February 13, 2025

Company name	RYOBI LIMITED
Representative	Akira Urakami President and CEO (Code number: 5851, Stock Exchange: Tokyo)
Contact	Hiromu Arihiro Corporate Officer, Divisional Deputy General Manager of Corporate Planning Division General Manager of Finance Department (Phone: +81-3-3501-0511)

Notice Regarding the Opinion of the Board of Directors on the Shareholder Proposal

RYOBI LIMITED (the "Company") hereby announces that the Company had received written shareholder proposals (the "Shareholder Proposal" or the "Shareholder Proposals") regarding the agenda for the Company's 113th Annual General Meeting of Shareholders to be held in March 2025 from one of its individual shareholders. The Company resolved to oppose the Shareholder Proposal at its Board of Directors meeting held today. Details are as follows.

1. Details of the Shareholder Proposals
   (1) Proposals
      Proposal 1: Appropriation of Surplus
      Proposal 2: Partial Amendment to the Articles of Incorporation regarding the Establishment of a Study Committee to Continuously Work on the Optimization of Prices for Japanese Business

   (2) Details of and Reason for the Shareholder Proposals
   The details are as stated in Attachment: "Content of the Shareholder Proposals." The relevant description of the written Shareholder Proposals is reproduced here in its original form.

2. The Company's Board of Directors' Opinion on the Shareholder Proposals
   (1) The Board of Directors' Opinion on Proposal 1
   The Board of Directors is against this Shareholder Proposal.

(Reason for opposition)

Returning profits to our shareholders is one of our key management principles. Our basic profit distribution policy is to maintain a stable return of profits to shareholders while securing funds for growth investment along with a medium- to long-term improvement in operating performance. In addition, we determine profit distribution after considering various factors, using a dividend payout ratio of 30% as a guide, in addition to maintaining stable dividends.

Based on this policy, we have continued to increase the dividend per share for the fiscal years ended December 31, 2022 and December 31, 2023. For the fiscal year ended December 31, 2024, we also plan to further increase the dividend to ¥85 (with the payout ratio of 39.7%), significantly exceeding the payout ratio of 30%.

Based on this recognition, we have clarified our long-term vision for the Company setting the target for FY2035. On February 13, 2025, we announced our "Medium-Term Management Plan (2025–2027)" ("MTMP"). Under the slogan "Paving the Future with Our Wisdom and Actions —Challenge 2027—," we will invest approximately ¥70 billion in growth over the next three years, further strengthen and stabilize our management foundation, and aim to build a corporate structure that is resilient to changes in the external environment.

Under MTMP, we will improve capital efficiency by utilizing debt and selling cross-held shares, while ensuring financial stability centered on operating cash flows. We will continue to make investments that contribute to increasing corporate value while maintaining financial stability, including investments for growth of our core Die Castings business, infrastructure development, responding to new business for strategic products through weight reduction and electrification, and investing in future-oriented technology development for large components (giga casting.)

We believe that these measures are essential to further strengthen and stabilize our management foundation and ensure continued growth, and that they will contribute to the interests of our shareholders by increasing our long-term corporate value. Of course, we will consider the future direction and profitability of our businesses when making investments, and we will implement them after fully reviewing and selecting the details.

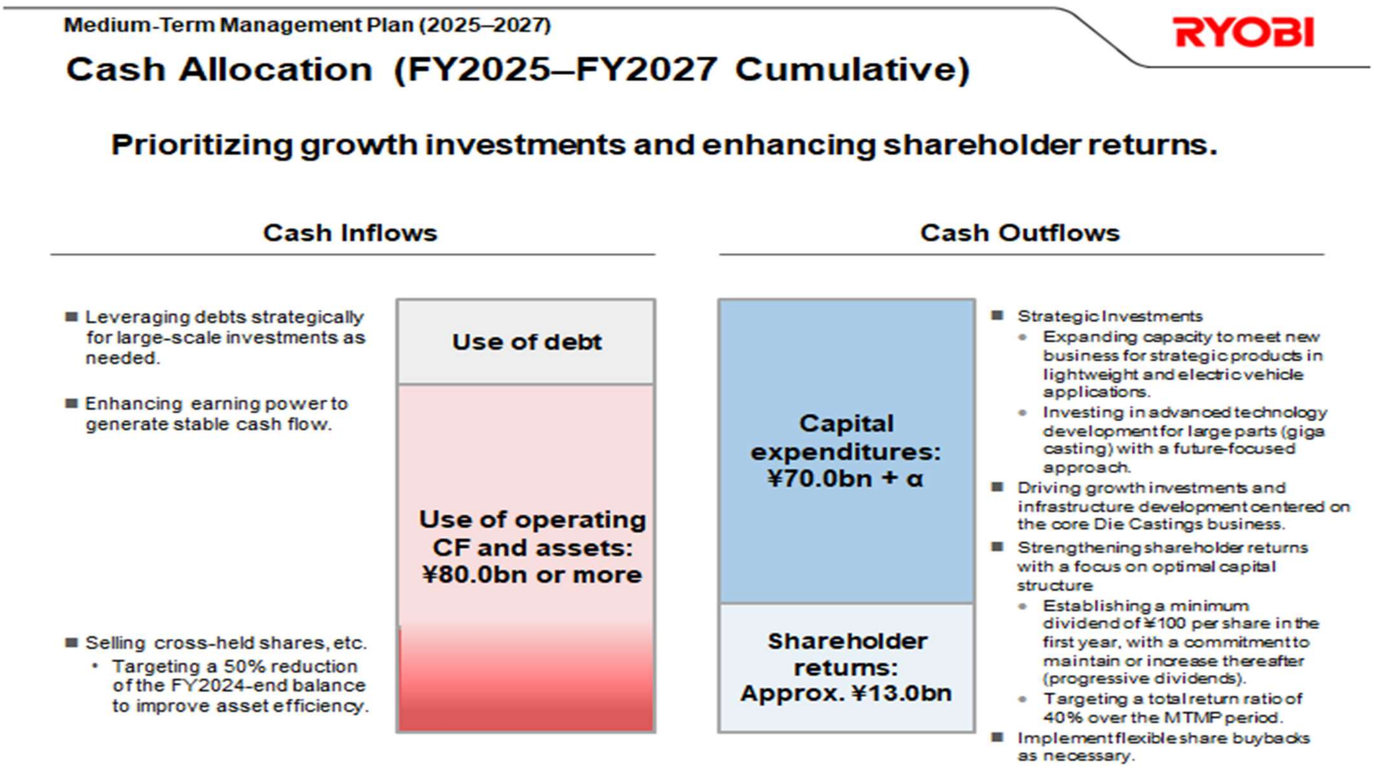
In addition, we aim to achieve management that is conscious of cost of capital and stock price. To this end, it is urgent for us to improve the P/B ratio and the equity spread by increasing ROE and decreasing the cost of capital. Our ROE is currently below the cost of capital of 8–9% we recognize, and it is crucial not only to improve returns on capital and but also to foster expectations of future profit growth to enhance corporate value in the future. We will work to improve our P/B ratio by improving our earning power through the steady implementation of MTMP, while at the same time working on our capital policy and engaging in dialogue with the capital markets.

In this context, we consider shareholder returns as one of our top management priorities, and we will strengthen our shareholder returns. Specifically, during the MTMP period, we will adopt a progressive dividend policy, with a minimum dividend of ¥100 per share in the first year. Thereafter, we will maintain or increase the dividend to achieve a total return ratio of 40%. In addition, we will flexibly buy back shares at appropriate times and in appropriate amounts, comprehensively taking into account factors such as the stock price and others while also keeping in mind the optimal capital structure.

Thus, we believe that business growth is key to increasing corporate value, and that balancing growth investments and shareholder returns is essential to enhance ROE and P/B ratio.

Meanwhile, if the shareholder return based on this Shareholder Proposal is implemented, substantially all of profits will be allocated to dividends and reduce the funds for growth investment, which is the basis for increasing corporate value. It also carries a high risk of jeopardizing financial stability. As a result, we recognize that it may lead to damage to the medium- to long-term interests of our shareholders. Therefore, we believe that this Shareholder Proposal is not appropriate for the Company to pursue its growth strategy.

For the reasons stated above, the Company's Board of Directors opposes this Shareholder Proposal.



(2) The Board of Directors' Opinion on Proposal 2

The Board of Directors is against this Shareholder Proposal.

(Reason for opposition)

We have appointed four independent outside directors who have experience in participating in corporate management to form a majority of the Company's Board of Directors, and we receive advice on management from an objective standpoint. In addition, in formulating MTMP, we take into account the opinions and expertise of outside experts and formulate the Plan after sufficient discussion, including with outside directors.

Additionally, the outside directors attend management meetings on a quarterly basis to discuss matters for major decisions, and based on these discussions, consult with the Board of Directors. In particular, regarding proposals for capital investments, we clarify the background and purpose of the investment, consider the effects and efficiency, and make a decision to implement the investment after sufficient review to ensure a certain payback period and internal rate of return.

In addition, the Company is working to enhance its IR and SR activities to deepen the dialogue with its shareholders and investors. It has also put in place a system for the Board of Directors to receive reports on the views received through these activities, as appropriate.

Thus, we believe that we have already established a system for making appropriate decisions on our overall strategy, reflecting the perspectives of third parties such as outside directors, outside experts, and shareholders and investors. In order to address changes in the external environment, such as increased costs including rising energy prices and others, and to further increase a sustainable corporate value, we believe it is of the utmost importance to continue to conduct deliberations and consultations through the above corporate governance system.

In MTMP, we have identified appropriate pricing and productivity improvement as key priorities for our Die Castings business, and we believe that implementing these measures will lead to improvements in the profitability of our businesses, including the appropriate pricing of transactions.

The articles of incorporation, in the first place, set out the fundamental principles of a company's organization and management. The matters mentioned in this Shareholder Proposal include specific details such as the decision on capital investment and appropriate pricing of transactions that should be left to managerial judgment by the Board of Directors. Furthermore, the Board of Directors, which has the most knowledge, ability and information necessary for managerial judgment, should decide on the internal systems and processes for reviewing and deciding on these matters, as well based on the circumstances at the time. In this way, the Partial Amendment to the Articles of Incorporation sought by this Shareholder Proposal to establish "a Study Committee to Continuously Work on the Optimization of Prices for Japanese Business" is, by its very nature, inappropriate to the Articles of Incorporation and goes beyond the scope of typical articles of incorporation. We believe that such an amendment to the Articles of Incorporation could lead to rigidity in managerial judgment and processes, and even impair their agility and flexibility.

For the reasons stated above, the Company's Board of Directors opposes this Shareholder Proposal.

(Attachment: “Content of the Shareholder Proposals”)

* The content of the written Shareholder Proposals submitted by the proposing shareholder is reproduced here in its original form.

I. Proposed Agenda

1. Appropriation of Surplus
2. Partial Amendment to the Articles of Incorporation regarding the Establishment of a Study Committee to Continuously Work on the Optimization of Prices for Japanese Business

II. Details of the Proposal and Reason for the Proposal

1. Appropriation of Surplus

[Details of the Proposal]

(1) Type of dividend property

Cash

(2) Allocation of dividend property and the total amount thereof

The Company shall pay a dividend per share of common stock (the "dividend per share"), the amount of which shall be obtained by deducting from ¥206 the dividend per share based on the proposal for appropriation of surplus submitted by the Board of Directors and approved at the 113th Ordinary General Meeting of Shareholders (the "Company's proposal for appropriation of surplus").

If the amount obtained by rounding down less than one yen of the amount of 4/100 of net assets per share for the fiscal year ended December 31, 2024 is different from ¥206, the amount of ¥206 at the beginning of the sentence shall be read as the amount obtained by rounding down less than one yen of the amount of 4/100 of net assets per share for the fiscal year ended December 31, 2024.

The total dividend amount will be the amount obtained by multiplying the number of shares eligible for dividends as of the record date for voting rights at the 113th Annual General Meeting of Shareholders of the Company.

(3) The effective date of the surplus dividend

The day following the date of the Company's 113th Annual General Meeting of Shareholders

This Proposal is an additional proposal that is independent of and compatible with the Company's proposal for the appropriation of profits at the 113th Annual General Meeting of Shareholders.

[Reason for the Proposal]

This Proposal is designed for a dividend equivalent to 4/100 of net assets per share, i.e., a 4% Dividend on Equity Ratio (the "DOE".)

“Summary of the Discussion Points for the Follow-up Meeting on the Review of Market Segmentation” published by the Listing Department of the Tokyo Stock Exchange in January 2023, states that companies that have continuously had a PBR of less than x1.0 must have policies and specific measures in place to improve it.

In the financial results presentation material for the fiscal year ended December 31, 2023, the Company announced the release titled “Measures to realize management conscious of cost of capital and stock price.” However, the Company’s P/B ratio has been well below x1.0 for more than 10 years. As of January 10, 2025, the P/B ratio was x0.44, which is at an unusually low level.

The Company’s return on equity (ROE) remains at approximately 5% compared to its cost of equity of approximately 8–9%. This is because the Company has not been able to generate sufficient profits despite its expansionary investment policy in the past, and it has not been able to sufficiently increase shareholder value, with its low return level of 30% dividend payout ratio. As long as this policy continues, shareholders of the Company cannot expect to see corporate value continue to improve. In terms of shareholder returns, the proposing shareholder believes it is desirable to clearly state a policy of actively returning

profits to shareholders and controlling the Company's owned capital without excessive accumulation of it, in order to increase corporate value over the medium to long term.
To this end, the proposing shareholder proposes that the Company guarantee a certain level of return to shareholders in order to improve the valuation of the Company's stock, i.e., to introduce the dividend on equity ratio (DOE) into the shareholder return policy and to set the dividend at an amount equivalent to a 4% DOE.

2. Partial Amendment to the Articles of Incorporation regarding the Establishment of a Study Committee to Continuously Work on the Optimization of Prices for Japanese Business

[Details of the Proposal]

Add a provision to the Articles of Incorporation to establish a study committee to improve profitability Japanese businesses through sales price hikes, with the director in charge and outside directors as members, while also utilizing the knowledge of outside consultants.

[Reason for the Proposal]

Looking back at the Company's capital investment over the past 10 years, it has invested large amounts of money in capital investment for new business for future growth. Meanwhile, despite increased sales to some extent, operating income and operating margin have remained stagnant.

(Reference) Development of business performance for FY2015/3 and beyond

	FY3/2015	FY3/2016	FY3/2017	FY3/2018	FY12/2018	FY12/2019	FY12/2020	FY12/2021	FY12/2022	FY12/2023	FY12/2024
Net sales	227,163	254,508	241,251	247,192	216,187	220,519	170,973	198,073	249,521	282,693	292,000
Operating income	9,122	12,832	12,624	13,212	13,579	8,495	(1,789)	(1,524)	6,969	12,214	8,500
Operating margin	4.0%	5.0%	5.2%	5.3%	6.3%	3.9%	(1.0)%	(0.8)%	2.8%	4.3%	2.9%

Depreciation has been increasing year on year, and came to be 1.3 times higher in the fiscal year ended December 31, 2023 (¥18.5 billion) than in the fiscal year ended March 31, 2015 (¥14.3 billion). Meanwhile, operating income has not increased, with an ¥8.5 billion in the fiscal year ended December 31, 2024, compared to ¥9.1 billion in the fiscal year ended March 31, 2015. The operating margin has been sluggish, averaging 4.4% over the past 10 years (excluding the fiscal years ended December 31, 2020 and December 31, 2021, when the Company recorded losses), and the Company has been unable to generate sufficient profits to match capital investment due to uncontrolled expansion.

Taking a glance by region, while the profit margin in North America is relatively high due to the high evaluation of the Company's product superiority, the profit margin of the Japanese businesses is estimated to be less than 4%. Despite this, the Company has invested approximately ¥5.0 billion in capital investment in the Japanese businesses every year for the past five years, and in the fiscal year ended December 2024, it invested approximately ¥12.0 billion in capital investment. This is not appropriate from the perspective of return on capital. When making capital investments, the Company should thoroughly review whether the investment will exceed the cost of equity, and seek appropriate price increases from its business partners. Furthermore, costs such as logistics and fuel costs, as well as wages, have recently increased.

In light of this situation, the Company should pass on appropriate price increases and work to increase its profit margin as a listed company.

In addition, despite the fact that the profit margin for the Builders' Hardware business and the Printing Equipment business is generally low at 5% or less, progress in business restructuring has been slow and capital efficiency has not been optimized.

For the reasons above, the proposing shareholder proposes that the Company review its investment plans to match its return on capital and establish a study committee to improve the profitability of its Japanese businesses through sales price hikes.

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