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(Securities Code: 6328)

March 5, 2021

To our shareholders:

Toru Abe
Representative Director, President,
Executive Officer & COO
EBARA JITSUGYO CO., LTD.
7-14-1 Ginza, Chuo-ku, Tokyo

Notice of the 82nd Annual General Meeting of Shareholders

We are pleased to announce the 82nd Annual General Meeting of Shareholders of EBARA JITSUGYO CO., LTD. (the “Company”), which will be held as described below.

If you will not attend the meeting in person, you may exercise your voting rights in writing or via the Internet, etc. In that case, please review the Reference Documents for General Meeting of Shareholders as stated hereafter, complete the enclosed voting form by indicating your vote of approval or disapproval for each proposal, and return it by mail so that it reaches us by 5:30 p.m. on Wednesday, March 24, 2021 (JST).

- 1. Date and Time:** Thursday, March 25, 2021, at 10:00 a.m. (JST)
(Reception will open at 9:30 a.m.)
- 2. Venue:** “Tatsuta,” 3F, Courtyard Marriott Ginza Tobu Hotel
6-14-10 Ginza, Chuo-ku, Tokyo

3. Purpose of the Meeting

Matters to be reported:

- (1) The Business Report and the Consolidated Financial Statements for the 82nd fiscal year (from January 1, 2020 to December 31, 2020), and the results of audits of the Consolidated Financial Statements by the Financial Auditor and the Audit and Supervisory Committee
- (2) Report on the Non-consolidated Financial Statements for the 82nd fiscal year (from January 1, 2020 to December 31, 2020)

Matters to be resolved:

<Company Proposals>

- Proposal No. 1** Appropriation of Surplus
Proposal No. 2 Election of Five Directors (Excluding Audit and Supervisory Committee Members)
Proposal No. 3 Determination of Remuneration for Granting Restricted Shares to Directors

<Shareholder Proposals>

- Proposal No. 4** Appropriation of Surplus (Special Dividend)
Proposal No. 5 Appropriation of Surplus (Ordinary Dividend)

- Of the documents to be attached to this notice, “Notes to the Consolidated Financial Statements” and “Notes to Non-consolidated Financial Statements” are posted on the Company’s website (<https://www.ejk.co.jp/>) in accordance with the provisions of relevant laws and regulations, and the Company’s Articles of Incorporation. These notes are not therefore included in the attachments to this notice.

The Consolidated Financial Statements and Non-consolidated Financial Statements that were audited by the Audit and Supervisory Committee and Financial Auditor in preparing the Audit Report and Accounting Audit Report include information provided in the Appendix and matters need to be presented as the “Notes to the Consolidated Financial Statements” and “Notes to the Non-consolidated Financial Statements.”

- If there is any matter that necessitates an amendment to the Reference Documents for General Meeting of Shareholders, Business Report, or Consolidated and Non-consolidated Financial Statements, it will be published on our website (<https://www.ejk.co.jp/>).

Highlights of initiatives for corporate governance

1. Capital policy and shareholder returns

- (1) After considering our solid operating results and the future business environment, we submitted to our shareholders the proposal to pay ¥80 per share for the year-end dividend for the fiscal year ended December 31, 2020, which is a year-on-year increase of ¥50 (combined with the interim dividend of ¥30, this amounts to an annual dividend of ¥110) as a proposal by the Company.
- (2) From fiscal 2021, we will return profits to shareholders in accordance with the following basic policy.

(Basic policy)

The Company pursues a balance between financial soundness, capital efficiency, and profit returns, while aiming to expand profits by making capital investments for new business development, growth investment such as business alliances and M&As, and improving profitability, aiming to improve shareholder value.

We consider the return of profits to shareholders to be an important management issue, and our policy for the distribution of profits is to continue to provide stable dividends with a target consolidated payout ratio of 35%.

Furthermore, as one means of returning profits to shareholders, the Company will flexibly purchase its own shares, taking into consideration such factors as demand for funds and stock price levels.

2. Introduction of restricted share-based remuneration

In addition to reviewing the basic policy on Directors' remuneration, the Company is proposing the introduction of restricted share-based remuneration (RS) as a proposal by the Company for the purpose of achieving sustainable corporate growth and enhancing corporate value over the medium to long term by improving incentives for senior management and providing them with shared interests with shareholders (investors).

(Outline of the policy, etc. for determining the details of remuneration, etc. for each individual Director)

The Company's basic policy is to have a remuneration plan that promotes the sharing of value with shareholders, thereby enabling the recruitment and retention of excellent human resources who can implement the Company's management philosophy while suitably functioning as an incentive to sustainably improve the Company's corporate value, and to determine an appropriate level of remuneration for individual Directors based on their respective responsibilities. Specifically, the remuneration shall consist of a fixed amount of remuneration that serves as the basic remuneration, as well as a performance-linked remuneration, etc., and a share-based remuneration. Directors who are Audit and Supervisory Committee Members shall receive only basic remuneration in the light of their duties.

3. Reduction of cross-shareholdings

The Company's basic policy when making investments other than pure investments is to take a medium- to long-term perspective to enhance corporate value, comprehensively consider the importance of each investee in terms of the business strategy, financial stability and returns such as dividends received, and strive to reduce the number of cross-shareholdings held by selling those shares as appropriate where the significance of holding them has diminished. As of December 31, 2020, the Company held 11 stocks with a total worth of ¥1,972 million, and by February 2021, the Company had reduced its holdings in four stocks by ¥432 million. As of February 28, 2021, the balance of cross-shareholdings, when converted to market value as of December 31, 2020, was 9.2% of the consolidated net assets of ¥16,703 million as of December 31, 2020.

Reference Documents for General Meeting of Shareholders

<Company Proposal>

Proposal No. 1 Appropriation of Surplus

The Company pursues a balance between financial soundness, capital efficiency, and profit returns, while aiming to expand profits by making capital investments for new business development, growth investment such as business alliances and M&As, and improving profitability, aiming to improve shareholder value. The Company also recognizes that returning profits to shareholders is a significant management issue.

Regarding year-end dividends for the current fiscal year and other appropriation of surplus, the Company proposes a year-end dividend of ¥80 per share, having given consideration to business performance for the current fiscal year and future business development. Together with the interim dividend, this brings the annual dividend to ¥110, an increase of ¥50 per share from the previous fiscal year.

In addition to this proposal, a proposal concerning the distribution of surplus has been submitted to this General Meeting of Shareholders by a shareholder as described below. Therefore, in order to facilitate the administration of dividend payments, the Company proposes that the commencement date for dividend payments be April 15, 2021.

1. Year-end dividends

- (1) Type of dividend property
Cash
- (2) Allotment of dividend property and their aggregate amount
¥80 per common share of the Company
Total dividends: ¥502,758,080
- (3) Effective date of dividends of surplus
March 26, 2021
- (4) Commencement date of dividend payments
April 15, 2021

2. Other appropriation of surplus

- (1) Item of surplus to be increased and amount of increase
General reserve: ¥1,000,000,000
- (2) Item of surplus to be decreased and amount of decrease
Retained earnings brought forward: ¥1,000,000,000

<Company Proposal>

Proposal No. 2 Election of Five Directors (Excluding Audit and Supervisory Committee Members)

The terms of office of all five Directors (excluding Directors who are Audit and Supervisory Committee Members; applicable to the rest of this proposal) will expire at the conclusion of this meeting.

In that regard, the Company proposes the election of five Directors.

In addition, the Company's Audit and Supervisory Committee has judged each candidate to be an appropriate nomination for the position of Director of the Company for this proposal.

The candidates for Director are as follows:

Candidate No.	Name	Position in the Company	
1	Hisashi Suzuki	Representative Director, Chairman & CEO	<u>Reelection</u>
2	Toru Abe	Representative Director, President, Executive Officer & COO, Supervising the Company's Products	<u>Reelection</u>
3	Takashi Ishii	Director, Managing Executive Officer, Supervising Sales, General Manager of Environmental Equipment Division	<u>Reelection</u>
4	Toshinori Yoshida	Director, Managing Executive Officer, General Manager of Administration Division	<u>Reelection</u>
5	Shuji Ohno	Director, Managing Executive Officer, Head of Planning & Strategy Office	<u>Reelection</u>

Reelection Candidate for Director to be reelected

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
1	Hisashi Suzuki (November 30, 1939) <u>Reelection</u>	Sept. 1961 Joined the Company Nov. 1983 Director Dec. 1986 Managing Director Mar. 1990 Senior Managing Director Oct. 1991 Supervising Ozone Business Department Dec. 1993 Representative Director Dec. 1993 Supervising Administration Feb. 2000 Representative Director & Vice President Apr. 2001 Supervising Environmental Development Division Oct. 2002 Supervising New Business Promotion Office Jan. 2007 Representative Director & President Jan. 2007 Supervising Sales Mar. 2016 Representative Director & Chairman Jan. 2017 Representative Director, Chairman & President Apr. 2020 Representative Director, Chairman & CEO (current position)	138,869 shares
(Reasons for nomination as candidate for Director) He has abundant experience and wide-ranging insight as a manager, full knowledge of the entire Group's business and management, and considerable experience and achievements suitable for the top management of the Company. In April 2020, he was appointed Representative Director, Chairman & CEO. Judging that his management skills will contribute to the Group's further sustainable growth, the Company proposes his reelection as Director.			
2	Toru Abe (January 22, 1957) <u>Reelection</u>	Apr. 1981 Joined the Company Apr. 2003 General Manager of Industrial Systems Department June 2005 Deputy General Manager of Environmental Solutions Division Jan. 2009 Deputy General Manager of Environmental Business Division Jan. 2011 Executive Officer Nov. 2013 Senior Executive Officer Nov. 2013 General Manager of Environmental Business Division Jan. 2017 Senior Managing Executive Officer Mar. 2017 Director Jan. 2019 Supervising Sales Apr. 2020 Representative Director, President, Executive Officer & COO (current position) Apr. 2020 Supervising the Company's Products (current position)	15,563 shares
(Reasons for nomination as candidate for Director) He has mainly engaged in environment-related business, and has served as General Manager of Environmental Business Division, which is the organization that integrates manufacturing and sales. Through such positions, he has abundant experience and achievements in the Company's Sales Department and Technology Department. He also has insight regarding management overall, such as by demonstrating leadership in environment-related business. In April 2020, he was appointed Representative Director, President, Executive Officer & COO. The Company has judged that his abundant experience and high level of insight will contribute to the Group's sustainable growth. Therefore, the Company proposes his reelection as Director.			

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
3	Takashi Ishii (February 10, 1962) <u>Reelection</u>	Mar. 1996 Joined the Company	6,957 shares
		Jan. 2005 General Manager of Environmental Equipment Sales Department II	
July 2009 General Manager of Wind & Water Power Division			
Jan. 2012 Executive Officer			
Jan. 2013 Senior Executive Officer			
Jan. 2013 General Manager of Environmental Equipment Division (current position)			
Jan. 2017 Managing Executive Officer (current position)			
Mar. 2019 Director (current position)			
Mar. 2019 Supervising Sales as deputy			
Apr. 2020 Supervising Sales (current position)			
(Reasons for nomination as candidate for Director) He has mainly engaged in wind and water powered cooling device-related business, and has abundant management experience, achievements and insight. In April 2020, he was appointed to be in charge of Supervising Sales. The Company has judged that his experience and insight will contribute to the Group's sustainable growth. Therefore, the Company proposes his reelection as Director.			
4	Toshinori Yoshida (September 23, 1962) <u>Reelection</u>	June 1989 Joined the Company	8,764 shares
		Mar. 2008 General Manager of General Affairs Department	
Jan. 2013 Deputy General Manager of Administration Division			
Apr. 2013 Executive Officer			
July 2015 General Manager of Administration Division (current position)			
July 2015 General Manager of Legal Affairs Department			
Apr. 2016 Senior Executive Officer			
Mar. 2019 Director (current position)			
Mar. 2019 Managing Executive Officer (current position)			
(Reasons for nomination as candidate for Director) He has held key roles in the Corporate Department, such as accounting, human resources, administration, legal, etc., in the Company, and he supports a portion of management as he has abundant experience related to the management of the Group. The Company has judged that his abundant experience and high level of insight will contribute to the Group's further sustainable growth. Therefore, the Company proposes his reelection as Director.			
5	Shuji Ohno (June 9, 1967) <u>Reelection</u>	Oct. 1996 Joined the Company	9,207 shares
		Apr. 2002 General Manager of Accounting Department	
Jan. 2007 Executive Officer			
Jan. 2013 Senior Executive Officer			
Jan. 2013 General Manager of Administration Division			
July 2015 Head of President's Office			
July 2016 Head of Planning & Strategy Office (current position)			
Mar. 2020 Director (current position)			
Mar. 2020 Managing Executive Officer (current position)			
(Reasons for nomination as candidate for Director) He has wide-ranging experience in the Company as the officer in charge of accounting and finance, corporate planning, public relations and investor relations, and so forth. He has played a central role in the management of the overall Group. In March 2020, he was appointed as a Director. The Company has judged that his wealth of experience and insight will contribute to the Group's further sustainable growth. Therefore, the Company proposes his reelection as Director.			

Notes: 1. There is no special interest between any of the candidates for Director and the Company.

2. The number of the Company's shares owned by each candidate is the current number of shares held as of the end of the fiscal year under review (December 31, 2020). In addition, the number presented includes shareholdings of the candidate in the Company's officer stock ownership.
3. The Company has entered into an officer liability insurance policy with an insurance company, which covers the damages that would be incurred by the insured. The candidate will be included as an insured under the insurance policy. The Company also plans to renew the policy with the same conditions next time.

<Company Proposal>

Proposal No. 3 Determination of Remuneration for Granting Restricted Shares to Directors

At the 77th Annual General Meeting of Shareholders held on March 24, 2016, it was approved that the amount of remuneration, etc. for the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be not more than ¥280 million per year (excluding employee salaries of Directors serving concurrently as employees). The Company now requests approval for payment of remuneration, within the maximum limit established separately from the aforementioned maximum amount of remuneration, for granting new restricted shares to the Company's Directors (excluding outside Directors and Directors who are Audit and Supervisory Committee Members, hereinafter "Eligible Directors"), with the aim of providing them an incentive to continuously improve the Company's corporate value and to further promote shared value between the Eligible Directors and shareholders.

The total amount of monetary remuneration to be paid to the Eligible Directors for granting restricted shares based on this proposal shall be not more than ¥35 million per year, the level of amount deemed as reasonable in light of the aforementioned purpose.

Furthermore, the Eligible Directors, in accordance with a resolution of the Company's Board of Directors, shall provide all of the monetary remuneration claims arising from this proposal as property contributed in kind and receive issuance or disposal of the Company's common shares, and the total number of common shares to be issued or disposed of thereby shall be not more than 19,200 shares per year (however, the upper limit of the total number may be rationally adjusted in cases requiring the adjustment of the upper limit of the total number of shares to be allotted, such as the case of a share split of common shares of the Company (including allotment of common shares of the Company without contribution) or consolidation of such shares taking place on or after the resolution of this proposal), with the amount to be paid in per share being the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day immediately before the day of the Board of Directors' resolution (or if there is no closing price on such date, the closing price of the closest preceding trading day). The specific payment timing and allocation to the Eligible Directors shall be decided by the Board of Directors.

The purpose for introducing this plan is as described above, and at the Board of Directors meeting held on February 16, 2021, the Company established a policy for determining the details of remuneration, etc. for each individual Director. This plan is in line with that policy, and there are no plans to change the policy, even if this proposal is approved. In light of the above, we deem this plan to be suitable.

If Proposal No. 2, "Election of Five Directors (Excluding Audit and Supervisory Committee Members)" is approved as proposed at this Annual General Meeting of Shareholders, then the number of Eligible Directors will be five.

Upon issuance or disposal of the Company's common shares under this plan, the Company and the Eligible Directors shall enter into an agreement on allotment of restricted shares that includes the provisions as summarized below (hereinafter, the "Allotment Agreement").

1. **Restriction period**
The Eligible Directors may not transfer, create a security interest on, or dispose of in any other way (hereinafter, the “Transfer Restriction”) the common shares of the Company allotted to them under the Allotment Agreement (hereinafter, the “Allotted Shares”) during the period from the day that they receive the allotment in accordance with the Allotment Agreement until the day that they retire as Directors of the Company (hereinafter, the “Restriction Period”).
2. **Lifting of the Transfer Restriction**
The Company shall lift the Transfer Restriction for all of the Allotted Shares (however, in the case of retirement before the expiration of a certain period stipulated in the Allotment Agreement, a portion of the Allotted Shares) upon expiration of the Restriction Period, on the condition that the Eligible Director’s retirement is for a reason that is accepted as justified by the Company’s Board of Directors.
3. **Acquisition of the Allotted Shares without contribution**
At the expiration of the Restriction Period, the Company shall automatically acquire without contribution any Allotted Shares whose Transfer Restriction has not been lifted in accordance with the provisions in (2) above. In addition, if certain reasons stipulated in the Allotment Agreement apply, the Company shall automatically acquire the Allotted Shares without contribution.
4. **Handling of the shares in an organizational restructuring, etc.**
Notwithstanding the provisions of (1) above, if, during the Restriction Period, matters related to organizational restructuring, etc., such as merger agreement in which the Company is the dissolving company, or a share exchange agreement or share transfer program in which the Company becomes a wholly owned subsidiary, among others, are approved by the General Meeting of Shareholders (or, in cases where the organizational restructuring does not require approval of the General Meeting of Shareholders, by the Board of Directors of the Company), the Company shall lift the Transfer Restriction on the Allotted Shares, with the number of shares rationally determined based on the period from the start date of the Restriction Period until the effective date of the organizational restructuring, etc. prior to the effective date of the organizational restructuring, etc. Furthermore, in such cases, immediately after the lifting of the Transfer Restriction, the Company shall automatically acquire without contribution any Allotted Shares whose Transfer Restriction has not been lifted.
5. **Other matters determined by the Board of Directors**
In addition to the above, the Allotment Agreement shall include matters to be determined by the Board of Directors, such as method of expressing and notifying intentions concerning the Allotment Agreement and the procedures for revising the Allotment Agreement, among others.

Moreover, during the Restriction Period, the shares that are allotted to the Eligible Directors under this plan are to be managed in a dedicated account set up for the Eligible Directors at a securities company determined by the Company to ensure that they cannot be transferred, used to create a security interest, or disposed of in any other way during the period.

Proposal No. 4 and Proposal No. 5 are proposals from a shareholder (the “Proposing Shareholder”). The summaries of the proposals and reasons for the proposals provided by the Proposing Shareholder are arranged with each proposal and printed in their original form, except for amendments made with the prior consent of the Proposing Shareholders for the purpose of clarifying the contents of the proposals.

<Shareholder Proposal>

Proposal No. 4 Appropriation of Surplus (Special Dividend)

1. Summary of the Proposal

The special dividend for the end-of-year surplus for the fiscal year ended December 31, 2020 is to be distributed as follows.

(a) Type of dividend property

Cash

(b) Allotment of dividend property to shareholders

¥1,500 per common share

Total dividends: ¥9,426,837,000

If the “distributable amount” as stipulated in Article 461 of the Companies Act is less than the total amount of dividends stated above, the amount shall be limited to the distributable amount.

(The Company’s note: The total dividends under this Shareholder Proposal is the amount of dividends per common share states above, multiplied by the number of shares subject to the dividend as of December 31, 2020, in the original form of this Shareholder Proposal document.)

(c) Effective date of dividends of surplus

March 26, 2021

However, the above assumes the Annual General Meeting of Shareholders will be held on March 25, 2021. If the meeting date is different, then the effective date is to be changed to the day following the day on which the meeting is held.

(d) Commencement date of dividend payments

April 15, 2021

However, the above assumes the Annual General Meeting of Shareholders will be held on March 25, 2021. If the meeting date is different, then the date is to be changed to the 14th business day following the day on which the meeting is held.

2. Reasons for the Proposal

A listed company is owned by its shareholders. The main duty of the Directors and management team of a listed company is to maximize the return of profit to shareholders. The Company has been accumulating cash on its balance sheet for many years. In Japan’s low interest-rate environment, accumulating this large cash reserve is tantamount to not returning profit to shareholders; and simply reduces the total amount of return to the Company’s shareholders. The Japanese government has repeatedly called for Japanese listed companies to increase shareholder returns. The Company’s best course of action to comply with this requirement is clear: pay dividends to shareholders and reduce the amount of surplus financial assets.

We will strive to increase value for all shareholders. We are aware that the Tokyo Stock Exchange is about to introduce market capitalization criteria for companies listed on the First Section of the Tokyo Stock Exchange, and that in this situation, the interests of the Company and its shareholders align in having the Company’s Directors take every measure they can to increase the Company’s share price and the value of the Company in general. What is needed for this purpose is for the Company to be valued appropriately in accordance with the quality of its business, and to maintain its listing on a market that corresponds to that value.

Listed companies that deliver high returns of profit to shareholders win the trust of investors, and can win higher evaluations than listed companies that accumulate cash and do not pay dividends commensurate with their earning capabilities. The Company will likely see its share price rise when it becomes clear that the management team and Board of Directors are conducting management aligned to the interests of Shareholders. Conversely, if the Company continues to accumulate financial assets, which is tantamount to making little or no return of profits at all, it will

become difficult to continue listing on the First Section of the Tokyo Stock Exchange, and this seems like to depress the Company's valuation even further.

Opinion of the Company's Board of Directors

The Board of Directors **opposes this Shareholder Proposal.**

The Company is guided by its corporate philosophy, "Striving to provide a wholesome human environment for mankind and society." As such, we aim to realize healthy continuation and sustainable growth, and to increase our corporate value over the medium to long term. To this end, we believe it is important to achieve a good balance between ongoing investment and financial soundness, and to create economic value exceeding the cost of capital stably and over the medium to long term.

The Company recognizes that it is essential to secure growth investments for the future and financial soundness in order to realize healthy continuation and sustainable growth and increase corporate value over the medium to long term. Furthermore, under the Company's capital policy, our basic approach is to strive to retain the necessary shareholder capital while considering the balance between capital efficiency and shareholder returns.

Based on this policy, in the Company's proposal for "Appropriation of Surplus," we plan to pay a year-end dividend of ¥80 per share for the fiscal year ended December 31, 2020. Together with the interim dividend of ¥30 per share already paid at the end of the second quarter, this makes a total dividend of ¥110 per share, for a dividend payout ratio of roughly 30%. In the fiscal year ended December 31, 2020, the Company repurchased a total of ¥570 million of its own shares.

For our shareholder return policy going forward, on February 10, 2021, we decided upon and announced our policy "to make a stable, continuous return to shareholders with a target consolidated payout ratio of 35%."

On the other hand, from a perspective of realizing healthy continuation and sustainable growth, and increasing our corporate value over the medium to long term, we judge that it is not appropriate to carry out the appropriation of surplus in this Shareholder Proposal, which exceeds the balance of cash and deposits at the end of the fiscal year ended December 31, 2020 on both a non-consolidated and a consolidated basis. The Board of Directors therefore opposes this Shareholder Proposal.

(Reference) Shareholder returns to date

Classification	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Annual dividend per share	¥45	¥50	¥60	¥60	¥110
Acquisition of treasury shares	-	-	¥270 million	-	¥570 million

Note: The annual dividend per share for the fiscal year ended December 31, 2020 is subject to approval of the Company proposal at the Annual General Meeting of Shareholders to be held on March 25, 2021.

<Shareholder Proposal>

Proposal No. 5 Appropriation of Surplus (Ordinary Dividend)

1. Summary of the Proposal

The ordinary dividend for the end-of-year surplus for the fiscal year ended December 31, 2020 is to be distributed as follows.

(a) Type of dividend property

Cash

(b) Allotment of dividend property to shareholders

¥288 per common share

Total dividends: 1,809,952,704

However, the amount of any ordinary dividend proposed by the Company shall be deducted.

If the “distributable amount” as stipulated in Article 461 of the Companies Act is less than the total amount of dividends stated above, the amount shall be limited to the distributable amount.

(The Company’s note: The total dividends under this Shareholder Proposal is the amount of dividends per common share states above, multiplied by the number of shares subject to the dividend as of December 31, 2020, in the original form of this Shareholder Proposal document.)

(c) Effective date of dividends of surplus

March 26, 2021

However, the above assumes the Annual General Meeting of Shareholders will be held on March 25, 2021. If the meeting date is different, then the effective date is to be changed to the day following the day on which the meeting is held.

(d) Commencement date of dividend payments

April 15, 2021

However, the above assumes the Annual General Meeting of Shareholders will be held on March 25, 2021. If the meeting date is different, then the date is to be changed to the 14th business day following the day on which the meeting is held.

2. Reasons for the Proposal

A listed company is owned by its shareholders. The main duty of the Directors and management team of a listed company is to maximize the return of profit to shareholders. The Company has been accumulating cash on its balance sheet for many years. In Japan’s low interest-rate environment, accumulating this large cash reserve is tantamount to not returning profit to shareholders; and simply reduces the total amount of return to the Company’s shareholders. The Japanese government has repeatedly called for Japanese listed companies to increase shareholder returns. The Company’s best course of action to comply with this requirement is clear: pay dividends to shareholders and reduce the amount of surplus financial assets.

We will strive to increase value for all shareholders. We are aware that the Tokyo Stock Exchange is about to introduce market capitalization criteria for companies listed on the First Section of the Tokyo Stock Exchange, and that in this situation, the interests of the Company and its shareholders align in having the Company’s Directors take every measure they can to increase the Company’s share price and the value of the Company in general. What is needed for this purpose is for the Company to be valued appropriately in accordance with the quality of its business, and to maintain its listing on a market that corresponds to that value.

Listed companies that deliver high returns of profit to shareholders win the trust of investors, and can win higher evaluations than listed companies that accumulate cash and do not pay dividends commensurate with their earning capabilities. The Company will likely see its share price rise when it becomes clear that the management team and Board of Directors are conducting management aligned to the interests of Shareholders. Conversely, if the Company continues to accumulate financial assets, which is tantamount to making little or no return of profits at all, it will become difficult to continue listing on the First Section of the Tokyo Stock Exchange, and this seems like to depress the Company’s valuation even further.

Opinion of the Company's Board of Directors

The Board of Directors **opposes this Shareholder Proposal.**

The Company is guided by its corporate philosophy, "Striving to provide a wholesome human environment for mankind and society." As such, we believe that realizing healthy continuation and sustainable growth, and increasing our corporate value over the medium to long term will contribute to the benefit of all our stakeholders, including shareholders.

The Company recognizes that it is essential to secure growth investments for the future and financial soundness in order to realize healthy continuation and sustainable growth and increase corporate value over the medium to long term. Under the Company's capital policy, our basic approach is to strive to retain the necessary shareholder capital while considering the balance between capital efficiency and shareholder returns.

In addition to the Company's capital policy described in the reason for opposing Proposal No. 4 Appropriation of Surplus (Special Dividend), in the fiscal year ended December 31, 2020, the Company was able to respond to an increase in demand for infection countermeasure products such as negative pressure equipment accompanying the COVID-19 pandemic by utilizing its current financial soundness to rapidly increase production and ensure stable supplies. As a result, we were able to achieve an increase in profit compared with the previous fiscal year. Furthermore, as a company that plays a part in maintaining the lifeline water supply and sewage infrastructure, which is vital to public health, we are expected to respond rapidly to engage in restoration work in the event of a natural disaster. For this reason also, we believe that ensuring financial soundness will continue to be extremely important from the standpoint of both our purpose for existence and social credibility.

Public works projects, such as the development of water supply and sewage infrastructure, account for approximately 60% of the Company's orders and sales, and will continue to be an important business driving the Company's growth. In particular, when receiving orders for public works projects, the Company's management figures are evaluated, including the equity ratio and the amount of retained earnings. Therefore, from the perspective of maintaining and strengthening our competitiveness in this business as well, we recognize that maintaining financial soundness will contribute to improving the Company's corporate value over the medium to long term.

In this business environment, we must consider the Shareholder Proposal of paying an ordinary dividend in an amount close to profit for the fiscal year ended December 31, 2020, to be based on a short-term perspective that does not take into account the need for the Company's ongoing business investment or changes in the business environment in the future. If this proposal is approved, we are concerned that it poses a significant risk of impairing the stability of the Company's financial operations, and therefore we believe that it may damage the interests of shareholders.

Therefore, from a perspective of continuing to realize healthy continuation and sustainable growth of the Company, and increasing its corporate value over the medium to long term, we judge that it is not appropriate to carry out the appropriation of surplus in this Shareholder Proposal. The Board of Directors therefore opposes this Shareholder Proposal.