May 19, 2025

Company name: Tsurumi Manufacturing Co., Ltd.
Representative: Osamu Tsujimoto, President
(Securities code: 6351, TSE Prime)
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Notice on the Receipt of Documents Related to the Exercise of Shareholder Proposal Rights and Opinion of the Board of Directors

Tsurumi Manufacturing Co., Ltd. (the "Company") hereby announces that it has received written notice from its shareholder, DALTON KIZUNA (MASTER) FUND LP, regarding a shareholder proposal (hereinafter, the "Shareholder Proposal") for the agenda of the Company's 74th Annual General Meeting of Shareholders scheduled to be held on June 27, 2025. The Company has been reviewing this Shareholder Proposal, however, on May 19, 2025, the Board of Directors passed a resolution to oppose it. The details are as follows.

1. Proposing shareholder

   DALTON KIZUNA (MASTER) FUND LP

2. Details of proposal

   (1) Agenda items

   1. Amendment to the Articles of Incorporation regarding disclosure related to measures aimed at achieving management that is conscious of capital costs and the share price

   2. Acquisition of treasury stock

(2) Summary of the proposed agenda items and reasons for the proposal

As stated in the attached Details of the Shareholder Proposal.

Please note that the attached Details of the Shareholder Proposal contains the original text received from the proposing shareholder.

3. Opinions of the Board of Directors on the Shareholder Proposal

Item 1: Amendment to the Articles of Incorporation regarding disclosure related to measures aimed at achieving management that is conscious of capital costs and the share price

(1) Opinion of the Board of Directors

The Board opposes the Shareholder Proposal.

(2) Reasons for opposition

On March 24, 2025, we posted some information on our website about measures for achieving a style of management that is conscious of capital costs and the share price. We disclosed our capital costs, capital profitability, growth strategy, shareholder return policy, financial strategy, and more. In that publication, we stated that the Group's products, including submersible pumps, are essential to infrastructure that protects lives and supports daily living, and we recognize that ensuring a stable supply of products that meet QCD—quality, cost, and delivery—is a major mission for the Group. We are therefore pressing ahead with the in-house production of key parts for submersible pumps, such as motors and cast components, and we are committed to helping solve sustainability issues, such as reducing carbon dioxide emissions and saving labor in maintenance management, by developing high-efficiency, high-passage clearance products like the Submersible Smashing Cutter Pumps BN series. We also announced that we would be executing growth and BCP investments.

In addition, our medium-term management plan, Transformation 2027, calls for a consolidated operating profit margin of over 10% and an ROE of more than 10%. Under this plan, we are working to address various challenges, such as enhancing our presence in the domestic market, tapping into and expanding our operations in the global equipment market, re-engineering manufacturing processes, and further promoting ESG management.

As disclosed in the aforementioned release about measures for achieving a style of management that is conscious of capital costs and the share price, even though our capital cost (WACC) is approximately 6%, in terms of capital profitability in FY3/24, we recognize that our ROE was 10% and our ROIC (procurement side) was roughly 7.4%. Going forward, by steadily implementing the various initiatives outlined in our ongoing long-term management plan, Tsurumi Vision 2030, and in our medium-term management plan, Transformation 2027, we aim to generate returns that exceed the cost of capital. We are committed to enhancing corporate value over the medium-to-long term and practicing a style of management that benefits shareholders and other stakeholders.

As such, the Group is already implementing various specific initiatives geared towards management that is conscious of capital costs and the share price. We believe there is no need to establish provisions in the Articles of Incorporation as called for in the Shareholder Proposal. Furthermore, to respond flexibly and swiftly to a market environment that is expected to become increasingly fast-paced and complex, and to make timely and appropriate decisions on actions necessary for enhancing corporate value over the medium-to-long term, we believe it is not appropriate to establish provisions in the Articles of Incorporation as requested by the Shareholder Proposal.

Based on the reasons above, the Board opposes the Shareholder Proposal.

Reference: Measures aimed at achieving management that is conscious of capital costs and the share price *Japanese only

https://www.tsurumipump.co.jp/ir/other/governance_report/2025_cgr.pdf

Item 2: Acquisition of treasury stock

(1) Opinion of the Board of Directors

The Board opposes the Shareholder Proposal.

(2) Reasons for opposition

Our basic capital policy is to ensure stable dividends as shareholder returns while securing cash flow to support proactive business development from a long-term perspective. To enhance shareholder returns, we are targeting a consolidated dividend payout ratio of around 30%, based on consolidated earnings, except in cases of extraordinary profit or loss. In this way, we will endeavor to provide stable and continuous profit returns. We will also conduct share buybacks in a timely and appropriate manner from the perspective of medium- to long-term shareholder returns. We plan to use retained earnings as a source of funding for developing attractive new products that can create new markets, researching new equipment, and enhancing capital investments.

With these assumptions in mind, as a leading company in submersible pumps—essential products for infrastructure that protect lives and support daily living—we believe it is key that we maintain and expand production activities to ensure QCD, further hone our production technology, and enhance our presence in the global submersible pump market. To achieve these goals, we consider growth investments, including M&As, and BCP investments in preparation for large-scale disaster risks like the anticipated Nankai megathrust earthquakes, which have a high probability of occurring within 30 years, to be indispensable. We believe it is necessary to pursue a balance between improving capital efficiency and returning profits to shareholders while maintaining an appropriate level of financial soundness.

Of the aforementioned measures aimed at achieving management that is conscious of capital costs and the share price, we have announced plans to invest approximately ¥9.0 billion in growth and BCP investments over the next three to five years. We have also announced a policy of conducting agile share buybacks and providing stable and progressively higher dividends. In terms of actual shareholder returns, we have continued to raise dividends since FY3/19 and have conducted share buybacks in a timely manner (please see below).

As for cross-shareholdings, we will decide to continue holding them if the Board of Directors deems it reasonable to do so every year. The purpose of this is to maintain relationships that contribute to enhancing our corporate value over the medium-to-long term, such as stable and continuous financial transactions, capital procurement, maintaining and strengthening business relationships, and ensuring stable procurement of raw materials.

We believe that the acquisition of treasury stock proposed in this Shareholder Proposal does not align with our sustainable management policy of deepening/innovating/evolving our business foundation and transforming ourselves into a stronger company with a view to the next 100 years. Especially in the current environment of increasing market uncertainty, such a buyback could deplete our investment resources, hinder the aforementioned growth and BCP investments, and obstruct the achievement of our longer-term business plans. As a result, it may not benefit our shareholders and many other stakeholders.

In FY3/25, profit attributable to owners of the parent was ¥8.7 billion. Meanwhile, as already disclosed on May 13, 2025, we plan to acquire up to 600,000 shares of treasury stock at a total acquisition price of up to ¥2.4 billion during the period from May 14, 2025, to November 11, 2025. Combined with the already announced dividends and treasury stock acquisition amount, total shareholder returns will come to approximately ¥5.2 billion, resulting in a total payout ratio of about 60%. This demonstrates our commitment to management that is conscious of shareholder returns from a medium- to long-term perspective.

Based on the reasons above, the Board opposes the Shareholder Proposal.

Reference: Shareholder returns

	FYE March 31, 2021	FYE March 31, 2022	FYE March 31, 2023	FYE March 31, 2024	FYE March 31, 2025
Annual dividends per share (¥)	36	40	44	50	54
Dividends paid (¥ million)	901	998	1,081	1,230	1,315
Amount of treasury stock acquired (¥ million)	0	202	806	28	1,449

[Attachment] Details of the Shareholder Proposal

1. Proposed agenda items

1. Amendment to the Articles of Incorporation regarding disclosure related to measures aimed at achieving management that is conscious of capital costs and the share price

2. Acquisition of treasury stock

(2) Summary of the proposed agenda items and reasons for the proposal

If the approval or rejection of the amendment to the Articles of Incorporation or other agenda items at this Annual General Meeting of Shareholders (including agenda items proposed by the Company) necessitates formal adjustments to the chapters or articles listed in the proposed amendment to the Articles of Incorporation, the chapters and articles concerning the proposed amendment will be replaced with the adjusted chapters and articles.

1. Amendment to the Articles of Incorporation regarding disclosure related to measures aimed at achieving management that is conscious of capital costs and the share price

(1) Summary of the proposed agenda item

Add the following provisions to the Company's Articles of Incorporation.

(changes are underlined)

Before	After
<u>(New)</u>	<u>Chapter 7: Disclosure</u> <u>(disclosure related to management that is conscious of capital costs and the share price)</u> <u>Article 38: As long as the Company is a listed company, it shall verify the appropriateness of its initiatives and disclosures based on the document [*Considering The Investor's Point of View in Regard to Management Conscious of Cost of Capital and Stock Price — Key Points and Examples*], which was published by the Tokyo Stock Exchange on February 1, 2024. The Company shall disclose the details of its initiatives in accordance with these key points and examples in its Corporate Governance Report and on its website.</u>

(2) Reasons for the proposal

In March 2023, the Tokyo Stock Exchange requested listed companies to take measures aimed at achieving management that is conscious of capital costs and the share price. In February 2024, it published [*Considering The Investor's Point of View in Regard to Management Conscious of Cost of Capital and Stock Price — Key Points and Examples*], a document that encourages companies to undertake analysis and evaluation from multiple perspectives, considering the investor's point of view, not just whether the current P/B ratio exceeds 1.0x or whether ROE exceeds 8%. It also emphasizes that the key to management that is conscious of capital costs and the share price is to achieve an appropriate allocation of management resources for medium- to long-term corporate value enhancement, and, along with the above analysis and evaluation, to check whether the balance sheet is in an efficient state for value creation.

On March 24, 2025, the Company issued a press release on how it intends to achieve a style of management that is conscious of capital costs and the share price. However, while it disclosed information about capital costs and profitability, it must be said that it lacked specifics, particularly regarding the appropriate allocation of management resources. Accordingly, we propose this agenda item to ensure that the Company's response to the Tokyo Stock Exchange's request goes beyond formalities and is highly effective.

2. Acquisition of treasury stock

(1) Summary of the proposed agenda item

Based on the provisions of Article 156, Paragraph 1 of the Companies Act, acquire, through monetary payment, up to 1.2 million shares of the Company's common stock at a total acquisition price of up to ¥4.5 billion within one year from the conclusion of this Annual General Meeting of Shareholders.

(2) Reasons for the proposal

We commend the management's teams business operations, which have achieved both a high level of ROIC (return on invested capital) and net sales growth. On the other hand, for the two reasons listed below, we believe that the Company can implement the share buyback proposed here without causing any opportunity loss in business operations, and that it will benefit all shareholders.

First, even after taking into account the funds that will be needed for future reinvestment in the business, the Company still has surplus funds. As of the end of December 2024, the Company held ¥28.9 billion in cash and deposits, and ¥14.8 billion in securities and investment securities, bringing total financial assets to ¥43.6 billion, which accounts for 35% of total assets. Furthermore, after deducting borrowings of ¥14.1 billion from financial assets, net financial assets amount to ¥29.6 billion, which is 31% of net assets, while the equity-to-asset ratio is 75%. The Company's operations are stable, and the funds needed for future reinvestment in the business can be sufficiently procured within the scope of future cash flows.

Second, conducting a share buyback at the current undervalued share price increases the per-share value (profits, net assets, dividends) and provides a more effective return to shareholders than a dividend increase. Considering the Company's ROIC, despite having excellent businesses capable of consistently generating double-digit ROE, excessive internal reserves have led to a decline in capital efficiency, resulting in an ROE of around 8% or lower. As a result, the Company's current P/B ratio remains below 1.0x, which means that the share price of the Company—which continues to expand globally—does not even reflect the value of net assets, let alone the value of intangible assets such as the technology developed over many years. Also, compared to the major global competitors in the fluid control equipment industry, the Company's shares are valued significantly lower in terms of key metrics such as P/B, P/E, and EV/EBITDA.

In some cases, companies forgo large-scale share buybacks due to low levels of publicly traded shares and liquidity. However, in the Company's case, it holds a significant amount of cross-shareholdings with major Japanese banks and business corporations. By unwinding these cross-shareholdings, it can carry out a share buyback of the scale proposed without affecting the level of publicly traded shares or liquidity.

Making decisions on capital allocation, including how to use cash flow, is an important responsibility of management, equal to or even more significant than business operations. We believe that, considering the appropriate level of necessary funds, the best shareholder return policy that rewards shareholders is to continue with the current policy of steady dividend increases from a medium- to long-term perspective, and to conduct ongoing share buybacks as long as the share price remains undervalued.