

Policy on Cross-shareholdings

Article 1 (Acquisition of cross-shareholdings)

1. SAKAI HEAVY INDUSTRIES, LTD. (the “Company”) may acquire and hold shares of business partners not as a pure investment in order to establish good business relationships with business partners and to promote smooth business operations. Such shares are called cross-shareholdings.
2. The acquisition of cross-shareholdings shall require the approval of the Board of Directors.

Article 2 (Holding of cross-shareholdings)

1. In principle, the Company will continue to hold the acquired cross-shareholdings as long as they contribute to the strengthening of business relationships with business partners and the development of the Company's business.
2. However, the Board of Directors, attended by outside directors, shall at least once a year comprehensively examine the portfolio as a whole and each individual share from quantitative and qualitative perspectives, including the appropriateness of the holding purpose, the economic rationality for holding, market risk, credit risk, and various other risks associated with holding, and determine whether to continue holding shares. Indicators to be used as reference for judgments shall be determined separately.
3. The Company shall endeavor not to exceed less than 20% of consolidated net assets.

Article 3 (Sale of cross-shareholdings)

1. In the event that the significance of holding shares becomes questionable such as when there is a risk of significant damage to the Company's shareholder value due to the bankruptcy of the company issuing shares held as cross- shareholdings, or when there are serious concerns regarding the corporate governance of the issuing company, the Company may take measures such as selling cross-shareholdings based on the decision of the Board of Directors.
2. Should it become evident that the balance of cross-shareholdings is 20% or more of consolidated net assets, the Company shall engage in dialogue with the issuing company of shares as necessary and strive to sell shares after taking into consideration the impact on the issuing company's business and the market.

Established on November 13, 2015 by the Board of Directors

Revised on October 16, 2018 by the Board of Directors

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