

## No.1 Subject Matters

- (1) Amendment of the Articles of Incorporation (1)
- (2) Share Split
- (3) Amendment of the Articles of Incorporation (2)
- (4) Amendment of the Articles of Incorporation (3)
- (5) Cancellation of the Treasury Stocks

## No.2 Summary of Proposed Agendas and Reasons for Proposals

- (1) Amendment of the Articles of Incorporation (1)

- i. Summary of the proposal

Establishment of new Article 12 as follows in the “Chapter 3 General Meeting of Shareholders” and the number of articles following Article 12 shall be amended by putting off by 5.

If the change of formality (including the change of the number of the Articles) is necessary due to the approval of other agenda (including agenda proposed by SKK), the number of Articles or other formality in the proposal shall be adjusted accordingly.

(Matters to be Resolved)

Article 12 The Company may resolve the matters related to the share split at the general meeting of shareholders in addition to matters provided in the Companies Act.

- ii. Reason for the proposal

The market capitalization of SKK is approximately JPY 104 billion (as of 8 April 2021) but the liquidity of market shares is extremely low. As of 8 April 2021, for the past 6 months, the on-market average daily trading value of shares of SKK is only approximately 26 million and there were 36 days (29% of said period) when no shares were sold nor purchased on the market.

The low liquidity of shares cause to lower the will of investment of investors and decrease the valuation of SKK. It is considered that the reason why the liquidity of SKK’s shares is so low because the minimum trading price of SKK’s shares is so high.

Under Article 7 of the Articles of Incorporation of SKK, the trading unit of SKK’s shares is 100 shares. When calculating the price per share of JPY38,650 (the closing price on 8 April 2021), the minimum purchase price becomes JPY3,865,000 and it is too expensive for a general individual shareholder. This minimum purchase price is the 6<sup>th</sup> highest among all companies listed on the Tokyo Stock Exchange, and approximately 17 times more expensive than the average of minimum purchase price of listed companies,

JPY219,625 (as of 8 April 2021).

The Japanese Stock Exchange recommends a minimum trading price of between JPY50,000 to 500,000 and unified the minimum unit size of shares to 100 on 1 October 2018 for listed companies. According to the Tokyo Stock Exchange, 93.3% of listed companies have a minimum purchase price of less than JPY500,000 as of the end of September of 2020.

Furthermore, Article 445 of the Securities Listing Regulation provides that “an issuer of Japanese listed shares shall undertake the endeavor to make the minimum purchase price of such Japanese listed shares from JPY50,000 to 500,000 and keep such minimum price”.

While SKK changed the minimum purchase unit from 1,000 shares to 100 shares on 1 October 2018 in response to the request of Japanese Stock Exchange Conference it simultaneously, implemented the consolidation of shares by which five shares were merged into one, which had the opposite effect to reducing the minimum trading size.

Based on the above, it is considered that the stock split by which one common share is split into 10 shares is the effective way to increase the valuation of SKK’s shares. By this share split, the minimum purchase unit of SKK’s shares is decreased and more investors can purchase SKK’s shares.

Thus, the Proposer hereby makes the proposal to change the Articles of Incorporation as described in “Summary of the proposal” so that the general meeting of shareholders may resolve the matters concerning the share split.

## (2) Share Split

### i. Summary of the proposal

Subject to the condition that Agenda (1) “Amendment of the Articles of Incorporation (1)” and Agenda (3) “Amendment of the Articles of Incorporation (2)” are approved, implement the share split by which one common share of SKK into ten common shares.

### ii. Reason for the proposal

For the reason set out in Agendas (1) “Amendment of the Articles of Incorporation (1)”, the Proposer makes the proposal of this share split.

## (3) Amendment of the Articles of Incorporation (2)

### i. Summary of the Proposed Agenda

Article 5 of the Articles of Incorporation shall be amended as follows subject to the condition that Agenda (1) “Amendment of the Articles of Incorporation (1)” and Agenda (2) “Share Split” are approved.

(The number of shares which the Company may issue)

Article 5

The number of shares which the Company may issue is 960 million shares.

ii. Reason for the proposal

In connection with the share split as described in Agenda (1) “Amendment of the Articles of Incorporation (1)”, increase the number of shares which the Company may issue by amending Article 5 (The number of shares which the Company may issue).

(4) Amendment of the Articles of Incorporation (3)

i. Summary of the Proposed Agenda

Establishment of new Article 12 and the number of articles following Article 12 shall be amended by putting off by 1.

If the change of formality (including the change of the number of the Articles) is necessary due to the approval of other agenda (including agenda proposed by SKK), the number of Articles or other formality in the proposal shall be adjusted accordingly.

(Matters to be resolved)

Article 12

The Company may resolve the matters related to the cancellation of the treasury stocks in addition to the matters provided in the Companies Act.

ii. Reason for the proposal

SKK has acquired treasury stocks for a long time but has never cancelled them and as of 31 December 2020, SKK held 438,400 treasury shares. This equates to approximately 14.0% of the total outstanding shares (including treasury shares). Among the c.3,600 companies on the Tokyo Stock Exchange, only 208 have more share in treasury as a % of total shares, and the average ratio is only 3.8%. Based on these facts, it is apparent that the percentage of holding treasury stocks of SKK is excessively large.

SKK has not implemented M&A nor announced the plan of M&A. SKK has not adopted the stock option plan as the compensation for directors either. Thus, there is no reason to hold such a large number of treasury shares. On the other hand, shareholders of SKK are exposed to the risk that these treasury shares are reissued to the market and the value of

their shares is diluted.

Based on the above, in order to exclude the risk that these treasury shares are re-issued to the market, SK Kaken should cancel 394,560 shares which is equivalent to approximately 90% of all treasury shares. The cancellation of the treasury stocks will enhance the enterprise value of SKK and have not an adverse effect.

Therefore, the Proposer hereby makes the proposal to amend the Articles of Incorporation as described in “Summary of the proposal” above so that the matters related to the cancellation of treasury stocks can be resolved at the general meeting of shareholders.

(5) Cancellation of the treasury stocks

i. Summary of the Proposed Agenda

Subject to the condition that Agenda (4) “Amendment to the Articles of Incorporation (3)” is approved, cancel the 394,605 treasury shares held by SKK.

If the change of formality (including the change of the number of the Articles) is necessary due to the approval of other agenda (including agenda proposed by SKK), the number of Articles or other formality in the proposal shall be adjusted accordingly.

ii. Reason for the proposal

For the reason described in Agenda (4) “Amendment to the Articles of Incorporation (3)”, the Proposer makes the proposal concerning the cancellation of the treasury stocks.