning, and an attorney, and a certified public accountant, all of whom align with the Company's policy for the nomination of Directors outlined above and have qualities that balance the aptitude and qualities deemed desirable by the Company's shareholders. If all of the candidates for Director (excluding Directors serving as Audit and Supervisory Committee Members) proposed by the Company are approved, the composition of the Board of Directors will include three Independent Outside Directors among the eight Directors in all, which will ensure the supervision over management and its effectiveness.

On the other hand, the Company's Nomination Committee has found the candidate of the Shareholder Proposal to be a candidate for Outside Director who is not independent, and runs counter to the efforts to raise the ratio of independent officers from the standpoint of improving corporate governance. In light of his attributes, experience, and skills and the ideal number of members of the Board, the Nomination Committee has concluded that the candidate does not align with the Company's policy for the nomination of Directors outlined above.

Based on these findings by the Nomination Committee, the Board of Directors also conducted careful and exhaustive deliberations from the viewpoint of increasing the Company's shareholder value and corporate value and the policy for the nomination of Directors. First of all, it should be noted that the Company has formulated "KBK Plus-One 2025," the new medium-term management plan to increase the Company's

shareholder value and corporate value. Under this plan, the Company, in an effort to maintain its listing on the Prime Market after the reclassification of the market segments of the Tokyo Stock Exchange, will conduct the necessary discussions on the increase of shareholder value and corporate value and capital policies and carry them out. Such measures include the execution of business development and investments in new fields to realize a sustainable society thereby creating new sources of revenue, as well as addressing priority policies such as the execution of capital policies to contribute to increasing shareholder value, such as proactive shareholder returns (Maintaining a dividend payout ratio of 100% for the time being and the flexible purchases of treasury shares). The Board of Directors has determined that the composition of the Board of Directors which will be achieved if all of the candidates for Director (excluding Directors serving as Audit and Supervisory Committee Members) proposed by the Company are approved would be an ideal structure to realize such measures. Additionally, the candidate for Director not serving as an Audit and Supervisory Committee Member in the Shareholder Proposal is the representative of Strategic Capital, Inc., a major shareholder of the Company, which gives rise to the risk of intervention in specific management decisions through the prioritization of specific major shareholders, which, in turn, will make it difficult to realize the above measures. Meanwhile, in light of the fact that the Company is engaged in regular exchanges of opinion with the candidate and intends to continue dialogues with him to exchange opinions on the medium- to long-term increase of corporate value, the Board of Directors has determined that there is little need to elect the candidate to the office of Director to reflect his opinions at the Board of Directors. For these reasons, the Board of Directors failed to find the significance of electing this candidate as Director.

For the above reasons, the Company's Board of Directors believes that electing the candidates proposed by the Company would be in the interest of the shareholders from the standpoint of increasing shareholder value and corporate value and building an independent, transparent, and highly effective structure of corporate governance and that there is no need to elect the candidate for Director of the Shareholder Proposal as an Outside Director.

Accordingly, the Board of Directors disagrees with this Proposal.

Proposal 5: Revision of the Provisions of Articles with Regard to Disclosure of Cost of Capital

1. Content of Proposal

Add the following Chapter and Article to the current Articles of Incorporation.

CHAPTER VII. COST OF CAPITAL

(Disclosure of Cost of Capital)

Article 37.

The Company shall disclose, in the Corporate Governance Report (hereinafter referred to as "CG Report") which it submits to the Tokyo Stock Exchange, its Weighted Average Cost of Capital and its basis of calculation which it comprehends at the point of within 1 month before the submittal of the CG Report.

2. Reasons for Proposal

The Company's stock price has been significantly below its liquidation value. This indicates that the Company's return on equity (ROE) has failed to meet the level sought by investors (cost of equity).

In the Corporate Governance Code, (hereafter the "CG Code"), provided as an attachment to the Securities Listing Regulations, the following provisions are made: "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 capital cost. 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 resources, and specific measures that will be taken in order to achieve their plans and targets." These provisions require that the management have a full and accurate understanding of the capital costs of their company (CG Code, Principle 5-2, Establishing and Disclosing Business Strategies and Business Plans). It should also be a requirement for the management of the Company to draft and examine business plans and capital policy after a full appraisal of its weighted average capital cost (hereinafter "WACC") that reflects the Company's cost of equity. Further, disclosure of the WACC enables a dialogue between the Company's management and investors that include shareholders based on shared criteria. In this way, the disclosure of the capital cost will expectedly help improve the lackluster reputation of the Company's stock in the market.

However, the Board of Directors of the Company opposed the shareholder proposal on disclosure of capital cost, submitted to last year's Annual General Meeting of Shareholders, (hereinafter the "Last Shareholder Proposal") by claiming that the Board of Directors of the Company "does not believe that [disclosure of capital cost] is a matter that should be included in the Articles of Incorporation," and "[the ROE targets set in the medium-term management plan] are a result of indicating the basic policies for profit planning and capital policies, upon accurately identifying the Company's cost of capital," Even though more than 37% of the votes were in favor of the Last Shareholder Proposal, the Company has not disclosed its capital cost at all since then.

The Company has set an ROE of 8% as the target to be achieved by the fiscal year ending March 31, 2024, but as stated at the beginning of this proposal, the Company's current stock price is evaluated to be significantly below its liquidation value. However, the fact that the Company targets ROE as low as 8% indicates that it may be falsely recognizing a low level of cost of equity. It seems that the Company's ROE target is lower than the actual cost of equity as a result of such misrecognition. Accordingly, the Company should disclose its capital cost and engage in dialogue with investors including shareholders, and establish business strategies and business plans after correctly identifying its capital cost.

○ The Board of Directors' Opinion on the Proposal

The Board of Directors of the Company is opposed to this Proposal from the following reasons.

1) The Board of Directors does not believe that this Shareholder Proposal is a matter that should be included in the Articles of Incorporation.
2) The new medium-term management plan focuses on the enhancement of capital efficiency.
3) The Company has identified its capital costs and has provided clear and logical explanations in the dialogues with investors including shareholders and will refer to the capital costs in such dialogues when necessary

The following is a detailed explanation.

Matters involving the provisions of the Articles of Incorporation form part of the fundamental rules of the Company. The content of the Shareholder Proposal does not come under the fundamental rules of the Company. Accordingly, the Board of Directors does not believe that this Proposal is a matter that should be included in the Articles of Incorporation.

Meanwhile, in the "KBK Plus-One 2025," the new medium-term management plan announced in May 2021, the Company will promote the policy of proactive shareholder returns without increasing its equity for the next three years to enhance its capital efficiency and has set the target of 8% of its ROE. The Company has disclosed its basic policies of the earnings plan and capital policies in the new medium-term management plan, after accurately identifying the Company's capital cost through repeated consultation with outside experts. Moreover, the Company has actively engaged in a dialogue with investors including shareholders, while providing explanations that are clear and logical. The Company will refer to the capital cost in such dialogue when necessary.

Accordingly, the Board of Directors disagrees with this Proposal.

Proposal 6: Revision of the Provisions of Articles with Regard to the Dissolution of Shares Held by the Company

1. Content of Proposal

Add the following Chapter and Article to the current Articles of Incorporation.
In the event the proposal regarding Chapter VII, Article 37 above is not approved, this proposal regarding CHAPTER VIII, Article 38 shall be replaced with CHAPTER VII, Article 38.
CHAPTER VIII. Dissolution of Shares held by the Company
(Dissolution of Shares held by the Company)
Article 38.
The Company shall sell all the listed shares which it holds for either pure investment purpose or cross-shareholdings, as of the effective date of the revision of the Articles of Incorporation, immediately during 102nd fiscal period.

2. Reasons for Proposal

At the end of March 2020, the Company held cross-shareholdings in three companies in the total of 1,243 million yen on the (non-consolidated) balance sheet and shares held purely for investment purposes in the total of 2,517 million yen on the (non-consolidated) balance sheet.

In its securities report, the Company explains that the purpose of these cross-shareholdings is "to foster stable long-term trading relations and business partnerships and to ensure stronger and smoother cooperation in business development with transaction partners." But it is hard to understand the causal relationship between holding shares and fostering trading relations or ensuring stronger and smoother cooperation in business development.

Nor is there any reason for shares to be held purely for investment purposes, given that shareholders hold the Company's shares because they expect earnings growth from the main business of the Company, not from its stock investments which are not written in the purpose of the Company's Articles of Incorporation in the first place.

The Company should sell off all cross-shareholdings and stocks currently held purely for investment purposes, and use the proceeds from such sales to improve shareholder value. Specifically, cross-shareholdings and shares held purely for investment purposes should be sold during the fiscal year ending March 2022.

○ The Board of Directors' Opinion on the Proposal

The Board of Directors of the Company is opposed to this Proposal from the following reasons.

1) The Board of Directors does not believe that this Shareholder Proposal is a matter that should be included in the Articles of Incorporation.
2) A certain level of shareholdings by the Company represents the bedrock of the trust placed in the Company by the public, and selling off the shares during the 102nd period will hinder the appropriately-timed selling of the shares and will not necessarily be conducive to the increase of shareholder value.
3) The shares held by the Company purely for investment purposes can be liquidated immediately and the appropriateness of their continued holding has been confirmed by monitoring, which is conducted on an ongoing basis, in addition to the shareholding being economically rational.

The following is a detailed explanation.

Matters involving the provisions of the Articles of Incorporation form part of the fundamental rules of the Company. The content of the Shareholder Proposal does not come under the fundamental rules of the Company. Accordingly, the Board of Directors does not believe that this Proposal is a matter that should be included in the Articles of Incorporation.

The Company holds the shares purely for investment purposes not because it expects short-term earnings growth but to strengthen the financial bedrock of the trust placed in the Company by the public, and to apply them to business investments to sustain the stability of the Company's financial fundamentals and to strengthen its business earnings capability, by holding securities that are always available for sale in addition to cash and time deposits. In fact, they were utilized as funds for business investments during the 101st period (fiscal year ended March 2021). Accordingly, the Board of Directors believes that the prompt sale of shares held purely for investment purposes without any specific purpose would hinder flexible business investments for sustained growth under the Company's capital policy and necessarily be conducive to the improvement of shareholder value.

The shares held by the Company purely for investment purposes are mainly listed shares that can be liquidated immediately. The Company follows the market price of those shares every day and manages them

appropriately in accordance with the Company's internal rules. The Company's purpose of cross-shareholdings is to foster stable long-term trading relations and business partnerships and to ensure stronger and smoother cooperation in business development with transaction partners, including the establishment of joint ventures, and such capital partnerships have generated revenues both at home and abroad. The Board of Directors believes that a relationship of mutual trust is essential for this purpose and that we can strengthen such relationships by cross-shareholdings. Furthermore, it is the view of the Board of Directors that such sound relationships of mutual trust contribute to the sustained growth of the Company and improvement of corporate value in the medium- to long-term. Such strategically held shares are subject to annual monitoring by the Board of Directors. In light of the de facto nature of relationships with transaction partners and based on certain standards, the Board of Directors reviews the viability of continuing such cross-shareholdings from a medium- to long-term perspective, and adjusts the number of such shares held. The Company duly exercises voting rights on strategically held shares after determining whether such cross-shareholdings contribute to the improvement of shareholder value and corporate value of the Company in accordance with the original purpose for holding them.

Promptly selling off shares in the 102nd period represents an all too short-sighted proposal that would not only hinder the continuation and development of the Company's business in the medium- to long-term but also breach the Company's policy to aim for the sustained improvement of shareholder value.

Accordingly, the Board of Directors disagrees with this Proposal.