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To whom it may concern

Company Name:Tokyo Cosmos Electric Co.
Representative:Yoshiki Iwasaki, President and Representative Director
(Code No.: 6772 Tokyo Stock Exchange Standard Market)
Inquiries:Satoshi Ueda, Director and General Manager, Administration Division
(TEL: 046-253-2111)

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This English version of the publication is only for reference purpose.
The Japanese language original shall prevail over any conflict or inconsistency between the two versions.

Opinion of the Board of Directors on the Shareholder Proposal

We, Tokyo Cosmos Electric Co., Ltd. ("the Company") have received a shareholder proposal from GLOBAL ESG STRATEGY ("GES"), a shareholder of the Company, concerning three agenda items for our company's 67th Ordinary General Meeting of Shareholders scheduled to be held on June 25, 2024 (the "Shareholder Proposal"). The Board of Directors of the Company resolved to oppose the Shareholder Proposal at its meeting held today, as described below.

In our convocation notice of the said meeting, the three agenda items of GES' shareholder proposal are mentioned as Agenda Items 6, 7 and 8 (please see **Exhibit A** hereto).

Opinion of the Board of Directors on GES' Shareholder Proposal Agenda Item 6

The Board of Directors of the Company is against GES' shareholder proposal Agenda Item 6 re Appropriation of Surplus.

The Company, for the reasons stated in (1) through (3) below, believes that GES's proposal not only does not take into account the actual conditions and risks of the Company's business and realistic financial strategies, but also will hinder the Company's medium- to long-term growth and enhancement of corporate value.

（1） Investment plans, etc. based on the 2nd Mid-Term Management Plan

The Company recognizes that returning profits to shareholders is one of the most important management issues, and the Company's basic policy is to continue to pay stable dividends to shareholders using the dividend on equity ratio (DOE) as an indicator and to distribute profits appropriately based on business performance, while securing the funds necessary for strategic investments aimed at increasing corporate value over the medium to long term and strengthening the Company’s financial position.

As shown in the 2nd Mid-Term Management Plan, after the 1st Mid-Term Management Plan that focused on operating profit-oriented management, the Company have now turned the corner to the 2nd Mid-Term Management Plan with the theme of "investment for growth" and are in the phase of implementing aggressive investment and various measures to establish a growth foundation for the 3rd Mid-Term Management Plan with the theme of "growth and expansion" over the medium to long term from FY2027 onward. The amount of dividends from retained earnings for each fiscal year should be kept within an appropriate and realistic range in order to sequentially execute and realize the management plan to enhance corporate value over the medium to long term.

As described in the outline of initiatives for investment in growth in the Second Medium-Term Management Plan, the Company has set forth the goals: (1) strengthen technological development capabilities, (2) enhance profitability, (3) improve the financial position, and (4) strengthen shareholder returns (see "Second Medium-Term Management Plan and Measures to Achieve Management Conscious of Cost of Capital and Stock Price (「第 2 次中期経営計画の策定と資本コストや株価を意識した経営の実現に向けた対応について」 in Japanese)") and will require a considerable amount of funds to carry out the plans above. The Company plans to use the funds for at the least following:

- Capital Investments and R&D Expenditures (creation and acquisition of new technologies, investment of management resources (human and other assets), etc.): 2.0 billion yen
- Improvement of financial structure (reduction of interest-bearing debt): 1.7 billion yen
- Investment for restructuring of existing production system and method: 600 million yen
- Actions in accordance with Sustainability Policy: 200 million yen, and
- Dividends from surplus to shareholders: 600-700 million yen

Through these investments, the Company intend to "create and acquire new technologies", "discover new areas through expansion of elemental technologies", and "invest in R&D, human resources, and education, etc." as measures to strengthen technological development to establish a foundation for growth; "increase product added value," "restructure production systems and methods," and "improve productivity by utilizing DX and AI" as measures to strengthen profitability; "reduce interest-bearing debt" and "improve capital efficiency (improve ROA)" as measures to improve financial strength to reform the operating structure; and "improve dividend on equity (DOE) ratio" as a measure to strengthen shareholder returns. The Company will continue to implement various measures to establish a foundation for growth.

The Company believes that the use of such funds to build a solid foundation for growth will lead to the "growth and expansion" of the Company under its 3rd Mid-Term Management Plan and is also essential for the stable and sufficient return of dividends to its shareholders over the medium to long term.

Such large-scale use of funds to establish a foundation for growth is the very "management that is conscious of the cost of capital and return on capital based on the balance sheet" as requested by the TSE.

Thus, in this respect, the part of the reason for the shareholder proposal (stating "The Company still deviates from the ’management that is conscious of the cost of capital and return on capital based on the balance sheet’ requested by the TSE”) is incorrect.

In addition, the shareholder proposal from GES, which calls for a dividend of 571 yen per share (total dividend of approximately 700 million yen, or approximately 80% of net income), must be considered as an intention to pursue short-term profits, with no regard to the content and importance of the Company's medium- to long-term investment plan.

（2） Significant dividend increase based on DOE index, etc.

From the viewpoint of increasing corporate value over the medium to long term, as mentioned above, the Company’s basic policy is to maintain stable dividends to shareholders using the dividend on equity ratio (DOE) as an indicator and to distribute profits appropriately based on business performance. Based on this basic policy, for the fiscal year ending March 31, 2024, the Company have proposed a dividend of 145 yen per share of common stock (DOE of approximately 3.0%), an increase from its initial plan (95 yen per share), as its business performance exceeded its forecast. This is 2.4 times the 60 yen per share in the previous fiscal year, and the Company believes this amount is reasonable and appropriate in light of the investment plans in the 2nd Mid-Term Management Plan.

The Company will continue to actively return profits to shareholders in accordance with the shareholder return policy disclosed in the Second Mid-Term Management Plan (FY2024-FY2026) (target DOE of 3.5% for FY2026).

（3） Necessity of Securing Funds for Contingencies

The Company plays a part of various industries that bear a significant responsibility as social infrastructure, including automobile manufacturing, and in order to ensure a stable supply of high-quality products, the Company has multiple manufacturing and sales bases in Japan and overseas (five manufacturing bases in Shirakawa, Aizu, and Nakatsu in Japan, and Yantai and Guangzhou outside Japan, and two sales bases in the U.S. and Taiwan (in total seven manufacturing and sales bases). In the event of a natural disaster or other unforeseen event that halts operations at these bases, it will be necessary for the Company to flexibly secure and manage a vast amount of funds for restoration work, securing alternative bases, and arranging supply methods.　In addition, there is a risk in relying on loans from financial institutions to secure flexible and sufficient funds. Taking the above into consideration, The Company believes that ensuring financial soundness to withstand emergency and unforeseen circumstances is one of the most important factors to fulfill the Company’s social significance and responsibility to provide a stable supply of high-quality products as mentioned above.

As described above, the shareholder proposal of GES, which calls for a dividend of 571 yen per share, or 80% or more of net income, is incompatible with the Company's basic policy on shareholder return and capital utilization measures to increase the Company's corporate value over the medium to long term, and a speculative proposal intended to gain short-term profits without considering the Company's social significance and business risks, which will damage the Company's corporate value. Accordingly, the Company opposes the GES' shareholder proposal.

Opinion of the Board of Directors on GES' Shareholder Proposal Agenda Item 7

The Board of Directors of the Company is against GES' Shareholder Proposal Agenda Item 7 re Partial Amendments to the Articles of Incorporation (Dividend Policy for Surplus).

The Company believes that the contents of the proposal should not be stipulated in the Articles of Incorporation because, in light of (1) through (3) below, the contents of this proposal are detrimental to the enhancement of the Company's medium- to long-term corporate value and the common interests of shareholders, and it is also contrary to the nature of the Articles of Incorporation.

Please also refer to the dissenting opinion of the Company's Board of Directors on Shareholder Proposal Agenda Item 6, which states that the distribution of surplus funds equivalent to a dividend payout ratio (DPR) of 100% is inappropriate in relation to the Company's investment plan for the second medium-term management plan period and will undermine the Company's corporate value, etc.

（1） Enhancement of corporate value over the medium to long term and securing of the common interests of shareholders

The Company believes that it is important to achieve an optimal balance between securing funds for strategic investments that lead to sustainable growth and stable and continuous profit returns, from the perspective of enhancing the Company's corporate value over the medium to long term and securing the common interests of shareholders.

This proposal requests that the Articles of Incorporation of the Company adopt a dividend policy that the annual dividend amount shall satisfy the higher of a dividend payout ratio (DPR) of 100% or a dividend on equity ratio (DOE) of 10% for the three-year period from FY2024 to FY2026, and have the Company determine the annual dividend amount in accordance with this dividend policy to the extent permitted under law.

If the use of funds is heavily biased toward shareholder returns over a three-year period in the manner, this may result in insufficient funds being secured for strategic investments, which will prevent the achievement of medium- to long-term improvements in corporate value and, in turn, will hinder stable and continuous shareholder returns.

（2） Agility and flexibility of financial strategy

The Company, given the ever-changing circumstances surrounding it, believes that a flexible and agile financial strategy based on the circumstances of the moment is essential for improving corporate value and securing the common interests of shareholders over the medium to long term. For example, it may be necessary to invest in new businesses that will generate value in the medium to long term, or to secure flexible funds for restoration work at manufacturing and sales bases in Japan and overseas in the event of a natural disaster that force them to cease operations.

If the provisions in the Articles of Incorporation proposed in this proposal are established, the Company will be required to determine the amount of dividends based on a uniform policy without taking into account the current business and financial conditions, etc., and it is clear this will undermine the mobility and flexibility of the Company's financial strategy and hinder the enhancement of the Company's corporate value and the common interests of shareholders over the medium to long term.

The Company sets the term of office of directors at one year (two years for Audit Committee members) and believes that it is appropriate that the Board of Directors make decision flexibly on and execute the dividend policy from time to time based on the Second Medium-Term Management Plan.

（3） Nature of Articles of Incorporation

The Articles of Incorporation set forth the basic principles of the organization and management of the company, and it is contrary to the nature of the Articles of Incorporation to set forth in the Articles of Incorporation the details of the specific formula for the distribution of surplus over several years, and the Company believes this is inappropriate.

As stated above, the Company believes that the contents of this proposal should not be stipulated in the Articles of Incorporation because it is contrary to the nature of the Articles of Incorporation, in addition to being an obstacle to improving the Company's corporate value and securing the common interests of shareholders over the medium to long term.

Opinion of the Board of Directors on GES' Shareholder Proposal Agenda Item 8

<u>The Board of Directors of the Company is against GES' Shareholder Proposal Agenda Item 8 re Partial Amendment to the Articles of Incorporation (Directors' Response to Interviews with Shareholders).</u>

The Company believes that the contents of this proposal should not be stipulated in the Articles of Incorporation because, in light of (1) and (2) below, there is little need to stipulate the contents of this proposal in the Articles of Incorporation and it is detrimental to the Company's business.

（1） Active promotion of IR and SR activities

The Company recognize the importance of reflecting the opinions and requests of its shareholders in an appropriate manner in its management through active dialogue with them in order to achieve sustainable growth and enhance its corporate value over the medium to long term, and also believe it is important to clearly present the Company's policies and gain the understanding on that of stakeholders, including its shareholders.

Based on understanding above, the Company disclosed its policy to further enhance

IR/SR activities as part of its basic policy in April 2, 2024 press release of the Company titled "Formulation of the Second Medium-Term Management Plan and Actions to Achieve Management Conscious of the Cost of Capital and Stock Price". Under this policy, the Company plans to establish a system to better disseminate information to shareholders and investors, as well as to set up more active opportunities for communication (dialogue).

Specifically, while continuing efforts to disseminate information through the disclosure of quarterly financial results and video distribution of shareholder newsletters, the Company will continue to disclose the progress of the Second Medium-Term Management Plan, etc., and provide opportunities to disseminate information and exchange opinions with shareholders by holding regular performance reporting conferences and other means.

In addition, same as before, the president and other directors will respond to requests for individual interviews from shareholders to the extent reasonable, based on the wishes and interests of the shareholder.

As stated above, the Company believes that there is little need to stipulate the contents of this proposal in the Articles of Incorporation since the Company has disclosed its policy to promote IR and SR activities more actively under the Company's basic policy.

（2） Harm to the Company’s business

This proposal requires all directors of the Company to respond to requests for individual interviews with shareholders holding 3% or more of the Company's voting rights or their managers within 20 business days in principle. Furthermore, the number of such meetings shall be no less than once per quarter in the case of directors (excluding those who are members of the Audit and Supervisory Committee).

Essentially, the Corporate Governance Code Supplemental Principle 5-1 (i) states that "As for who should handle actual dialogue (interview) with shareholders, director including executive management and outside director or statutory auditor should conduct the interview to the extent reasonable, taking into consideration the shareholder's wishes and the main concerns of the interview, this should be the basis for the interview.", which only requires listed companies to conduct interviews with shareholders to a "reasonable extent".

This proposal goes beyond the requirements of the Code and imposes excessive restrictions and burdens on the Company in that it requires, in principle, all directors to always respond to interviews within 20 business days.

If all directors of the Company were required to always respond within 20 business days of a request for an interview, this would compromise management's discretion and management mobility.

Under the Corporation Law, "separation of ownership and management" is the key principle in a joint stock company, and directors are in a position to perform their duties at their discretion based on their election at a shareholders' meeting. It is contrary to the above principle for directors to follow the demands, instructions, and supervision of a particular shareholder. If this proposal is approved, directors of the Company will not be able to refuse to respond within 20 business days if requested to do so by a particular shareholder, such as the proposing shareholder. Such a mandate would be an undue pressure on the discretion of directors of the Company.

Furthermore, according to the proposal, shareholders or managers holding 3% or more of the voting rights have the authority for individual interviews, assuming this level of requirements, it will be easy to cause harmful effects of abuse of this authority. For example, if a considerable number of shareholders or Managers holding 3% or more of the voting rights appear and exercise this authority individually, the above restrictions and burdens on the Company's directors would be extremely large. In addition to this, even if the Articles of Incorporation are amended after the Proposal is approved and the authority for individual interviews is abused, it will be difficult to correct the above restrictions, etc. because such amendment requires a special resolution at a general meeting of shareholders of the Company.

Recently, the importance of human capital has been advocated. Directors are also irreplaceable human capital for the Company, and their effective utilization is essential.

Any proposals that could lead to a situation in which the human resources of directors are squandered under the undue restraint and pressure of frequent and mandatory interviews is unacceptable from the perspective of enhancing corporate value.
If the human resources of directors are unfairly constrained and the medium- to long-term sustainable growth of the company is hindered, this is in violation of the Corporate Governance Code that aims for sustainable growth and medium- to long-term enhancement of corporate value, and the Company believes this is an end run around the world.

As such, the Company believes that the Proposal imposes excessive restrictions and burdens on the Company's way of being.

As stated above, the Company is against the proposal because there is little need for the contents of this proposal to be stipulated in the Articles of Incorporation, and because there would be significant harm to the Company's business if it were stipulated in the Articles of Incorporation.

Exhibit A GES’ Shareholder Proposals

Shareholder's Proposal Agenda Item 6: Appropriation of Surplus

i. Outline of the Agenda Item

The Appropriation of Surplus shall be as below.

In the event that the Board of Directors of the Company or any shareholder of the Company other than GLOBAL ESG STRATEGY (“GES”) proposes the appropriation of surplus at this General Meeting of Shareholders, this proposal shall be deemed to be an additional agenda item independent of those proposals.

(a) Type of Dividend Property

cash

(b) Dividend per Share

571 Japanese Yen (“yen”) per share of common stock, less the amount of dividends from surplus per share of common stock pursuant to the proposal for appropriation of surplus submitted by Board of Directors or shareholders of the Company other than us and approved at this General Meeting of Shareholders (571 yen, if Board of Directors or shareholders of the Company other than us do not submit a proposal for appropriation of surplus at this General Meeting of Shareholders).

(c) Allocation and Total Amount of Dividend Property

Dividend per share as above (b) for each share of the Company's common stock (the total amount of dividend property shall be calculated by multiplying the amount of dividend per share by the total number of the Company's outstanding shares (excluding treasury stocks of the Company) as of March 31, 2024).

(d) Effective date of the Appropriation of Surplus

Date of this General Meeting of Shareholders

ii. Reason for Proposal

In April of this year, the Company announced its new medium-term management plan, which calls for a dividend on equity (“DOE”) ratio of 3.5% for FY2026, with the aim of increasing dividends in stages, and the Company's policy of expanding shareholder return measures deserves certain recognition. However, dividend payout ratio (“DPR”) of the Company has remained at a low level for the past several years, and the Company have ended up with a net cash position of approximately 700 million yen, despite some share repurchases by the Company. The Company has indicated to us that it expects to have modest net cash position at the end of FY2026, which is not a sufficiently efficient financial plan. The Company still deviate from the "management that is conscious of the cost of capital and return on capital based on the balance sheet" requested by the Tokyo Stock Exchange (“the TSE”) and has not shown an adequate investment plan at present. Therefore, GES propose a DPR of 100% as a bold shareholder return. Assuming a DPR of 100% and a dividend yield of 3.0%, the Company's stock price is expected to rise to approximately 19,000 yen (approximately 5 times the current stock price).

Shareholder Proposal: Agenda Item 7: Partial Amendments to the Articles of Incorporation (Dividend Policy for Surplus)

（1） Outline of the Agenda Item

The following article shall be newly established as Article 41 in the "Chapter 7 Calculation" of the current Articles of Incorporation, and the number of articles after Article 41 of the current Articles of Incorporation shall be moved down by one article each.

In addition, if the article stated in this proposal requires formal adjustments (including, but not limited to, the correction of article numbers) as a result of the resolution of other proposals (including proposal by the Company) at the General Meeting of Shareholders, the article shall be transposed into the article in which the necessary adjustments is made.

(Dividend policy for retained earnings)

Article 41 The Company shall, during the period from FY2024 to FY2026, adopt a dividend policy that the annual dividend amount shall satisfy the higher of a dividend payout ratio (“DPO” calculated by dividing the total amount of dividends by the net income (as shown in the consolidated financial statements) of 100% or a Dividend on Equity (“DOE” calculated by dividing the total amount of dividends by the total net assets (as shown in the consolidated financial statements) ratio of 10%, and shall determine the annual dividend amount in accordance with such dividend policy.

（2） Reason for Proposal

Although the new medium-term plan of the Company shows an improvement in shareholder returns by the Company, it is still inadequate as the plan implies that the Company will still retain excessive funds. In addition to proposing a DPR of 100% for the year-end dividend of FY2023, GES propose to maintain the same level of dividend PR through FY2026 as a temporary allowance for the return of accumulated retained earnings to shareholders, and to add the DPR and DOE to the dividend decision policy. GES also propose that the DPR and DOE be added to the dividend policy.

GES have rationally verified the financial impact of the proposed dividend policy based on the assumptions of new medium-term management plan of the Company, including the sales and profit plan and capital investment plan, and found that the net debt-to-equity ratio is 0.3 times, net debt/EBITDA is 1.0 times, and net asset ratio is 47% at the end of FY2026. According to the Company, under the new medium-term plan, the Company is expected to result in a slight net cash position at the end of FY2026. Based on the dividend policy of the proposal, although the Company will be slightly net debt, it is clear that it will not compromise the Company's financial health and will continue to have sufficient financial capacity.

Shareholder Proposal: Agenda Item 8: Partial Amendment to the Articles of Incorporation (Director's response to interviews with shareholders)

（1） Outline of the Agenda Item

The following article shall be newly established as Article 33, in the chapter "Chapter 4 Directors and Board of Directors" of the current Articles of Incorporation, and the number of articles after Article 33 of the current Articles of Incorporation shall be moved down by one article each.

In addition, if the article stated in this proposal requires formal adjustment (including, but not limited to, correction of article numbers) as a result of the resolution of other proposals (including proposals by the Company) at the General Meeting of Shareholders, the articles shall be transposed into the articles in which after the necessary adjustment is made.

(Directors' response to interviews with shareholders)

Article 33 Directors of the Company shall, upon receiving a request for an individual interview from a shareholder holding 3% or more of the voting rights of the Company or a person who has the authority necessary to invest in the Company's shares held by such shareholder pursuant to a discretionary investment agreement or other agreement or the provisions of law (hereinafter referred to as the "Manager"), respond to such request within 20 business days. Provided that, if an individual interview cannot be held within the said period due to unavoidable reasons, the Company shall notify the shareholder or Manager who requested the interview within 5 business days and set a separate date and time available for an individual interview. The number of times a director (excluding members of the Audit Committee) responds to the requested interview shall be at least once and per quarter period, and the number of times of the interview of director who is a member of the Audit Committee responds shall be at least once per year, per shareholder or Manager.

（2） Reason for Proposal

Prior to this general meeting of shareholders, GES repeatedly requested that the Company hold individual interviews with all directors, but only some individual interviews were held with some directors. The Corporate Governance Code states that listed companies should engage in constructive dialogue with their shareholders outside of the general meeting of shareholders in order to enhance corporate value. The principle of equal treatment of shareholders permits companies to make reasonable differences in the treatment of shareholders according to the number of shares held and does not preclude companies from holding individual interviews with major shareholders in order to conduct dialogue from the perspective of improving corporate value. The fact that the Articles of Incorporation clearly stipulate that directors are obliged to respond to the requested interview with major shareholders individually not only contributes to the improvement of the Company's corporate value through the promotion of constructive dialogue with shareholders, but is also groundbreaking as an expression of the transparency and open attitude of the Company's management, and shows that the Company is a pioneer among other listed companies, which will lead to an increase in the Company's share price valuation in the market.