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(Stock Exchange Code 6505)

August 5, 2020

To Shareholders with Voting Rights:

Kenzo Terashima
President, Representative Director
Toyo Denki Seizo K.K.
1-4-16 Yaesu, Chuo-ku, Tokyo

**NOTICE OF
THE 159th ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

We hereby announce that the 159th Annual General Meeting of Shareholders of Toyo Denki Seizo K.K. (the “Company”) will be held as described below.

Instead of attending the meeting, you can exercise your voting rights in writing or via the Internet, etc. Please review the attached Reference Documents for the General Meeting of Shareholders, and exercise your voting rights no later than 5:00 p.m. on Tuesday, August 25, 2020, Japan time.

- 1. Date and Time:** Wednesday, August 26, 2020 at 10:00 a.m. Japan time
- 2. Place:** “Station Conference Tokyo” Meeting Room 501 (5F, Sapia Tower)
1-7-12 Marunouchi, Chiyoda-ku, Tokyo
- 3. Meeting Agenda:**
Matters to be reported:
 1. The Business Report, Consolidated Financial Statements for the Company’s 159th Fiscal Year (June 1, 2019 - May 31, 2020) and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company’s 159th Fiscal Year (June 1, 2019 - May 31, 2020)

Proposals to be resolved:

- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Election of Seven (7) Directors
- Proposal 3:** Continuation of Countermeasures against a Large-scale Purchase of the Company’s Shares, etc. (Takeover Defense Measures)

- © Of the documents to be provided with this Notice, “Information Concerning Accounting Auditor,” “Overview of Systems to Ensure Appropriate Business Operations (Basic Policy for Internal Control Systems) and Operational Status Thereof” and “Basic Policy on Control of the Company” of the Business Report, and the “Consolidated Statements of Changes in Net Assets,” “Notes to Consolidated Financial Statements,” “Non-consolidated Statements of Changes in Net Assets,” and “Notes to Non-consolidated Financial Statements” are posted on the Company’s website (<https://www.toyodenki.co.jp>) in accordance with provisions of laws and regulations as well as Article 15 of the Company’s Articles of Incorporation and therefore are not provided in this Notice. Furthermore, the aforementioned items posted on the Company’s website are part of the documents audited by the Accounting Auditor and the Board of Corporate Auditors when preparing their accounting audit report and audit report, respectively.
- © Should the Business Report, Consolidated Financial Statements, Non-consolidated Financial Statements, or the Reference documents for the General Meeting of Shareholders require revisions, the revised versions will be posted on the Company’s website.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Appropriation of Surplus

With regard to the appropriation of surplus, the Company proposes the following.

[Items related to the year-end dividend]

With regard to the year-end dividend for the fiscal year ended May 31, 2020, upon comprehensively taking into consideration the return of profits to shareholders in a stable and continuous manner, the strengthening of the business structure and other factors the Company proposes the ordinary dividend of 30 yen per share.

- (1) Type of dividend property
Cash
- (2) Items related to the allocation of dividend property to shareholders and its total amount
30 yen per share of common stock
Total of 268,247,910 yen
- (3) Effective date of distribution of surplus
August 27, 2020

Proposal 2: Election of Seven (7) Directors

As the terms of office of all six Directors will expire at the conclusion of this General Meeting of Shareholders, the election of seven Directors (including three Outside Directors), increasing the number of Directors by one in order to strengthen the management structure and the corporate governance structure, is proposed.

The candidates for Director are as follows.

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
1	Kenzo Terashima August 18, 1948 <u>Reappointment</u>	<p>April 1972 Joined the Company</p> <p>July 2001 General Manager, International Sales Division, Transportation System Business Unit</p> <p>August 2002 Executive Officer; Deputy General Manager, Sales Division</p> <p>August 2004 Appointed as Director; General Manager; Sales Division</p> <p>August 2006 Director; Division Director, Transportation Business Unit</p> <p>August 2008 Executive Director</p> <p>August 2009 Representative Senior Executive Director</p> <p>August 2012 Vice President, Representative Director</p> <p>August 2013 President, Representative Director (current position)</p> <p>[Reason for nomination as a candidate for Director] Mr. Kenzo Terashima has been driving the growth of the Group since 2013 by strengthening the management structure and promoting globalization as President, Representative Director. He is demonstrating leadership and strongly promoting “Revitalize 2020,” the new medium-term management plan currently in progress, while also working to strengthen the supervisory functions of the Board of Directors from a governance perspective. He is nominated as a candidate for Director based on the judgment that, by utilizing his experience and knowledge, he would be able to continue to appropriately supervise the management of the Group as a whole and play a significant role in sustainable growth and the improvement of corporate value.</p>	15,760

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
2	Akira Watanabe November 22, 1959 <u>Reappointment</u>	<p>April 1982 Joined the Company</p> <p>June 2000 Chief, Development Division, Transportation Systems Works, Transportation Business Unit</p> <p>June 2002 Group Manager, Business Creation Group, Development Division</p> <p>June 2003 Deputy Group Manager, Transportation Design Group, Yokohama Plant, Production Division</p> <p>June 2005 Group Manager, Traction Control Design Group, Transportation Systems Works, Yokohama Plant, Production Division</p> <p>August 2008 Deputy Center Manager, Research Center</p> <p>May 2011 Group Manager, EV Systems Group, Business Development Division</p> <p>August 2013 General Manager, Business Development Division</p> <p>August 2015 Executive Officer; General Manager, Management Planning Division</p> <p>August 2016 Appointed as Director; Division Director, Transportation Business Unit</p> <p>June 2018 Executive Director and Executive Officer; Division Director, Transportation Business Unit; General Manager, International Sales Division, Transportation Business Unit</p> <p>August 2018 Executive Director and Executive Officer; Division Director, Transportation Business Unit</p> <p>August 2019 Senior Executive Director and Executive Officer; Division Director, Transportation Business Unit; Plant Manager, Yokohama Plant (current position)</p> <p>[Reason for nomination as a candidate for Director] Mr. Akira Watanabe, since joining the Company in 1982, has been mainly engaged in transportation business, and has knowledge and experience regarding transportation business as a whole and the management of the entire Group, as evidenced by his experience in the fields of research and development and management planning. He has been appropriately supervising the management of the Group as a whole as Director since 2016. He is nominated as a candidate for Director based on the judgment that, by utilizing his experience and knowledge, he would be able to continue to appropriately supervise the management of the Group as a whole and play a significant role in sustainable growth and the improvement of corporate value.</p>	2,826

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
3	Akihiko Ishii June 22, 1956 <u>Reappointment</u>	<p> April 1981 Joined the Company November 1999 Chief, General Affairs Division June 2008 Deputy Group Manager, Industry Business Planning Group, Industry Business Unit June 2009 Group Manager, Administration Group, Yokohama Plant August 2011 General Manager, Human Resources Division August 2013 Executive Officer; General Manager, Human Resources Division August 2015 Appointed as Director; General Manager, Human Resources Division August 2017 Director June 2018 Executive Director and Executive Officer August 2019 Senior Executive Director and Executive Officer (current position) </p> <p> [Reason for nomination as a candidate for Director] Mr. Akihiko Ishii, since joining the Company in 1981, has been mainly engaged in general affairs and human resources affairs. In addition, he has served as Director since 2015 in charge of general affairs, human resources and financial affairs. He has abundant job experience at the Company and knowledge regarding management as a whole and business administration and operation. He is nominated as a candidate for Director based on the judgment that, by utilizing his experience and knowledge, he would be able to continue to appropriately supervise the management of the Group as a whole and play a significant role in sustainable growth and the improvement of corporate value. </p>	6,967

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
4	Yoshifumi Otsubo January 9, 1958 <u>Reappointment</u>	<p>April 1980 Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.)</p> <p>June 2004 General Manager, Strategy Development Department; General Manager, Strategy Support Department</p> <p>July 2005 General Manager, Hiroshima Corporate Sales Department</p> <p>January 2006 General Manager, Hiroshima Branch</p> <p>July 2007 General Manager, Corporate Research Department</p> <p>June 2010 Joined the Company; Group Manager, Management Planning Group, Planning Division</p> <p>August 2011 General Manager, Management Planning Division</p> <p>August 2012 Executive Officer; General Manager, Management Planning Division</p> <p>August 2015 Senior Executive Officer; Branch Manager of Osaka Branch</p> <p>August 2016 Senior Executive Officer; General Manager, Ryuo Factory Integration Division; Deputy Division Director, Industry Business Unit</p> <p>December 2017 Senior Executive Officer; Division Director, Industry Business Unit; General Manager, Ryuo Factory Integration Division</p> <p>June 2018 Executive Officer; Division Director, Industry Business Unit</p> <p>June 2019 Executive Officer; Division Director, Industry Business Unit; Branch Manager of Hokkaido Branch</p> <p>August 2019 Appointed as Director; Executive Officer; Division Director, Industry Business Unit; Branch Manager of Hokkaido Branch (current position)</p> <p>[Reason for nomination as a candidate for Director] Mr. Yoshifumi Otsubo, since joining the Company in 2010, has been engaged in management planning, utilizing his abundant experience at a financial institution, following which he has knowledge and experience in the management of the Group as a whole, including overseeing business divisions. He has been appropriately supervising the management of the Group as a whole as Director since 2019. He is nominated as a candidate for Director based on the judgment that, by utilizing his experience and knowledge, he would be able to continue to appropriately supervise the management of the Group as a whole and play a significant role in sustainable growth and the improvement of corporate value.</p>	4,007
5	Hirokazu Chinone March 1, 1944 <u>Reappointment</u> <u>Outside Director</u> <u>Independent Director</u>	<p>April 1969 Registered as a lawyer (Daini Tokyo Bar Association)</p> <p>May 1982 Established Chinone & Haruhara Law Office</p> <p>July 2011 Representative Director, Management and Law Committee</p> <p>March 2013 Trust Administrator, Charitable Trust (Assistance Fund Regarding Disaster Risk Management Measures for Highways of NEXCO and Associated Companies) (current position)</p> <p>April 2014 Director, Public Interest Incorporated Foundations of TETSUDOU KOUSAIKAI (current position)</p> <p>April 2015 Outside Director, Maruzen CHI Holdings Co., Ltd.</p> <p>August 2015 Appointed as Outside Director of the Company (current position)</p> <p>April 2016 Outside Director and Member of the Audit and Supervisory Committee, Maruzen CHI Holdings Co., Ltd. (current position)</p> <p>July 2017 Advisor, Management and Law Committee (current position)</p> <p>[Reason for nomination as a candidate for Outside Director] Mr. Hirokazu Chinone is a qualified lawyer and is nominated as a candidate for Outside Director based on the judgement that he would be able to give advice and make proposals in order to ensure legality and appropriateness of decision making of the Board of Directors of the Company, utilizing his high level of insight and abundant experience in the field of corporate legal practice.</p> <p>[Term of Office as Outside Director] Mr. Hirokazu Chinone currently serves as the Company's Outside Director and his term of office will be five years at the conclusion of this General Meeting of Shareholders.</p>	0

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
6	Takashi Yamagishi August 3, 1944 <u>Reappointment</u> <u>Outside Director</u> <u>Independent Director</u>	April 1970 Joined TEIJIN LIMITED March 1996 President and Director, Teijin DuPont Films S.A. June 1999 Corporate Officer, TEIJIN Group April 2004 Group Manager, Film Business Group, TEIJIN LIMITED; Vice Chairman and COO, Global Joint Venture, Teijin DuPont Films April 2005 Chief Technology Officer, TEIJIN LIMITED June 2005 Managing Director June 2006 Senior Managing Director June 2008 Executive Vice President June 2009 Vice President, Representative Director of the Board June 2010 Counselor and Chief Engineer June 2012 Counselor August 2016 Appointed as Outside Director of the Company (current position) [Reason for nomination as a candidate for Outside Director] Mr. Takashi Yamagishi has abundant experience in corporate management both in Japan and overseas and highly specialized expertise and is nominated as a candidate for Outside Director based on the judgement that he would be able to give advice and make proposals in order to ensure legality and appropriateness of decision making of the Board of Directors of the Company, utilizing his extensive insight and global view. [Term of Office as Outside Director] Mr. Takashi Yamagishi currently serves as the Company's Outside Director and his term of office will be four years at the conclusion of this General Meeting of Shareholders.	0

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
7	Koji Mizumoto November 3, 1954 <u>New appointment</u> <u>Outside Director</u> <u>Independent Director</u>	<p>April 1978 Joined NIPPON STEEL NISSHIN Co., Ltd. (currently NIPPON STEEL CORPORATION)</p> <p>June 2001 General Manager, Corporate Planning Division</p> <p>April 2005 Executive Officer; General Manager, Sales Administration Division</p> <p>April 2007 Executive Officer; General Manager, Human Resources Division</p> <p>April 2009 Managing Executive Officer; General Manager, Human Resources Division</p> <p>June 2009 Director; Managing Executive Officer; General Manager, Human Resources Division</p> <p>April 2010 Director; Managing Executive Officer; General Manager, Risk Management Promotion Office</p> <p>April 2012 Director; Managing Executive Officer; Chairman, NIPPON STEEL NISSHIN (Shanghai) Steel Trading Co., Ltd.</p> <p>June 2012 Managing Executive Officer; Chairman, NIPPON STEEL NISSHIN (Shanghai) Steel Trading Co., Ltd.</p> <p>April 2014 Vice-President, Executive Officer & CFO</p> <p>June 2014 Representative Director, Vice President, Executive Officer & CFO</p> <p>April 2017 Director</p> <p>June 2017 Senior Advisor</p> <p>June 2018 Advisor</p> <p>June 2019 Director (Outside), HISAKA WORKS, LTD. (current position)</p> <p>[Reason for nomination as a candidate for Outside Director] Mr. Koji Mizumoto has abundant experience in corporate management and knowledge in financial accounting as CFO, and is nominated as a candidate for Outside Director based on the judgement that he would be able to give advice and make proposals in order to ensure legality and appropriateness of decision making of the Board of Directors of the Company, utilizing his extensive insight and professional perspective.</p>	0

- (Notes) 1. There are no special interests between each candidate for Director and the Company.
2. Mr. Hirokazu Chinone, Mr. Takashi Yamagishi and Mr. Koji Mizumoto are candidates for Outside Director as stipulated in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.
The Company has registered them as independent officers with the Tokyo Stock Exchange.
3. As to liability of Outside Officers set forth in Article 423, Paragraph 1 of the Companies Act, the Company may enter into an agreement to limit their liability to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, when they performed their duties in good faith and without gross negligence, as stipulated in the Articles of Incorporation of the Company. If the proposal is approved and Mr. Hirokazu Chinone and Mr. Takashi Yamagishi are elected, the above-mentioned liability limitation agreement shall retain their effect. In addition, if Mr. Koji Mizumoto is elected, the Company intends to enter into the above agreement to limit his liability.

<Reference>

■ Standards for Independence of Outside Officers

In addition to fulfilling the criteria in the amended Companies Act, Outside Officers shall also not fall under any of the following items, in accordance with the Tokyo Stock Exchange “Guidelines Relating to Listing Management, etc.”

- (1) In the event that a company where the Outside Officer serves as an executive* receives payment from the Company or a subsidiary of the Company as consideration for products, components, or services, or makes payment to the Company or a subsidiary of the Company, cases when the amount of such payments exceeds 2% of the consolidated net sales of either company in any fiscal year during the past three fiscal years.
- (2) Cases when the Outside Officer has received compensation exceeding 10 million yen directly from the Company or a subsidiary of the Company as a legal, accounting, or tax specialist or consultant (or in the event of a corporation, a person belonging to that corporation) in any fiscal year during the past three fiscal years.
- (3) Cases when contributions from the Company to a non-profit organization where the Outside Officer serves as an officer executing business operations have exceeded 10 million yen in any fiscal year during the past three fiscal years.
- (4) Cases when the Outside Officer is or has been a major shareholder of the Company or an executive thereof, directly or indirectly holding more than 10% of the Company’s voting rights during the past three years.
- (5) Cases when a relative within the second degree of the Outside Officer falls under the following categories:
 - An executive of the Company or a subsidiary of the Company during the past three years (excluding insignificant persons);
 - A person falling under any of the above items (1) to (4) (excluding insignificant persons).

*Executive: An executive director, executive officer, operating officer, manager, or other employee

Proposal 3: Continuation of Countermeasures against a Large-scale Purchase of the Company's Shares, etc. (Takeover Defense Measures)

At the 147th Annual General Meeting of Shareholders held on August 26, 2008, the Company introduced countermeasures against a large-scale purchase of the Company's shares (takeover defense measures) upon receiving shareholders' approval, and subsequently, most recently, renewed this policy after receiving shareholders' approval at the 156th Annual General Meeting of Shareholders held on August 29, 2017 (hereinafter, the existing takeover defense measures shall be referred to as "the Current Plan").

As the effective period of the Current Plan is until the conclusion of this Annual General Meeting of Shareholders, the Company has considered its status, including the appropriateness of its continuation, from the perspective of securing and enhancing corporate value and shareholders' common interests. As a result, at a meeting of the Board of Directors held on July 13, 2020, the Company has decided to continue the Current Plan upon making partial changes to its contents, subject to receiving the approval of shareholders (hereinafter, the policy after continuation shall be referred to as "this Plan").

Accordingly, the continuation of this Plan is proposed. If shareholders' approval is received at this Annual General Meeting of Shareholders, the effective period of this Plan shall be from that point until the conclusion of the Annual General Meeting of Shareholders of the Company to be held in August 2023.

When continuing this Plan, the Company has made required changes, including amending "2. Initiatives to Contribute to the Realization of the Basic Policy," "Attachment 2 Past Experience of the Independent Committee Members," "Attachment 3 Status of Shareholdings by Major Shareholders of the Company," etc. to the latest information, and other amendments to dates and wording, etc., but there are no changes to the fundamental plan.

Furthermore, this Plan was determined by the unanimous approval of all Directors at a meeting of the Board of Directors when all six Directors attended, including two Outside Directors. In addition, at the meeting of the Board of Directors, all four Corporate Auditors of the Company attended, including three Outside Corporate Auditors, and expressed the opinion that this Plan is appropriate as countermeasures against a large-scale purchase of the Company's shares, etc.

1. Basic Policy Regarding the Status of Persons Controlling Decisions about the Company's Financial and Business Policies

As an entity whose shares are listed on a financial instruments exchange, the Company respects the free transaction of its shares on the exchange, and even in the case of a large-scale purchase of the Company's shares by a specific person, the Company shall not categorically deny it, provided it contributes to securing and enhancing the corporate value of the Group and shareholders' common interests. In addition, the Company believes that ultimately, whether or not to accept a large-scale purchase of shares should be entrusted to the determination of shareholders.

However, among proposals for large-scale purchases of shares, there are some for which the necessary information for shareholders to make a final decision has not been provided, some that cannot be said to sufficiently reflect the value of the Group, and some that may harm the corporate value of the Group and shareholders' common interests, such as those for which there is a possibility that favorable relationships with stakeholders may not be maintained.

For such proposals, the Board of Directors of the Company believes that, as the responsibility of persons entrusted by shareholders, they must act on shareholders' behalf to perform actions such as securing the necessary time and information and negotiating with the person making the large-scale purchase proposal for the Company's shares.

2. Initiatives to Contribute to the Realization of the Basic Policy

(1) Initiatives to Enhance Corporate Value

The Company was founded in June 1918 in order to produce electrical equipment for rail vehicles in Japan, and over a period of more than 100 years since then, has developed and manufactured various products in the transport and general industrial fields as a specialist manufacturer of electrical systems with its core technology in the field of motors, motor drives, and related technology, and contributed to society.

In the same way that the Company was the first to manufacture some of these products in Japan, the Company has built trust and a track record of performance in fields that are of a highly social, public nature and contribute to the foundations of society, with its superior technical skill and steady responsiveness.

As it looks toward the realization of its long-term vision, "integrating the exceptional motor drive technologies developed since our establishment with our breakthrough advanced technologies to help build social infrastructure systems that are sustainable for the global environment through global business

development,” the Group formulated and is promoting “Revitalize 2020,” a four-year medium-term management plan starting from July 2018 with 2020 as the first target year and the fiscal year ending May 31, 2022 as the final year.

Under the basic policy set forth in this plan, we are working together as a Group to increase our “earning power” and establish a “leaner” business operation structure that generates a stable profit.

Furthermore, the principal measures in the plan that the Company is currently promoting are as follows.

- 1) Expand overseas business
 - Review our business strategy according to the economic and technological development of the other country
 - Expand new business in the Industrial Systems segment in Southeast Asia
 - Strategically participate in new urban transportation projects
- 2) Expand business areas utilizing core technologies
 - Promote commercialization with a view to future business potential and market trends
 - Develop new business based on the latest technological innovations
 - Expand business areas utilizing alliances and M&A
- 3) Promote technological developments that anticipate market needs
 - Engage in timely product development by strengthening market analysis
 - Establish new production technology for mainstay parts (products)
- 4) Build a stable business earnings structure
 - Reduce costs to improve business profitability
 - Strengthen collaboration between sales and factory systems through companywide activities
 - Promote Group management with a focus on “earning power”
 - a) Promote “selection and concentration” throughout the Group
 - b) Build a sales and production system as a Group
- 5) Develop an infrastructure to expand production capacity
 - Strengthen process management by making maximum use of backbone system functions, and build optimal production lines
 - Expand production capacity by rebuilding production lines (Yokohama Plant)
 - Improve the operating rate of the new production line (Shiga Ryo Plant)
 - Restructure the supply chain
 - Upgrade the BCP (Business Continuity Plan)
- 6) Train human resources to lead the future
 - Establish and implement a human resources rotation system for organizational revitalization
 - Strengthen the training of next-generation executives and overseas employees
 - Undertake the early training of young managers who will become key members of the organization
- 7) Promote ESG activities
 - Promote initiatives to reduce the environmental impact of business activities
 - Promote work style reforms
 - Enhance corporate governance

(2) Corporate Governance

The Company embraces the business principle of prioritizing ethics and contributing to the prosperity of customers and society as the starting point for its corporate activities. Recognizing the importance of practicing compliance based on corporate ethics, the Group continually reviews its control and monitoring to adapt to changes in the social, regulatory, and business climate. This is part of a commitment to enhance and expand corporate governance to ensure the healthy management of the Group.

In April 2018, we established the Nomination and Compensation Advisory Committee set up under the Board of Directors with the participation of Outside Directors in order to further strengthen corporate governance, thereby creating a mechanism to ensure objectivity and transparency when selecting candidates for Directors and Executive Officers and determining their remuneration.

In addition, in June 2018, we separated the supervision and execution functions of the Board of Directors so that by delegating business execution to Executive Officers, the Board of Directors is mainly responsible for supervisory functions.

As a company with a Board of Corporate Auditors, the supervisory function of the Board of Directors and the audit function of Corporate Auditors in regard to the business execution of Directors both function effectively.

As corporate governing bodies based on laws and regulations and the Articles of Incorporation, the Company has a Board of Directors, Corporate Auditors, a Board of Corporate Auditors, and Independent Accounting Auditors, in addition to the General Meeting of shareholders and Directors.

The Board of Directors comprises six Directors, including two Outside Directors, and, in addition to making decisions on matters to be decided solely at the discretion of the Board of Directors and important management matters, also supervises Directors' and Executive Officers' business execution. Furthermore, a Management Strategy Meeting and Executive Officer Report Meeting are held, with Directors, Operating Officers, and Corporate Auditors in attendance, and all officers at these meetings share information reported from each operational division, in addition to confirming the status of progress on management issues, and conducting the necessary deliberation of important management issues.

There are four Corporate Auditors, including three Outside Corporate Auditors, and in addition to auditing the business execution of Directors through attendance at important meetings such as the Board of Directors and the Management Strategy Meeting and confirming the status of operations and assets, the Board of Corporate Auditors also works closely with internal auditors and Accounting Auditors, strengthening their mutual coordination by, for example, exchanging information, and thus enhancing the effectiveness and efficiency of audits.

In addition, the Company has an Internal Control Committee under the Board of Directors, which deliberates the awareness of risks in the Company and countermeasures, etc.

Going forward, the Company will continue to work to enhance the corporate governance system.

3. Objective of this Plan

The Board of Directors of the Company has decided to continue this Plan in order to make clear the rules that persons attempting to conduct a large-scale purchase of the Company's shares, etc. should follow, and to secure the necessary and sufficient information and time for shareholders and investors to make an appropriate assessment, together with opportunities to negotiate with the person attempting to conduct the large-scale purchase.

As follows, this Plan sets forth the rules that persons attempting to conduct a large-scale purchase of the Company's shares, etc. should follow, and makes it clear that any persons attempting to conduct a large-scale purchase might incur damages as a result of the Company taking countermeasures in certain cases, and by making appropriate disclosure thereof, a warning is hereby given to any persons attempting to conduct a large-scale purchase that will not contribute to the Company's corporate value and shareholders' common interests.

Furthermore, under this Plan, in order to eliminate arbitrary judgments by the Board of Directors of the Company when activating countermeasures, etc., the Company shall respect to the maximum extent possible the recommendation of an independent committee (hereinafter, the "Independent Committee") made up solely of persons independent from the management team conducting the business operations of the Company who are Outside Directors of the Company, Outside Corporate Auditors of the Company, or outside experts (corporate managers with a track record of performance, former government employees, attorneys, certified public accountants, academic experts, or other equivalent persons), in accordance with the Independent Committee Regulations (please refer to Attachment 1 for an overview thereof), in addition to ensuring transparency by making timely disclosure of related information to shareholders and investors. For the members of the Independent Committee at the time of the continuation of this Plan, the Company intends to appoint the three persons listed in Attachment 2.

In addition, the status of major shareholders of the Company as of May 31, 2020 is as shown in Attachment 3, "Status of Shareholdings by Major Shareholders of the Company." The Company has not received any inquiries or requests, etc. regarding a large-scale purchase of the Company's shares, etc. at the present time.

4. Details of this Plan (Initiatives to Prevent Decisions about the Company's Financial and Business Policies Being Controlled by Inappropriate Persons in light of the Basic Policy)

(1) Procedures Relating to this Plan

1) Applicable Large-scale Purchases, etc.

This Plan shall apply in cases when a purchase or other similar action pertaining to the Company's shares, etc. that falls under category (i) or (ii) below is conducted (however, this excludes those that have been approved by the Board of Directors of the Company; hereinafter, the relevant actions are referred to as "large-scale purchase(s), etc.>"). Persons conducting or attempting to conduct a large-scale purchase, etc. (hereinafter, "purchaser(s), etc.") must comply with the procedures set forth in advance in this Plan.

- (i) Purchases whereby the ownership ratio of shares, etc.¹ of a holder² in relation to shares, etc.³

¹ As defined in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act. The same shall apply hereinafter.

² Refers to a holder as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act, and includes

issued by the Company will be 20% or more

- (ii) A tender offer⁴ for shares, etc.⁵ issued by the Company, whereby the total of the ownership ratio of shares, etc.⁶ pertaining to the shares, etc. that the tender offer concerns and the ownership ratio of shares, etc. of any specially related parties⁷ thereof will be 20% or more.

2) Prior Submission of Letter of Intent to the Company

The purchaser, etc. shall submit to the Board of Directors of the Company a written statement that includes a pledge to comply with the procedures set forth in this Plan when conducting a large-scale purchase, etc. (hereinafter, the “Letter of Intent”) in Japanese, in the form specified by the Company, ahead of the implementation of any large-scale purchase, etc.

Specifically, the following items shall be provided in the Letter of Intent.

- (i) Overview of the purchaser, etc.
 - (a) Name or corporate name and address or location
 - (b) Position and name of representative
 - (c) Object and business details of the company, etc.
 - (d) Overview of major shareholders or major investors (top ten by shares held or investment ratio)
 - (e) Contact details in Japan
 - (f) Governing law of incorporation
- (ii) Number of the Company’s shares, etc. actually held by the purchaser, etc., and status of transactions of the Company’s shares, etc. by the purchaser, etc. over the 60 days prior to the submission of the Letter of Intent
- (iii) Overview of the large-scale purchase, etc. proposed by the purchaser, etc. (including the type and number of the Company’s shares, etc. that the purchaser, etc. intends to acquire through the large-scale purchase, etc., and the objective of the large-scale purchase, etc. (the acquisition of control or participation in management, portfolio investment or strategic investment, the transfer, etc. of the Company’s shares, etc. to a third party after the large-scale purchase, etc., or if there is any other objective, such as making a Material Proposal⁸, notice to that effect and the details thereof; furthermore, in the event that there are multiple objectives, all shall be given.))

3) Provision of the Required Information

If the Letter of Intent described in the above item 2) is submitted, then the purchaser, etc. shall then provide to the Company information that is necessary and sufficient for shareholders and investors to make an assessment regarding the large-scale purchase, etc. (hereinafter, the “Required Information”), in accordance with the procedure below.

First, within ten (10) business days⁹ (not including the first day) of the submission of the Letter of Intent, the Company shall dispatch to the purchaser, etc. at his or her contact address in Japan in the above item 2)

- (i) (e) a list of the information that should initially be provided, and the purchaser, etc. shall thus provide sufficient information to the Company, in Japanese, in accordance with the list of information.

In addition, in the event that the Board of Directors of the Company reasonably judges that the

persons included as holders pursuant to Paragraph 3 of the same.

³ As defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act. The same applies hereinafter unless otherwise provided for. Furthermore, in the event of amendments to laws and regulations, etc. cited in this Plan (including changes to the names of laws and regulations and the establishment of new laws, etc. that succeed the former laws and regulations, etc.), each provision or term of the law or regulation, etc. cited in this Plan shall be deemed to be replaced with the provision or term in the law or regulation, etc. that substantially succeeds these provisions or terms of laws or regulations, etc. after the amendment, unless otherwise determined by the Board of Directors of the Company.

⁴ As defined in Article 27-2, Paragraph 6 of the Financial Instruments and Exchange Act. The same shall apply hereinafter.

⁵ As defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act. The same shall apply in Item 2 hereinafter.

⁶ As defined in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act. The same shall apply hereinafter.

⁷ Refers to a specially related party as defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act. However, with regard to persons listed in Item 1 of the same, this excludes persons set forth in Article 3, Paragraph 2 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than Issuer. The same shall apply hereinafter.

⁸ Refers to a Material Proposal as defined in Article 27-26, Paragraph 1 of the Financial Instruments and Exchange Act, Article 14-8-2, Paragraph 1 of the Order for Enforcement of the Financial Instruments and Exchange Act, and Article 16 of the Cabinet Office Ordinance on Disclosure of the Status of Large-Volume Holdings in Share Certificates, etc. The same applies hereinafter unless otherwise provided for.

⁹ A business day refers to days other than those listed in each item of Article 1, Paragraph 1 of the Act on Holidays of Administrative Organs.

information provided by the purchaser, etc. in accordance with the list of information is insufficient for the assessment of shareholders or the evaluation and consideration of the Board of Directors of the Company, etc., in light of the details and format, etc. of the large-scale purchase, etc., then the purchaser, etc. shall provide additional information as separately requested by the Board of Directors of the Company. Furthermore, regardless of the details and format, etc. of the large-scale purchase, etc., information pertaining to each of the items below shall, in principle, be included in part of the list of information.

- (i) Details of the purchaser, etc. and its group (including any joint holders¹⁰, specially related parties, and, in the case of funds, each member and other constituents) (including history, specific name, capital structure, business details, financial details, and the names and past experience of officers)
- (ii) Purpose of the large-scale purchase, etc. (details of the purpose disclosed in the Letter of Intent), method and details (including whether or not the purchaser, etc. intends to participate in management, the type and amount of consideration for the large-scale purchase, etc., timing of the large-scale purchase, etc., the structure of any related transactions, the number of shares, etc. the purchaser, etc. intends to purchase and the ownership ratio of shares, etc. after the purchase, etc., and the legality of the method of large-scale purchase, etc.)
- (iii) Calculation basis for the large-scale purchase, etc. consideration (including assumptions and facts used in the calculation, the calculation method, numerical data used in the calculation and the details of any synergies expected to arise as a result of transactions related to the large-scale purchase, etc., and, in the event that any third parties have been consulted when performing the calculation, the names of those third parties, a summary of their opinions, and the process that led to them determining the amount in light of these opinions)
- (iv) Backing for the funds for the large-scale purchase, etc. (including the specific name of the provider of funds (including any de facto providers), the method of raising funds, and the details of any related transactions)
- (v) Whether or not there has been any communication of intent with any third parties in connection with the large-scale purchase, etc. and, in the event that there has been a communication of intent, the details thereof and an overview of those third parties
- (vi) In the event that the purchaser, etc. has already entered into a lending agreement, pledge agreement, resale agreement, engagement agreement for purchase and sale or other important agreement or arrangement (hereinafter referred to as “pledge agreement, etc.”) pertaining to the Company’s shares, etc., the specific details of the pledge agreement, etc., including the type of agreement, agreement counterparty, and number of shares, etc. to which the agreement applies
- (vii) In the event that the purchaser, etc. intends to enter a pledge agreement, etc. or other form of agreement with a third party in relation to the Company’s shares, etc. that it plans to acquire in the large-scale purchase, etc., the specific details of the agreement, including the type of agreement planned, agreement counterparty, and the number of shares, etc. to which the agreement applies
- (viii) Management policies, business plans, capital strategy, and dividend strategy for the Company and the Group after the large-scale purchase, etc.
- (ix) Policies regarding the treatment, etc. of the Company’s employees, labor unions, business partners, customers, local communities, and other stakeholders of the Company after the large-scale purchase, etc.
- (x) Specific measures to avoid a conflict of interest with other shareholders of the Company.

Furthermore, the Board of Directors of the Company shall appropriately make clear the fact that there was a proposal for a large-scale purchase, etc. from a purchaser, etc., and shall make timely, appropriate disclosure of an overview thereof, an overview of the Required Information, and any other information recognized as necessary for the judgment of shareholders and investors, if there is such information.

In addition, if the Board of Directors of the Company recognizes that the Required Information has been sufficiently provided by the purchaser, etc., it shall notify the purchaser, etc. to that effect (hereinafter, the “Completion Notice of Information Provision”), and shall make prompt disclosure to that effect.

4) Establishment of the Board of Directors’ Evaluation Period, etc.

After the Completion Notice of Information Provision, the Board of Directors of the Company will establish a period in accordance with (i) or (ii) below depending on the difficulty of evaluating the large-scale purchase, etc., as a period for the Board of Directors of the Company to evaluate, consider, negotiate, form an opinion, and formulate an alternative proposal (hereinafter, the “Board of Directors’

¹⁰ Refers to a joint holder as defined in Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Act, and includes persons recognized by the Board of Directors of the Company to be deemed as joint holders pursuant to Paragraph 6 of the same.

Evaluation Period”).

- (i) A period of up to 60 days in the event of a tender offer for all of the Company’s shares, etc. where the consideration is cash only (Japanese yen)
- (ii) A period of up to 90 days for any other large-scale purchase, etc.

However, in either case (i) or (ii) above, the Board of Directors’ Evaluation Period may be extended if the Board of Directors and the Independent Committee reasonably recognize that it is insufficient for the evaluation and consideration of the Board of Directors, and in that case, the purchaser, etc. shall be notified of the specific extension period and reasons why the extension period is necessary, and disclosure shall be made to shareholders and investors. In addition, the extension period shall be up to a maximum of 30 days.

During the Board of Directors’ Evaluation Period, the Board of Directors of the Company shall perform such actions as sufficiently evaluating and considering the Required Information provided by the purchaser, etc. while appropriately obtaining advice from outside experts, etc. as necessary, and consider the content of the large-scale purchase, etc. by the purchaser, etc. from the perspective of securing and enhancing the corporate value of the Company and shareholders’ common interests. Through these considerations, etc., the Board of Directors of the Company will carefully summarize the opinion of the Board of Directors in regard to the large-scale purchase, etc. and notify the purchaser, etc. thereof, in addition to making timely, appropriate disclosure to shareholders and investors. In addition, if necessary, the Board of Directors of the Company may negotiate the terms and method of the large-scale purchase, etc. with the purchaser, etc., and, furthermore, present an alternative proposal to shareholders and investors as the Board of Directors of the Company.

5) Recommendation of the Independent Committee regarding the Activation of Countermeasures

After the commencement of the Board of Directors’ Evaluation Period, the Independent Committee shall begin performing such actions as considering the content of the large-scale purchase by the purchaser, etc. and the opinion of the Board of Directors of the Company and any alternative proposal, etc., at the same time as the evaluation, consideration, negotiation, opinion forming, and formulation of an alternative proposal by the Board of Directors described in the above item 4), and during the Board of Directors’ Evaluation Period, shall provide a recommendation to the Board of Directors of the Company regarding the appropriateness of the activation of countermeasures or to confirm the will of shareholders, in accordance with the procedures below. When doing so, in order to ensure that the judgment of the Independent Committee is made in a manner that contributes to the securing and enhancing of the corporate value of the Company and shareholders’ common interests, the Independent Committee may, at the Company’s expense, obtain the advice of outside experts who are independent of the management team engaged in the business execution of the Company (including investment banks, securities firms, financial advisers, certified public accountants, attorneys, consultants, and other experts). Furthermore, in the event that the Independent Committee provides a recommendation to the Board of Directors of the Company as defined in any of the items (i) through (iii) below, the Board of Directors of the Company shall promptly disclose information relating to the fact that the recommendation was made, an overview thereof, and any other matters judged appropriate by the Board of Directors of the Company.

- (i) Cases when the purchaser, etc. has not complied with the procedures set forth in this Plan, or when it is clearly recognized that the large-scale purchase, etc. by the purchaser, etc. will significantly harm the corporate value of the Company or shareholders’ common interests

In cases when the purchaser, etc. has not complied with the procedures stipulated in this Plan, or when it is recognized that the large-scale purchase, etc. by the purchaser, etc. will significantly harm the corporate value of the Company and shareholders’ common interests, and the Independent Committee judges that the activation of countermeasures is appropriate, then the Independent Committee shall recommend that the Board of Directors of the Company activates countermeasures. Specifically, if the large-scale purchase, etc. falls under any of the types listed in Attachment 4-1, and as a result it is reasonably judged from an objective standpoint that it will cause harm to the Company that will be difficult to recover from, and may effectively force shareholders to sell the Company’s shares, etc., then it shall be deemed to be a case when it is clearly recognized that the large-scale purchase, etc. shall cause significant harm to the corporate value of the Company and shareholders’ common interests.

Furthermore, the activation of countermeasures shall not be recommended in cases when the large-scale purchase, etc. falls under any of the types listed in Attachment 4-1 for formal reasons only. The above recommendation to activate countermeasures shall only be made in cases when it is clearly recognized that the large-scale purchase, etc. will significantly harm the corporate value of the Company and shareholders’ common interests.

- (ii) Cases when there is a risk that the large-scale purchase, etc. by the purchaser, etc. may harm the corporate value of the Company and shareholders' common interests

Even if the large-scale purchase, etc. does not fall under item (i) above, if it is recognized that there is a risk that the large-scale purchase, etc. by the purchaser, etc. may harm the corporate value of the Company and shareholders' common interests, and it is judged that the activation of countermeasures is appropriate, then the Independent Committee shall, in principle, make a recommendation to the Board of Directors of the Company to the effect that the will of shareholders should be confirmed regarding the content of countermeasures and approval for their activation.

Furthermore, if it is judged that the large-scale purchase, etc. falls under any of the types listed in Attachment 4-2, then, in principle, it shall be recognized that the large-scale purchase, etc. may harm the corporate value of the Company or the common interests of shareholders.

- (iii) Cases when it is recognized that the large-scale purchase, etc. by the purchaser, etc. will not harm the corporate of the Company or shareholders' common interests

In cases other than those defined as either items (i) or (ii) above, the Independent Committee shall recommend that the Board of Directors of the Company does not activate countermeasures.

6) Confirmation of Shareholders' Will

If, in accordance with the above item 5) (ii), the Independent Committee recommends that the Board of Directors of the Company should confirm the will of shareholders regarding the content of countermeasures and approval for their activation, then the Board of Directors of the Company shall convene a General Meeting of Shareholders to confirm the will of shareholders (hereinafter, a "Shareholder Will Confirmation General Meeting") within as short a time as practically possible, excluding cases when holding the meeting would be very difficult for practical reasons, and submit a proposal regarding the activation of countermeasures. The Shareholder Will Confirmation General Meeting may be held together with the Annual General Meeting of Shareholders or an Extraordinary General Meeting of Shareholders. If the Board of Directors of the Company decides to hold a Shareholder Will Confirmation General Meeting, then the Board of Directors' Evaluation Period shall end at that point. If a proposal regarding the activation of countermeasures is approved at the Shareholder Will Confirmation General Meeting, then, in accordance with the decision made at the Shareholder Will Confirmation General Meeting, the Board of Directors of the Company shall make a resolution regarding the activation of countermeasures and take the necessary procedures. Meanwhile, if a proposal regarding the activation of countermeasures is rejected at the Shareholder Will Confirmation General Meeting, the Board of Directors of the Company shall make a resolution regarding the non-implementation of countermeasures.

In addition, if a Shareholder Will Confirmation General Meeting is conducted, the Board of Directors of the Company shall promptly disclose information relating to the results of the vote and any other matters judged to be appropriate by the Board of Directors of the Company.

7) Resolution of the Board of Directors

While respecting the recommendation of the Independent Committee set forth in the above item 5) to the maximum extent possible, and in accordance with the decision of the Shareholder Will Confirmation General Meeting set forth in the above item 6), the Board of Directors of the Company shall promptly make a resolution regarding the activation or non-activation of countermeasures, from the perspective of securing and enhancing the corporate value of the Company and shareholders' common interests.

If it makes a resolution as set forth above, then regardless of whether the content of that resolution is to activate or not activate countermeasures, the Board of Directors of the Company shall promptly disclose information relating to an overview of the resolution and any other matters judged to be appropriate by the Board of Directors of the Company.

8) Suspension of the Activation of Countermeasures

After the Board of Directors of the Company has resolved to activate countermeasures in accordance with the procedures set forth in the above item 7), or even after it has activated them, it may resolve to suspend the activation of countermeasures if: (i) the purchaser, etc. cancels the large-scale purchase, etc.; or (ii) changes arise to the facts, etc. that formed the basis of the decision on whether or not to activate countermeasures, leading to circumstances where it is believed the activation of countermeasures would not be appropriate from the perspective of securing and enhancing the corporate value of the Company and shareholders' common interests.

If the Board of Directors of the Company makes the above resolution, it shall promptly disclose information relating to an overview of that resolution and any other matters judged to be appropriate by the Board of Directors of the Company.

9) Commencement of the Large-scale Purchase, etc.

The purchaser, etc. shall comply with the procedures stipulated in this Plan, and may not commence the large-scale purchase, etc. until a resolution is made by the Board of Directors regarding whether to activate or not activate countermeasures.

(2) Details of Specific Countermeasures under this Plan

The specific countermeasure to be activated by the Board of Directors of the Company based on a resolution as described in the above item (1) 7) shall be a gratis allotment of stock acquisition rights (hereinafter, the “Stock Acquisition Rights”).

An overview of the gratis allotment of the Stock Acquisition Rights is as described in Attachment 5, “Overview of the Gratis Allotment of Stock Acquisition Rights.”

After the Board of Directors of the Company has resolved to activate countermeasures, and even after activation, it may decide to cancel the countermeasures or suspend activation, as described in the above item (1) 8). For example, in cases when the Board of Directors of the Company resolves to conduct a gratis allotment of the Stock Acquisition Rights as a countermeasure, if the purchaser, etc. cancels the large-scale purchase, etc. and the Board of Directors of the Company makes a resolution as described in the above item (1) 8), it may suspend the activation of countermeasures by measures including canceling the gratis allotment of the Stock Acquisition Rights prior to the ex-rights date pertaining to the record date established for the gratis allotment of the Stock Acquisition Rights, and, on or after the effective date of the gratis allotment of the Stock Acquisition Rights, acquisition of the Stock Acquisition Rights by the Company without consideration prior to the day before the commencement date of the Stock Acquisition Rights’ exercise period.

(3) Effective Period, Discontinuation, and Amendment of this Plan

If approved at this Annual General Meeting of Shareholders, the effective period of this Plan shall be until the conclusion of the Annual General Meeting of Shareholders to be held in August 2023.

However, even before the end of the effective period, if a resolution is made to amend or discontinue this Plan at a General Meeting of Shareholders of the Company, this Plan shall be amended or discontinued at that time, in accordance with the resolution. In addition, if a resolution to discontinue this Plan is made by the Board of Directors, which comprises Directors elected at the General Meeting of Shareholders of the Company, then this Plan shall be discontinued at that time.

Furthermore, if the Board of Directors of the Company judges that formal amendments are necessary in accordance with amendments to the Companies Act, the Financial Instruments and Exchange Act, other laws and regulations or financial instruments exchange rules, or their interpretation or implementation, or changes to the tax system or judicial precedents, etc., then it may make corrections or amendments to this Plan as needed, after obtaining the approval of the Independent Committee. On the other hand, if making amendments to the content of this Plan that will have a material effect on the Company’s shareholders, the Board of Directors of the Company shall newly submit a proposal to the soonest General Meeting of Shareholders and obtain shareholders’ approval.

If this Plan is discontinued or amendments are made to the content of this Plan that will have a material effect on the Company’s shareholders, then the Company shall promptly disclose information relating to the fact of the discontinuation or the amendments, and (in the case of amendments) details of the amendments, and any other matters judged to be appropriate by the Board of Directors of the Company.

5. Reasonableness of this Plan

(1) Fulfills the Requirements of the Guidelines Regarding Takeover Defense

This Plan fulfills the three principles set forth in the “Guidelines Regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholders’ Common Interests” announced by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005 (the principle of protecting and enhancing corporate value and the interests of shareholders as a whole, the principle of prior disclosure and shareholders’ will, and the principle of necessity and reasonableness), and also takes into consideration the content of the “Takeover Defense Measures in Light of Recent Environmental Changes” announced by the Corporate Value Study Group on June 30, 2008. In addition, this Plan is consistent with the intent of the various rules, etc. relating to the introduction of takeover defense measures set forth by the Tokyo Stock Exchange.

Furthermore, the Company intends to implement all the principles of Japan’s Corporate Governance Code relating to takeover defense measures (Principle 1.5 and Supplementary Principle 1.5.1).

(2) Continued for the Purpose of Securing and Enhancing the Corporate Value of the Company and Shareholders' Common Interests

As described in the above item 3., this Plan has been continued with the objective of securing and enhancing the corporate value of the Company and shareholders' common interests, by making it possible to secure the necessary information and time for shareholders to judge whether or not to accept a large-scale purchase, etc. in the event that such a large-scale purchase, etc. is conducted for the Company's shares, etc., and for the Board of Directors of the Company to present an alternative proposal, in addition to making it possible to conduct negotiations with the purchaser, etc. on shareholders' behalf, etc.

(3) Prioritizes Shareholders' Will

Under this Plan, the will of shareholders in regard to the appropriateness of activating countermeasures against a large-scale purchase, etc. by a purchaser, etc. shall be directly confirmed, excluding cases when the purchaser, etc. conducts a large-scale purchase, etc. without complying with the procedures set forth in this Plan, the Independent Committee recommends the activation of countermeasures, and cases when the Independent Committee recommends that countermeasures are not activated.

(4) Prioritization of the Judgment of Highly Independent External Persons, and Information Disclosure

When continuing this Plan, the Company has established an Independent Committee in order to eliminate arbitrary judgments by the Board of Directors regarding such matters as the activation of countermeasures against a large-scale purchase, etc., and ensure the objectivity and reasonableness of the judgment and response of the Board of Directors.

The Independent Committee comprises three or more members elected from among persons independent of the management team engaged in the business execution of the Company, namely Outside Directors of the Company, Outside Corporate Auditors of the Company, and other outside experts (corporate managers with a track record of performance, former government employees, attorneys, certified public accountants, academic experts, or other equivalent persons).

In addition, a mechanism is ensured whereby this Plan will be implemented in a transparent manner that contributes to the corporate value of the Company and shareholders' common interests, as the Company shall disclose information to shareholders and investors as necessary in relation to an overview of the judgment of the Independent Committee.

(5) Establishment of Reasonable and Objective Activation Requirements

A mechanism is ensured to prevent arbitrary activation by the Board of Directors of the Company, as this Plan is established such that activation will not occur unless reasonable and objective activation requirements are fulfilled, as described in the above item 4. (1).

(6) Not Dead-hand or Slow-hand Takeover Defense Measures

As described in the above item 4. (3), this Plan may be discontinued at any time by the Board of Directors, which comprises Directors elected at the General Meeting of Shareholders of the Company. Accordingly, this Plan is not a dead-hand takeover defense measure (a takeover defense measure whose activation cannot be prevented even if a majority of the members of the Board of Directors are replaced).

In addition, as the Company does not use a staggered term system, this Plan is not a slow-hand takeover defense measure (a takeover defense measure that requires time to prevent its activation, as the members of the Board of Directors cannot all be replaced at one time).

6. Effect on Shareholders and Investors

(1) Effect on Shareholders and Investors at the Time of Continuation of this Plan

At the time of the continuation of this Plan, the Stock Acquisition Rights will not actually be issued. Accordingly, at the time of the continuation of this Plan, there will be no direct, specific effect on the legal rights and economic interests pertaining to the Company's shares held by shareholders.

Furthermore, as described in the above item 4. (1), the Company's policy for responding to a purchase will differ according to whether or not the purchaser, etc. complies with this Plan, etc., so shareholders and investors are advised to keep the actions of the purchaser, etc. in mind.

(2) Effect on Shareholders and Investors at the Time of a Gratis Allotment of the Stock Acquisition Rights

If the Board of Directors of the Company decides to activate countermeasures and conducts a gratis allotment of the Stock Acquisition Rights, the Stock Acquisition Rights shall be allotted gratis to shareholders recorded in the shareholder register on the Allotment Date, which will be separately determined,

at a ratio of up to three Stock Acquisition Rights per share held. With this type of system, although dilution to the economic value per share held by shareholders will occur when a gratis allotment of the Stock Acquisition Rights is conducted, there will be no dilution of the value of the Company's shares held as a whole, and therefore no direct, specific effect is expected on the legal rights or economic interests pertaining to the Company's shares held by shareholders.

However, the legal rights and economic interests of the purchaser, etc. may be affected as a result of the activation of these countermeasures.

Furthermore, even if the Board of Directors of the Company resolves to conduct a gratis allotment of the Stock Acquisition Rights, if it resolves to cancel activated countermeasures or suspect activation in accordance with the procedures, etc. set forth in the above item 4. (1) 8), there may be a corresponding fluctuation in the share price of the Company's shares. For example, please note that in the event that after the shareholders to receive the gratis allotment of the Stock Acquisition Rights have been determined, the Company suspends the activation of countermeasures, acquires the Stock Acquisition Rights without consideration, and does not deliver new shares, then shareholders and investors who have conducted transactions based on the assumption that a dilution in the economic value per share of the Company will occur may suffer a loss owing to fluctuation in the share price, as the dilution in the economic value per share in the Company held by shareholders will not occur.

In addition, if discriminatory terms are attached relating to the exercise or acquisition of the Stock Acquisition Rights, it is expected that the legal rights and economic interests of the purchaser, etc. will be affected, but even in this case, no direct, specific impact is expected on the legal rights or economic interests pertaining to the Company's shares held by shareholders other than the purchaser, etc.

(3) Required Procedures for Shareholders Accompanying the Gratis Allotment of the Stock Acquisition Rights

On the effective date of the gratis allotment of the Stock Acquisition Rights, shareholders recorded in the final shareholder register on the date of the gratis allotment of the Stock Acquisition Rights will automatically become stock acquisition rights holders, and therefore no application procedures are necessary.

In addition, if the Company takes procedures to acquire stock acquisition rights with an attached acquisition provision, then shareholders other than the purchaser, etc. will receive shares in the Company as consideration for the acquisition of stock acquisition rights by the Company, without making monetary payment of an amount equivalent to the exercise price of the stock acquisition rights, and therefore no procedures are required for application or payment, etc. in relation to the stock acquisition rights.

Besides the above, after the Board of Directors of the Company makes a resolution regarding the gratis allotment of the Stock Acquisition Rights, the Company will provide timely and appropriate disclosure or notice of the details of procedures relating to the allotment method, exercise method, method of acquisition by the Company, method of delivery of shares, etc., pursuant to the applicable laws and regulations and financial instruments exchange rules, and therefore shareholders are advised to confirm the content of the disclosure or notices.

Overview of the Independent Committee Regulations

1. The Independent Committee shall be established by resolution of the Board of Directors of the Company in order to eliminate arbitrary judgments by the Board of Directors in relation to the activation of countermeasures against a large-scale purchase, etc., and ensure the objectivity and reasonableness of any judgment or response of the Board of Directors.
2. The Independent Committee shall comprise three or more members (hereinafter, the “Independent Committee Members”), who shall be persons independent from the management team conducting the business operations of the Company who are (1) Outside Directors of the Company, (2) Outside Corporate Auditors of the Company, or (3) outside experts (corporate managers with a track record of performance, former government employees, attorneys, certified public accountants, academic experts, or other equivalent persons), and shall be elected based on a resolution of the Board of Directors of the Company. Furthermore, the Company shall enter into an agreement with the members of the Independent Committee that includes provisions relating to the duty of due care of a prudent manager and the duty of confidentiality.
3. The term of office of Independent Committee Members shall be until the date of the conclusion of the Annual General Meeting of Shareholders held with respect to the final fiscal year ending within three years of the time of election, or until a date separately determined by the Independent Committee Member and the Company. However, this shall not apply in cases separately provided for by resolution of the Board of Directors of the Company.
4. The Independent Committee shall be convened by a Representative Director of the Company or by each Independent Committee Member.
5. The Chairman of the Independent Committee shall be selected by mutual selection from the members of the Independent Committee.
6. In principle, resolutions of the Independent Committee shall be made by a majority of votes at meetings of the Independent Committee when all members are present. However, at times when any members of the Independent Committee are unable to act, or when there are other special reasons, resolutions shall be made, in principle, by a majority of votes at meetings of the Independent Committee when all members are present, excluding these members.
7. The Independent Committee shall conduct deliberations and make resolutions relating to the matters listed in each of the below items, and shall make recommendations to the Board of Directors of the Company based on the content of those resolutions, together with the reasons thereof.
 - (1) The appropriateness of activating countermeasures under this Plan, or that the will of shareholders should be confirmed;
 - (2) The cancellation of countermeasures or suspension of activation under this Plan;
 - (3) The discontinuation or amendment of this Plan;
 - (4) Any other matters that the Board of Directors of the Company consults the Independent Committee about in relation to this Plan.

When conducting deliberations and making resolutions in the Independent Committee, each Independent Committee Member must do so solely from the perspective of whether or not it contributes to the corporate value of the Company and shareholders’ common interests, and must not do so in order to further their own personal interests, or those of the management team of the Company.
8. The Independent Committee may request that Directors of the Company, Corporate Auditors, employees, or other persons deemed necessary attend meetings as necessary, and may request opinions or explanations regarding matters specified by the Independent Committee.
9. When executing these duties, the Independent Committee may obtain, at the Company’s expense, the advice of outside experts who are independent of the management team engaged in the business execution of the Company (including investment banks, securities firms, financial advisers, certified public accountants, attorneys, consultants, and other experts).

Past Experience of the Independent Committee Members

Masayuki Miyamoto	58 years old
April 1993	Entered the Legal Training and Research Institute of Japan
April 1995	Graduated from the Legal Training and Research Institute of Japan
	Registered as Attorney at Law
April 1999	Established Miyamoto Law Office (to present)
Takashi Yamagishi	75 years old
April 1970	Joined TEIJIN LIMITED
March 1996	President, Teijin DuPont Films S.A.
June 1999	Corporate Officer, The Teijin Group
April 2004	Group General Manager, Films Business, TEIJIN LIMITED
	Vice Chairman and COO, Global Joint Venture, Teijin DuPont Films
April 2005	Chief Technology Officer, TEIJIN LIMITED
June 2005	Managing Director
June 2006	Senior Managing Director
June 2008	Director and Vice President
June 2009	Representative Director and Vice President
June 2010	Counselor and Technical Expert
June 2012	Counselor
August 2016	Outside Director, the Company (to present)
Yuji Yui	71 years old
June 1980	Visiting Researcher, Economic Research Institute, Economic Planning Agency
July 1985	Special Researcher, Institute of Fiscal and Monetary Policy, Ministry of Finance
April 1987	Visiting Researcher, University of Michigan
April 1989	Professor, Faculty of Economics, Seijo University
April 2010	President
April 2011	President, Seijo Gakuen (to present)

* There are no special interests between the three persons above and the Company.

* The Company has registered Mr. Takashi Yamagishi as an independent director as prescribed by the Tokyo Stock Exchange.

Status of Shareholdings by Major Shareholders of the Company

The status of major shareholders of the Company as of May 31, 2020 is as follows.

Shareholder	Number of shares held (thousands)	Ratio of number of shares held to total number of shares outstanding (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	487	5.00
East Japan Railway Company	480	4.93
Employees Stock Ownership Plan	416	4.27
NIPPON LIFE INSURANCE COMPANY	337	3.46
MUFG Bank, Ltd.	270	2.77
Sanshin Co., Ltd.	270	2.77
Toyo Denki Subcontractor Factories Shareholding Association	257	2.64
Japan Trustee Services Bank, Ltd. (Trust account)	235	2.42
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/JANUS HENDERSON HORIZON FUND	216	2.22
Masayoshi Yamauchi	213	2.18

(Note) In addition to the above, the Company holds 793 thousand treasury shares.

1. Types of Purchase, etc. Deemed to Significantly Harm
the Corporate Value of the Company and Shareholders' Common Interests

- 1) Cases when it is judged that despite having no intention of truly participating in corporate management, the purchaser, etc. is acquiring, or attempting to acquire, the Company's shares, etc. in order simply to increase the share price and make the Company or its related parties buy back the Company's shares, etc. at a high price (a so-called green mailer);
- 2) Cases when it is judged that the Company's shares, etc. are being acquired in order to take temporary control of the corporate management of the Company and transfer to the purchaser, etc. or its group companies, etc., assets of the Company or companies in the Group that are necessary for the management of the businesses of the Company or companies in the Group, such as intellectual property rights, expertise, confidential corporate information, main business partners or clients;
- 3) Cases when it is judged that the Company's shares, etc. are being acquired in order to take control of the corporate management of the Company and subsequently use the assets of the Company or companies in the Group as collateral or repayment funds for the liabilities of the purchaser, etc. or its group companies, etc.;
- 4) Cases when it is judged that the Company's shares, etc. are being acquired in order to take temporary control of the corporate management of the Company, cause the Company to sell or otherwise dispose of highly valued assets, etc. that are not immediately related to the businesses of the Company or companies in the Group, such as real estate or marketable securities, and use the profits from the disposal to cause the Company to pay a one-time high dividend, or alternatively to take advantage of the sudden increase in the share price caused by the one-time high dividend to sell the Company's shares, etc. at a high price;
- 5) Cases when it is judged that the method of purchase of the Company's shares, etc. proposed by the purchaser, etc. will restrict shareholders' opportunity to make an assessment or freedom, and may effectively force shareholders to sell the Company's shares, etc., such as a so-called two-tier coercive purchase (refers to the conducting of a purchase, etc. of shares, etc. by a tender offer or other methods, whereby the purchaser, etc. does not solicit all of the Company's shares, etc. for purchase in the initial purchase, and sets unfavorable purchase terms for the second stage, or does not make the terms clear).

2. Types of Purchase, etc. Deemed to Have a Risk of Harming
the Corporate Value of the Company and Shareholders' Common Interests

- 1) Cases when it is judged that the purchase terms for the Company's shares, etc. proposed by the purchaser, etc. (including but not limited to the type or amount of consideration for the purchase, the calculation basis for the amount, any other specific details of the terms (including the timing and method of the acquisition), and the legality and feasibility of the purchase, etc.) are considerably insufficient or inappropriate in view of the corporate value of the Company;
- 2) Cases when it is judged there is a risk that the purchase, etc. will hinder the securing and enhancement of the corporate value of the Company and shareholders' common interests, such as when the acquisition of control by the purchaser, etc. will destroy relationships with the Company's shareholders and customers, business partners, employees, local communities, and other stakeholders that are the sources of corporate value, and damage to the corporate value of the Company and shareholders' common interests is expected;
- 3) Cases when it is judged that the corporate value of the Company in the event that the purchaser, etc. acquires control would be inferior to the corporate value of the Company in the event that the purchaser, etc. does not acquire control, in a comparison of future corporate value over the medium- to long-term.

Overview of the Gratis Allotment of Stock Acquisition Rights

1. Total Number of the Stock Acquisition Rights to be Allotted

The total number of Stock Acquisition Rights to be allotted shall be a number separately determined in the resolution of the Board of Directors relating to the gratis allotment of the Stock Acquisition Rights (hereinafter, the “Stock Acquisition Rights Gratis Allotment Resolution”), of a maximum of three times the final total number of shares of the Company outstanding (however, this shall exclude the number of the Company’s shares held by the Company at that point) on a certain day separately determined by the Board of Directors of the Company in the Stock Acquisition Rights Gratis Allotment Resolution (hereinafter, the “Allotment Date”).

2. Shareholders Eligible for Allotment

The Company shall make a gratis allotment of the Stock Acquisition Rights at a ratio separately determined by the Board of Directors of the Company in the Stock Acquisition Rights Gratis Allotment Resolution of up to three stock acquisition rights per share of common stock of the Company held (however, this shall exclude shares in the Company held by the Company at that time) to shareholders recorded in the final shareholder register on the Allotment Date.

3. Effective Date of the Gratis Allotment of the Stock Acquisition Rights

The effective date shall be a date separately determined by the Board of Directors of the Company in the Stock Acquisition Rights Gratis Allotment Resolution.

4. Type and Number of Shares Underlying the Stock Acquisition Rights

The type of shares underlying the Stock Acquisition Rights shall be the common stock of the Company, and the number of shares underlying each of the Stock Acquisition Rights shall be a number separately determined by the Board of Directors of the Company in the Stock Acquisition Rights Gratis Allotment Resolution of up to one share per stock acquisition right (hereinafter, the “applicable number of shares”). However, the Company shall make the necessary adjustments if it conducts a share split or consolidation of shares, etc.

5. Details and Amount of Assets to be Contributed Upon Exercise of the Stock Acquisition Rights

Contributions upon the exercise of the Stock Acquisition Rights shall be in cash, and the amount of assets to be contributed per share of common stock in the Company upon the exercise of the Stock Acquisition Rights shall be an amount separately determined by the Board of Directors of the Company in the Stock Acquisition Rights Gratis Allotment Resolution, of one yen or more.

6. Restrictions on the Transfer of the Stock Acquisition Rights

Any transfer of the Stock Acquisition Rights shall require the approval of the Board of Directors of the Company.

7. Conditions for Exercising the Stock Acquisition Rights

The following persons shall not be able to exercise the Stock Acquisition Rights: (1) specified large-scale holders¹¹; (2) joint holders of specified large-scale holders; (3) specified large-scale purchasers¹²; (4) specially

¹¹ Refers to a holder of shares, etc. issued by the Company, with an ownership ratio of shares, etc. in relation to these shares, etc. is 20% or more, or a person to whom this is deemed to apply by the Board of Directors of the Company. However, this shall not apply to persons whom the Board of Directors of the Company recognizes will not harm the corporate value of the Company and shareholders’ common interests by acquiring and holding the Company’s shares, etc., and any other persons separately defined by the Board of Directors of the Company in the Stock Acquisition Rights Gratis Allotment Resolution.

¹² Refers to a person who has made a public announcement to the effect that he or she will conduct a purchase, etc. (refers to a purchase, etc. as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act; hereinafter the same applies in this note) of shares, etc. (refers to shares, etc. as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act; hereinafter the same applies in this note) issued by the Company by tender offer, and whose total ownership ratio of shares, etc. in relation to shares, etc. held (equivalent actions shall include those defined in Article 7, Paragraph 1 of the Order for Enforcement of the Financial Instruments and Exchange Act) by that person after the purchase, etc. together with the ownership ratio of shares, etc. of any specially related parties of that person shall be 20% or more, or a person to whom this is deemed to apply by the Board of Directors of the Company. However, this shall not apply to persons whom the Board of Directors of the Company recognizes will not harm the corporate value of the Company and shareholders’ common interests by acquiring and holding the Company’s shares, etc., and any other persons separately defined by the Board of Directors of the Company in the Stock Acquisition Rights Gratis Allotment Resolution.

related parties of specified large-scale purchasers; and (5) any transferee or successor to the Stock Acquisition Rights from a person falling under any of the categories (1) through (4) without the permission of the Board of Directors of the Company; and (6) any related person¹³ to persons falling under any of the categories (1) through (5) (hereinafter, collectively referred to as “Non-qualified Parties”). Furthermore, details of the conditions for exercising the Stock Acquisition Rights shall be separately determined in the Stock Acquisition Rights Gratis Allotment Resolution.

8. Acquisition of the Stock Acquisition Rights by the Company

The Company may acquire the Stock Acquisition Rights held by persons other than Non-qualified Parties on a day separately determined by the Board of Directors of the Company, and in exchange deliver the applicable number of shares of common stock of the Company for each of the Stock Acquisition Rights. Furthermore, details of the acquisition terms of the Stock Acquisition Rights shall be separately determined in the Stock Acquisition Rights Gratis Allotment Resolution.

9. Acquisition without Consideration in Case of Suspension of the Activation of Countermeasures, etc.

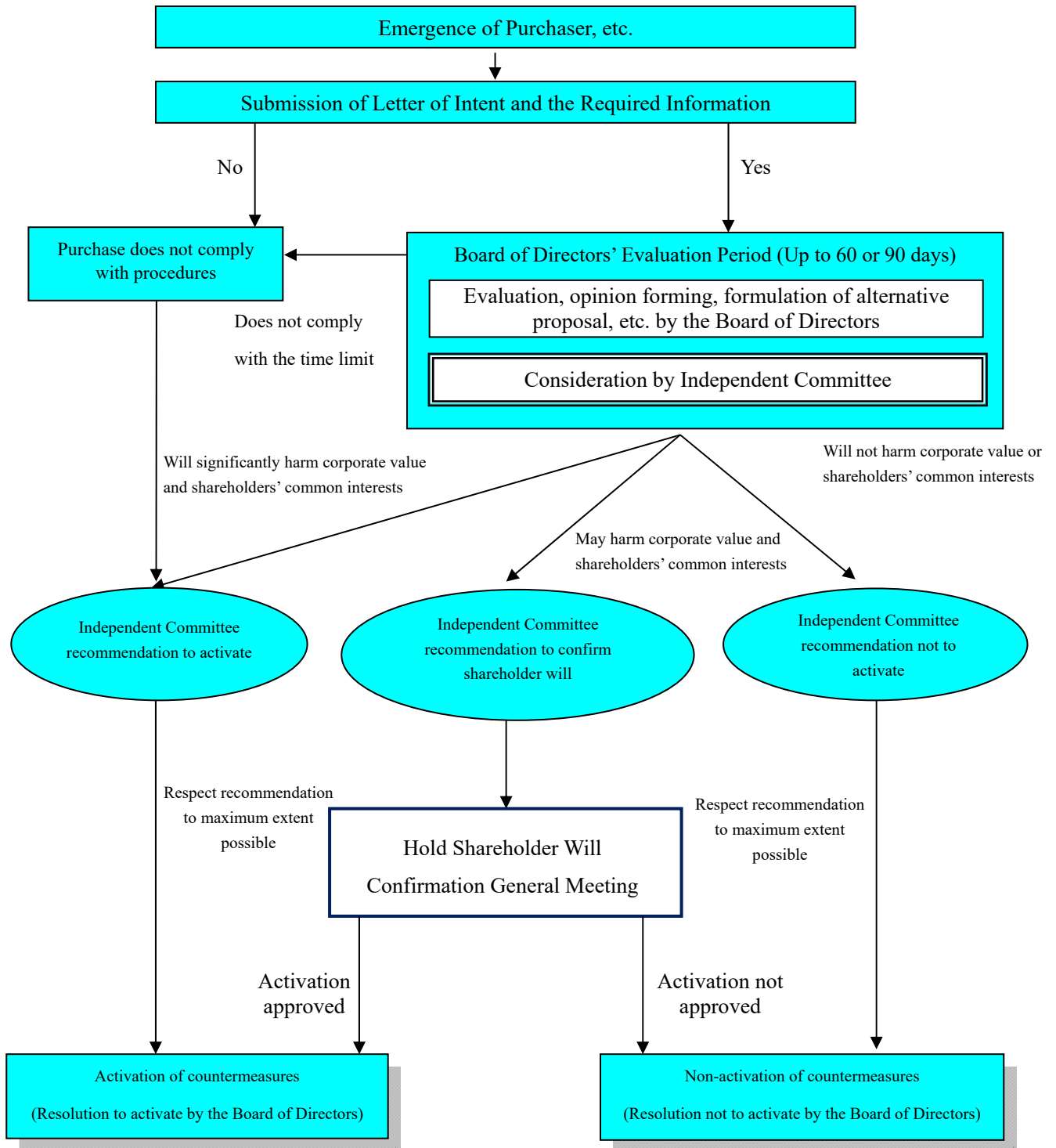
The Company may acquire all of the Stock Acquisition Rights without consideration if the Board of Directors of the Company suspends the activation of countermeasures, or in other cases separately defined by the Board of Directors of the Company in the Stock Acquisition Rights Gratis Allotment Resolution.

10. Exercise Period of the Stock Acquisition Rights, etc.

The exercise period of the Stock Acquisition Rights and other necessary matters shall be separately determined by the Board of Directors of the Company in the Stock Acquisition Rights Gratis Allotment Resolution.

¹³ A person’s “related persons” are those who effectively control that person, who are controlled by that person, or who are under the same control as that person (included persons to whom this is deemed to apply by the Board of Directors of the Company), or alternatively, persons whom the Board of Directors of the Company have recognized as acting in concert with that person. Furthermore, “control” refers to “controls decisions on the financial and business policies” of another company, etc. (referring to cases defined in Article 3, Paragraph 3 of the Ordinance for Enforcement of the Companies Act).

Flowchart Regarding Procedures of this Plan



*This chart is presented to aid readers' understanding of an overview of this Plan. Please refer to the text for specific details of the plan.