

**To Our Shareholders,**

Shigeru Mizoguchi  
Representative Director and President  
Neturen Co., Ltd.  
2-17-1 Higashi-Gotanda, Shinagawa-ku,  
Tokyo, Japan

## **Notice of Convocation of the 109th Ordinary General Meeting of Shareholders**

We would like to take this opportunity to express our heartfelt gratitude to you, our shareholders, for your continued support to Neturen Co., Ltd. (the “Company”).

We are pleased to inform you that the 109th Ordinary General Meeting of Shareholders of the Company will be held as set forth below.

As a result of careful deliberation in light of the spread of novel coronavirus infections, the Company decided to take appropriate preventive measures against infections and hold this meeting.

In order to prevent the spread of infection, we strongly recommend that shareholders exercise voting rights in advance in written form or via the Internet, etc. wherever possible and refrain from attending the meeting on the day, irrespective of their physical conditions.

Please review the Reference Materials for the General Meeting of Shareholders set out below and exercise your voting rights by 5:45 p.m. JST, June 24, 2020 (Wednesday).

Yours very truly,

### **Notes**

- 1. Date and Time:** 10:00 a.m. on June 25, 2020, Thursday (Registration will start at 9:00 a.m.)
- 2. Venue:** The Company’s conference room, 15th Floor, Oval Court Ohsaki Mark West, 2-17-1 Higashi-Gotanda, Shinagawa-ku, Tokyo  
(Please see the access map to the venue at the bottom of this document.)
- 3. Meeting Agenda:**
  - Purpose of the Meeting**
  - Matters to be reported:**
    1. Report on the Business Report, Consolidated Financial Statements and audit results for Consolidated Financial Statements by the independent auditor and the Audit and Supervisory Board for the 109th fiscal year (from April 1, 2019 to March 31, 2020)
    2. Report on Non-consolidated Financial Statements for the 109th fiscal year (from April 1, 2019 to March 31, 2020)
  - Proposals to be resolved:**
    - Proposal 1:** Appropriation of Surplus
    - Proposal 2:** Election of 10 Directors
    - Proposal 3:** Election of 3 Audit and Supervisory Board Members
    - Proposal 4:** Election of 1 Substitute Audit and Supervisory Board Member
    - Proposal 5:** Introduction of Performance-linked Cash Compensation and a Stock Compensation Plan to Directors

#### 4. Guidance to Shareholders for Voting:

- (1) In the case of exercising voting rights in written form  
Please send us the enclosed voting rights exercise form indicating your approval or disapproval of each proposal. Such form must be received by the Company by 5:45 p.m., June 24, 2020 (Wednesday).
- (2) In the case of exercising voting rights via the Internet, etc.  
Please refer to the “Guide to Exercising Your Voting Rights via the Internet, etc.” described in page 3 and exercise your voting rights by 5:45 p.m., June 24, 2020 (Wednesday).
- (3) In the case of duplicate voting done both in written form and via the Internet, etc., the vote placed via the Internet, etc. will be considered valid. Additionally, in the case of voting twice or more times via the Internet, etc., or by both PC and mobile phone, the last vote will be considered valid.

End

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- If you are attending the meeting, you are kindly requested to submit the enclosed voting rights exercise form to the reception desk at the venue. In addition, to save resources, please bring this Notice of Convocation with you on the day.
  - Among documents to be provided when this Notice of Convocation is given, “Notes to the Consolidated Financial Statements” and “Notes to the Non-Consolidated Financial Statements” are posted on the Company’s website (<http://www.k-neturen.co.jp/>) pursuant to the relevant laws and regulations and Article 16 of the Company’s Articles of Incorporation, and are not attached to this notice.
  - If any circumstance occurs that necessitates amendments to the Reference Materials for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements, matters amended will be posted on the Company’s website (<http://www.k-neturen.co.jp/>).

(Information) The social gathering with shareholders, an annual event held after the closing of a General Meeting of Shareholders will be canceled in order to prevent the spread of novel coronavirus infections.

Food and beverages will not be provided.

We would appreciate your kind understanding in advance.

## **Guide to Exercising Your Voting Rights via the Internet, etc.**

If you exercise your voting rights via the Internet, etc., please understand the matters described below in advance.

### **1. Website for exercise of voting rights**

Exercising voting rights via the Internet is possible only through the use of the following voting rights exercise website designated by the Company:

Voting Rights Exercise Website Address: <https://www.web54.net>

### **2. How to Exercise Voting Rights**

For those using a PC or mobile phone

Please access the website above, enter the “voting rights exercise code” and “password” indicated on the enclosed voting right exercise form, and follow the instructions on the screen to enter your votes for or against each proposal.

\* It is also possible to use a mobile phone with a barcode reading function to read the “QR Code®” on the right and access the voting rights exercise website.

(QR Code is a registered trade mark of Denso Wave Inc.)



### **3. Handling of exercise of voting rights**

- (1) You will be able to exercise your voting rights until 5:45 p.m., June 24, 2020 (Wednesday). We would appreciate your exercise at your earliest convenience.
- (2) In the case of duplicate voting done both in written form and via the Internet, etc., the vote placed via the Internet, etc. will be considered valid. Additionally, in the case of voting twice or more times via the Internet, etc., or duplicate voting done both via PC and mobile phone, the last vote will be considered valid.
- (3) Fees charged by internet service providers and telecommunications carriers (such as connection charges) associated with using the voting rights exercise website are to be borne by the shareholder.
- (4) Depending on the Internet user environment, etc. of your PC or mobile phone, you may not be able to use the voting rights exercise website.

### **4. Handling of password and voting rights exercise code**

- (1) Password is important information used to confirm that the person voting is a legitimate shareholder. Please handle it carefully as in the case of seals and personal identification numbers.
- (2) If you input your password incorrectly more than a certain number of times, your password will be rendered unusable. If you wish to have a new password issued, please follow the instructions on the screen.
- (3) The voting rights exercise code indicated in the voting rights exercise form is valid only for this General Meeting of Shareholders.

### **5. Contact information regarding how to operate PCs and the like**

- (1) If you have any questions about how to operate your PC and the like in connection with exercise of your voting rights on the above website, please contact the following:

Sumitomo Mitsui Trust Bank, Stock Transfer Agency Web Support, Dedicated line  
[Telephone] 0120 (652) 031 (hours of operation: 9:00 a.m. to 9:00 p.m.)

- (2) For other inquiries, please contact the following:

- i. Shareholders who hold an account with a securities company

Shareholders who hold an account with a securities company are requested to contact the securities company they have transactions with.

- ii. Shareholders who do not hold an account with a securities company  
(shareholders who hold a special account)

Sumitomo Mitsui Trust Bank, Stock Transfer Agency Administration Center

[Telephone] 0120 (782) 031 (hours of operation: 9:00 a.m. to 5:00 p.m.; excluding Saturdays,

Sundays and holidays)

**6. Use of the Electronic Voting Rights Exercise Platform (for institutional investors)**

Institutional investors may opt to exercise their voting rights electronically via the “Electronic Voting Rights Exercise Platform” operated by ICJ, Inc.

**7. System Requirements**

If exercising voting rights via the Internet, etc., please review the following points concerning your system. If using a personal computer

- (1) The screen resolution must be 800 × 600 pixels (SVGA) or higher.
  - (2) An Internet browser and PDF viewer must be installed.
- (Operation has been confirmed using the following combinations.)

| OS               | Web browser                        | PDF file viewer            |
|------------------|------------------------------------|----------------------------|
| Windows® Ver.7   | Internet Explorer® Ver.11 (32 bit) | Adobe® Reader® XI          |
| Windows® Ver.8.1 | Internet Explorer® Ver.11 (32 bit) | Adobe® Reader® XI          |
| Windows® Ver.10  | Internet Explorer® Ver.11 (32 bit) | Adobe® Acrobat® Reader® DC |

\* Windows and Internet Explorer are registered trademarks or trademarks of Microsoft Corporation (the U.S.) in the U.S. and other countries.

\* Adobe, Acrobat and Reader are registered trademarks or trademarks of Adobe Systems Incorporated in the U.S. and other countries.

- (3) If a “pop-up blocker” function is active on your Internet browser or as an add-in, etc. please disable (or temporarily disable) this function, and permit the use of “cookies” on the website in your privacy settings.
- (4) If you are unable to connect to the above website, Internet communications may be restricted owing to settings related to firewalls, proxy servers, security software, etc., so please check these settings.

End

# Reference Materials for the General Meeting of Shareholders

## Proposals and References

### Proposal 1: Appropriation of Surplus

#### 1. Matters related to year-end dividends

In addition to the policy of continuing stable distribution of dividends, the Company has adopted the approach of appropriating surplus according to its business performance, and its basic policy is to determine dividends, taking into consideration the business environment surrounding the Neturen Group, its financial standing and other factors.

In addition, as a general rule, with respect to “stable distribution of dividends,” the Company has set the lower limit of 10 yen per annum for the time being, and with respect to “appropriating surplus according to its business performance,” the Company targets a consolidated dividend ratio of 40% or higher.

Based on the above policies, the Company plans to distribute year-end dividends for the 109th fiscal year as described below.

#### (1) Kind of property for dividends

Cash

#### (2) Matters related to allotment of property for dividends to shareholders and its total amount

9 yen per share of common stock of the Company

Total amount: 367,260,084 yen

(Note) The annual dividend including an interim dividend for the fiscal year under review will be 22 yen per share.

#### (3) Effective date for distribution of dividends from surplus

June 26, 2020

#### 2. Matters related to appropriation of surplus

#### (1) Surplus item decreased and the amount thereof

|                 |                   |
|-----------------|-------------------|
| General reserve | 5,000,000,000 yen |
|-----------------|-------------------|

#### (2) Surplus item increased and the amount thereof

|                                   |                   |
|-----------------------------------|-------------------|
| Retained earnings brought forward | 5,000,000,000 yen |
|-----------------------------------|-------------------|

**Proposal 2:** Election of 10 Directors

The terms of office of all ten (10) Directors will expire at the closing of this Ordinary General Meeting of Shareholders. Accordingly, the election of ten (10) Directors is proposed.

Note that Yasuko Teraura and Mineo Hanai are the candidates for Outside Directors.

The candidates for Directors are as follows:

| No. | Name  | Current positions and assignments at the Company   |
|-----|---|--|
| 1   | Shigeru Mizoguchi [Reelection]  | Representative Director and President<br>Supervising safety, health and environmental affairs<br>In charge of Human Resources Headquarters   |
| 2   | Katsumi Omiya [Reelection]  | Managing Director<br>Supervising facilities and TQM promotion<br>General Manager, Specialty Steel & Wire Products Division<br>General Manager, Business Planning and Development Headquarters  |
| 3   | Nobumoto Ishiki [Reelection]  | Managing Director<br>General Manager, IH Division<br>General Manager, Product Engineering Headquarters<br>General Manager, Production Engineering Development Department,<br>Product Engineering Headquarters  |
| 4   | Tomokatsu Yasukawa [Reelection]   | Director<br>General Manager, Administrative Headquarters   |
| 5   | Takashi Suzuki [Reelection]   | Director<br>Supervising information strategies<br>Deputy General Manager, Specialty Steel & Wire Products Division<br>General Manager, Global Procurement Headquarters<br>General Manager, Purchasing Department of Specialty Steel & Wire Products Division |
| 6   | Yoshitaka Misaka [Reelection]   | Director<br>General Manager, Research and Development Headquarters<br>General Manager, Material Engineering Department, Research and Development Headquarters  |
| 7   | Nobuhiro Murai [Reelection]   | Director<br>General Manager, Quality Assurance Headquarters  |
| 8   | Naoki Hisada [New election]   | Executive Officer<br>General Manager, Human Resources Headquarters<br>General Manager, Human Resources Division, Human Resources Headquarters<br>Deputy General Manager, Administrative Headquarters   |
| 9   | Yasuko Teraura [Reelection]<br>[Outside officer]<br>[Independent officer] | Director   |
| 10  | Mineo Hanai [Reelection]<br>[Outside officer]<br>[Independent officer]    | Director   |

Candidates for Directors

| No.   | Name<br>(Date of birth)   | Career summary, positions, assignments and status of other important positions concurrently assumed   | No. of the Company's shares owned by the candidate | Special interest between the Company and the candidate |
|---|---|---|--|--|
| 1   | <p><b>Reelection</b></p> <p>Shigeru Mizoguchi<br/>(September 1, 1953)</p> <p>Attendance at the meetings of the Board of Directors: 100% (13/13)</p> | <p>April 1977    Joined the Company</p> <p>June 2007    Director</p> <p>April 2011    Managing Director</p> <p>April 2013    Senior Managing Director</p> <p>June 2014    Representative Director and President</p> <p>June 2019    Representative Director and President; supervising safety, health and environmental affairs; In charge of Human Resources Headquarters</p> <p>To present</p>  | 44,146   | Not applicable   |
| <p>Reasons for nomination as a candidate for Director</p> <p>Since his appointment as Representative Director and President in June 2014, Mr. Shigeru Mizoguchi has actively and appropriately fulfilled his roles of directing management as a whole and supervising business execution, while formulating management strategies for realizing the Group's long-term management vision, and thereby enhanced the foundation for realizing the management strategies.</p> <p>In addition, through providing the top management and future human resources with opportunities for discussion, he is leading all of the group companies, aiming to formulate a next long-term management vision and highly effective management strategies.</p> <p>For these reasons, the Company has judged that he is appropriately qualified as a Director of the Company, and proposes his continued appointment.</p> |   |   |  |  |
| 2   | <p><b>Reelection</b></p> <p>Katsumi Omiya<br/>(March 24, 1960)</p> <p>Attendance at the meetings of the Board of Directors: 100% (13/13)</p>        | <p>April 1983    Joined the Company</p> <p>June 2012    Director</p> <p>June 2016    Managing Director</p> <p>April 2020    Managing Director; supervising facilities and TQM promotion; General Manager, Specialty Steel &amp; Wire Products Division, General Manager, Business Planning and Development Headquarters</p> <p>To present</p> <p>[Status of other important concurrent positions]</p> <p>Representative Director and President, Neturen America Corporation; Representative Director and President, Neturen Takuto Co., Ltd; President, Neturen (China) Slewing Bearing Co., Ltd.</p> | 20,703   | Not applicable   |
| <p>Reasons for nomination as a candidate for Director</p> <p>Since his appointment as Director in June 2012, Mr. Katsumi Omiya has appropriately operated businesses in line with management strategies for the businesses related to Specialty Steel &amp; Wire Products Headquarters, and contributed to resolving management issues by launching new products and improving profitability through automation.</p> <p>In addition, Mr. Omiya has actively and appropriately operated businesses, while recognizing issues at overseas business sites as well as those at domestic sites and expanding market through tie-up with external organization.</p> <p>For these reasons, the Company has judged that he is appropriately qualified as a Director of the Company, and proposes his continued appointment.</p>   |   |   |  |  |

| No.  | Name<br>(Date of birth)   | Career summary, positions, assignments and status of other important positions concurrently assumed  | No. of the Company's shares owned by the candidate | Special interest between the Company and the candidate |
|--|---|--|--|--|
| 3  | <p style="text-align: center;"><u>Reelection</u></p> <p>Nobumoto Ishiki<br/>(October 9, 1959)</p> <p>Attendance at the meetings of the Board of Directors: 100% (13/13)</p> | <p>April 1982      Joined TRW Automotive Japan Co., Ltd.<br/>February 2001      Joined Colin Corporation (currently, Fukuda Colin Co., Ltd.)<br/>April 2001      Joined the Company<br/>February 2006      Joined Toyo Fastener Co., Ltd.<br/>April 2007      Joined the Company<br/>June 2017      Director<br/>April 2020      Managing Director; General Manager, IH Division; General Manager, Product Engineering Headquarters; General Manager, Production Engineering Development Department, Product Engineering Headquarters;<br/>To present</p> <p>[Status of other important concurrent positions]<br/>Representative Director and President, Neturen Heat Treat Co., Ltd.; Representative Director and President, NETUREN HYMEC CO., LTD; President, Guangzhou Fengdong Neturen Co., Ltd.; Representative Director and President, PT. Neturen Indonesia; Representative Director and President, Neturen Mexico, S.A. de C.V.</p> | 4,281  | Not applicable   |
| <p>Reasons for nomination as a candidate for Director</p> <p>Since his appointment as Director in June 2017, Mr. Nobumoto Ishiki has utilized his abundant specialist knowledge to develop new technologies and facilities, while managing divisions appropriately as General Manager of Product Engineering Headquarters and Deputy General Manager of IH Division.</p> <p>In addition, aiming for the creation of evolving development capabilities, he has promoted improvement of productivities in an innovative manner with a view to IoT and AI, contributing to promoting the Company's important business strategies and functional strategies appropriately.</p> <p>For these reasons, the Company has judged that he is appropriately qualified as a Director of the Company, and proposes his continued appointment.</p> |   |  |  |  |



| No.  | Name<br>(Date of birth)  | Career summary, positions, assignments and status of other important positions concurrently assumed   | No. of the Company's shares owned by the candidate | Special interest between the Company and the candidate |
|--|--|---|--|--|
| 4  | <p><u>Reelection</u></p> <p>Tomokatsu Yasukawa<br/>(January 6, 1963)</p> <p>Attendance at the meetings of the Board of Directors: 100% (13/13)</p> | <p>April 1986      Joined the Company</p> <p>June 2012      Director</p> <p>April 2019      Director; General Manager, Administrative Headquarters</p> <p>To present</p> <p>[Status of other important concurrent positions]</p> <p>Representative Director and President, Neturen Meinan Co., Ltd.</p>   | 23,415   | Not applicable   |
| <p>Reasons for nomination as a candidate for Director</p> <p>Since his appointment as Director in June 2012, Mr. Tomokatsu Yasukawa has utilized his abundant knowledge and experience as General Manager of Administrative Headquarters to establish a framework for the Group's management administration and corporate governance by making the most of corporate functions including general affairs, accounting, finance, human resources, legal affairs and planning and administration divisions.</p> <p>In addition, having established a management policy on raising corporate value, he has worked to apply it to practical business operations, contributing to sustainable growth of the Group.</p> <p>For these reasons, the Company has judged that he is appropriately qualified as a Director of the Company, and proposes his continued appointment.</p> |  |   |  |  |
| 5  | <p><u>Reelection</u></p> <p>Takashi Suzuki<br/>(June 29, 1962)</p> <p>Attendance at the meetings of the Board of Directors: 100% (13/13)</p>       | <p>April 1985      Joined the Company</p> <p>June 2016      Director</p> <p>April 2019      Director; supervising information strategies; Deputy General Manager, Specialty Steel &amp; Wire Products Division; General Manager, Global Procurement Headquarters; General Manager, Purchasing Department of Specialty Steel &amp; Wire Products Division</p> <p>To present</p> <p>[Status of other important concurrent positions]</p> <p>Representative Director and President, Neturen Czech s.r.o.</p> | 10,094   | Not applicable   |
| <p>Reasons for nomination as a candidate for Director</p> <p>Since his appointment as Director in June 2016, Mr. Takashi Suzuki has utilized his abundant specialist knowledge and experience to strategically promote the expansion of supply chains in Japan and overseas, building the foundation of the evolving Group.</p> <p>In addition, while adapting to diversified issues related to transportation and energy, he has strengthened the Group's competitive edge, contributing to resolving the Company's management issues.</p> <p>For these reasons, the Company has judged that he is appropriately qualified as a Director of the Company, and proposes his continued appointment.</p>  |  |   |  |  |

| No.  | Name<br>(Date of birth)   | Career summary, positions, assignments and status of other important positions concurrently assumed  | No. of the Company's shares owned by the candidate | Special interest between the Company and the candidate |
|--|---|--|--|--|
| 6  | <p><u>Reelection</u></p> <p>Yoshitaka Misaka<br/>(September 27, 1958)</p> <p>Attendance at the meetings of the Board of Directors:<br/>100%<br/>(13/13)</p> | <p>April 1982    Joined the Company</p> <p>February 2005    Earned a doctoral degree in Engineering at Keio University</p> <p>June 2017    Director</p> <p>April 2018    Director; General Manager, Research and Development Headquarters; General Manager, Material Engineering Department, Research and Development Headquarters</p> <p>To present</p> | 4,377  | Not applicable   |
| <p>Reasons for nomination as a candidate for Director</p> <p>Since his appointment as Director in June 2017, Mr. Yoshitaka Misaka has utilized his abundant specialist knowledge and experience to develop heating, processing and IH heat treatment technology, while contributing to development of new heat treatment technology by simulation technology.</p> <p>In addition, he recognizes the importance of research on integration with surface modification technology other than IH, and has appropriately planned and promoted an expansion in the scope of technology for further evolution, contributing to resolving the Company's management and R&amp;D issues.</p> <p>For these reasons, the Company has judged that he is appropriately qualified as a Director of the Company, and proposes his continued appointment.</p> |   |  |  |  |
| 7  | <p><u>Reelection</u></p> <p>Nobuhiro Murai<br/>(April 24, 1961)</p> <p>Attendance at the meetings of the Board of Directors:<br/>100%<br/>(13/13)</p>       | <p>April 1986    Joined Sumitomo Metal Industries, Ltd. (currently, Nippon Steel Corporation)</p> <p>February 2000    Earned a doctoral degree in Engineering at Waseda University</p> <p>April 2017    Joined the Company</p> <p>June 2018    Director; General Manager, Quality Assurance Headquarters</p> <p>To present</p>                           | 2,110  | Not applicable   |
| <p>Reasons for nomination as a candidate for Director</p> <p>Since his appointment as Director in June 2018, Mr. Nobuhiro Murai has actively and appropriately restructured quality control systems, based on basic principles in relation to IH heat treatment of each material as well as material properties. In addition, he has established a system to properly configure the methods to control all properties for the sake of quality assurance systems and disseminated it to all the offices and group companies, contributing to restructuring quality control systems of the Group with his instructions.</p> <p>For these reasons, the Company has judged that he is appropriately qualified as a Director of the Company, and proposes his continued appointment.</p>  |   |  |  |  |

| No.  | Name<br>(Date of birth)  | Career summary, positions, assignments and status of other important positions concurrently assumed  | No. of the Company's shares owned by the candidate | Special interest between the Company and the candidate |
|--|--|--|--|--|
| 8  | <p style="text-align: center;"><span style="border: 1px solid black; padding: 2px;">New election</span></p> <p>Naoki Hisada<br/>(February 20, 1966)</p>  | <p>April 1988    Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)</p> <p>June 2017    Joined the Company</p> <p>April 2018    Executive Officer; General Manager, Human Resources Headquarters; General Manager, Planning and Coordination Department, Administrative Headquarters</p> <p>April 2020    Executive Officer; General Manager, Human Resources Headquarters; General Manager, Human Resources Division, Human Resources Headquarters; Deputy General Manager, Administrative Headquarters</p> <p>To present</p> | 540  | Not applicable   |
| <p>Reasons for nomination as a candidate for Director</p> <p>Mr. Naoki Hisada is a new candidate for Director. He envisioned the ideal structure of Human Resources Headquarters established in 2018 from a functional aspect, and promoted allocation of organization, human resources and capital toward achieving the vision appropriately and effectively.</p> <p>Furthermore, we expect him to fully demonstrate his capabilities especially for securing and developing global human resources that should be focused going forward, based on his experience and knowledge with a global perspective, which he cultivated at the previous job. In addition, he excels in understanding the entire picture and essence of management issues and in formulating effective measures to resolve them, and is a valuable talent for the Group's management.</p> <p>For these reasons, the Company has judged that he is appropriately qualified as a Director of the Company, and proposes his new appointment.</p> |  |  |  |  |
| 9  | <p style="text-align: center;"><span style="border: 1px solid black; padding: 2px;">Reelection</span></p> <p style="text-align: center;"><span style="border: 1px solid black; padding: 2px;">Outside officer</span></p> <p style="text-align: center;"><span style="border: 1px solid black; padding: 2px;">Independent officer</span></p> <p>Yasuko Teraura<br/>(October 16, 1970)</p> <p>Attendance at the meetings of the Board of Directors:<br/>100%<br/>(13/13)</p> | <p>April 2000    Registered as attorney (Dai-Ichi Tokyo Bar Association)</p> <p>October 2006    Qualified as attorney, State of New York, U.S.</p> <p>March 2010    Established Endeavour Law Office; Partner, Endeavor Law Office</p> <p>June 2014    Director, the Company</p> <p>June 2019    Outside Director, Seiko Holdings Corporation</p> <p>To present</p> <p>[Status of other important concurrent positions]</p> <p>Partner, Endeavour Law Office</p> <p>Outside Director, Seiko Holdings Corporation</p>                     | 4,573  | Not applicable   |
| <p>Reason for nomination as candidate for Outside Director</p> <p>Since her appointment as Outside Director in June 2014, Ms. Yasuko Teraura has utilized her specialist knowledge and abundant experience as an attorney, to contribute to ensuring the appropriateness of the Board of Directors' decision-making by actively offering suggestions and providing advice regarding overall management focused on corporate governance and compliance from a position independent from the Company.</p> <p>In addition, she has utilized her broad knowledge and experience regarding work-style reforms to offer suggestions from a broad perspective, contributing to promoting the reforms.</p> <p>For these reasons, the Company has judged that she is appropriately qualified as an Outside Director of the Company, and proposes her continued appointment.</p>   |  |  |  |  |

| No.   | Name<br>(Date of birth)  | Career summary, positions, assignments and status of other important positions concurrently assumed  | No. of the Company's shares owned by the candidate | Special interest between the Company and the candidate |
|---|--|--|--|--|
| 10  | <p>Reelection</p> <p>Outside officer</p> <p>Independent officer</p> <p>Mineo Hanai<br/>(July 19, 1947)</p> <p>Attendance at the meetings of the Board of Directors:<br/>100%<br/>(13/13)</p> | <p>April 1972      Joined Nippondenso Co., Ltd. (currently, Denso Corporation)</p> <p>March 2000      Earned a doctoral degree in Engineering at Nagoya Institute of Technology</p> <p>June 2006      Senior Managing Director, Denso Corporation</p> <p>June 2008      Representative Director and President, Asmo Co., Ltd.</p> <p>June 2017      Director</p> <p>To present</p> | 2,052  | Not applicable   |
| <p>Reason for nomination as candidate for Outside Director</p> <p>Since his appointment as Outside Director in June 2017, Mr. Mineo Hanai has utilized his abundant experience and achievements as a corporate manager in addition to specialist knowledge in the manufacturing industry to provide accurate advice and suggestions for issues for the improvement of technology development capabilities and business expansion promotion, contributing to resolving issues.</p> <p>In addition, he has contributed to raising the level of management as a whole through active and appropriate supervision and instruction, including providing suggestions for raising the level of top management and future human resources.</p> <p>For these reasons, the Company has judged that he is appropriately qualified as an Outside Director of the Company, and proposes his continued appointment.</p> |  |  |  |  |

- (Notes)
1. The Company has registered candidates Yasuko Teraura and Mineo Hanai as independent officer based on the stipulations of Tokyo Stock Exchange, Inc.
  2. Candidate Ms. Yasuko Teraura is currently an Outside Director of the Company, and the number of years since her appointment as Outside Director shall be six years at the conclusion of this General Meeting of Shareholders.
  3. Candidate Mr. Mineo Hanai is currently an Outside Director of the Company, and the number of years since his appointment as Outside Director shall be three years at the conclusion of this General Meeting of Shareholders.
  4. At the time of their appointment as Director, the Company entered into agreements with candidates Yasuko Teraura and Mineo Hanai as provided for in the Company's Articles of Incorporation, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act to limit their liability pursuant to Article 423, Paragraph 1 of the Companies Act, and the maximum amount of liability pursuant to the agreement is the amount stipulated by laws and regulations. If the reappointment of Ms. Teraura and Mr. Hanai is approved, the Company intends to continue these agreements.

**Proposal 3:** Election of 3 Audit and Supervisory Board Members

Audit and Supervisory Board Member Mr. Hitoshi Inagaki tendered his resignation from office and the terms of office of Audit and Supervisory Board Members Mr. Hiroshi Yoshimine and Mr. Takeshi Nakano will expire at the closing of this Ordinary General Meeting of Shareholders.

Accordingly, the election of three (3) Audit and Supervisory Board Members is proposed.

In addition, this proposal has already been approved by the Audit and Supervisory Board.

The candidates for Audit and Supervisory Board Members are as follows:

Candidates for Audit and Supervisory Board Members

| No.  | Name<br>(Date of birth)   | Career summary, positions and status of other important positions<br>concurrently assumed   | No. of the<br>Company's<br>shares<br>owned by<br>the<br>candidate | Special interest<br>between the<br>Company and<br>the candidate |
|--|---|---|---|---|
| 1  | <p style="text-align: center;"><span style="border: 1px solid black; padding: 2px;">New election</span></p> <p>Yoshihiro Ikegami<br/>(May 14, 1959)</p> | <p>April 1980      Joined the Company</p> <p>April 2009      General Manager, Sales Division, Specialty Steel &amp; Wire<br/>Products Division</p> <p>April 2016      Executive Officer; Deputy General Manager, Business<br/>Planning and Development Headquarters; General<br/>Manager, Marketing and Planning Department, Business<br/>Planning and Development Headquarters; General<br/>Manager, Support and Coordination Department, Business<br/>Planning and Development Headquarters</p> <p>May 2019      Commissioned General Manager, Business Planning and<br/>Development Headquarters; General Manager, Marketing<br/>and Planning Department, Business Planning and<br/>Development Headquarters; General Manager, Support and<br/>Coordination Department, Business Planning and<br/>Development Headquarters</p> <p>June 2019      Commissioned Assistant to President</p> <p>To present</p> | 2,800   | Not<br>applicable   |
| <p>Reasons for nomination as a candidate for Audit and Supervisory Board Member</p> <p>Mr. Yoshihiro Ikegami is a new candidate for Audit and Supervisory Board Member. Since joining the Company, he has successively held important positions in Specialty Steel &amp; Wire Products Division and Business Planning and Development Headquarters, and possesses abundant specialist knowledge and experience regarding quality assurance and sales, as well as deep insight regarding the Group's business operations he gained through his career, and is thus capable of performing audits.</p> <p>For these reasons, the Company has judged that he is appropriately qualified as an Audit and Supervisory Board Member of the Company, and proposes his new appointment.</p> |   |   |   |   |

| No.  | Name<br>(Date of birth)  | Career summary, positions and status of other important positions<br>concurrently assumed   | No. of the<br>Company's<br>shares<br>owned by<br>the<br>candidate | Special interest<br>between the<br>Company and<br>the candidate |
|--|--|---|---|---|
| 2  | <p style="text-align: center;"> <u>Reelection</u><br/> <u>Outside officer</u><br/> <u>Independent officer</u><br/> Takeshi Nakano<br/> (August 11, 1968) </p> <p>Attendance at the meetings of the Board of Directors: 100% (13/13)</p> <p>Attendance at the meetings of the Audit and Supervisory Board: 100% (15/15)</p> | <p>April 1995 Registered as Certified Public Accountant</p> <p>October 2006 Registered as Attorney-at-Law (Tokyo Bar Association)</p> <p>June 2011 Established NAKANO C.P.A. OFFICE as Representative</p> <p>December 2015 Partner, Ishizawa, Kami and Sato Law Office (currently Oku, Katayama and Sato Law Office)</p> <p>June 2016 Audit and Supervisory Board Member, the Company</p> <p>June 2019 Outside Audit and Supervisory Board Member, ARUHI Corporation</p> <p>To present</p> <p>[Status of other important concurrent positions]</p> <p>Representative, NAKANO C.P.A. OFFICE</p> <p>Partner, Oku, Katayama and Sato Law Office</p> <p>Outside Audit and Supervisory Board Member, ARUHI Corporation</p> | 3,566   | Not applicable  |
| <p>Reasons for nomination as a candidate for Outside Audit and Supervisory Board Member</p> <p>Since his appointment as Outside Audit and Supervisory Board Member in June 2016, Mr. Takeshi Nakano has utilized his specialist knowledge and experience as a Certified Public Accountant and Attorney-at-Law, to perform audits regarding the execution of duties by Directors, etc. from a position independent from the Company.</p> <p>For these reasons, the Company has judged that he is appropriately qualified as an Outside Audit and Supervisory Board Member of the Company, and proposes his continued appointment.</p> |  |   |   |   |

| No.   | Name<br>(Date of birth)  | Career summary, positions and status of other important positions<br>concurrently assumed   | No. of the<br>Company's<br>shares<br>owned by<br>the<br>candidate | Special interest<br>between the<br>Company and<br>the candidate |
|---|--|---|---|---|
| 3   | <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">New election</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Outside officer</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 5px;">Independent officer</div><br>Minoru Enjitsu<br>(August 31, 1957) | April 1980    Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)<br>April 2008    Executive Officer, The Mitsubishi Bank, Ltd.<br>June 2010    Senior Executive Officer, Mitsubishi Research Institute DCS Co., Ltd.<br>December 2010 Representative Senior Managing Director, Mitsubishi Research Institute DCS Co., Ltd.<br>December 2011 Representative Managing Director and Vice President, Mitsubishi Research Institute DCS Co., Ltd.<br>May 2014    Representative Director and President, Mitsubishi Research Institute DCS Co., Ltd.<br>October 2019 Corporate Advisor, Mitsubishi Research Institute DCS Co., Ltd.<br>To present<br>[Status of other important concurrent positions]<br>Corporate Advisor, Mitsubishi Research Institute DCS Co., Ltd. | 0   | Not applicable  |
| Reasons for nomination as a candidate for Outside Audit and Supervisory Board Member<br><br>Mr. Minoru Enjitsu is a new candidate for Outside Audit and Supervisory Board Member. He possesses abundant knowledge and experience as a corporate manager at other companies, and is capable of performing audits regarding the execution of duties by Directors, etc. from a position independent from the Company.<br>For these reasons, the Company has judged that he is appropriately qualified as an Outside Audit and Supervisory Board Member of the Company, and proposes his new appointment. |  |   |   |   |

- (Notes) 1. Candidate Mr. Takeshi Nakano is currently an Outside Audit and Supervisory Board Member of the Company, and the number of years since his appointment as Outside Audit and Supervisory Board Member shall be four years at the conclusion of this General Meeting of Shareholders.
2. At the time of the appointment as Audit and Supervisory Board Member, the Company entered into an agreement with the candidate Mr. Takeshi Nakano as provided for in the Company's Articles of Incorporation, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act to limit his liability pursuant to Article 423, Paragraph 1 of the Companies Act, and the maximum amount of liability pursuant to the agreement is the amount stipulated by laws and regulations.
3. Candidates Mr. Takeshi Nakano and Mr. Minoru Enjitsu are candidates for Independent officer based on the stipulations of Tokyo Stock Exchange, Inc.
4. At the time of their appointment as Audit and Supervisory Board Member, the Company intends to enter into agreements with candidates Mr. Yoshihiro Ikegami and Mr. Minoru Enjitsu as provided for in the Company's Articles of Incorporation, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act to limit their liability pursuant to Article 423, Paragraph 1 of the Companies Act, and the maximum amount of liability pursuant to the agreement shall be the amount stipulated by laws and regulations.

**Proposal 4:** Election of 1 Substitute Audit and Supervisory Board Member

The Company proposes that one Substitute Audit and Supervisory Board Member be elected to prepare for cases of insufficiency in the number of Audit and Supervisory Board Members as set forth in relevant laws and regulations.

In addition, this proposal has already been approved by the Audit and Supervisory Board.

The candidate for Substitute Audit and Supervisory Board Member is as follows:

Candidate for Substitute Audit and Supervisory Board Member

| Name<br>(Date of birth)   | Career summary, positions, assignments and status of other important positions concurrently assumed  | No. of the Company's shares owned by the candidate | Special interest between the Company and the candidate |
|---|--|--|--|
| <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Outside officer</div> Daisuke Takahashi<br>(February 27, 1980)  | October 2005 Registered as Attorney-at-Law (Dai-Ichi Tokyo Bar Association)<br>October 2005 Joined Shinwa Sogo Law Office<br>September 2014 Partner, Shinwa Sogo Law Office<br>To present<br>[Status of other important concurrent positions]<br>Partner, Shinwa Sogo Law Office | 0  | Not applicable   |
| <p>Reasons for nomination as a candidate for Substitute Outside Audit and Supervisory Board Member</p> <p>Mr. Daisuke Takahashi possesses specialist knowledge and experience, etc. as an attorney, and the Company has judged that he will be able to execute his duties appropriately as an Outside Audit and Supervisory Board Member.</p> <p>For these reasons, the Company intends for him to utilize his specialist knowledge and experience, etc. as an attorney in the audit operations of the Company, and proposes his appointment.</p> |  |  |  |

- (Notes)
1. Candidate Mr. Daisuke Takahashi will be elected as a Substitute Outside Audit and Supervisory Board Member. If he is appointed as an Audit and Supervisory Board Member, the Company intends to register him as an Independent officer based on the stipulations of Tokyo Stock Exchange, Inc.
  2. Mr. Daisuke Takahashi is a candidate for Substitute Outside Audit and Supervisory Board Member. At the time of his appointment as Audit and Supervisory Board Member, the Company intends to enter into an agreement with candidate Mr. Daisuke Takahashi as provided for in the Company's Articles of Incorporation, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act to limit his liability pursuant to Article 423, Paragraph 1 of the Companies Act, and the maximum amount of liability pursuant to the agreement shall be the amount stipulated by laws and regulations.



**Proposal 5:** Introduction of Performance-linked Cash Compensation and a Stock Compensation Plan to Directors

Having established a Compensation Committee, an arbitrary organ, in December 2018, the Company announced that it would consider measures to make Directors' compensation serve as a sound incentive toward ensuring sustainable growth and prepared for the submission of a proposal at this Ordinary General Meeting of Shareholders.

Affected by the spread of novel coronavirus infection, fiscal year 2020 is projected to see a significant economic downturn, and the Company considered whether it should review its compensation plan for officers in a time like this. Nonetheless, as the Company is committed to growth-oriented management over the medium to long term, it decided to propose the introduction of a new compensation plan that would serve as a sound incentive toward ensuring sustainable corporate growth, which is also recommended by the Japan's Corporate Governance Code (CGC), in order to make clear the Company's determination to increase the corporate value into the future.

Based on this understanding, we recognized that the practical issue for its operation should be how we secure versatility of performance evaluation criteria in case of significant changes in the business environment. In order to address this issue, target setting and its evaluation shall be determined by the following steps: (1) upon setting targets for an applicable fiscal year, appropriate numerical targets and evaluation criteria will be discussed at the Compensation Committee before the submission to the Board of Directors; (2) at the time of evaluation, the Compensation Committee will confirm the appropriateness of evaluation from a comprehensive perspective before submission to the Board of Directors; and (3) based on these reports by the Compensation Committee, the Board of Directors will adopt a resolution.

Based on these assumptions, the Company seeks resolution for the introduction of performance-linked cash compensation and a stock compensation plan as set forth below.

The amount of compensation for Directors of the Company was approved to be up to 35 million yen per month (including up to 2 million yen per month for Outside Directors) at the 96th Ordinary General Meeting of Shareholders held on June 28, 2007. The amount has remained unchanged.

As part of the ongoing review of the Company's compensation plan for officers, the Company proposes introducing (A) performance-linked cash compensation that is paid in accordance with the degree of achievement of performance for each fiscal year as a short-term incentive (hereinafter "Short-term Bonus"), (B) "restricted stock compensation (RS)" and (C) "performance share unit (PSU)" as mid-term incentives to Directors of the Company excluding Outside Directors (hereinafter "Eligible Directors") in order to provide them an incentive to sustainably increase the Company's corporate value and to further promote shared value between shareholders and them, separately from the current compensation for Directors. (The compensation plans (A) through (C) as well as the monthly compensation plan mentioned earlier are collectively referred to as the "Plan.") (For details, please see I "Overview of the Plan" hereinafter described.)

The amount of compensation as (A) Short-term Bonus for Eligible Directors shall be up to 150 million yen per year. The total amount of monetary compensation to be offered for granting (B) "restricted stock (RS)" and (C) "performance share unit (PSU)" shall be up to 300 million yen per year, an amount deemed reasonable in consideration of the aforementioned objectives. (Allocation thereof shall be 150 million yen per year for each of (B) "restricted stock (RS)" and (C) "performance share unit (PSU).") Eligible Directors shall, based on a resolution of the Board of Directors, make in-kind contribution of all the monetary compensation receivables to be granted according to this Proposal, and shares of common stock of the Company shall either be issued or disposed of by the Company with the upper limit set at 300,000 shares per year (Allocation thereof shall be 150,000 shares per year for each of (B) "restricted stock (RS)" and (C) "performance share unit (PSU).") (However, the maximum total number may be adjusted within a reasonable range in the case that a stock split (including an allotment of shares without contribution) or a reverse stock split of the Company's common stock is conducted, or any other reason that requires an adjustment to the maximum total number of common stock to be allotted, on or after the day on which this Proposal is resolved.) The amount to be paid per share shall be the closing price of shares of the Company's common stock on the Tokyo Stock Exchange on the business day immediately prior to the date on which resolution is made at Board of Directors meetings (or the closing price on the transaction day immediately prior thereto if no transaction is made on such business day).

For any of the plans (A) through (C), the specific timing for grant and allocation thereof to each Eligible Director shall be determined by the Board of Directors. If Proposal 2 "Election of 10 Directors" is approved as originally proposed, the number of Eligible Directors will be eight (8).

**I. Overview of the Plan**

**1. Objectives of the Plan**

- (1) Attract diverse and exceptional talents with insight, experience and capabilities that would contribute to increasing the Company's corporate value as a whole, and have them fully demonstrate their capabilities
- (2) Promote basic strategies initiatives toward achieving the corporate vision
- (3) Share interests with shareholders

## 2. Structure of the compensation

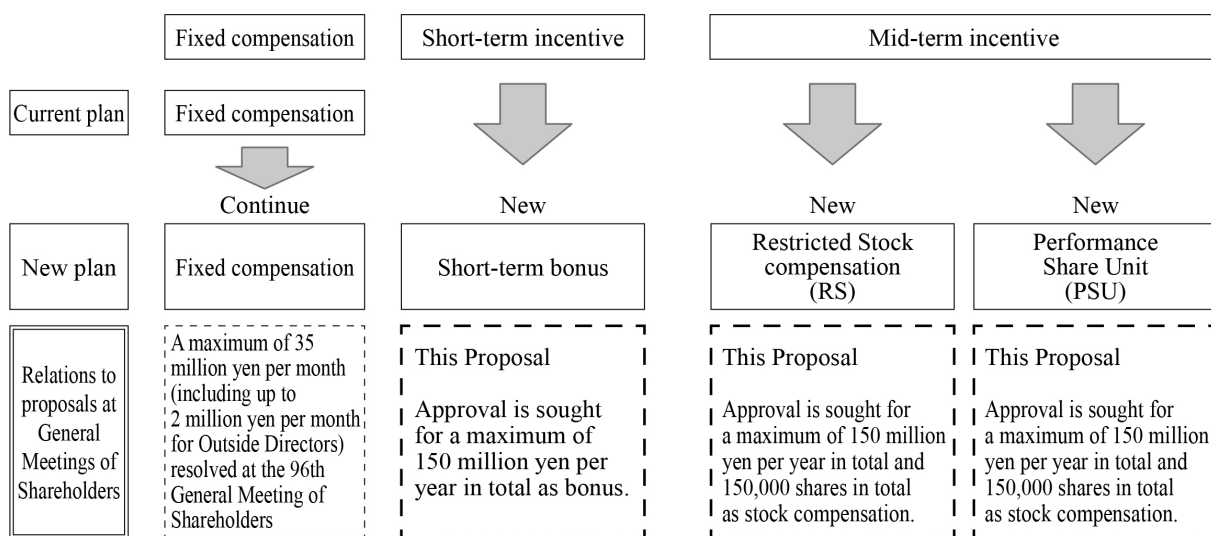
The compensation for Eligible Directors shall consist of (A) fixed compensation, (B) Short-term Bonus as a short-term incentive compensation, as well as (C) restricted stock (RS) and performance share unit (PSU) as a mid-term incentive, for the purpose of motivating them to ensure corporate growth over a medium to long term through steadily implementing the management with a long-term corporate vision and achieving and the medium-term management plan, in addition to sustainably improving business results each fiscal year. We request that the decision on the structure of the compensation be left to the discretion of the Board of Directors, but if that evaluation criteria is achieved by 120% or more, the ratio of fixed compensation, short-term incentive and mid-term incentive will be 64%, 21% and 15%, respectively.

Additionally, in order to ensure that all of the officers are aligned on the same vector toward promoting the management with a long-term corporate vision, the evaluation criteria for Short-term Bonus and performance share unit shall be identical irrespective to their positions.

## 3. Procedures for deciding compensation

The amount of compensation for Directors shall be discussed by the arbitrary Compensation Committee so that it may serve as a sound incentive toward ensuring sustainable corporate growth. The specific amount calculated by the Committee in accordance with objective and transparent procedures is then submitted to the Board of Directors.

[Changes to the structure of compensation]



## II. Overview of Restricted Stock (RS)

For the purpose of issuance or disposal of shares of the Company's common stock as restricted stock (RS), a contract on the allotment of restricted stock (hereinafter "Allotment Contract") that includes the following provisions shall be concluded between the Company and Eligible Directors.

### 1. Transfer restriction period

Eligible Directors shall not transfer, create a security interest on, or otherwise dispose of the Company's common stock (hereinafter "Transfer Restriction") that is allotted according to Allotment Contract (hereinafter "Allotted Shares") during a period from the day on which they are allotted the Allotted Shares according to Allotment Contract until the day on which they retire from both of the positions of Director and employee (hereinafter "Transfer Restriction Period").

### 2. Lifting of transfer restriction

The Company shall lift the Transfer Restriction on all of the Allotted Shares at the expiration of Transfer Restriction Period on the condition that Eligible Directors have continuously served as either Director or employee of the Company during Transfer Restriction Period. However, if such Eligible Directors lose their positions of Director prior to the expiration of a certain period due to a reason deemed reasonable by the Company's Board of Directors, the number of Allotted Shares for which Transfer Restriction is to be lifted shall be determined in accordance with the Allotment Contract and the Officers' compensation rules stipulated by the Company.

### 3. Acquisition of Allotted Shares without consideration

If the Eligible Directors retire due to a reason other than the reasons deemed reasonable by the Company's Board of Directors, or otherwise fall under any of the items stipulated in the Allotment Contract, the Company shall acquire Allotted Shares rightfully without consideration.

The Company shall acquire Allotted Shares for which Transfer Restriction has not been lifted at the expiration of Transfer Restriction Period pursuant to the provision in 2 above, rightfully without consideration.

### 4. Treatment on organizational restructuring, etc.

Notwithstanding the provision of 1 above, if an agreement of merger with the Company as the non-surviving entity, agreement of share exchange or plan for share transfer through which the Company becomes a wholly-owned subsidiary, or a matter concerning other organizational restructuring, etc. is approved at the Shareholders' Meeting (or at the Company's Board of Directors in the case where approval of the Shareholders' Meeting is not required for the said organizational restructuring, etc.) during Transfer Restriction Period, Transfer Restriction shall be lifted by the resolution of the Company's Board of Directors prior to the effective date of the said organizational restructuring, etc., with regard to the number of the Allotted Shares reasonably set forth in light of the period from the start date of Transfer Restriction Period to the effective date of the said organizational restructuring, etc. In the case described above, at the time immediately after the lifting of Transfer Restriction, the Company shall acquire Allotted Shares for which Transfer Restriction has not been lifted, rightfully without consideration.

### 5. Other matters to be determined by the Board of Directors

In addition to the above, methods for intent declaration and notification in the Allotment Contract, methods for modification of the Allotment Contract, and other matters to be determined by the Board of Directors shall be the contents of the Allotment Contract.

The shares to be allotted to Eligible Directors as restricted stock (RS) shall be, during the Transfer Restriction Period, managed in a dedicated account to be opened by each Eligible Director at a security company designated by the Company, so that Eligible Directors may not transfer, create a security interest on, or otherwise dispose of these shares during the Transfer Restriction Period.

## III. Overview of Performance Share Unit (PSU)

### 1. Performance share unit scheme

The specific scheme of the performance share unit (PSU) shall be as follows.

- (1) The Company shall at a Board of Directors meeting decide on matters including evaluation criteria (to be stipulated based on operating income, ROE, etc. and including consolidated indices), which will be necessary for calculating the specific number of the Company's common stock to be delivered to each Eligible Director (hereinafter, "Number of Shares Delivered") and methods for

calculating the payout ratio in accordance with the degree of achievement.

- (2) The Company shall, after the elapse of the consecutive three fiscal years (hereinafter, "Target Period," and the initial Target Period shall be the three fiscal years starting from the fiscal year ending March 31, 2021 until the fiscal year ending March 31, 2023; in the same manner, the performance share unit is scheduled for subsequent fiscal years after the fiscal year ending March 31, 2021, whereby every consecutive three fiscal years will be deemed as the new Target Period with each fiscal year being the initial fiscal year, within a range to be approved by this General Meeting of Shareholders), decide at a Board of Directors meeting on the Number of Shares Delivered to each Eligible Director, based on a payout ratio (the payout ratio to be calculated using a method as determined in (1) above) to be calculated in accordance with the degree of achievement of the Company's business results (the evaluation criteria as determined in (1) above), etc. during the applicable Target Period.
- (3) The Company shall deliver monetary compensation receivables to be contributed in-kind to each Eligible Director in accordance with the Number of Shares Delivered to each Eligible Director as determined in (2) above. The amount to be paid per share shall be the closing price of shares of the Company's common stock on the Tokyo Stock Exchange on the business day immediately prior to the date on which resolution is made at Board of Directors meetings (or the closing price on the transaction day immediately prior thereto if no transaction is made on such business day).
- (4) For the purpose of issuance of new stock or disposal of treasury stock of the Company, each Eligible Director shall make in-kind contribution of all the monetary compensation receivables which were granted to be contributed in-kind pursuant to (3) above, and common stock of the Company shall be allotted.

## 2. Calculation method of Number of Shares Delivered under performance share unit

The Number of Shares Delivered to each Eligible Director as provided for in 1 (2) above shall be calculated using the following formula.

[Calculation formula for Number of Shares Delivered]

Number of Shares Delivered\*<sup>1</sup> = basic Number of Shares Delivered to each Eligible Director\*<sup>2</sup> X Payout ratio\*<sup>3</sup>

\*1: Fractions of less than 100 shares as a result of calculation are rounded down to the nearest 100 shares.

\*2: To be determined by the Company's Board of Directors by taking into consideration the position, etc. of each Eligible Director.

\*3: To be calculated within a range of 0% to 100% according to the degree of achievement of the Company's business results, etc., using a method to be determined by the Company's Board of Directors.

The total number of shares of the Company's common stock to be delivered to Eligible Directors pursuant to 1 (4) above shall be up to 150,000 per fiscal year. (However, in the case that the total number of the Company's outstanding shares increases or decreases on or after the day on which this Proposal is resolved as a result of a reverse stock split, stock split, or allotment of shares without consideration, the total maximum number of the common stock to be delivered as well as the Number of Shares Delivered to each Eligible Director may be adjusted according to the said ratio.) If the total number of shares is likely to exceed the said maximum number as a result of delivery of shares of the Company's common stock in the number to be determined by the above calculation formula, the Number of Shares Delivered to each Eligible Director will be decreased by proportional allotment or by a reasonable method to be determined by the Company's Board of Directors.

Likewise, if the total number of shares is likely to exceed the said maximum amount of monetary compensation receivables as a result of delivery of the Company's common stock in the number to be determined by the above calculation formula, the Number of Shares Delivered to each Eligible Director will be decreased by proportional allotment or by a reasonable method to be determined by the Company's Board of Directors.

## 3. Conditions for delivering the Company's common stock to Eligible Directors

Under the performance share unit, after the termination of the Target Period and on condition that the stock delivery requirements described below are satisfied, the Company shall deliver its common stock (issuance of new stock or disposal of treasury stock) to each Eligible Director.

- (1) The Eligible Director has continuously occupied the position of Director (excluding Outside Director) of the Company during the Target Period
- (2) The Eligible Director has not engaged in any of the certain types of improper conduct specified by

the Company's Board of Directors

- (3) The Eligible Director meets other requirements set forth by the Company's Board of Directors that are deemed necessary to achieve the purposes of the performance share unit

For individuals who retired as Director (excluding Outside Director) of the Company during the Target Period and individuals who newly assumed the office of Director (excluding Outside Director) of the Company during the Target Period (excluding those who newly assumed the office in the first year of Target Period), the performance share pertaining to the said Target Period shall not be delivered. In the case where an agreement of merger with the Company as the non-surviving entity, agreement of share exchange or plan for share transfer through which the Company becomes a wholly-owned subsidiary, or a matter concerning other organizational restructuring, etc. is approved at the Shareholders' Meeting (or at the Company's Board of Directors in the case where approval of the Shareholders' Meeting is not required for the said organizational restructuring, etc.) during the Target Period, the performance share pertaining to the said Target Period shall not be delivered.

End