May 21, 2025

Company Name: Tokyo Cosmos Electric Co., Ltd.
Representative: Yoshiki Iwasaki, Representative Director, President
(Code No.: 6772 Tokyo Stock Exchange Standard Market)
Inquiries: Jun Kubota, Director
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Notice Regarding the Opinion of the Board of Directors' meeting of the company on the Shareholder’s Proposal from Global ESG Strategy

We have received a shareholder's proposal (hereinafter referred to as the “Proposal”) regarding two agenda items for the 68th Ordinary General Meeting of Shareholders of the Company scheduled to be held on June 24, 2025, from Global ESG Strategy (hereinafter “GES” or the “Proposer”), which is a shareholder of the Company. However, at the Board of Directors’ meeting held on May 21st, the Board of Directors of the Company resolved to oppose the Proposal, and we hereby present the details as follows.

Attachment

Shareholder Proposal Agenda Item 1
Election of Five (5) Directors (excluding Directors who are members of the Audit Committee)

⑴ Reasons for the proposals common to Propositions 1 through 5

The Company should aim to improve its corporate value and shareholder value by renewing its directors (excluding Directors who are members of the Audit Committee) and appointing new directors who can reliably formulate and implement the Company's growth strategy.

We propose Mr. Hayato Wakabayashi, Mr. Ryuji Nishitateno, Mr. Yasuto Monden, Mr. Naoki Isetani, and Mr. Makoto Ohki be appointed as our directors (excluding directors who are members of the Audit Committee) in order to enhance our corporate value and promote our long-term growth.

We believe that the challenges facing the Company include deteriorating growth and profitability, underutilization of excess capital, and lack of successors. In this regard, the candidates we are proposing for directors (excluding Directors who are members of the Audit Committee) are experts in domestic and international corporate management, including manufacturing, investment strategy, financial accounting, etc., and are capable of re-formulating and ensuring the implementation of our growth strategy with respect to the above issues for all our stakeholders. In particular, Mr. Wakabayashi, Mr. Nishitateno and Mr. Monden will serve as our full-time directors and will work with other outside directors and our executives and employees to resolve issues facing the Company. In order to lead the Company to growth, it is essential to reorganize the Board of Directors by appointing five new directors (excluding Directors who are members of the Audit Committee) as we propose.

Please refer to "Reasons for selecting the candidates for the Board of Directors and summary of expected roles, etc." in each candidate's biography for a description of how each candidate will contribute to the Company's growth. Since Mr. Monden is the Chief Investment Officer of Swiss-Asia Financial Services Pte. Ltd., the manager of the proposed shareholder, in order to avoid substantial conflicts of interest between shareholders and directors, even if he is elected as a director of the Company (excluding directors who are members of the Audit Committee), he will decline any director's remuneration from the Company.

The current directors of the Company (excluding directors who are members of the Audit Committee), Mr. Miki Iwasaki, Mr. Hideo Nakajima, Mr. Kazutomo Miyata and Mr. Jun Kubota, should not be reappointed.

The current directors of the Company (excluding directors who are members of the Audit Committee), Mr. Miki Iwasaki, Mr. Hideo Nakajima, Mr. Kazutomo Miyata, and Mr.

Jun Kubota, have failed to demonstrate any concrete measures as executive directors to address the following issues of the Company. Therefore, it must be said that they do not have sufficient managerial ability to be entrusted with the management of our company, which is a listed company, as directors, and should not be reappointed. We believe that it is desirable for them to continue to serve the Company in areas where they have individual strengths as officers and employees who are not directors.

(a) Failure to demonstrate concrete measures to improve deteriorating growth and profitability, and management not conducting stock price conscious management

Although the Company achieved a record-high consolidated net sales of 10.7 billion yen in the fiscal year ended March 31, 2023, it is now in a contractionary balance with 10.4 billion yen in the fiscal year ending March 31, 2024 and 10.0 billion yen in the forecast for the full fiscal year ending March 31, 2025. Although the company achieved operating income of 1.35 billion yen (operating margin of 12.6%) in the fiscal year ended March 31, 2023 as a result of cost reductions, including a reduction in the number of employees, the fiscal year ending March 31, 2024 is 1.26 billion yen (operating margin of 12.1%), and the forecast for the full-year consolidated operating income of 850 million yen (operating margin of 8.5%) for the fiscal year ending March 31, 2025.. Both growth and profitability are deteriorating.

In this environment, although the Company announced its second medium-term management plan (2024 ~ 2026) in April 2024, its numerical targets are 10.5 billion yen in net sales and 1.05 billion yen in operating income (operating margin of 10%) for FY2026, a three-year plan with no growth from the current situation. The fact that the three-year period through the fiscal year ending March 31, 2027 is designated as a “growth investment” period, despite the fact that growth has already slowed for two consecutive fiscal years, indicates that the current management team has no sense of crisis regarding the slowdown in the Company's growth. When we asked Mr. Iwasaki for his opinion on the Company's stock price, he explained that he did not know because the market determines the price, and did not express his opinion as a member of the management team or as a representative of the Company. Based on these responses, we have no choice but to conclude that President Iwasaki, as a member of the management team, does not manage the company with an awareness of the stock price.

(b) Failure to effectively utilize surplus funds for investment in growth and shareholder returns

Despite the fact that the Second Mid-Term Management Plan, which begins in the fiscal year ending March 31, 2025, calls for “total capital investment/research and development expenditure target of 2 billion yen,” only 15.86 million yen was recorded for the acquisition of tangible fixed assets in the first six months of the fiscal year ending September 30, 2025. In addition, until now, one year after the release of the 2nd Mid-Term Management Plan, management has not provided any specific measures to shareholders regarding investment in growth or shareholder returns. In the meantime, our shareholders' equity and net cash have continued to increase (approximately 1.9 billion yen as of December 31, 2024), and it is clear that our directors are not making effective use of management resources. With the current management team in place, we cannot expect to realize a growth investment of 2 billion yen in 3 years.

(c) Failure to train successors

President Mr. Iwasaki turned 70 years old this year, and we have not seen any strong candidates for his successor in the current management structure. The fact that no effective succession plan has been presented raises doubts about the execution of our management plan.

⑵ Summary of the Proposal

① Proposition 1

(a) Outline of Proposition

It is proposed that Mr. Hayato Wakabayashi be elected as Director (excluding Directors who are Audit Committee Members).

(b) Reason for the proposal

As stated in the common reason for the proposal above.

(c) Brief personal history, etc. of the candidate

Hayato Wakabayashi Date of Birth August 31, 1961

■ Brief Personal History, Positions, Responsibilities and Important Concurrent Positions

April 1985	Joined Matsushita Electric Industrial Co.
Apr. 1998	President of Panasonic Financial Centre Malaysia Sdn.
Apr. 2007	Director and President of Matsushita Electric (China) Finance Co.
Feb. 2009	Finance Planning Team, Finance & Investor Relations Group, Head Office Financial Planning Team Leader, Finance & Investor Relations Group, Head Office
July 2013	General Manager, Finance & Investor Relations Group, Corporate

Strategy Division, Panasonic Corporation
General Manager, Finance & Investor Relations Group
and Financial Strategy Team Leader (Board Member)

May 2015	Joined J. FRONT RETAILING Co. In charge of Financial Policy with Business Administration Department, J. FRONT RETAILING Co.
September 2015	Executive Officer, J. FRONT RETAILING Co. In charge of Financial Strategy and Policy, Business Management Department, J. FRONT RETAILING Co.
March 2016	General Manager of Financial Strategy & Policy, J. FRONT RETAILING Co. In charge of Financial Policy, FRONT RETAILING Co.
May 2016	Director, the above company (to present)
March 2017	In charge of Finance & Treasury Policy, the above company
May 2017	Executive Vice President and Executive Officer, the above company (to present)
May 2018	General Manager of Finance & Treasury Policy Department, the above company
May 2020	Director, PARCO Co.
May 2023	Director, Daimaru Matsuzakaya Department Stores Co. (present post)
March 2025	Executive Officer, Executive Vice President, President's Special Missions, J. FRONT RETAILING Co. (to present)

(Important Concurrent Positions)

Director, Executive Vice President, President's Special Missions of J. FRONT RETAILING Co.

Director, Daimaru Matsuzakaya Department Stores Co.

(However, all are scheduled to retire as of May 29, 2025)

Number of the Company's shares held: 0 shares

■ Reasons for the selection of Mr. Wakabayashi as a candidate for Director and outline of expected role, etc.

Mr. Hayato Wakabayashi has experience working for a major Japanese general electronics manufacturer in Japan and Asia, and currently serves as a director of J. FRONT RETAILING Co. a holding company whose group companies operate major department stores and goods retailers in Japan, etc. He also has extensive knowledge of finance and IR as CFO of a major listed company. He also has extensive knowledge of finance and investor relations as a CFO of a major listed company. Currently, the Company faces the following issues: lack of a clear management strategy, limited growth potential of existing businesses, uncertainty in creating new businesses and products, lack of investment for growth, and immature financial policies. We expect that Mr. Wakabayashi's many years of experience in management, particularly at major Japanese general electronics manufacturers and major retailers, will bring to the Company's management knowledge of more sophisticated business and financial strategies, which will enhance the Company's corporate value. For these reasons, we propose the election of Mr. Wakabayashi as a director. Mr. Wakabayashi is expected to be a full-time director.

■ Existence or non-existence of special interest relationship

There are no special interests between Mr. Hayato Wakabayashi and the Company.

② Proposition 2

(a) Outline of Proposition

It is proposed that Ryuji Nishitateno be elected as Director (excluding Directors who are Audit Committee Members).

(b) Reason for the proposal

As stated in the common reason for the proposal above.

(c) Brief personal history, etc. of the candidate

Ryuji Nishitateno Date of Birth October 8, 1974

■ Brief Personal History, Positions, Responsibilities, and Important Concurrent Positions

April 2001	Joined Boston Consulting Group, Inc.
October 2006	Joined Bain Capital Private Equity Asia, LLC
May 2008	Joined TPC Capital Co.
January 2010	Established Axon Holdings Corporation (currently NEUTRON Corporation), President and Representative Director (to present)
November 2010	Advisor, AEON Co.
April 2013	Special Assistant to the President and Specially Appointed Professor, Tokyo University of Science
July 2017	Director, Alue Co. (current position)

(Important Concurrent Positions)

Representative Director and President, NEUTRON Co.

Director, Alue Co. (current position)

Number of the Company's shares held: 0 shares

■ Reasons for the selection of Mr. Ryuji Nishitateno as a candidate for Director and outline of expected role, etc.

Mr. Ryuji Nishitateno has experience at a major U.S. strategy consulting firm and a major U.S. private equity firm, and is currently working as a strategy consultant. He has knowledge of business and management strategies of companies in Japan and abroad. At present, where the Company faces challenges such as limited growth potential of existing businesses, uncertainty in creating new businesses and products, and lack of investment for growth, we expect that Mr. Nishitateno's contribution to the Company's Board of Directors, from his position as an expert in business and management strategies, will enhance the Company's corporate value. For these reasons, we propose the election of Mr. Nishitateno as a director. Mr. Nishitateno is expected to be a full-time director.

■ Existence or non-existence of special interest relationship

There are no special interests between Mr. Ryuji Nishitateno and the Company.

③ Proposition 3

(a) Outline of Proposition

It is proposed that Yasuto Monden be elected as Director (excluding Directors who are Audit Committee Members).

(b) Reason for the proposal

As stated in the common reason for the proposal above.

(c) Brief personal history, etc. of the candidate

Yasuto Monden Date of Birth January 7, 1975

■ Brief personal history, positions, assignments and responsibilities, and important concurrent positions

July 2000 Joined UBS Warburg Securities (now UBS Securities Japan Co., Ltd.) Corporate Finance Division, UBS Warburg Securities Japan Ltd.

January 2004 UBS Limited, Investment Banking, EMEA (Europe, Middle East & Africa) (in London)

Oct. 2006 Investment Banking Division, UBS Securities (now UBS Securities Japan Ltd.)

January 2010 Joined Investment Banking Corporate Division, Deutsche Securities Inc.

January 2011 Head of Capital Goods & Chemicals Sector Coverage, Investment Banking Division, Deutsche Securities Inc.

June 2012 President and Representative Director, Aslead Advisory Inc.

September 2015 Joined Lone Star Chapin Acquisitions Inc. as Managing Director

May 2017 Director, Business Investment Manager, Aslead Capital Pte

November 2019 Co-Founder and Managing Director, Aslead Capital Pte.

December 2022 Chief Investment Officer, Swiss-Asia Financial Services Pte.

(Important Concurrent Positions)

Chief Investment Officer of Swiss-Asia Financial Services Pte.

Number of the Company's shares held: 0 shares

■ Reasons for the nomination of Mr. Yasuto Monden as a candidate for director and summary of expected roles, etc.

Mr. Yasuto Monden has experience working for several foreign investment banks in Japan and overseas and leading business investments in Japan for a major U.S. investment company. He is currently the Chief Investment Officer of a Singapore-based investment management company, where he leads investments in domestic and overseas companies. Mr. Monden has many years of experience in listed equity investments, private equity investments, M&A advisory, capital raising, and hands-on management support, and has extensive knowledge of management and finance as well as global capital markets and ESG issues. Based on this experience, we expect that his contribution to the overall management of the Company will enhance the corporate value of the Company. For these reasons, we propose the election of Mr. Monden as a director. Mr. Monden is expected to be a full-time director.

■ Existence or non-existence of special interest relationship

Mr. Yasuto Monden has no special interest in the Company.

④ Proposition 4

(a) Outline of Proposition

It is proposed that Mr. Naoki Isetani be elected as Director (excluding Directors who are Audit Committee Members).

(b) Reason for the proposal

As stated in the common reason for the proposal above.

(c) Brief personal history, etc. of the candidate

Naoki Isetani Date of Birth April 2, 1962

■ Brief Personal History, Positions, Responsibilities and Important Concurrent

Positions

April 1987	Joined The Bank of Tokyo (currently The Bank of Mitsubishi UFJ, Ltd.)
April 1996	Research Officer, China East Asia Department, Bank of Tokyo-Mitsubishi (now Bank of Mitsubishi UFJ)
August 1997	Research Officer, Planning Department, Bank of Tokyo-Mitsubishi
May 2003	General Manager, Japanese Affairs Section, Kwun Dong Branch of the same bank
August 2006	Deputy General Manager, Investment & Loan Planning Department, Mitsubishi UFJ Financial Group
February 2011	Branch Manager, New Delhi Branch, The Bank of Tokyo-Mitsubishi UFJ (currently The Bank of Tokyo-Mitsubishi UFJ, Ltd.
May 2013	Director, General Manager, Asia & Oceania Sales Division (in Singapore), the same bank
June 2017	Executive Officer, Mitsubishi UFJ Financial Group and Executive Officer, Mitsubishi UFJ Securities Holdings (in charge of overseas operations)
June 2019	Managing Executive Officer, Group Deputy CSO, Mitsubishi UFJ Financial Group, and Director, Managing Executive Officer of Mitsubishi UFJ Morgan Stanley Securities and Director, Managing Executive Officer, Mitsubishi UFJ Securities Holdings Co. (In charge of Planning, Alliances, Corporate Communications, CSR, Digital, etc.)
June 2021	Advisor of Mitsubishi UFJ Securities Holdings Co.
September 2021	Representative Director and CEO of The Office of Isetani Co. (to present)
October 2021	Senior Advisor, Oliver Wyman Group (to present)
July 2022	Senior Director, Fitch Ratings Japan (to present)

(Important Concurrent Positions)

Representative Director and CEO, The Office of Isetani Co.

Senior Advisor, Oliver Wyman Group.

Senior Director, Fitch Ratings Japan

Number of the Company's shares held: 0 shares

■ Reasons for the appointment of Mr. Naoki Isetani as a candidate for director and summary of expected roles, etc.

Mr. Naoki Isetani has a wide range of experience from the banking sector to the securities sector, having been engaged in planning, risk management, and domestic and overseas corporate transactions at major Japanese financial institutions. He also has extensive knowledge of capital markets and capital policies of domestic and foreign companies. At present, the Company's financial strategy, including the appropriate allocation of surplus funds, is in its infancy. Mr. Isetani can provide the Company's Board of Directors with advice on overall management, as well as capital policy and capital markets from a position of expertise, and supervise management. This is expected to lead to a more sophisticated discussion of financial strategies at the Board of Directors and enhance the Company's corporate value. For these reasons, we propose the election of Mr. Isetani as an outside director.

(Note: Mr. Naoki Isetani is a candidate for outside director.)

⑤ Proposition 5

(a) Outline of Proposition

It is proposed that Mr. Makoto Ohki be elected as Director (excluding Directors who are Audit Committee Members).

(b) Reason for the proposal

As stated in the common reason for the proposal above.

(c) Brief personal history, etc. of the candidate

Makoto Ohki Date of Birth November 16, 1970

■ Brief Personal History, Positions, Responsibilities and Important Concurrent Positions

October 1994	Joined Century Audit Corporation (currently Ernst & Young Shin Nihon LLC)
April 1998	Registered as a Certified Public Accountant
February 2001	Joined Corporate Finance Division, UBS Warburg Securities (currently UBS Securities Japan Co., Ltd.)
March 2013	Managing Director, Head of Financial Strategy, Investment Banking Division, UBS Securities Japan Ltd.
September 2016	Joined Evolution Japan Securities Co. Senior Managing Director
May 2019	Representative Director, Capita Link Partners Inc.

(Important Concurrent Positions)

Number of the Company's shares held: 0 shares

■Reasons for selection as a candidate for director and summary of expected roles, etc.

Mr. Makoto Ohki has experience as a certified public accountant mainly in accounting audits of Japanese listed companies at a major Japanese audit firm and many years of experience in the investment banking division of a foreign financial institution. Mr. Ohki has deep knowledge of capital markets based on his experience in numerous M&A advisory and capital procurement projects for Japanese financial institutions and business companies. Based on this knowledge, Mr. Ohki is able to provide the Company's Board of Directors with advice on overall management, particularly with respect to finance, accounting, capital strategy, and M&A, and supervise management. This is expected to lead to more sophisticated discussions of financial and investment strategies by the Board of Directors, thereby enhancing the Company's corporate value. For these reasons, we propose the election of Mr. Ohki as an outside director.

■ No special interest relationship

Mr. Makoto Ohki has no special interest in the Company.

(Note) Mr. Makoto Ohki is a candidate for outside director.

Shareholder's Proposal Agenda Item 2:

Establishment of the amount of remuneration, etc. for Directors (excluding Directors who are members of the Audit Committee)

(1) Outline of Proposition

It is proposed that the current quota of remuneration for Directors (excluding Directors who are members of the Audit Committee) be abolished and that the amount of remuneration for Directors (excluding Directors who are members of the Audit Committee) be set at no more than 200 million yen per year (not including the employee's salary for Directors who concurrently serve as employees).

(2) Reason for the proposal

At the 59th Ordinary General Meeting of Shareholders held on June 24, 2016, it was resolved that the amount of remuneration for Directors (excluding Directors who are members of the Audit and Supervisory Committee) of the Company shall be no more than 120 million yen per year, and this has been the case to date. If this Shareholder Proposal No. 1 is approved as proposed, the number of Directors (excluding Directors who are members of the Audit and Supervisory Committee) will be 5 to 8, which is an increase from the current number of 4. We believe it is essential to set appropriate remuneration for capable directors who can contribute to maximizing the Company's corporate value and stock value, and to have them focus on the management of the Company.

GES Shareholder Proposal Contents – End

Agenda Item 1

Opinion of the board of directors' meeting about Agenda Item 1 the Election of Five (5) Directors (excluding Directors who are Audit Committee Members)

The Board of Directors of the Company opposes this proposal.

1. Summary of our opinion

The Company is of the opinion that, among the Shareholder Proposals made by GES, Propositions 1 to 5 (hereinafter referred to as the "Proposals for Election of Directors") concerning Agenda Item 1 (Election of Five (5) Directors (excluding Directors who are members of the Audit Committee)) are all proposals that do not take into consideration the actual situation of the Company's business, the structure of manufacturers and the realistic situation of the automobile-related parts industry where the Company is located. , and will hinder our medium- to long-term growth and enhancement of corporate value and stable supply of value-added products that solve customer issues such as ensuring the safety of automobiles.

The reasons for our opinion are described in detail in the next section, "2. Reasons for our opinion," and are summarized as follows.

(1) Criticisms by the proposer are not on target.

The proposer arbitrarily excerpts from the Company's management indicators as if the Company's growth and profitability have deteriorated, but this is not a targeted criticism.

Over the last 10 years, we have achieved significant growth in net sales and operating income margin, and have achieved a stable profit structure. In particular, the operating income margin has been above 8% for the last three fiscal years (65th to 67th fiscal years) and for the fiscal year ending March 31, 2025. In order to achieve further growth and expansion in this turbulent business environment, the Company has positioned the three-year period from 2024 to 2026 as a "growth investment" phase, and is developing and investing for a period of "growth and expansion" in 2027 and beyond. The proposer criticizes this period of growth investment as a slowdown in growth, but we must say that this opinion lacks a viewpoint of strategic allocation of management resources from a medium- to long-term perspective.

(2) Lack of understanding of our business

The proposer denies the period of growth investment as a period of slowing growth, but we must say that this itself is a proposal that lacks an understanding of our company's business.

The proposer has requested an IR meeting with us in the past, but the proposer's interest at that time was exclusively in our net cash and other financial matters, and we could not see any interest in our business as a manufacturing company.

The proposer's proposal is based on a complete lack of understanding of the fact that the Company's business environment is in a period of drastic change and requires a high level of management judgment.

In our opinion, the proposer's proposal lacks an understanding of our business and is not a proposal for medium- to long-term growth, but rather a proposal aimed at short-term profit.

(3) The candidate is not qualified to serve as a director of the Company.

The proposer, GES, is an investment fund, and given the investment tendencies and investment funds of Swiss-Asia Financial Services Pte. Ltd. In the first place, it is impossible to hope for management improvement from a medium- to long-term perspective for a director candidate proposed by a shareholder who aims to earn short-term profits.

In addition, as already mentioned, none of the proposed candidates can be said to have a sufficient understanding of the management of a manufacturing company to respond to changes in the business environment surrounding the Company.

In addition, Mr. Yasuto Monden, one of the candidates, is considered to be in a position to be in charge of the management of GES, an investment fund, which is the shareholder of the proposal, and is therefore highly unsuitable from the viewpoint of conflict of interest.

In other words, there is a strong concern that Mr. Monden's participation in the management of the Company will result in a management strategy that strongly relies on short-term share price appreciation (details of the reasons for this are described in 2(3)(b) below). At the same time, confidential information of the Company will naturally be leaked to investor shareholders, and we believe that Mr. Monden's nomination as a candidate for director of the Company is highly inappropriate from the perspective of conflict of interest, including insider trading prevention.

For the reasons stated above, we oppose the proposal for the election of directors.

The more details are described below.

2. Reasons for Our Opinion

(1) Criticisms of the current system by the proposer are not on target

(a) Proposer's points

The proposer's proposal for the election of directors is based on the premise that the Company's growth potential and profitability are deteriorating and that the three-year plan based on the second medium-term management plan announced by the Company is only conservative. However, none of these points made by the proposer can be said to be on target.

(b) Criticism of management based on arbitrary interpretations

In proposing the election of directors, the proposer states as if the Company's growth potential and profitability have deteriorated and no concrete measures to improve them have been presented.

However, the proposer has only arbitrarily selected figures from among the Company's management indices.

The Company's sales and operating income trends for the most recent 10 years are shown below.

million JPY

FY Term	58th	59th	60th	61th	62th	63th	64th	65th	66th	67th	68th
PL	3/2015	3/2016	3/2017	3/2018	3/2019	3/2020	3/2021	3/2022	3/2023	3/2024	3/2025
Sales	7,670	7,159	8,340	10,239	10,237	8,933	7,865	9,511	10,712	10,434	10,506
Operational Profit	100	-100	431	373	417	187	48	795	1,349	1,261	1,044
(Operational Profit Rate)	1.30%	-1.40%	5.17%	3.64%	4.07%	2.09%	0.61%	8.36%	12.59%	12.09%	9.94%

In the 58th fiscal year (ended March 31, 2015), the Company had net sales of 7,670 million yen and operating income of 100 million yen (profit margin of 1.3%), but in the 67th fiscal year (ended March 31, 2024), net sales were 10,434 million yen and operating income was 1,261 million yen (operating income margin of 12.09%). The operating income margin, in particular, has grown significantly over the past three fiscal years (the most recent three fiscal years). In particular, the operating income margin has been above 8% for the last three fiscal years (65th to 67th fiscal years) and is projected to be above 8% for the fiscal year ending March 31, 2025, maintaining a stable profit structure.

The proposer has made a “shrinking equilibrium” based on the fact that sales in March 2024 were 10.4 billion yen and the projected sales in March 2025 are 10.0 billion yen, and has expressed that “both growth and profitability are worsening”. However, it is clear that such criticisms are not accurate when one looks at the Company's substantial growth over the past 10 years and the maintenance of a stable profit structure in recent years.

The proposer short-circuits the operating income margin by considering our forecast of 850 million yen for March 2025 compared to the actual figure of 1.26 billion yen for March 2024, and calls it a deterioration of profitability, etc. However, the forecast is a conservative figure, and to focus only on the change in one period is to arbitrarily interpret our management indicators and give the impression that profitability and growth are deteriorating.

In addition, the forecast is a conservative estimate, and to focus only on the change in one period is to arbitrarily interpret the Company's management indicators and give the impression that profitability and growth are deteriorating.

(c) Criticism of management plans that lack a medium- to long-term perspective

The proposer criticizes the company's second medium-term management plan disclosed in April 2024 as a “three-year plan with no growth from the current status quo” because the plan targets sales of 10.5 billion yen and operating income of 1.05 billion yen for FY2026. This is an extremely shortsighted criticism based on an arbitrary interpretation and lacking a medium- to long-term perspective.

As stated in the Second Medium-Term Management Plan, based on the improvement in operating margin achieved in the First Medium-Term Management Plan from 2021 to 2023, the Company has divided the following six years into two phases: the three-year period from 2024 to 2026 is the phase with the theme of “investment for growth” and the three-year period from 2027 to 2029 is the phase of “growth and expansion. The three-year period from 2024 to 2026 is positioned as the “growth investment” phase, and the three-year period from 2027 to 2029 as the “growth and expansion” phase. The Second Medium-Term Management Plan was formulated as a period of “growth investment” to lead to the “growth and expansion” phase starting in 2027. And the Company's goal is to achieve sales of 13.5 billion yen, operating margin of 12%, ROA of 11%, and DOE of 4.5% in FY2029.

The proposer, without understanding the Company's step-by-step growth strategy, assigns a period for investment in growth as a slowdown in growth, which we must say is an extremely short-sighted opinion that lacks a medium- to long-term perspective.

As a company, there is no management that does not consider growth. For growth, it is essential to operate the current business while at the same time considering future strategies and making investments accordingly.

We have also shifted our focus to the more promising business of automotive electronic components while maintaining our traditional variable resistor business with high profit margins.

For reference, the sales and segment profit margin by segment for the past 10 years shows that in the variable resistor business, the segment profit was 579 million yen (segment profit margin of 15.3%) on sales of 3,783 million yen in the 58th term (fiscal year ended March 31, 2015), while in the 67th fiscal year (ending March 31, 2024), segment income was 1,133 million yen (segment profit margin of 28%) on net sales of 4,085 million yen.

On the other hand, in the 58th fiscal year (ended March 31, 2015), sales of automotive electronic components were 3,403 million yen and segment profit was minus 50 million yen, but in the 67th fiscal year (ended March 31, 2024), sales were 6,120 million yen and segment profit was 857 million yen (14% segment profit margin).

Million JPY

FY Term	58th	59th	60th	61th	62th	63th	64th	65th	66th	67th
【Segment】	3/2015	3/2016	3/2017	3/2018	3/2019	3/2020	3/2021	3/2022	3/2023	3/2024
Potentiometer	**Variable resistors and trimmer resistors for industrial and consumer equipment**									
Sales	3,783	3,630	3,901	3,894	4,108	3,244	3,425	4,431	4,794	4,085
Segment Profit	579	365	748	563	572	442	518	1,026	1,440	1,133
Deprocoation	126		137	132	177	148	145	220	192	134
Automotive	**Automotive position sensors, angle sensors and film heaters**									
Sales	3,403	3,105	3,919	5,968	5,832	5,487	4,211	4,777	5,520	6,120
Segment Profit	-50	-15	181	326	347	250	48	357	508	857
Deprocoation	166	187	248	361	603	401	484	433	425	315

Thus far, we have secured high profit margins in the variable resistor field, where the market is mature, because our strategy to increase profit margins has been successful, and on the other hand, we have steadily increased sales and operating income in the automotive electrical components field.

However, looking ahead to the next 10 to 20 years, we believe it is essential for us to change our growth strategy and establish a period of time for investment and development.

As you know, the automotive electrical components business is in the midst of a major structural change that is said to occur only once every 100 years in the automotive industry, and is exposed to a harsh environment in which not only is competition for existing products and metabolism intense, but also when a new base emerges one day, the existing business will rapidly decline at once.

In this environment, we, as a manufacturer, need time for investment and development in order to keep up with and incorporate new basics. However, a company of our size cannot focus on all aspects of the business, so it is necessary to allocate management resources from a strategic perspective. The period of the second medium-term management plan is the period for “growth investment,” which is indispensable to withstand rapid changes in the business environment and achieve significant growth and expansion, and “growth investment” naturally requires a certain period and cost.

The proposer does not attempt to understand such intentions and criticizes the management for not having a sense of crisis by assuming that the period for growth investment is a period of slowing growth.

In other words, the proposer's opinion is based on the viewpoint of neglecting investment in growth for the sake of short-term profit, and is unacceptable.

(d) Contribution of the current management structure to the Company's growth

The fact that we have achieved significant growth over the past 10 years and maintained a stable profit structure at this point in time is the result of the management reforms that have been tirelessly implemented by the current board of directors since FY2017.

In particular, from FY2020, we have implemented management system reforms and structural reforms, and have shifted our management policy from a “sales-oriented” stance to one that emphasizes profitability. Specifically, we have been pursuing a basic policy of business expansion accompanied by profit improvement through withdrawal from loss-making businesses and products and productivity improvement, including a review of the design of existing products.

As a result of such management based on “selection and concentration” consistent with our company's size, we achieved an operating margin of over 8% in the fiscal year ended March 31, 2022, and an operating margin of 9.94% in the most recent fiscal year ended March 31, 2025. We recognize that these figures are comparable to profit margins for a domestic parts manufacturer that is primarily a second- and third-tier subcontractor, and a manufacturer that undertakes some OEM (contract manufacturing).

(2) The proposal lacks an understanding of the business

(a) Nature of Proposal

In the Proposal for the Election of Directors, the proposer states that the current management team is not qualified to serve as directors due to the stagnation of the most recent business indicators.

However, the content of the proposer's proposal is not aimed at achieving sustainable growth for the Company in a business environment that fluctuates widely, but rather is exclusively a proposal to obtain short-term profits. In this regard, the proposer, in its shareholder proposal made at last year's annual general meeting of shareholders, adopted a dividend policy that the dividend payout ratio shall be 100% or the dividend on equity ratio (DOE) shall be 10% for the period from FY2024 to FY2026, whichever is higher, and made an excessive demand for dividends in accordance with such dividend policy to the extent permissible under the law. As the proposer has made an excessive demand for dividends, it can be said that the proposer is pursuing its own short-term profit rather than improving the medium- to long-term corporate value of the Company. This is also evident from the proposer's lack of understanding of our business and the specific proposed candidate's biography, as shown below.

(b) Poor understanding of the proposer for the business

Since June 2023, when the proposer states that it began holding the Company's shares, the proposer has made multiple attempts to contact the Company, purportedly in the form of IR meetings.

In an effort to communicate with our shareholders, we have held a considerable number of meetings with the proposer almost in conjunction with the disclosure of our quarterly financial results.

During the IR meetings, the proposer's interest was focused exclusively on the Company's net cash position, and the questions and answers were exclusively financial in nature. On the other hand, there were almost consistently no questions and answers concerning the structure of our business, our business based on our knowledge of the industry in which we operate, or our business strategy.

In recent news reports, we have seen some proposals made by so-called “activist shareholders” to portfolio companies, such as proposals for divestitures of unprofitable businesses and proposals regarding business portfolios, which may contribute to improving corporate value, but the proposer never made any such proposals to improve the management structure of the Company based on an understanding of its business. However, the proposer never made any such proposal to improve the management structure based on its understanding of our business.

Given these facts, it is difficult for us to find a stance of understanding our business in the proposer, and we believe that the current proposal is a true reflection of such attitude of the proposer.

In fact, this shareholder proposal is for the election of director candidates designated by the proposer and is not a specific proposal for management strategy. In addition, as before, the proposer has not disclosed any specific business plan or strategy.

(c) The proposal is not based on our business, even in terms of candidates.

None of the five candidates for the board of directors in this shareholder proposal has actual experience in manufacturing or research and development in the manufacturing industry, and four of them appear to be inexperienced in corporate management.

The industry in which we operate is undergoing a major transformation in the automotive industry, as mentioned above, and in addition to the recent tariff issue from the U.S., we are under pressure to make prompt and high-level business decisions in our daily management, such as price revisions of commercial products and rethinking of supply chains and logistics in response to this situation.

Under these circumstances, it is impossible for the Company to withstand the drastic changes in the business environment if the existing management team is removed and replaced with directors who have no experience in the manufacturing industry or corporate management itself, let alone in the automobile industry. This shareholder proposal essentially asks that the Company’s management be fully entrusted to candidates designated by the proposer, who has shown little prior interest in the Company’s management.

If such a candidate were to actually take charge of the management of the Company, he or she would be unable to make appropriate decisions in a situation that requires prompt and high-level judgment, as described above. It is clear that such a proposal is not based on an understanding of our company's business.

(d) The proposal is nothing more than a proposal for short-term profit gain.

As described above, it must be said that the proposer's proposal lacks a strategic perspective for the Company's sustainable growth in a drastically fluctuating business environment.

If the Company were to abandon the growth strategy it has implemented based on the Second Medium-Term Management Plan and replace it with the director candidates named by the proposer, it would be impossible for the Company to achieve sustainable growth in corporate value.

This proposal is a request for a change in management by inciting a sense of crisis among shareholders through the aforementioned arbitrary interpretation of the Company's management indices. If such a proposal is realized, even if a short-term increase in the share price is expected, we believe that it will be impossible for the Company to grow in the future.

(3) The candidate for the proposal is not qualified to serve as a director of the Company

(a) None of them have experience in manufacturing or automotive related industries.

In order to achieve sustainable growth in the current business environment, which is undergoing significant changes, it is necessary for the Company to respond flexibly, quickly, and appropriately to the situation. To this end, it is essential for the Company to have advanced knowledge and experience in various areas such as technology, research and development, manufacturing, sales, and distribution in the automotive-related industry.

However, none of the candidates for the proposed appointment of directors has any experience in the manufacturing industry, let alone in the automotive industry.

Of these, Mr. Ryuji Nishitateno, Mr. Yasuto Monden, Mr. Naoki Isetani, and Mr. Makoto Ohki are all from consulting firms, investment institutions, or financial institutions, and have no experience in the automobile-related industry or manufacturing industry to which the Company belongs. In addition, although these candidates have experience as directors of consulting firms and financial institutions, they have no experience as directors of business companies, and we believe that they have no experience in the management of business companies such as ours. As for Mr. Hayato Wakabayashi, although he has experience working in the manufacturing industry, he is exclusively engaged in operations related to funds and finance. In addition, J. FRONT RETAILING K.K., for which he currently serves as a director, is in the department store, goods retailing, and restaurant industries, which are very different from the automobile-related industry to which the Company belongs.

Therefore, we cannot expect any of the candidates for the proposed appointment to the Board of Directors to have the flexibility, speed, and precision in responding to situations that are necessary for the Company's sustainable growth, or the knowledge and experience required for such a flexible, speedy, and precise response.

(b) About Mr. Yasuto Monden

(i) Potential for strong conflicts of interest

The proposer recommends Mr. Yasuto Monden (hereafter “Mr. Monden”) as a candidate for director (excluding directors who are members of the Audit Committee) in the shareholder proposal. Mr. Monden is also listed as a full-time director.

However, Mr. Monden is the Chief Investment Officer of Swiss-Asia Financial Services Pte. Ltd. (“SAFS”), which manages investments on behalf of the proposer, GES.

In other words, the person who makes the actual decision to buy or sell shares in the GES, the proposer involved in the purchase and sale of our company's shares, will be a member of our board of directors.

This will increase concerns that the Company's management strategy will be based solely on short-term share price appreciation rather than sustainable growth, and at the same time, it means that confidential information important to the management of the Company will naturally be leaked to our shareholders, who are investors. We believe that Mr. Monden's nomination as a candidate for director of the Company is highly inappropriate from the viewpoint of conflict of interest, including the prevention of insider trading.

The proposer states, “In order to avoid substantial conflicts of interest between shareholders and directors, the proposer will decline any director's remuneration even if he is elected as a director of the Company (excluding directors who are members of the Audit and Supervisory Committee). However, it goes without saying that even if he declines remuneration in this manner, it will not dispel the concerns about the above-mentioned conflict of interest by any means.

(ii) Speculative behavior at fund companies in which he has been employed in the past

In addition, Mr. Monden has a history of conducting the following transactions, etc. at an investment fund company he was previously employed at.

On April 28, 2021, Fuji Kosan Corporation ("Fuji Kosan"), a company listed on the Tokyo Stock Exchange Standard Market whose main business is the supply of petroleum products, received a tender offer ("TOB") without the company's consent.

The tender offerors in the tender offer were Aslead Strategic Value Fund and Aslead Growth Impact Fund("AS et al"). The representative of ASLEAD CAPITAL PTE. LTD.("Aslead"), which had entered into a discretionary investment agreement with these funds and was entrusted with the management of their assets, was Mr. Yasuto Monden.

In November 2020, Aslead made a proposal to ENEOS Holdings Corporation to transfer its Fuji Kosan shares to Aslead, and also made a proposal to Fuji Kosan to go private through an MBO, but both proposals were rejected in December 2020. After that, while purchasing more and more shares of the Target Company in intra-market transactions, AS initiated a TOB on April 28, 2021 for the shares of Fuji Kosan, as no satisfactory measures were presented to Aslead in the meetings with the management of Fuji Kosan held in March and April 2021. The tender offer notification also pointed out the lack of growth in Fuji Kosan's profits, but referred to the privatization as a countermeasure and did not provide any details regarding Fuji Kosan's future business development and corporate management.

In response to this tender offer by Aslead, Fuji Kosan resolved to introduce takeover defense measures (contingency introduction type) at a meeting of its Board of Directors on May 24, 2021, and based on the recommendation of the Independent Committee, on the 28th of the same month, the Company expressed its opposition to the tender offer and, in order to confirm the shareholders' intentions regarding the introduction of such takeover defense measures and the implementation of countermeasures based thereon, the Company resolved to submit a proposal for approval of the introduction of takeover defense measures and implementation of countermeasures to the ordinary general shareholders meeting and requested AS, et al. to extend the tender offer period. However, "AS et al" others refused the request, and on June 11 of the same year, Fuji Kosan's Board of Directors resolved to implement countermeasures (gratuitous allotment of stock acquisition rights), and "AS et al" filed a petition for a provisional disposition order pertaining to a request for an injunction against the gratuitous allotment of stock acquisition rights.

In response, on June 23 of the same year, the Tokyo District Court (original trial court) issued a decision to reject the countermeasures (the implementation of the countermeasures was approved at the annual shareholders' meeting of Fuji Kosan held on June 24 of the same year). However, the Tokyo High Court dismissed the appeal on the grounds that the countermeasures were lawful, and Aslead withdrew the tender offer.

One of the reasons for the decisions of the original trial court and the Appeal Court was that “AS et al". provided inadequate explanations regarding the purpose of the takeover and refused requests for an extension of the tender offer period. This finding means that AS et al. did not provide sufficient information and time necessary for general shareholders to decide whether or not to accept the tender offer. It can be said that the fund was pursuing its own short-term profit without regard to the common interest of shareholders, i.e., the improvement of corporate value. Mr. Monden was the one who led the series of transactions.

(iii) Possibility of inaccurate disclosure

In addition, Mr. Monden may have made inaccurate disclosures in connection with the above matters, contrary to legal requirements.

According to the tender offer notification filed by AS et al. on April 28, 2021, Aslead, which manages both of these funds, on November 26, 2020, through a management buyout (MBO) sponsored by a fund managed by Aslead Capital, to Fuji Kosan Co. Ltd. on November 26, 2020 through a management buyout (MBO) sponsored by a fund managed by Aslead Capital (see 3 [Purpose of the Tender Offer] (1) in Section 1 [Tender Offer Procedure] of the same Tender Offer Registration Statement).

Mr. Monden held the position of Managing Director of Aslead at the time.

The above proposal to go private through an MBO involves delisting of securities and the proposal is highly likely to fall under the category of an act of making a material proposal, etc. Therefore, at the time of the purpose of conducting such an act of material proposal, etc., the purpose of such holding must be stated in the prescribed column of the report on large volume holdings under the applicable laws and regulations. However, Aslead Capital, while stating that it proposed to go private through an MBO on November 26, 2020, is found in the history of the report of change of large volume holdings to simply state the purpose of its holdings as “net investment” until it changed it in the report of change of large volume holdings dated May 10, 2021. Based on the history of the report, it can be inferred that Mr. Monden has consistently been in a position to assume responsibility for compliance with laws and regulations, as he has remained in the position of Managing Director of Aslead from the time of the above proposal to go private through MBO until the submission of the report dated May 10, 2021. As described above, based on various public documents, Mr. Monden may have made inaccurate disclosures in the past, in violation of legal requirements.

In addition to the conflict of interest arising from Mr. Monden's role as Chief Investment Officer of SAFS and his appointment as a director of our company, Mr. Monden's past role as representative of an investment fund, where he may have engaged in speculative actions that disregard the interests of general shareholders (enhancement of corporate value), and the fact that GES is our largest shareholder, among other factors, we cannot rule out the possibility that, if Mr. Monden were to be appointed as a director, he might pursue short-term gains for the fund (shareholder) in which he is involved. Therefore, we have determined that Mr. Monden is significantly unqualified to serve as a director of our company.

(4) The proposing shareholders cannot be considered stable shareholders

(i) Margin transactions related to the acquisition of shares

The proposer, GES, is an investment fund believed to be managed by SAFS, and it is considered that the proposal for the appointment of directors in this matter is based on SAFS' investment policy. Additionally, SAFS itself is actively increasing its holdings of our company's shares. According to the Large Shareholding Report dated April 17, 2025, SAFS holds a total of 355,800 shares of our company's stock, representing 22.5% of the total issued shares of our company. On the other hand, SAFS's purchase of our company's shares is being conducted through unstable margin trading, and it strongly appears that the purpose of holding these shares is for short-term investment. Furthermore, GES, the investment fund managed by SAFS, cannot be considered a shareholder that can be expected to hold shares in a stable manner. Therefore, we cannot expect the director candidates proposed by such shareholders to engage in management from a medium- to long-term perspective. According to Item (6) of the Large Shareholding Report dated April 17, 2023, submitted by SAFS, SAFS has acquired a total of 119,900 shares of the Company's stock through margin trading from two domestic securities companies, classified as "acquisition through margin trading" (Note 1). Additionally, according to the same item, it is disclosed that SAFS has pledged a total of 224,000 shares as collateral to the two securities companies with which it is conducting margin trading, as "collateral securities for margin trading margin" (Note 2). In other words, SAFS

(1) acquired 119,900 shares (approximately 33.7%) of the 355,800 shares through margin trading.

(2) 224,000 shares (approximately 63%) of the 355,800 shares are being used as collateral (margin).

(It is unclear whether there is any overlap between (1) and (2).)

According to Item (7) of the Large Shareholding Report, "Funds Used for the Acquisition of Shares and Other Securities," the funds used by SAFS for the acquisition are stated as customer funds (1,595,867 thousand yen), and further, under the description of these customer funds, "of which acquired through margin trading" amounts to a total of 680,644 thousand yen. In other words, approximately 6.8 billion yen of the approximately 15 billion yen in customer funds used by SAFS to acquire our company's shares was obtained through margin trading. Our company sent a written inquiry to Mr. Monden, Chief Investment Officer of SAFS, on February 26, 2025, on behalf of our board of directors, regarding the background of SAFS's funds, but we have not received a response as of the present time. Upon confirming with financial industry professionals and experts knowledgeable about fund operations, we received the following opinions, which are general in nature.

– Typically, PE funds and institutional investors rarely use margin trading because they use stable funds. On the other hand, hedge funds and other investors may use margin trading for short-term market transactions with an emphasis on capital efficiency. However, when a fund uses margin trading for the purpose of "buying on margin" and also uses securities as collateral for margin trading, this is generally considered a relatively high-risk investment strategy and may raise questions about its compatibility with long-term stable holdings.

– In addition to interest charges, margin trading requires the deposit of securities as collateral with a securities company. If market turmoil or other factors cause stock prices to fall below a certain level, the securities company may request additional collateral (margin call). If the investor is unable to provide additional collateral, the securities company may sell the collateralized shares on the market to recover the funds (forced liquidation).

– One reason why funds may use margin trading is that they may have low asset balances.

– In addition, while investors are emphasizing medium-term holdings and management involvement, there appears to be a lack of consistency in maintaining their positions through margin trading and substitute securities.

In addition, SAFS holds shares in the following companies, which are investment targets other than our company, through credit transactions as described below: Nippon Sangyo Co., Ltd. (9913) and With us Corporation (9696).

・With us Corporation

(Based on the Large Shareholding Report with a reporting obligation arising on March 13, 2025, and submitted on March 21, 2025.)

Securities substituted for margin deposits in margin trading (total of two securities companies)	1,806,500 shares
Number of shares held by SAFS	1,806,500 shares

・Nippo Sangyo Co., Ltd.

(Reporting obligation effective date: April 9, 2025; submission date: April 16, 2025, as per the Large Shareholding Report.)

Collateral securities for margin trading (total of two securities companies)	1,241,500 shares
Acquired through margin trading (one securities	120,000 shares

company)

Number of shares held by SAFS 1,361,500 shares

SAFS has not disclosed the source of funds for its share acquisition and has been increasing its holdings through margin trading. As a result, we have significant doubts about SAFS's intention to serve as a mid-term and stable investor in our company.

The shareholder in question has proposed five director candidates through a fund it manages as part of its shareholder proposal to our company. This exceeds the majority of the eight director positions stipulated in our articles of incorporation and is aimed at gaining actual control of management. While this shareholder claims to aim for the management of our company in accordance with the shareholder proposal, not only is the source of funds unclear, but given the extensive use of margin trading, it cannot be considered a shareholder committed to the long-term management of our company. Furthermore, considering that a significant portion of the shares are pledged as collateral, we cannot help but view this shareholder as highly unstable from the perspective of the issuing company.

(Note 1) Margin Trading

Margin trading is a system where you deposit a certain amount of margin (margin deposit) as collateral with a securities company and can trade up to approximately three times the margin amount. Margin trading incurs interest. Due to leverage, profits can be significant when stock prices rise, but losses can be substantial when prices fall.

(Note 2) Margin Trading Collateral Substitute Securities

Using securities instead of cash as margin deposit for margin trading.These securities are referred to as “substitute securities.” Substitute securities typically have a discount rate, such as 80% of the current stock price. If the stock price declines, additional margin (margin call) may be required.

(Note 3) MBO

Management Buyout (MBO) refers to the act of a company's management team acquiring the company itself to take it private. This may be funded using the management team's own funds, borrowed funds, or funds from a third-party investment fund.

(ii) SAFS's money laundering regulation violations and order to pay additional taxes from the Monetary Authority of Singapore

The following is regarding the Monetary Authority of Singapore (MAS) ordering SAFS to pay a penalty for violating its anti-money laundering and counter-terrorist financing (AML/CFT) requirements, and imposing a reprimand on Olivier Pascal Mivelas, CEO of SAFS, and Steve Knaber, COO of SAFS,The following is a reference translation of the article published on the MAS website on May 7, 2024 (“MAS Imposes Composition Penalty of S$2.5 million on Swiss-Asia Financial Services Pte. Ltd. for

AML/CFT Breaches, Reprimands its CEO and COO”). This is solely for reference purposes, and the official text should be confirmed in the original article [1].

[1] www.mas.gov.sg/regulation/enforcement/enforcement-actions/2024/mas-imposes-composition-penalty-on-swiss-asia-financial-services-for-aml-cft-breaches

[Reference Translation]

> On May 7, 2024, SAFS was ordered by the Monetary Authority of Singapore (MAS) to pay a penalty of S$2.5 million for violating the MAS's anti-money laundering and counter-terrorist financing (AML/CFT) requirements.SAFS's Chief Executive Officer (CEO), Olivier Pascal Mivelas, and Chief Operating Officer (COO), Steve Knaber, have been issued a reprimand for failing to fulfill their obligations and functions to ensure that SAFS complies with MAS's AML/CFT requirements. MAS has disclosed that its inspection revealed the following violations by SAFS:
>
> (a) Failure to consider specific risk factors related to the company's customers and business activities in the enterprise-wide risk assessment (EWRA).
>
> (b) Failure to consider specific risk factors related to the company's customers and business activities in the enterprise-wide risk assessment (EWRA).
>
> (c) Establishing business relationships without implementing customer due diligence (CDD) measures. Under SAFS practices, business relationships were established with customers prior to the completion of CDD measures.
>
> (d) Failing to review transactions involving multiple third parties in a customer's account, despite such transactions being inconsistent with SAFS' knowledge of the customer.
>
> (e) Failure to identify a significant number of customers with a high risk of money laundering or terrorist financing (e.g., corporate customers holding bearer shares [1] despite suspicious indicators). As a result, enhanced CDD measures could not be implemented for these customers. Additionally, SAFS failed to sufficiently verify the sources of funds or assets of customers and their beneficiaries identified as having a high risk of money laundering or terrorist financing. Furthermore, SAFS did not obtain approval from senior management to establish or continue business relationships with these high-risk customers.
>
> (f) Failing to submit suspicious transaction reports for multiple customers despite having sufficient grounds to do so (e.g., SAFS was aware of news reports alleging that a customer was involved in financial crimes).
>
> (g) Failing to conduct internal audits to monitor the effectiveness of the company's anti-money laundering and counter-terrorist financing measures and compliance with regulatory requirements.

【End of reference translation】

Based on the above, the funds provided by GES and SAFS, which are believed to be the source of GES's investment, are themselves suspected of being opaque funds related to money laundering. Furthermore, the investment in a listed company in Japan using part of such funds not only raises doubts about the suitability of GES as a shareholder of a listed company like ours but also has a negative impact on the soundness of the stock market.

3. Conclusion

As stated above, we oppose all of the director nomination proposals submitted by the proposer, as they would hinder our sustainable growth.

Agenda Item 2
Opinion of the board of directors' meeting about Agenda Item 2

The Board of Directors of the Company is against this proposal.

The Board of Directors of the Company opposes this proposal for the same reasons stated in Item 1.

End