



May 9, 2025

To whom it may concern:

Company name: Sumitomo Densetsu Co., Ltd.
Name of representative: Makoto Tani, President
(Securities code: 1949; Tokyo Stock Exchange Prime Market)
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Notice Concerning the Opinion of the Company's Board of Directors on the Shareholder Proposal

Sumitomo Densetsu Co., Ltd. (the Company) received on April 23, 2025, a letter dated April 22, 2025, from the Monex Activist Mother Fund, whose settlor is Monex Asset Management, Inc. and whose trustee is The Master Trust Bank of Japan, Ltd., stating its intention to submit a shareholder proposal (hereinafter referred to as the "Shareholder Proposal") at the Company's 100th Annual General Meeting of Shareholders scheduled to be held in June 2025. The Company hereby announces that, at a meeting of its Board of Directors held today, it has resolved to oppose the Shareholder Proposal, as described below.

1. Proposal: Appropriation of Surplus

(1) Outline of proposal

To appropriate surplus as follows so that the total amount of annual dividends is equivalent to 6% of net assets.

If the Board of Directors of the Company submits a proposal concerning the appropriation of surplus to this Annual General Meeting of Shareholders, this proposal will be made independently and additionally to such a proposal.

a. Type of dividend property

Cash

b. Dividend amount per share

The amount obtained by subtracting from 124 yen the dividend amount per share of common stock of the Company proposed by the Board of Directors of the Company and approved at this Annual General Meeting of Shareholders

If the amount obtained by dividing the sum of the net assets per share at the beginning of the 100th fiscal year and the net assets per share at the end of the 100th fiscal year by 2, multiplying by 0.06 and rounding down to the nearest yen, and then subtracting 60 yen (hereinafter referred to as the "amount equivalent to the dividend on equity of 6%") is different from 124 yen, 124 yen stated at the beginning shall be treated as the amount equivalent to the dividend on equity of 6%.

c. Allocation of dividend property and total amount of dividends

The dividend amount per share as stated in b. above for each share of common stock of the Company (The total amount of dividends shall be the amount calculated by multiplying the dividend amount per share by the total number of outstanding shares of common stock of the Company (excluding treasury shares) as of March 31, 2025.)

d. Effective date of dividends from surplus

Date of this Annual General Meeting of Shareholders

e. Date of commencement of payment of dividends

Three weeks after the next business day following the date of this Annual General Meeting of Shareholders

(2) Reasons for proposal

Based on the discussions at the Tokyo Stock Exchange's "Follow-up Meeting on the Review of Market Segmentation," listed companies have been reviewing their capital policies and taking steps to better protect minority shareholders. Since the Company is in a parent-subsidiary listing relationship, there are concerns that fair capital policies for minority shareholders are not being adequately considered or implemented.

The intent of this proposal is to pay a dividend equivalent to a dividend on equity (DOE) of 6%, with an awareness of the minimum level of capital discipline that can be said to be fair to minority shareholders.

The Company operates an asset-light business centered on the use of human capital and does not require large-scale capital investment. Given the nature of the business, its high profitability, and the favorable business environment amid labor shortages, the further excessive accumulation of shareholders' equity is unnecessary.

If the current shareholder return policy is maintained, ROE is expected to decline due to an increase in shareholders' equity. We believe that DOE of 6% (equivalent to a payout ratio of 60%) is appropriate as the minimum level necessary to maintain ROE.

* The above contents of the shareholder proposal are presented in their original wording as submitted by the proposing shareholder.

2. Opinion of the Company's Board of Directors on the Shareholder Proposal

(1) Opinion of the Company's Board of Directors

The Board of Directors is "against" the Shareholder Proposal.

(2) Reason for opposition

The Company considers the return of profits to shareholders to be one of the principal responsibilities of management and makes it a basic policy to maintain stable dividends well balanced with internal reserves taking into consideration business results and future business development.

The Company's business results for FY2024 achieved the targets of its medium-term management plan "VISION 24" whose final year was FY2024. In light of this, as announced today, May 9, 2025, in the "Notice Concerning Dividends of Surplus," the Company's Board of Directors has resolved to pay a year-end dividend of 86 yen per share for FY2024. As a result, the annual dividend for FY2024 will be 146 yen per share, equivalent to a dividend payout ratio of 40%, the target of "VISION 24." This marks the 14th consecutive year of dividend increases, fulfilling the expectations of the Company's shareholders.

Today, May 9, 2025, the Company announced its new medium-term management plan "VISION 2030 Mid-term Plan 2028." Under the new medium-term management plan, the Company aims to achieve sustainable growth by enriching human capital and strengthening its technical capabilities and capacity, under the theme of "Advancing as a comprehensive engineering company by accelerating investment in people and technology." For FY2028, the final year of the new medium-term management plan, the Company has set targets of 280.0 billion yen in orders received, 270.0 billion yen in net sales, ordinary profit (ratio) of 23.0 billion yen (8.5%), and ROE of 12% or higher. The Company will also work on key measures to achieve a dividend payout ratio of 50% in FY2028.

To enhance accountability to shareholders and other multi-stakeholders, under the new medium-term management plan, the Company has announced its cash allocation plan for the four years from FY2025 to FY2028, including 50.0 billion yen for growth investment and 26.0 billion yen for shareholder returns, among other items. The Company is committed to enhancing corporate value by steadily implementing the new medium-term management plan and achieving the targets.

The Company believes that the Shareholder Proposal to pay a year-end dividend of 124 yen for FY2024, with annual dividends totaling 184 yen, equivalent to a DOE of 6%, does not align with the Company's shareholder returns policy of maintaining stable dividends while making "growth investment in people and technology" as outlined in the new medium-term management plan, especially in light of the growing uncertainty in the global economy.

Regarding the level and methods of future shareholder returns, taking into account factors such as medium- to long-term growth strategies, financial status, and capital efficiency, the Company will continue to appropriately consider and implement a capital policy that is fair to all shareholders, while listening carefully to various opinions.

Accordingly, the Board of Directors is against this proposal.