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May 9, 2025

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Name of representative: Kenji Kunishima, President and Representative Director, President Executive Officer
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Notice Regarding Opinion of the Board of Directors on Shareholder Proposal

Aichi Tokei Denki Co., Ltd. (the "Company") received a letter (the "Shareholder Proposal Letter") from a shareholder of the Company (the "Proposing Shareholder") containing a shareholder proposal (the "Shareholder Proposal") on agenda items and proposals at the 102nd Annual General Meeting of Shareholders of the Company scheduled to be held on June 25, 2025 (the "Annual General Meeting"). The Company's Board of Director resolved, at a meeting held on May 9, 2025, to oppose the Shareholder Proposal as set out below.

1. Shareholder Proposal Details and Reasons

(1) Proposal by One Shareholder

* Because the Proposing Shareholder is an individual, the Proposing Shareholder's name will not be disclosed.

(2) Agenda Items

(i) Appropriation of Surplus

(ii) Partial Amendment to the Articles of Incorporation (Sale of Cross-Shareholdings)

(iii) Partial Amendment to the Articles of Incorporation (Assessment and Disclosure of Purpose of Cross-Shareholdings)

(3) Summary of and Reasons for Proposal

As stated in the Exhibit "Details of the Shareholder Proposal."

Note that the Exhibit "Details of the Shareholder Proposal" consists of the statements made in the

Shareholder Proposal Letter that was submitted by the Proposing Shareholder as originally stated in that Letter.

2. Opinion of the Board of Directors on the Shareholder Proposal

(1) Appropriation of Surplus

(i) Opinion of the Board of Directors

The Board of Directors opposes the Shareholder Proposal

(ii) Reasons for Opposition

The Company believes that shareholder returns, including dividends, should be considered and discussed together with the business strategy and the finance and capital strategy for increasing corporate value in the medium to long term, and that measures for shareholder returns should be determined upon comprehensive consideration of these matters. On May 10, 2024, the Company announced its "Medium-Term Management Plan 2026" covering the period of three years from FY2024 to FY2026 (the "Medium-Term Management Plan"). The Company aims to achieve net sales of 60 billion yen, ordinary profit of 5 billion yen, net profit of 3.7 billion yen, and ROE of 8% while following the existing direction of the business strategy and further promoting data delivery services and acceleration of the pace of global expansion, and also clearly expressing the Company's financial and capital strategy and its sustainability strategy and engaging in initiatives towards sustainable growth.

In the finance and capital strategy, the Company plans to implement appropriate shareholder returns along with future growth investment and infrastructure and equipment renewal, and will conduct, as the cash allocations planned in the Medium-Term Management Plan, investments at the amount of approximately 11.5 billion yen and shareholder returns at the amount of approximately 3.5 billion yen, using the business cash flow and cash on hand for the period.

With respect to investments, the Company plans to make growth investments including building a production system aimed at the conversion to smart meters in the domestic water market, expanding data delivery service functions, and increasing production of high value-added products for overseas, with a focus on North America. In addition, the Company is planning to rebuild the headquarters factory to support sustainable growth into the future. Through this plan the total floor space of the headquarters factory will be increased by approximately 30 percent, and the Company aims to increase the efficiency and productivity of internal logistics by optimizing the production area within the factory while seeking to meet the high demand for smart meters that will continue in the future.

In this way, it is expected that the investment amount throughout the Medium-Term Management Plan will exceed by a large margin the 3.2 billion yen in the previous medium-term management plan. Furthermore, the rebuilding of the headquarters factory will continue even after the Medium-Term Management Plan, and the total amount of investment is expected to be approximately 15 billion yen in eight years, and the Company will consider borrowing as necessary.

Premised on the business strategy and finance and capital strategy described above, the Company aims to make shareholder returns that are stable and commensurate with profit-growth while aiming to achieve financial stability and long-term growth. This is also based on the deep connection between the Company's business and investments in the public interest, particularly in the measurement device-related business, and the necessity of securing a stable business foundation over the long term. During the term of the Medium-Term Management Plan, the Company aims to increase the dividend payout ratio to 40 percent based on the policy of implementing shareholder returns commensurate with performance while continuing stable dividends, in consideration of its financial and investment plans and other factors. It is expected that the annual dividend per share will increase to 75 yen and the dividend payout ratio will increase to 32.6 percent in the fiscal year ending March 2025, compared to an annual dividend per share of 64 yen and dividend payout ratio of 30.9 percent in the fiscal year ending March 2024. Moreover, in the fiscal year ending March 2026, the Company plans to increase the annual dividend per share to 90 yen per year and the dividend payout ratio to 37.7 percent.

Furthermore, the Company will continue to strive to increase corporate value (PBR improvement) and work to have performance steadily reflected in the share price through the steady implementation of the Medium-Term Management Plan, strengthening growth investments and shareholder returns, continuing to reduce cross-shareholdings, and making appropriate information disclosures and strengthening IR and SR activities, including promoting dialogue with shareholders and investors through briefings on financial results, etc. and the publication of integrated reports.

As stated above, the Company is working to increase shareholder returns as an important topic for management, but considering the significant financing requirements expected in the future, it is necessary to secure a balance between investment and shareholder returns. Conversely, the Shareholder Proposal demands a dividend in an amount found by subtracting the interim dividend of 35 yen from the greater of either 5 percent of net assets per share or 60 percent of the net income per share for the fiscal year ending March 2025, which does not sufficiently take into consideration the necessity and importance of investing in sustainable growth, and is also inappropriate from the standpoint of maximizing the Company's medium- to long-term corporate value and in turn, the common interest of the shareholders.

For the above reasons, the Board of Directors opposes the Shareholder Proposal.

(2) Partial Amendment to the Articles of Incorporation (Sale of Cross-Shareholdings)

(i) Opinion of the Board of Directors

The Board of Directors opposes the Shareholder Proposal

(ii) Reasons for Opposition

The Company's policy is to hold cross-shareholdings that will contribute to enhancing the Company's corporate value for stakeholders including shareholders, and to sell cross-shareholdings where there is no rational reason for continuing to hold them based on the criteria for reviewing cross-shareholdings.

Those criteria are established by the Board of Directors, and include as quantitative criteria the cost of capital, yield calculated from trading volume, profit, dividends received, and the market price of the shares, and as qualitative items, the existence of a trading relationship, the significance of holdings outside of a trading relationship, and the like.

As a result of the ongoing reduction of cross-shareholdings (including deemed shareholdings) based on the Medium-Term Management Plan, the Company sold four holdings and all deemed shareholdings (for a total amount of 2.16 billion yen) during the past year (from April 2024 to March 2025), and the ratio of the balance of cross-shareholdings to consolidated net assets has decreased from 24.7 percent at the end of

March 2024 to 19.2 percent at the end of March 2025. Going forward, the Board of Directors will assess the appropriateness of individual holdings based on concrete examination and consideration of the purpose, economic rationale, and other factors of cross-shareholding.

As described above, the Board of Directors appropriately assesses and implements decisions on whether to hold or to sell its current cross-shareholdings, and the Board of Directors believes that the Shareholder Proposal to the effect that all cross-shareholdings should be sold within one year is not appropriate from the point of view of securing the medium- to long-term common interests of shareholders.

Furthermore, the Company believes that it is inappropriate to prescribe in the Articles of Incorporation a clause concerning an individual and specific execution of business execution, namely, the setting of a deadline and disposing of assets as in the Shareholder Proposal, in consideration of the very nature of the Articles of Incorporation, which set out a company's fundamental rules, and the compromise of the flexibility of management.

For the above reasons, the Board of Directors opposes the Shareholder Proposal.

(3) Partial Amendment to the Articles of Incorporation (Assessment and Disclosure of Purpose of Cross-Shareholdings)

(i) Opinion of the Board of Directors

The Board of Directors opposes the Shareholder Proposal

(ii) Reasons for Opposition

The Company makes appropriate disclosures with regard to the status of its cross-shareholdings in its corporate governance reports and annual securities reports pursuant to the requirements of the Corporate Governance Code established by the Tokyo Stock Exchange and laws and regulations. In addition to this, from the fiscal year ending March 2025, the Company has been working to ensure transparency by stating and reporting the status of holdings and progress in sales of cross-shareholdings for each fiscal year in the convocation notice of the annual general meeting of shareholders.

Furthermore, as stated above, the Board of Directors already assesses the significance of holdings, etc. in relation to individual cross-shareholdings.

The Shareholder Proposal demands that a clause with individual and specific content be prescribed in the Articles of Incorporation, namely, that an assessment be made of the purpose of cross-shareholdings and that the results thereof be disclosed in the corporate governance report, but the Company believes that there is no need to prescribe anew in the Articles of Incorporation something that is already being implemented. In addition, based on the very nature of the Articles of Incorporation, which are a company's fundamental rules, it is not appropriate to place in the Articles of Incorporation a rigid provision with content that is currently implemented regarding matters which may be subject to change due to the revision of the Corporate Governance Code or other future events.

For the above reasons, the Board of Directors opposes the Shareholder Proposal.

End

The Exhibit “Details of the Shareholder Proposal”

(Note) This Exhibit consists of the statements made in the Shareholder Proposal Letter that was submitted by the Proposing Shareholder as originally stated in that Letter.

I. Proposed Agenda Items

１. Appropriation of Surplus

２. Partial Amendment to the Articles of Incorporation (Sale of Cross-Shareholdings)

３. Partial Amendment to the Articles of Incorporation (Assessment and Disclosure of Purpose of Cross-Shareholdings)

II. Proposal Details and Reasons

１. Appropriation of Surplus

---Summary of the Proposal---

（１） Type of Dividend Property: Cash

（２） Allocation and Total Amount of Dividends:

The Company shall pay a dividend per share calculated by subtracting the per-share dividend under the Company's proposed appropriation of surplus (if approved at the 102nd AGM) from 109 yen. If 5% of Net Asset per Share (DOE: Dividend on Equity) or 60% of Net Income per Share for the fiscal year ending March 2025 (whichever is higher), after deducting the interim dividend of 35 yen, differs from 109 yen, then the base figure of 109 yen shall be adjusted accordingly.

（３） Record Date

The record date for the dividend shall be March 31, 2025, with the dividend becoming effective on the day immediately following the 102nd Annual General Meeting of Shareholders.

Note: This proposal is intended to supplement the Company's proposed appropriation of surplus by increasing the specified dividend amount.

---Reason for the Proposal---

This proposal aims to set the full-year dividend at the higher of 5% of Net Assets per Share (DOE), or 60% of Net Income per Share.

The Tokyo Stock Exchange's "Summary of Discussions on Measures to Improve the Effectiveness of the Market Restructuring" published in January 2023 states that companies with persistently low Price-to-Book Ratios (PBR below 1.0x) must disclose clear policies and improvement measures.

Although the Company announced its "Mid-Term Management Plan 2026" in May 2024, its PBR remains at 0.63x as of April 10, 2025, indicating continued undervaluation by the capital markets.

From a capital efficiency standpoint, the Company's ROE has hovered around 7%, falling short of the generally accepted equity cost of capital of approximately 8%. This underperformance stems from past overinvestment in fixed assets and a conservative dividend policy (payout ratio of 30-40%), which has resulted in an excessive accumulation of equity capital without adequate shareholder returns. Unless this policy is revised, sustainable enhancement of corporate value will be difficult.
Accordingly, to improve valuation and ensure shareholder returns, we propose a dividend distribution aligned with either a DOE of 5% or a 60% payout ratio, whichever is higher.

２． Partial Amendment to the Articles of Incorporation
(Sale of Cross-Shareholdings)

---Summary of the Proposal---

The following chapter and article are newly incorporated in the Articles of Incorporation of the Company. In case other proposals (including company proposals) are approved at this AGM, necessary renumbering and formatting adjustments shall be made accordingly.

(Underlined indicates amended portions)

Current	Proposed Amendment
(Newly established)	<u>Chapter 8 Cross-Shareholdings</u> <u>〔Sales of Cross-Shareholdings〕</u> <u>Article 60 The Company shall dispose of all its cross-shareholdings by June 30, 2026.</u>

---Reason for the Proposal---

In the Tokyo Stock Exchange's "Summary of Discussions on Measures to Improve the Effectiveness of the Market Restructuring" (January 2023), listed companies were urged to formulate and disclose specific plans to implement management practices that take into account capital costs and share price performance. In response, many listed companies have publicly announced policies aimed at reviewing and reducing their cross-shareholdings.
Although the Company has sold a portion of its securities over the past five years, the pace of such reductions has been slow, and sufficient progress has not been made in addressing this issue.
Accordingly, in order to accelerate the reduction of the Company's cross-shareholdings, we propose that a provision be added to the Articles of Incorporation requiring the Company to divest all of its cross-shareholdings within one year after this Annual General Meeting.

３．Partial Amendment to the Articles of Incorporation

(Assessment and Disclosure of Purpose of Cross-Shareholdings)

---Summary of the Proposal---

The following chapter and article are newly incorporated in the Articles of Incorporation of the Company. In case other proposals (including company proposals) are approved at this AGM, necessary renumbering and formatting adjustments shall be made accordingly.

(Underlined indicates amended portions)

Current	Proposed Amendment
（Newly established）	Chapter 8 Cross-Shareholdings 〔Assessment and Disclosure of Purpose of Cross-Shareholdings〕 Article 61 １　The Board of Directors shall regularly assess the appropriateness of the purpose of each cross-shareholding and whether the benefits and risks are aligned with the capital cost. ２　The results of such assessments shall be disclosed in the Corporate Governance Report submitted to the Tokyo Stock Exchange.

---Reason for the Proposal---

According to Principle 1-4 of the Corporate Governance Code published by the Tokyo Stock Exchange, companies must rigorously evaluate and disclose the purpose and financial rationale (cost vs. benefit) for holding listed shares as cross-shareholdings.

The continued holding of cross-shareholdings not only diminishes capital efficiency, but may also undermine managerial discipline by serving as a means of securing stable shareholders, thereby reducing external oversight. Furthermore, such holdings may be used as a vehicle for the arbitrary realization of profits. Moreover, holding shares in customer companies could present conflicts of interest and governance concerns for both parties.

In light of these considerations, we propose that the Board of Directors be required to examine the appropriateness of the stated purposes of each cross-shareholding from the standpoint of both the Company's and the investee's corporate governance practices, as well as assess whether the anticipated benefits and risks are aligned with the Company's capital cost. The results of such assessments should be disclosed in the Company's Corporate Governance Report.

End