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(Stock Exchange Code 5357)  
June 9, 2021

**To Shareholders with Voting Rights:**

Mitsuo Taguchi  
President  
YOTAI REFRACTORIES CO., LTD.  
8-1, Nishikinaka-machi, Kaizuka-shi, Osaka

**NOTICE OF THE 123RD ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

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

We are pleased to inform you that the 123rd Annual General Meeting of Shareholders of YOTAI REFRACTORIES CO., LTD. (the “Company”) will be held for the purposes as described below.

Amid the spread of the novel coronavirus (COVID-19) infections, requests have been made to refrain from holding a large-scale gathering. Accordingly, we would like you to consider your health and decide on whether or not to attend the Annual General Meeting of Shareholders.

**Instead of attending the meeting, you can exercise your voting rights in writing or via electromagnetic methods (the Internet, etc.); please examine the Reference Documents for the General Meeting of Shareholders below, and exercise your voting rights by 5:40 p.m. on Wednesday, June 23, 2021, Japan time.**

- 1. Date and Time:** Thursday, June 24, 2021 at 10:00 a.m. Japan time
- 2. Place:** Conference room at the Company’s Head Office 2nd Floor located at 8-1, Nishikinaka-machi, Kaizuka-shi, Osaka
- 3. Meeting Agenda:**
  - Matters to be reported:**
    1. The Business Report, Consolidated Financial Statements for the Company’s 123rd Fiscal Year (April 1, 2020 - March 31, 2021) and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
    2. Non-consolidated Financial Statements for the Company’s 123rd Fiscal Year (April 1, 2020 - March 31, 2021)

**Proposals to be resolved:**

**<Company proposals (Proposals 1 and 2)>**

- Proposal 1:** Election of 6 Directors  
**Proposal 2:** Determination of Amount of Compensation for Granting Restricted Stock to Directors (Excluding External Directors)

**<Shareholder proposals (Proposals 3 through 5)>**

- Proposal 3:** Partial Amendments to the Articles of Incorporation  
**Proposal 4:** Appropriation of Surplus  
**Proposal 5:** Repurchase of Company Shares

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- ◎ **When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.**
  - ◎ **If the Reference Documents for the General Meeting of Shareholders, the Business Report, Non-consolidated Financial Statements and Consolidated Financial Statements are revised, the revised versions will be posted on the Company’s website (<https://www.yotai.co.jp/>).**

## Reference Documents for the General Meeting of Shareholders

### Proposals and References



#### <Company proposals>



##### Proposal 1: Election of 6 Directors


The terms of office of all (6) Directors will expire at the conclusion of this year's Annual General Meeting of Shareholders. Accordingly, the election of 6 Directors is proposed.


The candidates are as follows:

No.	Name	Positions and responsibilities at the Company	Attendance at Board of Directors meetings
1	Mitsuo Taguchi [Reappointment]	President	13 out of 13 Meetings (100%)
2	Yasuo Kawamori [Reappointment]	Managing Director, Manager of Mizunami Plant and in Charge of Yoshinaga Plant and Kaizuka Plant	13 out of 13 Meetings (100%)
3	Shinichiro Takebayashi [Reappointment]	Director, General Manager of General Affairs Department of Head Office	13 out of 13 Meetings (100%)
4	Tadashi Taniguchi [Reappointment]	Director, Manager of Hinase Plant	13 out of 13 Meetings (100%)
5	Hiroshi Itano [Reappointment] [External] [Independent]	External Director	10 out of 10 Meetings (100%)
6	Shinobu Akiyoshi [New candidate] [External] [Independent]	—	—

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held
1	 <p>Mitsuo Taguchi (October 21, 1960)</p> <p>[Reappointment]</p> <p>[Attendance at the Board of Directors meetings] 13 out of 13 meetings (100%)</p>	<p>April 1984      Joined the Company</p> <p>March 2006      Technical General Manager of Engineering Division</p> <p>October 2006      Engineering General Manager and Technical General Manager of Engineering Division</p> <p>March 2008      Engineering General Manager of Engineering Division</p> <p>June 2009      Director, General Manager of Engineering Division</p> <p>June 2015      Managing Director, General Manager of Engineering Division and in Charge of Technical Research Laboratory</p> <p>April 2017      Managing Director, Manager of Hinase Plant and in Charge of Engineering Division</p> <p>June 2019      President (to present)</p> <p><b>[Reasons for nomination as a candidate for Director]</b> Mr. Mitsuo Taguchi has been engaged in the management of the Company as Director since 2009. He served as Director and General Manager of Engineering Division and as Managing Director and Manager of Hinase Plant. Starting from 2019, he has been responsible for the Company's management as the President. He has a wealth of experience and extensive insight in the Company's business, and therefore we propose his reelection as Director.</p> <p>(Note) There are no special interests between Mr. Mitsuo Taguchi and the Company.</p>	66,700
2	 <p>Yasuo Kawamori (September 18, 1959)</p> <p>[Reappointment]</p> <p>[Attendance at the Board of Directors meetings] 13 out of 13 meetings (100%)</p>	<p>April 1984      Joined OSAKA YOGYO CO., LTD</p> <p>March 2008      General Manager of Production Department of Hinase Plant</p> <p>June 2013      Director, Manager of Hinase Plant</p> <p>April 2017      Director, Manager of Yoshinaga Plant</p> <p>June 2019      Managing Director, Manager of Yoshinaga Plant</p> <p>September 2019      Managing Director, Manager of Yoshinaga Plant and Mizunami Plant</p> <p>July 2020      Managing Director, Manager of Mizunami Plant and in Charge of Yoshinaga Plant and Kaizuka Plant (to present)</p> <p><b>[Reasons for nomination as a candidate for Director]</b> Mr. Yasuo Kawamori has been engaged in the management of the Company as Director since 2013, and has been serving as Managing Director since 2019. He has a wealth of experience and extensive insight in the Company's business, and therefore we propose his reelection as Director.</p> <p>(Note) There are no special interests between Mr. Yasuo Kawamori and the Company.</p>	39,700

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held
3	 <p>Shinichiro Takebayashi (January 16, 1964)</p> <p>[Reappointment]</p> <p>[Attendance at the Board of Directors meetings] 13 out of 13 meetings (100%)</p>	<p>April 1986      Joined the Company March 2015      General Manager of General Affairs Department of Head Office June 2017      Director, General Manager of General Affairs Department of Head Office (to present)</p> <p><b>[Reasons for nomination as a candidate for Director]</b> Mr. Shinichiro Takebayashi has mainly been involved in the administrative department for many years, and has been engaged in the management of the Company as Director since 2017. He has a wealth of experience and extensive insight in the Company's business, and therefore we propose his reelection as Director.</p> <p>(Note) There are no special interests between Mr. Shinichiro Takebayashi and the Company.</p>	15,600
4	 <p>Tadashi Taniguchi (September 13, 1972)</p> <p>[Reappointment]</p> <p>[Attendance at the Board of Directors meetings] 13 out of 13 meetings (100%)</p>	<p>April 1995      Joined the Company April 2017      General Manager of Production Department of Hinase Plant June 2019      Director, Manager of Hinase Plant (to present)</p> <p><b>[Reasons for nomination as a candidate for Director]</b> Mr. Tadashi Taniguchi has mainly been involved in the production department for many years, and has been engaged in the management of the Company as Director since 2019. He has a wealth of experience and extensive insight in the Company's business, and therefore we propose his reelection as Director.</p> <p>(Note) There are no special interests between Mr. Tadashi Taniguchi and the Company.</p>	6,400

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held
5	 <p>Hiroshi Itano (February 19, 1957)</p> <p>[Reappointment] [External] [Independent]</p> <p>[Attendance at the Board of Directors meetings] 10 out of 10 meetings (100%)</p>	<p>April 1980      Joined Nomura Computer Systems Co., Ltd. (present Nomura Research Institute, Ltd.)</p> <p>April 2005      Senior Managing Director and Deputy Division Manager of Services &amp; Industrial Systems Division of Nomura Research Institute, Ltd.</p> <p>April 2009      Senior Corporate Managing Director, Division Manager of Services &amp; Industrial Systems Division, General Manager of Kansai Regional Headquarters and General Manager of Chubu Regional Headquarters of Nomura Research Institute, Ltd.</p> <p>April 2014      Senior Executive Managing Director in charge of Supervising of Corporate Administration, Risk Management and Compliance of Nomura Research Institute, Ltd.</p> <p>June 2014      Member of the Board and Senior Executive Managing Director in charge of Supervising of Corporate Administration, Risk Management and Compliance of Nomura Research Institute, Ltd.</p> <p>April 2015      Representative Director, Member of the Board and Senior Executive Managing Director in charge of Supervising of Corporate Administration, Risk Management, Compliance and Health and Productivity Management of Nomura Research Institute, Ltd.</p> <p>April 2016      Representative Director, Member of the Board and Senior Executive Managing Director in charge of Supervising of Corporate Administration of Nomura Research Institute, Ltd.</p> <p>April 2017      Member of the Board of Nomura Research Institute, Ltd.</p> <p>June 2017      External Director, Data Applications Co., Ltd. (to present)</p> <p>June 2018      Retired from Nomura Research Institute, Ltd.</p> <p>September 2018      Director, FIXER Inc.</p> <p>August 2019      Retired from FIXER Inc.</p> <p>June 2020      External Director, the Company (to present) External Director, YAMASHIN-FILTER CORP. (to present)</p> <p><b>[Reasons for nomination as a candidate for External Director and a summary of expected roles]</b> Mr. Hiroshi Itano has a wealth of experience and insight in corporate management and sufficient knowledge in overall management, information technology, etc. We believe that his extensive experience and broad knowledge will contribute to the management of the Company, and therefore we propose his reelection as External Director. If he is elected, he is expected to fulfill duties including providing advice on management policies, determining important matters, and supervising the business execution. Years served as External Director: 1 year (at the conclusion of this General Meeting of Shareholders)</p> <p>(Notes) 1. There are no special interests between Mr. Hiroshi Itano and the Company. 2. Mr. Hiroshi Itano is a candidate for External Director. He is also a candidate for Independent Director prescribed by Tokyo Stock Exchange, Inc. 3. The Company has entered into an agreement with Mr. Hiroshi Itano to limit his liability under Article 423 Paragraph 1 of the Companies Act, pursuant to Article 427 Paragraph 1 of the Companies Act. The maximum amount of liability for damages under this agreement shall be the amount provided for in laws and regulations. If the reelection of Mr. Hiroshi Itano is approved, the Company intends to continue such agreement.</p>	3,400

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held
6	 <p>Shinobu Akiyoshi (March 29, 1977)</p> <p>[New candidate] [External] [Independent]</p> <p>[Attendance at the Board of Directors meetings] —</p>	<p>December 2008 Registered as attorney-at-law, Osaka Bar Association</p> <p>January 2009 Joined Doujima Sougou Law Office</p> <p>January 2018 Partner, Doujima Sougou Law Office (to present)</p> <p>April 2018 Regular Delegate, Osaka Bar Association</p> <p>March 2019 Retired from Regular Delegate, Osaka Bar Association</p> <p>November 2020 Consultant, Nonprofit Organization Hikosen Member of Living Environment Dispute Conciliation Committee, Ashiya City</p> <p>February 2021 Registered as an Employment Environment Improvement Expert (Class 1)</p> <p><b>[Reasons for nomination as a candidate for External Director and a summary of expected roles]</b></p> <p>Ms. Shinobu Akiyoshi has a wealth of experience and insight as an expert in law. She also has knowledge in creating a society where not only women, but also persons with disabilities and the aged can play active roles. We believe that her extensive experience and broad knowledge will contribute to the management of the Company, and therefore we propose her election as External Director. If she is elected, she is expected to provide valuable advice on corporate legal affairs based on her expertise as an attorney-at-law, and encourage the promotion of women's participation in the Company.</p> <p>(Notes)</p> <ol style="list-style-type: none"> <li>1. There are no special interests between Ms. Shinobu Akiyoshi and the Company.</li> <li>2. Ms. Shinobu Akiyoshi is a candidate for External Director. She is also a candidate for Independent Director prescribed by Tokyo Stock Exchange, Inc.</li> <li>3. If the appointment of Ms. Shinobu Akiyoshi is approved, the Company intends to enter into an agreement with her to limit her liability under Article 423 Paragraph 1 of the Companies Act, pursuant to Article 427 Paragraph 1 of the Companies Act. The maximum amount of liability for damages under this agreement shall be the amount provided for in laws and regulations.</li> </ol>	0

(Note)

The Company has entered into a directors and officers liability insurance contract stipulated in Article 430-3 of the Companies Act to insure all the Directors of the Company. The said insurance contract covers legal damages and litigation expenses incurred by the insured. If the candidates take office as Director, they will be insured under the insurance contract, which is to be renewed with the same terms and conditions during their terms of office.

**Proposal 2:** Determination of Amount of Compensation for Granting Restricted Stock to Directors (Excluding External Directors)

The amount of compensation for Directors of the Company was approved to be within 320 million yen per year (excluding employee salaries for Directors concurrently serving as employees) at the 108th Annual General Meeting of Shareholders held on June 28, 2006. In this proposal, as part of our efforts to review the officer compensation system, the Company proposes the payment of compensation for granting restricted stock to Directors of the Company (excluding External Directors, hereinafter “Eligible Directors”), in a new category separate from the one above. The purpose of this proposal is incentivize Eligible Directors to sustainably improve the Company’s corporate value and to foster a greater sense of shared value with shareholders. The compensation paid for granting restricted stock to Eligible Directors based on this proposal shall be monetary claims, and the total amount thereof shall be within 50 million yen per year (however, this excludes employee salaries for Directors concurrently serving as employees). The specific timing of payment to each Eligible Director shall be at a certain time each year, and the specific distribution shall be determined by the Board of Directors after consulting the Nomination and Compensation Advisory Committee. However, the compensation for granting restricted stock shall not be paid to External Directors. As the allocation of restricted stock is determined via a comprehensive consideration of various matters including the level of the Director’s contribution at the Company, the contents thereof are deemed to be reasonable.

While there are currently 6 Directors (including 2 External Directors), if Proposal 1 “Election of 6 Directors” is approved as originally proposed at the 123rd Annual General Meeting of Shareholders, there will be 6 Directors (including 2 External Directors). Based on a Board of Directors resolution, Eligible Directors shall pay all monetary claims received via this proposal as property contributed in kind, and receive the issuance or disposal of the Company’s common stock. The total number of the Company’s common stock to be issued or disposed of as a result shall be within 100,000 shares per year (however, in the event of a stock split [including gratis allocation of the Company’s common stock] or reverse stock split of the Company’s common stock, or any other event that requires an adjustment to the total number of the Company’s common stock issued or disposed of as restricted stock on or after the day this proposal is approved, the said total number shall be adjusted within a reasonable scope). The amount to be paid in per share shall be determined by the Board of Directors, within a scope that will not be particularly advantageous to the Eligible Directors who will receive the said common stock, based on the closing price of the Company’s common stock on the Tokyo Stock Exchange on the business day prior to the date of each Board of Directors resolution (if no transactions were made on that day, the closing price on the trading day immediately preceding that day). In addition, the issuance or disposal of the Company’s common stock based on this proposal and the payment of monetary claims as property contributed in kind shall be subject to the conclusion of a restricted stock allocation contract (hereinafter the “Allocation Contract”) between the Company and the Eligible Directors, which includes the contents below. The Company deems that the maximum amount of compensation in this proposal, the total number of shares of the Company’s common stock to be issued or disposed of, and other conditions for granting restricted stock to Eligible Directors based on this proposal are reasonable, as they have been determined in consideration of the abovementioned purpose, business conditions of the Company, the policy for determining the contents of compensation, etc. for individual Directors of the Company, and various other factors.

[Outline of Contents of the Allocation Contract]

(1) Period of transfer restrictions

Eligible Directors may not transfer, collateralize, or dispose of (hereinafter the “Transfer Restrictions”) the Company’s common stock that they receive via the Allocation Contract (hereinafter the “Allocated Shares”) during the period (hereinafter the “Transfer Restriction Period”) from the date of receiving the allocation via the Allocation Contract, until the time immediately after retirement from the position of executive or employee of the Company or its subsidiaries predetermined by the Company’s Board of Directors (hereinafter the “Predetermined Position”).

(2) Treatment at the time of retirement

If an Eligible Director retires from the Predetermined Position before the expiration of a period predetermined by the Company’s Board of Directors (hereinafter the “Service Provision Period”), the Company shall automatically acquire the Allocated Shares without consideration, except in the case of an expiration of the term of office, death or any other justifiable reason for retirement.

(3) Lifting of the Transfer Restrictions

Notwithstanding the provisions of (1) above, the Company shall lift the Transfer Restrictions on all Allocated Shares when the Transfer Restriction Period expires, on the condition that the Eligible Director was continuously in the Predetermined Position during the Service Provision Period. However, in the following cases the Company shall rationally adjust, as necessary, the number of Allocated Shares on which the Transfer Restrictions will be lifted and the time when the Transfer Restrictions will be lifted: i) the Eligible Director retires from the Predetermined Position before the expiration of the Service Provision Period due to the expiration of the term of office, death or any other justifiable reason set forth in (2) above; or ii) after the expiration of the Service Provision Period, the Eligible Director retires from the Predetermined Position before the expiration of the Transfer Restriction Period due to the expiration of the term of office, death or any other justifiable reason set forth in (2) above. In addition, the Company shall automatically acquire without consideration the Allocated Shares on which Transfer Restrictions have not been lifted, immediately after the Transfer Restrictions have been lifted pursuant to the provisions above.

(4) Treatment in the case of organizational restructuring, etc.

Notwithstanding the provisions of (1) above, if, during the Transfer Restriction Period, a merger agreement in which the Company will become a disappearing company, a share exchange agreement or a share transfer plan in which the Company will become a wholly owned subsidiary, or other matters concerning organizational restructuring, etc. is approved at a General Meeting of Shareholders of the Company (or by the Company's Board of Directors, if the said organizational restructuring, etc. does not require approval at a General Meeting of Shareholders), the Company shall lift, prior to the effective date of the said organizational restructuring, etc., Transfer Restrictions on the Allocated Shares, in a number determined rationally by a resolution of the Company's Board of Directors based on the period from the commencement date of the Transfer Restriction Period to the approval date of the said organizational restructuring, etc. In the cases set forth above, the Company shall automatically acquire without consideration the Allocated Shares on which Transfer Restrictions have not been lifted, immediately after the Transfer Restrictions have been lifted.

(5) Other matters

Other matters concerning the Allocation Contract shall be stipulated by the Company's Board of Directors.

[Reference]

At the Board of Directors meeting held on May 13, 2021, the Company revised the policy for determining the contents of compensation, etc. for individual Directors. The details are as follows.

1. Basic policy

The basic policy on compensation for Directors of the Company is to have a compensation system tied to shareholder interests so that it duly functions as an incentive for Directors to sustainably improve corporate value, and to determine an appropriate level of compensation for individual Directors based on the responsibilities of each Director. Specifically, the compensation of Directors is comprised of components including basic compensation as fixed compensation, performance-linked compensation, and non-monetary compensation.

2. Policy for determining amount of compensation, etc. of fixed compensation (monetary compensation) for individual Directors (including policy for determining timing or conditions of the payment of compensation, etc.)

The basic compensation of the Company's Directors is a monthly fixed compensation, determined through a comprehensive consideration of factors including the Director's position, duties and years in office, the business performance of each fiscal year, and the balance with employee salaries.

3. Policy for determining contents, amounts and methods of calculating figures of performance-linked compensation, etc. and non-monetary compensation, etc. (including policy for determining timing or conditions of the payment of compensation, etc.)

Performance-linked compensation, etc. shall be monetary compensation that reflects business performance, etc., in order to raise the motivation of improving business performance in each fiscal year. Bonuses, calculated based on factors including the total amount of dividends and the operating profit of each fiscal year, are paid at a certain time every year.

Non-monetary compensation, etc. shall be composed of restricted stock for the purpose of incentivizing



Directors to sustainably improve the Company's corporate value and to foster a greater sense of shared value with shareholders. Monetary claims will be paid for granting restricted stock to Directors of the Company (excluding External Directors, hereinafter "Eligible Directors"), in a total amount within 50 million yen per year. The total number of common stock to be newly issued or disposed of by the Company shall be within 100,000 shares per year (however, in the event of a stock split [including gratis allocation of the Company's common stock] or reverse stock split of the Company's common stock with an effective date on or after the date of the resolution at the 123rd Annual General Meeting of Shareholders, the said total number shall be adjusted as necessary within a reasonable scope on or after the said effective date based on the ratio, etc. of the stock split or reverse stock split.). The monetary claims are paid at a certain time every year.

The above is reviewed as necessary based on recommendations by the Nomination and Compensation Advisory Committee.

4. Policy for determining the ratio of amounts of monetary compensation, performance-linked compensation, etc., or non-monetary compensation, etc. in the amount of compensation, etc. for individual Directors

The ratio of each type of compensation for Directors shall be designed so that the higher the Director's position, the greater the weight of performance-linked compensation, etc. and non-monetary compensation, etc. This ratio is examined by the Nomination and Compensation Advisory Committee. Based on recommendations by the Nomination and Compensation Advisory Committee, the Board of Directors (the President who is delegated authority in 5) shall determine the contents of compensation, etc. for individual Directors.

As a guideline, the ratio of each type of compensation, etc. shall be 7 : 2 : 1 for basic compensation, performance-linked compensation, etc. and non-monetary compensation, etc. respectively.

However, the compensation composition ratio will fluctuate according to each Director's position and duties, and the degree of achievement of business performance, etc. in each fiscal year.

5. Matters regarding determination of contents of compensation, etc. for individual Directors

Regarding the amount of compensation for individual Directors, based on a Board of Directors resolution, the task of determining the specific contents has been delegated to the President. The contents of the said authority are: within the scope of standards set forth by the Board of Directors, determine each Director's basic compensation amount and the evaluation distribution of bonuses based on the business performance of duties each Director is in charge of. To ensure the said authority is appropriately exercised by the President, the Board of Directors requires the President to consult with and receive recommendations from the Nomination and Compensation Advisory Committee regarding the original proposal. The President, who has been delegated with the above task, shall make decisions based on recommendations by the Nomination and Compensation Advisory Committee. For stock-based compensation, based on recommendations by the Nomination and Compensation Advisory Committee, the number of shares allocated to individual Directors shall be resolved by the Board of Directors.

### <Shareholder proposals>

Proposals 3 to 5 have been proposed by a single shareholder. Furthermore, Proposals 4 and 5 have been placed on the agenda as proposals subject to the approval of Proposal 3.

The Board of Directors opposes all the Proposals 3 to 5.

As a general rule, the contents of shareholder proposals and their reasons are presented as they were submitted by the proposing shareholders.

### **Proposal 3:** Partial Amendments to the Articles of Incorporation

#### (1) Contents of the proposal

<Partial Amendments to the Articles of Incorporation>

Delete Article 40, Paragraph 3 of the Articles of Incorporation of the Company.

#### (2) Reasons for the proposal

In view of the current state of business activities of the Company, in order to realize ample shareholder returns, the Company should reflect the opinions of shareholders, delete Article 40, Paragraph 3 of the current Articles of Incorporation, and set forth that matters listed in each item of Article 459, Paragraph 1 of the Companies Act should be determined based on a resolution of the General Meeting of Shareholders. Out of the shareholder proposals presented by the claimant, Proposal 4 “Appropriation of Surplus” and Proposal 5 “Repurchase of Company Shares” have been proposed subject to the approval of this proposal.

### <Opinion of the Board of Directors on Proposal 3>

#### 1. Opinion of the Board of Directors of the Company

The Board of Directors opposes Proposal 3.

#### 2. Reasons for the opposition

From the perspective of striving for harmony with society and sustainably improving corporate value, the Company's capital policy should be determined upon considering changes in the business environment surrounding the Company, the nature of the Company's business, and other factors. Therefore, the Company believes that determining dividends of surplus, etc. of the Company, as matters that require business judgment, are best handled by the Board of Directors for flexible judgment instead of by a General Meeting of Shareholders.

From the perspective of striving for a flexible capital policy, it is necessary for the Board of Directors to be able to make swift judgments.

For the reasons above, the Board of Directors shall be the decision-making body to resolve on dividends of surplus, etc. of the Company pursuant to provisions of Article 459, Paragraph 1 and Article 460 of the Companies Act.

In the First Medium-Term Management Plan announced on May 13, 2021, the Company set forth its goals of strengthening capital distribution towards strategic investments and shareholder returns, paying stable dividends with the aim of a 30% consolidated payout ratio, and implementing appropriate returns via flexible repurchases of Company shares. Going forward, we shall continue striving to strike a balance between sustainably improving corporate value and providing shareholder returns stably and flexibly.

Accordingly, the Board of Directors of the Company opposes Proposal 3.

#### **Proposal 4:** Appropriation of Surplus

(1) Contents of the proposal

<Appropriation of Surplus (Subject to approval of Proposal 3 “Partial Amendments to the Articles of Incorporation”)>

Using retained earnings of the Company, pay a year-end dividend for the fiscal year ended March 31, 2021 as follows.

(a) Type of dividend property

Cash

(b) Matters regarding allocation of dividend property and total amount thereof

Pay a dividend of 50 yen per share of the Company’s common stock

(c) Effective date of dividends of surplus

June 25, 2021

(2) Reasons for the proposal

According to the “Consolidated Financial Results for the Nine Months Ended December 31, 2020” of the Company, on the Quarterly Consolidated Balance Sheets as of December 31, 2020, the cash and deposits held were around 10.7 billion yen. On the other hand, there were no borrowings. Moreover, the Company held around 1.7 billion yen of investment securities including cross-shareholdings. Therefore, it can be seen that the Company already holds an ample amount of cash and near-cash assets.

According to the aforementioned Consolidated Financial Results, as of December 31, 2020, the Company’s equity (consolidated) was 28,436 million yen (about 1,305 yen per share) with an equity ratio of 81.6%, while the expected profit (consolidated) was 1.9 billion yen (87.1 yen per share). However, based on the assumption of an annual dividend of 10 yen per share as announced by the Company, the dividend payout ratio will be around 11.4%. In light of the large amount of shareholders’ equity and the expected profit, from the perspective of shareholders, the level of this expected dividend amount is not sufficient.

Meanwhile, compensation per Director increased significantly from 13.86 million yen in the fiscal year ended March 31, 2010 to 24.29 million yen in the fiscal year ended March 31, 2020. Moreover, over the same period, although average wages of employees rose from 5.60 million yen to 6.25 million yen, the dividend payout ratio significantly decreased from 42.3% to 12.4%. While it is natural for the compensation of Directors to increase when business performance improves, a company has various types of stakeholders. The representative types of stakeholders are employees, shareholders, Directors externally customers and business partners. Directors should stay disciplined and demonstrate the Company’s purpose of existence by emerging victorious against rivals in the competition and providing products that offer merits to customers. On top of that, Directors have a responsibility to distribute merits in a balanced manner among all sorts of stakeholders, including the above representative stakeholders.

The Company’s share price has a PBR of less than 1, and without debt, the Company’s financial balance is extremely good. The profit margin on sales is also high, and the competitive advantage of products is unquestionable. On the other hand, salaries of employees are around the same level as the industry average, and the dividend payout ratio of 12.4% is significantly lower than the TSE average. As a result, the share price, which indicates a company’s future potential, is struggling with a PBR of less than 1, and the path of capital procurement, which is the biggest merit of being a listed company, has been closed off due to a lack of necessity.

The Company does not need to retain any more funds internally. Furthermore, any further increase in equity will simply lead to a decrease in ROE. By returning surplus funds to shareholders, the Company can raise shareholder value, which will ultimately lead to an increase in the share price. Therefore, the dividends of surplus should be greatly increased.

Even if the appropriation of surplus in this proposal is implemented, the total dividend amount is within the scope of profit. Therefore, there will be no considerable changes to the levels of equity, cash and deposits of the Company from the previous fiscal year-end, and the Company’s financial condition will remain robust.

<Opinion of the Board of Directors on Proposal 4>

1. Opinion of the Board of Directors of the Company

The Board of Directors opposes Proposal 4.

2. Reasons for the opposition

In the First Medium-Term Management Plan announced on May 13, 2021, the Company set forth its basic strategy and key measures of investing in people, things and information to build a business foundation to support sustainable growth while maintaining high profitability and strong soundness. The basic approach is to sustainably improve corporate value by striving for harmony with society and raising financial and non-financial value through maintaining profitability and promoting ESG management.

In the said Medium-Term Management Plan, the Company stipulates that it will sustainably improve corporate value and strengthen capital distribution towards strategic investments and shareholder returns while striving for high profitability and strong soundness of the financial structure. The Company's shareholder return policy is to pay stable dividends with the aim of a 30% consolidated payout ratio, and to implement appropriate returns via flexible repurchases of Company shares. Furthermore, the Company's basic policy on dividends is to pay them according to revenue while strengthening the corporate financial structure and enhancing internal reserves, based on the continuous payment of stable dividends. The Company's plan to increase the dividend per share by 1.0 yen compared to the previous fiscal year to 17.0 yen for the fiscal year ended March 31, 2021 was announced on May 13, 2021. Since the fiscal year ended March 31, 2014, we have been meeting the expectations of our shareholders by raising the annual dividend from 9.0 yen per share to 17.0 yen per share.

Furthermore, on May 13, 2021, the Company announced that during the period from May 14, 2021 to March 31, 2022, it will repurchase a maximum of 1.5 billion yen or 1.80 million shares of its own stock.

While this shareholder proposal refers to the current level of the Company's cash and deposits, as stated in the First Medium-Term Management Plan announced on May 13, 2021, the business environment and societal circumstances surrounding the Company are rapidly changing. These changes are based on numerous factors including concerns over a deterioration in the performance of the Company's business partners due to the maturation of the Japanese market; reduced demand for refractories in the long-term perspective; soaring raw material prices for example due to environmental regulations in China; rising calls for decarbonization, ESG and SDGS; and natural disasters. Therefore, in order to continue raising profitability while maintaining strong financial soundness going forward, aside from shareholder returns, the Company needs to distribute capital to strategic investments and utilize internal reserves for purposes such as to 1) secure raw materials globally; 2) replace deteriorated equipment with latest IoT-based equipment; 3) invest in energy conservation and decarbonization; and 4) invest in a Business Continuity Plan (BCP) that analyses the hazard information of each office. Implementing such initiatives ahead of peer companies will lead to strengthening our competitiveness, and we are certain that this will lead to securing stable profits. Among the initiatives, the decarbonization initiatives stated in 3) above are a lifeline for the Company, which operates in the materials industry with high levels of energy consumption. Going forward, the Company needs to further accelerate its investments in renewable energy, and such investments require funds over the long term. However, this shareholder proposal concerning the appropriation of surplus does not take into account the abovementioned medium- to long-term capital distribution of the Company, and its focus is on short-term shareholder returns. Therefore, the Company believes that this shareholder proposal is likely to degrade the Company's competitiveness, and has a risk of impairing the medium- to long-term interests of all shareholders.

The Company intends to realize the goals in the First Medium-Term Management Plan to sustainably improve corporate value and strengthen capital distribution towards strategic investments and shareholder returns while striving to maintain high profitability and strong soundness of financial structure, thereby meet the expectations of all stakeholders including shareholders.

Accordingly, the Board of Directors of the Company opposes Proposal 4.

## Proposal 5: Repurchase of Company Shares

### (1) Contents of the proposal

<Repurchase of Company Shares (Subject to approval of Proposal 3 “Partial Amendments to the Articles of Incorporation”)>

Pursuant to provisions of Article 156, Paragraph 1 of the Companies Act, within 360 days from the date of the conclusion of this Annual General Meeting of Shareholders, the Company shall pay a total of 3.0 billion yen in cash to acquire a total of 3 million shares of the Company’s common stock. However, if the total acquisition cost permitted by the Companies Act (distributable amounts stipulated in Article 461 of the Companies Act) is below the said amount, the maximum amount shall be the maximum acquisition cost permitted by the Companies Act.

### (2) Reasons for the proposal

Although Sumitomo Osaka Cement Co., Ltd. is the leading shareholder in terms of the Company’s capital policy, it has a holding ratio of less than 20%, and other shareholders are also small and dispersed, resulting in an unstable situation. While the Company currently holds around 16% of its own stock, since the share price has a PBR of less than 1, it will be rational for the Company to buy its own stock to stabilize its capital policy and improve ROE.

Even if the repurchase of Company shares in this proposal is implemented, there will be no considerable changes to the levels of equity, cash and deposits of the Company from the previous fiscal year-end, and the Company’s financial condition will remain robust.

## <Opinion of the Board of Directors on Proposal 5>

### 1. Opinion of the Board of Directors of the Company

The Board of Directors opposes Proposal 5.

### 2. Reasons for the opposition

As the Company has developed an environment to secure the rights of all shareholders as well as fairness among them all, the Company does not intend to stabilize its capital policy by repurchasing Company shares for the reason mentioned in the shareholder proposal, that the leading shareholder of the Company Sumitomo Osaka Cement Co., Ltd. has a holding ratio of less than 20%.

The Company’s basic policy on dividends is to pay them according to revenue while strengthening the corporate financial structure and enhancing internal reserves, while keeping the continuous payment of stable dividends in mind. The Company’s plan to increase the dividend per share by 1.0 yen compared to the previous fiscal year to 17.0 yen for the fiscal year ended March 31, 2021 was announced on May 13, 2021. Since the fiscal year ended March 31, 2014, we have been meeting the expectations of our shareholders by raising the annual dividend from 9.0 yen per share to 17.0 yen per share.

In addition, in the First Medium-Term Management Plan announced on May 13, 2021, the Company has declared to strengthen capital distribution towards strategic investments and shareholder returns, stipulating the payment of stable dividends with the aim of a 30% consolidated payout ratio as well as appropriate returns via flexible repurchases of Company shares.

Furthermore, on May 13, 2021, the Company announced that during the period from May 14, 2021 to March 31, 2022, it will repurchase a maximum of 1.5 billion yen or 1.80 million shares of its own stock.

Similar to what was mentioned in the previous shareholder proposal concerning the appropriation of surplus, this shareholder proposal concerning the repurchase of Company shares does not take into account the medium- to long-term capital distribution of the Company, and its focus is on short-term shareholder returns. Therefore, the Company believes that this shareholder proposal is likely to degrade the Company’s competitiveness, and has a risk of impairing the medium- to long-term interests of all shareholders.

The Company intends to realize the goals in the First Medium-Term Management Plan to sustainably improve corporate value and strengthen capital distribution towards strategic investments and shareholder returns while striving to maintain high profitability and strong soundness of financial structure, thereby meet the expectations of all stakeholders including shareholders.

Accordingly, the Board of Directors of the Company opposes Proposal 5.

### **Notice Regarding Year-End Dividend Payment for the 123rd Fiscal Year**

The Company resolved, in accordance with the provisions of Articles of Incorporation of the Company, at the meeting of its Board of Directors held on May 13, 2021 that the year-end cash dividend shall be 12 yen per share and effective date (payment start date) shall be June 25, 2021.

The total dividend will be 17 yen per share as the Company has made an interim dividend payment of 5 yen per share in December 2020.

Documents related to the year-end dividend for the 123rd fiscal year are scheduled to be mailed to the registered address by June 24, 2021.

#### **Shareholders' Memorandum**

Fiscal Year	From April 1 to March 31 of the next year
Date to fix shareholders to receive year-end dividend	March 31
Date to fix shareholders to receive interim dividend	September 30
Annual General Meeting of Shareholders	June every year
Transfer agent/special account	Mitsubishi UFJ Trust and Banking Corporation
Contact information	Mitsubishi UFJ Trust and Banking Corporation Osaka Corporate Agency Department 3-6-3, Fushimimachi, Osaka Chuo-ku, Osaka 541-8502 Tell: 0120-094-777
Stock exchange listings	Tokyo Stock Exchange (First Section)
Method of public notice	Public notices are made electronically on the Company's website ( <a href="https://www.yotai.co.jp/ir/j_annual.html">https://www.yotai.co.jp/ir/j_annual.html</a> ). (However, in the event that electronic public notices are not available due to accidents or other unavoidable circumstances, public notices shall be given in the Nikkei.)