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(Securities Code: 6328)

March 8, 2023

Start date of electronic provision measures: March 2, 2023

To our shareholders:

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

## Notice of the 84th Annual General Meeting of Shareholders

We are pleased to announce the 84th Annual General Meeting of Shareholders of EBARA JITSUGYO CO., LTD. (the “Company”), which will be held as described below.

**When convening this general meeting of shareholders, the Company takes electronic provision measures for information contained in the reference documents, etc. for the general meeting of shareholders (matters subject to electronic provision measures), and posts this information on websites. Please access one of the following websites to review the information.**

The Company’s website: <https://www.ejk.co.jp/ir/news.html> (in Japanese only)

(Please access the above website and review the Notice of Convocation Annual General Meeting 2023 dated March 2, 2023.)

Website containing materials for the general meeting of shareholders:

<https://d.sokai.jp/6328/teiji/> (in Japanese only)

Tokyo Stock Exchange website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese only)

(Access the TSE website by using the Internet address shown above, enter “EBARA JITSUGYO” in “Issue name (company name)” or the Company’s securities code “6328” in “Code,” and click “Search.” Then, click “Basic information” and select “Documents for public inspection/PR information.” Under “Filed information available for public inspection,” click “Click here for access” under “[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting].”)

If you will not attend the meeting in person, you may exercise your voting rights via the Internet, etc. or in writing (by mail). In that case, please review the Reference Documents for General Meeting of Shareholders, and vote according to the “Information on Exercising Voting Rights” (in Japanese only) by 5:30 p.m. on Wednesday, March 22, 2023 (JST).

**1. Date and Time:** Thursday, March 23, 2023, at 10:00 a.m. (JST)

(Reception will open at 9:30 a.m.)

**2. Venue:** 6-14-10 Ginza, Chuo-ku, Tokyo

“Sakura,” 2F, Courtyard by Marriott Ginza Tobu Hotel

**3. Purpose of the Meeting**

**Matters to be reported:**

- (1) The Business Report and the Consolidated Financial Statements for the 84th fiscal year (from January 1, 2022 to December 31, 2022), 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 84th fiscal year (from January 1, 2022 to December 31, 2022)

**Matters to be resolved:**

**<Company Proposals>**

**Proposal No. 1**      Appropriation of Surplus

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

**<Shareholder Proposals>**

**Proposal No. 3**      Revision of Remuneration Amount under Restricted Share-based Remuneration System

**Proposal No. 4**      Acquisition of Treasury Shares

**Proposal No. 5**      Amendment to the Articles of Incorporation Concerning the Number of Outside Directors

The outlines regarding the shareholder proposals (Proposal 3 to Proposal 5) are as stated in the attached “Reference Documents for General Meeting of Shareholders.”

- When attending the meeting in person, please hand in the voting form at the reception desk at the meeting venue.
- If revisions to the matters subject to electronic provision measures arise, a notice of the revisions and the details of the matters before and after the revisions will be posted on the Company’s aforementioned website, the website containing materials for the general meeting of shareholders and the Tokyo Stock Exchange website.
- In accordance with the revisions to the Companies Act, matters subject to electronic provision measures in principle are to be checked by accessing one of the aforementioned websites and paper-based documents will be only delivered to those shareholders who have made a request before the record date for delivery of paper-based documents. However, for this General Meeting of Shareholders, regardless of any request made for delivery of paper-based documents, documents stating matters subject to electronic provision measures will be delivered without exception to shareholders regardless of whether they have made a request for delivery of such documents or not.

Among the matters subject to electronic provision measures, in accordance with the provisions of laws and regulations and Article 15 of the Articles of Incorporation of the Company, the following matters are not provided in the paper-based documents delivered to shareholders.

(1) Notes to the Consolidated Financial Statements

(2) Notes to the Non-consolidated Financial Statements

Therefore, Consolidated Financial Statements and Non-consolidated Financial Statements provided in such documents constitute part of the documents included in the scope of audits over the course of the preparation of the accounting audit report and audit report by the Financial Auditor and the Audit and Supervisory Committee, respectively.

## **Highlights of initiatives for corporate governance**

### **1. Capital policy and shareholder returns**

[Basic Policy]

- ◆ Continuously implement stable dividends with a target consolidated payout ratio of 35%.
- ◆ 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.

[Action in 2022]

- ◆ Although the Company posted a decreased profit for the fiscal year ended December 31, 2022, giving importance to providing stable dividends, the Company decided on paying the same amount as the fiscal year ended December 31, 2021 of ¥85 per share. Based on this, the consolidated payout ratio will be 48%.
- ◆ At its Board of Directors Meeting, the Company resolved to acquire up to 500,000 treasury shares, which is 4.07% of the total issued shares, with a total acquisition value of up to ¥1,000 million, and by December 31, 2022, the Company had acquired 143,300 treasury shares at a value of ¥326 million.
- ◆ Cancelled 500,000 shares of the Company's shares on November 30, 2022 (3.72% of total number of issued shares before cancellation).

### **2. Reduction of cross-shareholdings**

- ◆ As of December 31, 2021, the Company's cross-shareholdings were eight issues other than unlisted shares, valued at ¥2,260 million (equivalent to 11.8% of consolidated net assets as of December 31, 2021). However, as of December 31, 2022, the Company had sold four issues on the market. As a result, cross-shareholdings other than unlisted shares as of December 31, 2022 were four issues, valued at ¥1,537 million (equivalent to 8.3% of consolidated net assets as of December 31, 2022).

### **3. Composition of the Board of Directors**

- ◆ As part of the process of strengthening the monitoring function of the Board of Directors, the Company appointed Independent Outside Director Mr. Noboru Tachibana to serve as Chairman of the Board of Directors.
- ◆ At the Annual General Meeting of Shareholders held in March 2022, Ms. Aki Shimizu was elected as Independent Outside Director and the ratio of Independent Outside Director increased from three in eight to four in nine Directors, including a female Director.

## 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 the following, having given consideration to business performance for the current fiscal year and future business development.

##### 1. Year-end dividends

###### (1) Type of dividend property

Cash

###### (2) Allotment of dividend property and their aggregate amount

¥42.50 per common share of the Company

Total dividends: ¥518,677,820

As the Company has already paid an interim dividend of ¥42.50 per share, the annual dividend for the fiscal year will be ¥85 per share.

###### (3) Effective date of dividends of surplus

March 24, 2023

##### 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 Four Directors (Excluding Audit and Supervisory Committee Members)

The terms of office of all four 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 four 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	<input type="checkbox"/> Reelection
2	Toshinori Yoshida	Representative Director, President, Executive Officer & COO, Supervising Administration, Supervising the Company's Products	<input type="checkbox"/> Reelection
3	Takashi Ishii	Director, Senior Managing Executive Officer, Supervising Sales	<input type="checkbox"/> Reelection
4	Shuji Ohno	Director, Managing Executive Officer, Head of Planning & Strategy Office	<input type="checkbox"/> Reelection

☐ 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)  <div>Reelection</div>	Sept. 1961	Joined the Company	287,395 shares
		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)	
	(Reasons for nomination as candidate for Director) Mr. Hisashi Suzuki has endeavored to enhance medium- to long-term corporate value and create a governance system as Representative Director & President since 2007, and since he was appointed to the position of Representative Director, Chairman & CEO in 2020, he has led the way in further driving the Group's growth strategy forward and strengthening corporate governance. Based on his abundant experience concerning the Company's business and advanced insight concerning corporate management and sales strategy, he has responded to changes in the management environment and endeavored to enhance sustained enhancement of corporate value. Therefore, the Company proposes his reelection as Director.			
2	Toshinori Yoshida (September 23, 1962)  <div>Reelection</div>	June 1989	Joined the Company	26,747 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	
		July 2015	General Manager of Legal Affairs Department	
		Apr. 2016	Senior Executive Officer	
		Mar. 2019	Director	
		Mar. 2019	Managing Executive Officer	
		Aug. 2021	Representative Director, President, Executive Officer & COO (current position)	
		Aug. 2021	Supervising Administration, Supervising the Company's Products (current position)	
		(Reasons for nomination as candidate for Director) Mr. Toshinori Yoshida has held key roles in the Corporate Department, such as accounting, human resources, administration and legal, since joining the Company, and has supervised various projects promoting business reform and served as the Chairman of the Research and Development Committee and Sustainability Committee since being appointed as Representative Director, President, Executive Officer & COO in 2021, exhibiting leadership and fulfilling his role contributing to decisions on important management matters and the sustained enhancement of corporate value. Due to this abundant experience concerning the Company's business, adequately exhibiting skill as a top executive and endeavoring toward the sustained enhancement of corporate value, 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	21,777 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	
		Jan. 2017	Managing Executive Officer	
		Mar. 2019	Director (current position)	
		Mar. 2019	Supervising Sales as deputy	
		Apr. 2020	Supervising Sales (current position)	
		Mar. 2022	Senior Managing Executive Officer (current position)	
		Sept. 2022	General Manager of Energy-Saving Equipment Business	
(Reasons for nomination as candidate for Director) Mr. Takashi Ishii has long been engaged in wind and water powered cooling device-related business, and has exhibited strong leadership and driven the growth of the business as the supervisor of the business. He was appointed to the position of Supervising Sales in 2020, and since he was appointed, he has led company-wide efforts of increasing orders and sales promotion. He also has abundant management experience, accomplishments and insight and has actively promoted the creation of a risk management system for quality, etc. on the Project Review Committee for responding to business risks concerning large orders and large order investment. Based on the skills and knowhow including sales and management strategy, quality and sustainability obtained through his experience to date, he has promoted the management vision and Medium- to Long-term Management Plan, and is expected to contribute to further enhancement of sustained corporate value of the Group in future. Therefore, the Company proposes his reelection as Director.				
4	Shuji Ohno (June 9, 1967)  <u>Reelection</u>	Oct. 1996	Joined the Company	28,412 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) Mr. Shuji Ohno has been involved in operations such as accounting and finance, corporate planning, public relations and investor relations since joining the Company, and has abundant experience and knowledge in these areas. He accurately understands management issues, and also engaged in the formulation of the Medium- to Long-term Management Plan, and has performed a central function in the drafting of the entire Group's management strategy. Based on the skills and knowhow including finance, accounting, investor relations and sustainability obtained through his experience to date, he is expected to contribute to further enhancement of the Group's sustained corporate value. 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, 2022). In addition, the number presented includes shareholdings of the candidate in the Company's officer stock ownership.
  3. The Company has concluded an officer liability insurance policy pursuant to the provision of Article 430-3, paragraph (1) of the Companies Act with an insurance company, and damages in the event of the insured including the Company's officers being liable for damages arising from operations are covered by the insurance. Each of the candidates will be insured under the insurance policy if elected and appointed as Directors. The Company bears the entire cost of insurance premiums. The Company also plans to renew the insurance policy with the same conditions at the time of the next renewal.

## (Reference)

### Skill Matrix

The nominations of the candidates for Director were decided by the Board of Directors after it received advice and suggestions from the Nomination Committee, after said committee, which is chaired by an Independent Outside Director and whose members are made up by a majority of Independent Outside Directors, deliberated the matter. In addition, consideration is given not only to a candidate's familiarity with the Company's operations and the power of judgment, expertise and knowledge required of them, but also their high sense of ethics.

In order for the Board of Directors to appropriately fulfill its own decision-making function and its function of management oversight, the following skill matrix is presented to specify the expected roles and possessed skills and experience of each director candidate.

Name		Areas of specialization and experience								Outside Independence
		Corporate Management	Sales Management strategy	Production and technology Quality Research and development	Finance, accounting and IR	Global	Labor Human resource development	Legal, compliance, risk management	Sustainability	
Directors	Hisashi Suzuki	●	●	●	●			●		
	Toshinori Yoshida	●		●			●	●	●	
	Takashi Ishii		●	●					●	
	Shuji Ohno		●		●				●	
Directors who are Audit and Supervisory Committee Members	Hitoshi Kobayashi		●	●				●		
	Seigo Hirayama						●	●	●	●
	Noboru Tachibana	●	●			●	●			●
	Kazuo Ishibashi				●	●	●	●		●
	Aki Shimizu						●	●	●	●

Notes: 1. The above table does not represent all of the knowledge and experience of each person.

2. The areas of specialization and experience in the Skill Matrix are defined as follows.

[Corporate Management]

Having experience as a management executive of a listed company or equivalent organization, and the skill to make decisions and execute business management for the enhancement of medium- to long-term corporate value

[Sales, Management strategy]

Having the skill to draft management visions and medium- to long-term management plans from a medium- to long-term perspective, monitor progress, and formulate action to take as needed

[Production and technology, Quality, Research and development]

Having the skill of making decisions in the area of production and technology and research and development, such as capital investment, production planning, allocation of resources such as funds and personnel, and formulation of research and development themes, in addition to maintaining and improving quality of products and services, and implementing quality improvements for safety and health or environmental preservation in production facilities, etc.

[Finance, accounting and IR]

Having knowledge and experience in finance and accounting, and having the skill to monitor and report management issues and perform disclosure in an appropriate way.

[Global]

Having overseas experience as a person responsible for overseas business for a certain period or longer, and the skill of supporting drafting of strategy and decision making from a global perspective such as overseas expansion of the Group

[Labor, Human resource development]

Having the skill of securing diverse human resources, supporting the growth of each person and promoting human resource strategy such as work styles based on the approach that human resources are the cornerstone of business activities

[Legal, compliance, risk management]

The skill of having a perspective of legal compliance while building systems and raising awareness of various risks that could arise in business activities



[Sustainability]

The skill of promoting sustainability management from the perspective of enhancing medium- to long-term corporate value with an understanding of trends in social value such as ESG and SDGs

(Reference)

### **Independence Standard for Outside Directors**

EBARA JITSUGYO CO., LTD. (hereinafter referred to as “the Company”) has specified the following independence standards for Outside Directors in the Company, and if an Outside Director is found to not fall under any of the following items, the Outside Director is judged to have adequate independence for the Company.

1. A former employee (Note 1) of the Company or a consolidated subsidiary of the Company (hereinafter referred to as “the Group”)
2. A person below who is currently related to the Group or has been in the past three years:
  - (1) An executive of a company, etc. falling under any of the following:
    - (i) A major customer to which sales account for more than 2% of the consolidated net sales of the Group
    - (ii) A major supplier from which purchases account for more than 2% of the consolidated net sales of the supplier
    - (iii) A financial institution from which outstanding borrowings exceed 2% of the Group’s consolidated total assets
  - (2) A shareholder holding 10% or more of the total voting rights in the Company, or an executive thereof if the shareholder is an organization such as a corporation
  - (3) A person who was directly engaged in accounting audit operations pertaining to the Company
  - (4) A person providing professional services who receives a large amount of consideration (Note 2)
  - (5) A recipient of a large donation, financing or credit guarantee (Note 3)
3. A spouse, relative within the second degree of kinship or person living with a person falling under any of the above items

(Note 1) Former employee refers to a Director (excluding Outside Directors), company auditor (excluding outside company auditors), executive officer, other similar person or employee (hereinafter referred to as “executive”) of the Group or person who has served as an executive of the Group in the past ten years.

(Note 2) A person providing professional services such as an attorney, a certified public accountant, a certified public tax accountant, a patent attorney, a judicial scrivener or a management consultant receiving more than ¥10 million (excluding tax) per year in consideration other than officer remuneration from the Group, or if the party is an organization such as a corporation, executives and persons belonging to an organization whose consideration from the Group exceeds 2% of the organization’s consolidated net sales.

(Note 3) A person who has received donations, financing or credit guarantees exceeding ¥10 million per year from the Group, or an executive thereof if the recipient is an organization such as a corporation.

**Proposal No. 3 to Proposal No. 5 are proposals by one shareholder (hereinafter referred to as “proposing shareholder”).**

**The outline of the proposal and reason for the proposal submitted are stated without changes to the original Japanese text.**

**<Shareholder Proposal>**

**Proposal No. 3      Revision of Remuneration Amount under Restricted Share-based Remuneration System**

**(1) Outline of the Proposal**

It is proposed that, in order to grant a monetary remuneration claim for granting restricted shares, the remuneration amount for Directors eligible for the Restricted Share-based Remuneration System (hereinafter referred to as “the System”) (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) is set to within a total amount of ¥280 million per year apart from the annual remuneration amount of basic remuneration, and that the maximum number of shares to be granted is 112,000 shares, and also that the annual remuneration amount for Outside Directors and Directors who are Audit and Supervisory Committee Members who are eligible for the System for granting a monetary remuneration claim for granting restricted shares is set to ¥60 million apart from the annual remuneration amount of basic remuneration, and that the maximum number of shares granted is 24,000 shares. It is proposed that the specific timing of payment and distribution is to be determined in the Board of Directors.

**(2) Reasons for the Proposal**

The Company resolved to pay up to a total amount of ¥35 million per year as remuneration for granting restricted shares to Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) in the Annual General Meeting of Shareholders held in March 2021, but it cannot be considered that value is sufficiently shared between Directors and shareholders, which is the objective of the Restricted Share-based Remuneration System, because the amount is extremely small and Outside Directors and Directors who are Audit and Supervisory Committee Members are excluded from the Eligible Directors. Looking at the results of granting by the Company in the 83rd fiscal year (from January 1, 2021 to December 31, 2021), in contrast to fixed remuneration of ¥95 million, restricted share-based remuneration was equivalent to ¥19 million, which is only 20% of the amount of fixed remuneration. At this pace, it would take 12 years until this reaches three times the amount of fixed remuneration, which is a guideline for effective share-based remuneration for sharing value between Directors and shareholders. Due to the purpose being to share value between Directors and shareholders, restricted share-based remuneration has no meaning unless granted while in office, and as it cannot be assumed that the term of office will be 12 years, it is necessary to grant a certain amount within a shorter period.

Furthermore, the Company should establish shareholding guidelines pertaining to the restricted share-based remuneration system, specify that the target for acquisition of the Company’s shares while an officer is in office is equivalent to three times the amount of fixed basic remuneration, and disclose the status of acquisition of the Company’s shares by individual officers in the Corporate Governance Report submitted to the Tokyo Stock Exchange by the Company.

## Opinion of the Company's Board of Directors

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

The Company's basic policy on remuneration for the Company's Directors is to have a remuneration system 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 Directors based on their respective responsibilities.

At the Annual General Meeting of Shareholders held in March 2021, the introduction of a restricted share-based remuneration system was approved with the aim of providing Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) an incentive to continuously improve the Company's corporate value and to further promote shared value with shareholders. When introducing the system, the overall remuneration level, the percentage of each type of remuneration, etc. were analyzed by referring to officer remuneration survey data provided by an external research organization, and consideration was given to the suitability of introducing the system. Furthermore, the Company has established a Remuneration Committee chaired by an Independent Outside Director and with Independent Outside Directors making up the majority of members as a voluntary advisory body to the Board of Directors in order to ensure objectivity and fairness concerning the remuneration of Directors, and the introduction of the system was submitted to the General Meeting of Shareholders after undergoing deliberation in the Remuneration Committee.

Based on the above course of events, the current remuneration for the Company's Directors is made up of fixed basic remuneration determined according to position and duties, performance-linked remuneration for the purpose of increasing responsibility and consciousness of achievement of fiscal year performance targets, and restricted share-based remuneration providing an incentive for continuously increasing corporate value.

The fixed basic remuneration is calculated based on the required duties and responsibilities, etc., and the performance-linked remuneration is calculated based on a comprehensive assessment of the achievement rates, etc. of the respective management indicators, including operating profit, net profit, along with ROE, etc., that are set as the performance items in order to clearly express business performance for the fiscal year. Moreover, the total amount of monetary remuneration paid for granting restricted share-based remuneration is set to within ¥35 million per year as an amount that is adequate for achieving the above objective and considering the current level of Director remuneration while considering the balance with fixed basic remuneration and performance-linked remuneration, with up to 19,200 of the Company's common shares being delivered as restricted shares (the maximum number may be reasonably adjusted in the event of a share split, etc.), and this was approved at the Annual General Meeting of Shareholders held in March 2021. We believe that such a balanced remuneration system supports the recruitment and retention of talented human resources able to practically implement management philosophy and meet the expectations of shareholders and a wide range of stakeholders, leading to continuous improvement of corporate value. Meanwhile, under such a remuneration system, the shareholder proposal to set the remuneration amount for Directors eligible for the restricted share-based remuneration system to within a total amount of ¥280 million per year (maximum number of shares to be granted of 112,000 shares) lacks a balance between the fixed basic remuneration and the performance-linked remuneration and deviates considerably from the Company's basic policy for Director remuneration, and it can be considered as an excessive remuneration amount.

Furthermore, this shareholder proposal indicates that this restricted share-based remuneration system would be introduced for all Directors including Directors who are Audit and Supervisory Committee Members, but the Company, after giving consideration based on the contents of the report from the Remuneration Committee, has set a policy to not include Directors who are Audit and Supervisory Committee Members within the scope of those eligible for restricted share-based remuneration because they are expected to audit the execution of operations by Directors and strengthen management supervisory functions of the Board of Directors.

The Board of Directors therefore opposes this Shareholder Proposal.

## <Shareholder Proposal>

### Proposal No. 4 Acquisition of Treasury Shares

#### (1) Outline of the Proposal

It is proposed that the Company acquires a total of 1,233,960 of the Company's common shares in exchange for cash with a total acquisition value of up to ¥2,776,410,000 within one year of the conclusion of this Annual General Meeting of Shareholders pursuant to the provision of Article 156, Paragraph (1) of the Companies Act.

#### (2) Reasons for the Proposal

The Company resolved to acquire up to 500,000 treasury shares, or 4.07% of the Company's total number of issued shares (excluding treasury shares) with a total acquisition value of up to ¥1,000 million during the period from November 4, 2022 to October 31, 2023 in the meeting of the Board of Directors held on November 2, 2022, and resolved to cancel 500,000 treasury shares, and this can be appreciated to a certain degree for the Company implementing a measure aimed at expanding shareholder returns and increasing capital efficiency. However, the Company's share price continued to slump during 2022, and the Company's share price has not risen since the above resolution of the Board of Directors on November 2, 2022, and it could be said that the market has assessed the Company's measures to be inadequate. As such, it is believed that steps should be taken to acquire approximately 10% of the Company's total number of issued shares (excluding treasury shares) to further expand shareholder returns and increase capital efficiency.

## Opinion of the Company's Board of Directors

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

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

Regarding growth investment, as outlined in the EJ2024 Medium-term Management Plan, the Company plans to allocate between ¥2,500 million and ¥3,000 million to research and development investment, and between ¥2,500 million and ¥4,500 million to growth investment such as human resource investment including research and development personnel, capital investment in priority areas, and M&A, during the period of the plan, with the aim of continuously improving corporate value. The Company considers the return of profits to shareholders to be an important management issue, and our basic policy for the distribution of profits is to continue to provide stable dividends with a target consolidated payout ratio of 35%, and to flexibly acquire treasury shares with consideration for aspects such as funding needs and share price as one means of providing returns.

Based on this basic policy, the Company is continuously engaged in improving and strengthening returns to shareholders as shown in the table below. In the fiscal year ended December 31, 2022, although profit decreased, the Company emphasized the continuation of stable dividends and decided to pay an annual dividend of ¥85 (consolidated payout ratio of 48%), which was the same amount as in the previous fiscal year. Furthermore, at the Board of Directors meeting held on November 2, 2022, the Company resolved to acquire up to 500,000 treasury shares, or 4.07% of the Company's total number of issued shares (excluding treasury shares) with a total acquisition value of up to ¥1,000 million during the period from November 4, 2022 to October 31, 2023, and is currently continuing to acquire the treasury shares. The Company also cancelled 500,000 treasury shares on November 30, 2022. As a result, the total payout ratio for the fiscal year ended December 31, 2022 was 63%.

Meanwhile, the acquisition of treasury shares based on this shareholder proposal is an excessive level that exceeds the profit of ¥2,600 million forecast for the fiscal year ending December 31, 2023. If such a proposal were to be approved, the source of funding for growth investment would be impaired, and this may stagnate the Company's medium- to long-term growth and continuous improvement of corporate value, and it is believed that this would damage the interests of shareholders as a result.

The Board of Directors therefore opposes this Shareholder Proposal.

(Reference) Shareholder returns to date

Classification	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022	Fiscal year ending December 31, 2023
Annual dividend per share	¥30	¥55	¥85	¥85	¥85
Acquisition of treasury shares	—	¥570 million	¥1,000 million	¥320 million	¥680 million

- Notes:
1. The annual dividend per share for the fiscal year ended December 31, 2022 is subject to approval of the Company proposal at this Annual General Meeting of Shareholders.
  2. A 1:2 share split was conducted on July 1, 2021, and the values of the annual dividend per share for the fiscal year ended December 31, 2021 and earlier are also shown based on the value after the share split.
  3. The annual dividend per share for the fiscal year ending December 31, 2023 is the forecast dividend amount.
  4. At the Board of Directors meeting held on November 2, 2022, the Company resolved to acquire up to 500,000 treasury shares with a total acquisition value of up to ¥1,000 million during the period from November 4, 2022 to October 31, 2023. The amount of ¥680 million, which is the maximum total acquisition value of ¥1,000 million minus the total amount of ¥320 million acquired in the fiscal year ended December 31, 2022, is shown as the planned acquisition amount for the fiscal year ending December 31, 2023.

## <Shareholder Proposal>

### Proposal No. 5 Amendment to the Articles of Incorporation Concerning the Number of Outside Directors

#### (1) Outline of the Proposal

It is proposed to amend Article 18 of the Company's Articles of Incorporation as follows to make the Company's Outside Directors a majority.

Before Amendment	After Amendment
Article 18 (Number of Directors)  1. The number of the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members) shall not exceed eight (8).  2. The number of the Company's Directors who are Audit and Supervisory Committee Members shall be no more than five (5).  3. <u>(New)</u>	Article 18 (Number of Directors)  1. The number of the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members) shall not exceed eight (8).  2. The number of the Company's Directors who are Audit and Supervisory Committee Members shall be no more than five (5).  3. <u>The majority of the Company's Directors shall be Outside Directors prescribed under Article 2, paragraph (1), item (xv) of the Companies Act.</u>

#### (2) Reasons for the Proposal

Principle 4.8 of Japan's Corporate Governance Code states "Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid- to long-term. Companies listed on the Prime Market should therefore appoint at least one-third of their directors as independent directors that sufficiently have such qualities. Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors." Furthermore, Principle 4.7 of Japan's Corporate Governance Code states one of the roles and responsibilities of independent outside directors to be "Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders."

Although the Company satisfies the requirement of one-third or more with four Outside Directors among the nine Directors, it is believed that more actively appointing Outside Directors as a majority of Directors will enable the establishment of a governance system that increase capital efficiency, seeks shareholder returns, and contributes to the Company's sustained growth and enhancement of medium- to long-term corporate value.

Furthermore, with regard to not only the number of Outside Directors, but also the qualifications of Outside Directors, personnel able to contribute to the Company's sustained growth and enhancement of medium- to long-term corporate value are required, and the appointment of analysts with a high level of experience and skill should be considered to address this point.

The appointment of "personnel with a high level of experience and skill as analysts" will bring the viewpoints of external investors and shareholders to the Board of Directors, and at the same time, is believed to be an effective means of contributing to the enhancement of corporate value through sound risk taking. Although the Board of Directors of a listed company originally share the same goal as investors and shareholders of enhancing long-term corporate value, unfortunately, the two are often understood as in conflict in Japan. Directors with the experience and skills mentioned above participating in discussion and decision making in the Board of Directors is believed to make the intrinsic constructive relationship between the Board of Directors and the stock market through sound risk taking and capital allocation, and better communication with the market. It is frequently explained that personnel from banks or accountants handle the financial part of the Director skill matrix, but expertise in accounting and debt markets is inadequate from the perspective of promoting "sound risk taking," and the appointment of equity market experts is believed to be meaningful in this respect.

## Opinion of the Company's Board of Directors

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

The Company has established a Nomination Committee chaired by an Independent Outside Director and with Independent Outside Directors making up the majority of members as a voluntary advisory body to the Board of Directors in order to ensure objectivity and fairness concerning the election of Directors. The selection of candidates for Director is determined in the Board of Directors based on advice and proposals from the Nomination Committee, and the candidates for Director submitted to this Annual General Meeting of Shareholders have also undergone the same determination process.

The Nomination Committee discusses the composition of the Board of Directors to ensure that it possesses the skills, such as in corporate management; global; labor and human resource development; legal, compliance, and risk management; and sustainability, that will contribute to the monitoring function of the Board of Directors aimed at continuously improving the Company's corporate value. The Company believes that the Board of Directors, which is composed based on this view, has realized high capital efficiency through the practical implementation of the management philosophy and constructive discussions aimed at continuously improving corporate value, and also by flexibly acquiring treasury shares while emphasizing a balance between growth investment, such as research and development investment, human resource investment, and capital investment, and the return of profits to shareholders. At this Annual General Meeting of Shareholders, the composition of Directors proposed by the Company is four of the nine Directors to be Independent Outside Directors.

All four candidates for Director (excluding Directors who are Audit and Supervisory Committee Members) are well-versed in the Company's operations, and each has knowledge, experience and expertise in areas such as sales; production and technology; finance, accounting and IR; and labor and human resource development. Furthermore, four of the five Directors who are Audit and Supervisory Committee Members are Independent Outside Directors. One of the four candidates is a corporate executive, while two are attorneys (including one who is female) and one is a certified public accountant, and each has expert knowledge and diverse experience, in addition to deep insight into corporate governance.

The Company's Board of Directors believes that the Board of Directors made up of the candidates for Director proposed by the Company maintains sufficient independence and is the optimal composition with diversity for supervising the execution of management aimed at the achievement of the Company's EJ2024 Medium-term Management Plan, and that this will lead to the continuous improvement of the Company's corporate value, and is thereby in the interest of shareholders.

Meanwhile, the Company believes that establishing this provision in the Articles of Incorporation as proposed in this shareholder proposal will limit the scope when selecting candidates for Director and could prevent the Company from creating the optimal Board of Directors.

The Board of Directors therefore opposes this Shareholder Proposal.