Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

May 15, 2025

Company name :	HISAKA WORKS, LTD.
Name of representative :	Toshiya Usami Director, President and CEO (Securities Code: 6247 Prime Market in Tokyo Stock Exchange)
Inquiries :	Hiroshi Hatano Director, Senior Executive Officer, Management, Corporate Strategy, IR Fields (Tel: +81-(0)6-6363-0015)

Notice Regarding Opinion of the Company's Board of Directors on Shareholder Proposals

HISAKA WORKS, LTD. (hereinafter referred to as the "Company") has received written shareholder proposals (hereinafter referred to as the "Shareholder Proposals") from one individual shareholder of the Company (hereinafter referred to as the "Proposing Shareholder") regarding the 96th Annual General Meeting of Shareholders scheduled to be held on June 27, 2025. However, at the meeting of the Board of Directors held today, we have resolved to oppose the Shareholder Proposals. We announce the following.

1. Description of the Shareholder Proposals

(1) Proposing Shareholder

- Shareholder name: Not disclosed due to being an individual shareholder
- Number of voting rights held: 501 (0.18% of a total number of voting rights)

(2) Proposals

- Partial Amendment to the Articles of Incorporation
- Appropriation of Surplus

(3) Details of Proposals

The content is presented in the attachment, "Description of the Shareholder Proposals."

The attachment "Description of the Shareholder Proposals" contains the relevant portions of the document submitted by the Proposing Shareholder in the original text.

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

(1) Partial Amendment to the Articles of Incorporation

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

The Company's Board of Directors opposes the Shareholder Proposal.

(ii) Reasons for opposition

The Shareholder Proposal seeks to amend the Articles of Incorporation to stipulate that dividends and other appropriation of surplus be a matter to be resolved by the General Meeting of Shareholders.

Pursuant to Article 459, paragraph (1) and Article 460 of the Companies Act, in accordance with the provisions of the Articles of Incorporation, the Company distributes dividends and other appropriation of surplus through resolutions of the Board of Directors.

The reason dividends and other distributions are resolved at the Board of Directors is that we believe it is necessary to have a system that allows us to implement dividends and other distributions in a flexible and agile manner, taking into comprehensive consideration the business environment and capital policy, in order to achieve sustainable growth, enhance medium- and long-term corporate value, and ultimately promote the common interests of shareholders.

Based on this approach, we have set Directors' terms of office at one year to ensure the supervisory function and responsibilities of management, while enabling flexible and appropriate decision-making regarding dividends and other appropriation of surplus.

The Company's purpose of existence is "to be a manufacturer that can stably supply high-quality machines and services to resolve social issues by achieving energy saving and manpower saving." By leveraging our technological capabilities, product strengths, maintenance services, and other comprehensive strengths, we are seeking to contribute to the resolution of social issues such as environmental problems, labor shortages, and improvements in safety at manufacturing sites, and we are confident that it will ultimately lead to the enhancement of corporate value and to interests of shareholders.

Furthermore, to realize our long-term vision of "Becoming a company that leverages control technology for fluid heat and pressure to support the future of energy, water, and food together with our customers," we will appropriately allocate resources to growth investments, research and development, and human resources development and retention, while providing continuous and stable shareholder returns.

To implement such shareholder returns in a flexible and adaptive manner in line with that management policy, we believe it is most reasonable to entrust the decision on dividends and other distributions to the Board of Directors, which can accurately assess the business environment and the execution of management strategies, rather than the General Meeting of Shareholders.

For the reasons above, the Company's Board of Directors opposes the proposal.

(2) Appropriation of Surplus

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

<u>The Company's Board of Directors opposes the Shareholder Proposal.</u>

(ii) Reasons for opposition

The Company is committed to striving for continuous and stable return of profit to shareholders, securing a strong financial base, and achieving sustainable growth and medium- to long-term enhancement of corporate value. To this end, we have established our basic capital policy to consider strategic investments in a balanced manner.

As for profit distribution, our basic policy is to return appropriate profits to shareholders while working to strengthen our financial position and management foundation, keeping in mind fairness and impartiality toward all stakeholders. Specifically, we take into account the status of consolidated net assets and consolidated operating results while considering the balance with internal reserves, and are striving to maintain continuous and stable dividends with a dividend payout ratio of 30% or more while setting a minimum consolidated dividend on equity ratio (DOE) of 2.0%.

In our long-term vision, the Company aims to achieve net sales of 100.0 billion yen by the fiscal year ending March 31, 2043, which marks the 100th anniversary of our founding. To achieve this goal, we formulate a Mid-Term Business Plan every three years. The fiscal year ending March 31, 2026 is the final year of the Mid-Term Business Plan "G-23" in which we are addressing important issues (materialities) such as business strengthening, contributions to social and environmental issues, human resource development and organizational strengthening.

In this Mid-Term Business Plan "G-23", we have created a cash allocation plan based on our current financial situation and the capital investment plans necessary to achieve our vision, and are allocating funds to shareholder returns and growth investments.

The Proposing Shareholder has pointed out in the reasons for the proposal that "despite pursuing an expansion policy through excessive capital investment in the past, the Company has not been able to generate sufficient profits." However, we have made capital investments that we believe are essential for the growth of the

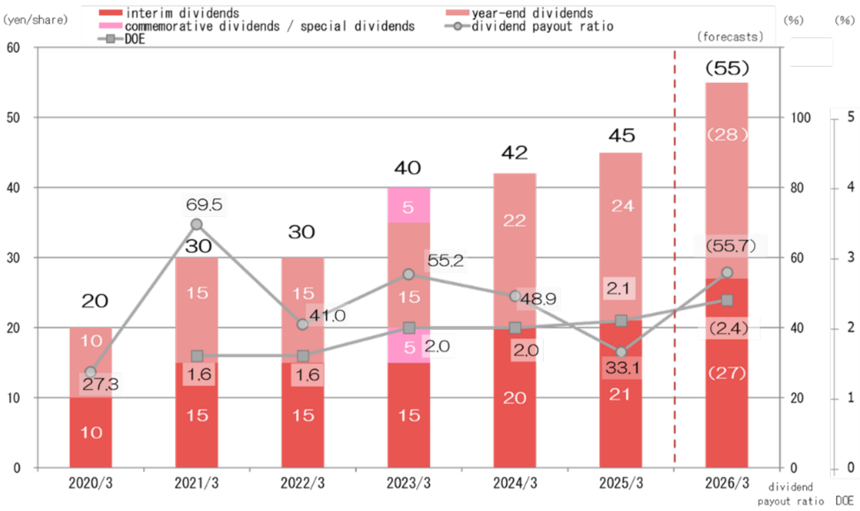
Company. In the past, from the fiscal year ended March 31, 2006 to the fiscal year ended March 31, 2009, we carried out large-scale capital investments, including the integration of business sites, with an aim of improving productivity and profitability. As a result, we were able to expand net sales from approximately 20.0 billion yen to approximately 35.0 billion yen and achieve growth in profits as well from approximately 1.0 billion yen to approximately 2.0 billion yen.

In addition, regarding the investment in the Ikoma Plant, which was established in January 2024, net sales in the Process Engineering Segment for the fiscal year ending March 31, 2026 are expected to exceed 20.0 billion yen, the highest in history, due to factors such as expansion of production capacity and the establishment of a highly efficient production system, and the results of those are beginning to show.

Furthermore, we are currently aiming to achieve consolidated net sales of 50.0 billion yen and consolidated operating profit of 5.0 billion yen by the fiscal year ending March 31, 2030, and are proceeding with the restructuring of the Konoike Plant with the aim of expanding production capacity for the Heat Exchanger Segment and Valve Segment.

Regarding the dividend policy, the Company introduced DOE and established it as the basis for our dividend policy in the fiscal year ended March 31, 2021 and has strengthened shareholder returns by increasing the DOE from 1.5% or more to 2.0% or more in the fiscal year ended March 31, 2024. As a result, the dividend per share has more than doubled, increasing from 20 yen in the fiscal year ended March 31, 2020 to 45 yen in the fiscal year ended March 31, 2025. Additionally, in the fiscal year ended March 31, 2025, we purchased 1 million treasury shares totaling 1,046 million yen and canceled 4 million treasury shares. As a result, the total return ratio for the fiscal year ended March 31, 2025 was 60.5%. Regarding dividend forecast for the fiscal year ending March 31, 2026, considering that this will be the first year since the Company’s founding that we are aiming for net sales exceeding 40.0 billion yen, we plan to pay a dividend of 55 yen per share, an increase of 10 yen from 45 yen in the fiscal year ended March 31, 2025, taking into account the level of internal reserves based on business plans, business environment and stock price trends.

Additionally, at the Board of Directors meeting held today, we have newly resolved to implement purchase of treasury shares up to 1 million shares (representing 3.67% of the total issued shares excluding treasury shares) for a maximum amount of 1,400 million yen, from May 16, 2025, to March 31, 2026. As a result, the total return ratio for the fiscal year ending March 31, 2026 is expected to be approximately 90%.



The Shareholder Proposal, in contrast, requests that the Company double to 4% the dividend policy that has a minimum DOE of 2%, which we consider optimal within the growth strategy, and set the year-end dividend at 66 yen per share. While this may contribute to short-term shareholder returns, we believe it could undermine the financial resources necessary for the Group’s growth investments in the medium to long term, potentially weakening our competitive position and making it difficult to maintain stable shareholder returns in the future.

We believe that improving the corporate value of the Group in the medium to long term by balancing continuous and stable profit distribution to shareholders with strategic investments for future growth will lead to an increase in shareholder interests.

For the reasons above, the Company’s Board of Directors opposes the proposal.

End of document

[Attachment]

Description of the Shareholder Proposals

* The original text is reproduced as submitted by the Proposing Shareholder.

I. Proposed Items

1. Partial Amendment to the Articles of Incorporation

2. Appropriation of Surplus

II. Description of the Proposals and Reasons for the Proposals

1. Partial Amendment to the Articles of Incorporation

[Details of the proposal]

Delete Article 34 of the Company's Articles of Incorporation.

[Reasons for the proposal]

In order to achieve adequate shareholder returns in line with the current state of the Company's business activities and to reflect the will of shareholders, the current Article 34 of the Articles of Incorporation should be deleted, and the matters listed in each item of Article 459, paragraph (1) of the Companies Act should be decided by resolution of the General Meeting of Shareholders. Of the shareholder proposals I have made, item 2. "Appropriation of Surplus," is proposed on the condition that the above proposal is approved and adopted.

2. Appropriation of Surplus

[Details of the proposal]

(1) Type of dividend assets

Cash

(2) Matters concerning the allocation of dividend assets and the total amount thereof

The dividend amount per common share (hereinafter referred to as "dividend per share") shall be 66 yen less the dividend per share determined by the Board of Directors or less the dividend per share based on the proposal regarding the appropriation of surplus which is submitted by the Company's Board of Directors and approved at the 96th Annual General Meeting of Shareholders (hereinafter referred to as the "Company's Profit Appropriation Proposal").

If the amount obtained by deducting the interim dividend of 21 yen from 4% of the net assets per share for the fiscal year ended March 31, 2025 differs from 66 yen, the aforementioned 66 yen shall be replaced as the amount obtained by deducting the interim dividend of 21 yen from the amount equivalent to 4% of the net assets per share for the fiscal year ended March 31, 2025.

(Amounts less than 1 yen shall be rounded down.)

The total dividend shall be the amount obtained by multiplying the number of shares eligible for dividends as of the record date for voting rights at the 96th Annual General Meeting of Shareholders.

(3) Effective date of distribution of dividends from the surplus

The day following the Company's 96th Annual General Meeting of Shareholders

In addition, if the Company's Profit Appropriation Proposal is submitted at the 96th Annual General Meeting of Shareholders, this proposal shall be submitted as an additional proposal that is independent of and compatible with the aforementioned proposal.

[Reasons for the proposal]

The intent of this proposal is to set the dividend per share for a full fiscal year at an amount equivalent to 4% of net assets per share, i.e., a dividend on equity ratio (hereinafter referred to as “DOE”) of 4%.

In January 2023, the Tokyo Stock Exchange published the “Summary of Discussions on Measures to Improve the Effectiveness of the Market Restructuring,” which stated that companies with a PBR consistently below 1x should disclose their policies and specific initiatives for improvement.

Although the Company announced initiatives in November 2023 aimed at improving PBR by increasing corporate value, as of April 15, 2025, the PBR stands at 0.42x, continuing to reflect a low valuation by the stock market.

In terms of capital efficiency, the Company’s capital efficiency is ROE of approximately 4%, which is significantly lower than the ROE of approximately 8% considered to be general shareholder equity cost. Despite pursuing an expansion policy through excessive capital investment in the past, the Company has not been able to generate sufficient profits, and the current dividend policy (target of dividend payout ratio of 30% or more with minimum DOE of 2.0%) is conservative, which has resulted in holding excessive net assets without implementing sufficient measures to increase shareholder value. As long as this policy continues, it is unlikely that corporate value will improve in the future. In terms of shareholder returns, with a view to enhancing medium- to long-term corporate value, I believe it is desirable to clearly state a policy of actively returning profits and controlling without excess accumulation of capital.

Therefore, in order to improve the valuation of the Company’s stock price, the Proposing Shareholder proposes that the Company pay dividends in an equivalent amount for the fiscal year under review with a view to increasing the level of returns to shareholders. i.e., raising DOE as minimum dividend to 4%.

End of document