

(Securities Code: 7433)
June 9, 2020

Dear Shareholders,

Hakuto Co., Ltd.

1-13, Shinjuku 1-chome, Shinjuku-ku, Tokyo

Notice of the 68th Annual General Meeting of Shareholders

You are cordially invited to attend the 68th Annual General Meeting of Shareholders of Hakuto Co., Ltd. (the “Company”), which will be held as per the schedule below.

If you are unable to attend the Meeting in person, please first review pages 3 to 61 of the Reference Materials for the General Meeting of Shareholders presented hereinafter, and exercise your voting rights no later than 5:30 p.m. on Wednesday, June 24, 2020, using one of the methods outlined on page 62.

Sincerely,

Ryoji Abe
President

Details

- 1. Date & Time:** Thursday, June 25, 2020 at 10:00 a.m.
(Reception commences at 9:00 a.m.)
- 2. Venue:** Conference Room, 8th Floor, Head Office Building,
1-13, Shinjuku 1-chome, Shinjuku-ku, Tokyo

3. Meeting Agenda

(1) Items to be reported:

1. Business Report and Consolidated Financial Statements of the Company’s 68th fiscal year (from April 1, 2019 to March 31, 2020), and the audit reports on Consolidated Financial Statements by the Accounting Auditors (CPAs) and the Company’s Audit & Supervisory Board
2. Non-Consolidated Financial Statements of the Company’s 68th fiscal year (from April 1, 2019 to March 31, 2020)

(2) Items to be resolved:

- Item 1:** Partial Amendments to the Articles of Incorporation
- Item 2:** Appointment of Nine (9) Directors (excluding Directors Serving on the Audit and Supervisory Committee)
- Item 3:** Appointment of Three (3) Directors Serving on the Audit and Supervisory Committee
- Item 4:** Determination of Compensation to Directors (excluding Directors Serving

- on the Audit and Supervisory Committee)
- Item 5:** Determination of Compensation to Directors Serving on the Audit and Supervisory Committee
 - Item 6:** Determination of Compensation for Granting Restricted Shares to Directors (excluding Non-Executive Directors and Directors Serving on the Audit and Supervisory Committee)
 - Item 7:** Introduction of Measures to Respond to a Large-Scale Purchase of the Company's Shares, etc. (Takeover Defense Measures)

4. Information on Exercise the Voting Rights

Please refer to "Information on Exercise the Voting Rights" on page 62.

5. Matters Concerning Internet Disclosure Information

The "Consolidated Statement of Changes in Net Assets," the "Notes to the Consolidated Financial Statements," the "Non-Consolidated Statement of Changes in Net Assets" and the "Notes to the Non-Consolidated Financial Statements" have been posted on the Company's website in accordance with the relevant laws and regulations and Article 15 of the Articles of Incorporation of the Company. Hence, they are not included in the attached documents to the Notice of the 68th Annual General Meeting of Shareholders as part of the set of documents to be provided. For this reason, the "Consolidated Financial Statements" and "Non-Consolidated Financial Statements" indicated in the attached documents to this Notice are part of the consolidated financial statements and non-consolidated financial statements that were audited by Audit & Supervisory Board Members for preparing the audit report and the Accounting Auditors (CPAs) for preparing the independent auditor's report respectively.

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- If you are attending the Meeting in person, please bring the enclosed Form for Exercising Voting Rights and present it at the reception desk.
 - Revisions to the Reference Materials for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements, and Non-Consolidated Financial Statements shall be posted on the Company's website.
 - If you make a diverse exercise of your voting rights, please notify the Company in writing of your intention and the reasons thereof not later than three days prior to the General Meeting of Shareholders.

The Company's website: (<https://www.hakuto.co.jp>)

Reference Materials for the General Meeting of Shareholders

Agenda items and reference materials

Item 1: Partial Amendments to the Articles of Incorporation

1. Reason for proposal

The Company has worked to reinforce its corporate governance in order to generate sustainable growth and increase the medium- to long-term corporate value of the Group. The Company will transition to a company with an audit and supervisory committee, a new type of company created under Act Partially Amending the Companies Act (Act No. 90, 2014) for the following purposes.

- To further strengthen monitoring function of the Audit and Supervisory Committee, all of whose members are External Directors and possesses the voting rights of the Board of Directors.
- To further accelerate management decision-making by delegating decision-making authority on significant business execution to the Executive Directors at a time of violent changes in the environment that the Group operates in.

Accordingly, necessary revisions to the Company's Articles of Incorporation will be made, which includes adding new provisions related to the Audit and Supervisory Committee and Audit and Supervisory Committee Members, as well as deleting provisions related to the Audit & Supervisory Board and Audit & Supervisory Board Members.

Along with the above amendments, other necessary changes, including renumbering articles, will be made.

2. Details of amendments

The amendments to the Articles of Incorporation are as follows:

This proposal will come into effect at the conclusion of this General Meeting of Shareholders.

(Underlining denotes change)

Current Articles	Proposed Amendments
<p>Chapter 1 General Provisions Article 1 to Article 3 (Omitted)</p> <p>(Organs) Article 4.</p> <p>The Company shall have, in addition to the general meeting of shareholders and Directors, the following organs:</p> <p>(1) Board of Directors (2) <u>Audit & Supervisory Board Members</u> (3) <u>Audit & Supervisory Board</u></p>	<p>Chapter 1 General Provisions Article 1 to Article 3 (Same as the current article)</p> <p>(Organs) Article 4.</p> <p>The Company shall have, in addition to the general meeting of shareholders and Directors, the following organs:</p> <p>(1) Board of Directors (2) <u>Audit and Supervisory Committee</u> (Deleted)</p>

Current Articles	Proposed Amendments
<p>(4) Accounting Auditor Article 5 to Article 17 (Omitted)</p> <p>Chapter 4 Directors and Board of Directors (Number of Directors) Article 18. The Company shall have not more than <u>15 (fifteen)</u> Directors.</p> <p>(New)</p> <p>(Method of Election) Article 19. 1. Directors shall be elected by resolution of a general meeting of shareholders.</p> <p>2. (Omitted) 3. (Omitted)</p> <p>(Term of Office) Article 20. The term of office of a Director shall expire at the conclusion of the annual general meeting of shareholders for the last business year out of the business years terminating within one year after the election of the Director.</p>	<p>(3) Accounting Auditor Article 5 to Article 17 (Same as the current article)</p> <p>Chapter 4 Directors and Board of Directors (Number of Directors) Article 18. The Company shall have not more than <u>10 (ten) Directors (excluding Directors Serving on the Audit and Supervisory Committee).</u></p> <p><u>2. The Company shall have not more than 4 (four) Directors Serving on the Audit and Supervisory Committee.</u></p> <p>(Method of Election) Article 19. 1. Directors shall be elected by resolution of a general meeting of shareholders <u>by category, Directors Serving on the Audit and Supervisory Committee and other Directors.</u></p> <p>2. (Same as the current article) 3. (Same as the current article)</p> <p>(Term of Office) Article 20. The term of office of a Director <u>(excluding Directors Serving on the Audit and Supervisory Committee)</u> shall expire at the conclusion of the annual general meeting of shareholders for the last business year out of the business years terminating within one year after the election of the Director.</p>

Current Articles	Proposed Amendments
<p>(New)</p> <p>(New)</p> <p>(New)</p> <p>(Representative Directors and Directors With Special Titles)</p> <p>Article 21.</p> <p>1. The Board of Directors shall appoint Representative Director(s) by its resolution.</p>	<p><u>2. The term of office of a Director Serving on the Audit and Supervisory Committee shall expire at the conclusion of the annual general meeting of shareholders for the last business year out of the business years terminating within two years after the election of the Director Serving on the Audit and Supervisory Committee.</u></p> <p><u>3. The term of office of a Director Serving on the Audit and Supervisory Committee who is elected as the substitute for a Director Serving on the Audit and Supervisory Committee who retired from office before the expiration of the term of office shall continue until the time the term of office of the Director Serving on the Audit and Supervisory Committee who retired from office is to expire.</u></p> <p><u>4. A resolution on the election of a substitute Audit and Supervisory Committee Member in accordance with Article 329, Paragraph 3 of the Companies Act shall be effective until the commencement of the annual general meeting of shareholders for the last business year out of the business years terminating within two years after the election of the substitute Audit and Supervisory Committee Member, unless shortened by such resolution.</u></p> <p>(Representative Directors and Directors With Special Titles)</p> <p>Article 21.</p> <p>1. The Board of Directors shall appoint Representative Director(s) <u>from among Directors (excluding Directors Serving on the Audit and Supervisory Committee)</u> by its resolution.</p>

Current Articles	Proposed Amendments
<p>2. The Board of Directors may <u>appoint</u>, by its resolution, one Director and President, as well as one Director and Chairman, one Director and Vice Chairman, one or a small number of Director(s) and Vice President(s), one or a small number of Senior Managing Director(s), and one or a small number of Managing Director(s).</p> <p>3. The Board of Directors may appoint, by its resolution, a Director and Honorary Chairman and Director and Advisor as necessary.</p> <p>(Honorary Chairman, Advisor, and Counsel)</p>	<p>2. The Board of Directors may, by its resolution, <u>appoint</u> one Director and President, as well as <u>appoint</u> one Director and Chairman, one Director and Vice Chairman, one or a small number of Director(s) and Vice President(s), one or a small number of Senior Managing Director(s), and one or a small number of Managing Director(s) <u>from among Directors (excluding Directors Serving on the Audit and Supervisory Committee)</u>.</p> <p>3. The Board of Directors may appoint, by its resolution, a Director and Honorary Chairman and Director and Advisor <u>from among Directors (excluding Directors Serving on Audit and Supervisory Committee)</u> as necessary.</p> <p>(Honorary Chairman, Advisor, and Counsel)</p>
<p>Article 22.</p> <p>1. The Board of Directors may appoint an Honorary Chairman by its resolution.</p> <p>2. The Board of Directors may appoint an Advisor and Counsel by its resolution.</p>	<p>Article 22.</p> <p>1. The Board of Directors may appoint an Honorary Chairman by its resolution <u>as necessary</u>.</p> <p>2. The Board of Directors may appoint an Advisor and Counsel by its resolution <u>as necessary</u>.</p>
<p>Article 23. (Omitted)</p> <p>(Notice of Meeting of the Board of Directors)</p>	<p>Article 23. (Same as the current article)</p> <p>(Notice of Meeting of the Board of Directors)</p>
<p>Article 24.</p> <p>1. Notice of Meeting of the Board of Directors shall be issued to each Director <u>and Audit & Supervisory Board Member</u> at least three days before the meeting. However, that period may be shortened if there is an urgent need.</p>	<p>Article 24.</p> <p>1. Notice of Meeting of the Board of Directors shall be issued to each Director at least three days before the meeting. However, that period may be shortened if there is an urgent need.</p>

Current Articles	Proposed Amendments
<p>2. With the consent of all Directors <u>and Audit & Supervisory Board Members</u>, a meeting of the Board of Directors may be held without following the convening procedures.</p> <p>Article 25. (Omitted) (New)</p> <p>(Compensation to Directors) Article <u>26</u>. Compensation, bonuses and other economic benefits given by the Company in consideration for the execution of duties (hereinafter the “Compensation”) to Directors shall be determined by resolution of a general meeting of shareholders.</p> <p>Article <u>27</u> to Article <u>28</u> (Omitted)</p> <p>Chapter 5 <u>Audit & Supervisory Board Members and Audit & Supervisory Board</u> (Number of Audit & Supervisory Board Members) Article <u>29</u>. <u>The Company shall have not more than 5 (five) Audit & Supervisory Board Members.</u></p>	<p>2. With the consent of all Directors, a meeting of the Board of Directors may be held without following the convening procedures.</p> <p>Article 25. (Same as the current article) (<u>Delegation of Decisions Regarding Significant Business Executions</u>) Article <u>26</u>. <u>Pursuant to the provisions of Article 399-13, Paragraph 6 of the Companies Act, the Company may, by resolution of the Board of Directors, delegate all or some decisions regarding the significant business executions (excluding those set forth in each item of Article 399, Paragraph 5 of the Companies Act) to Directors.</u></p> <p>(Compensation to Directors) Article <u>27</u>. Compensation, bonuses and other economic benefits given by the Company in consideration for the execution of duties (hereinafter the “Compensation”) to Directors shall be determined by resolution of a general meeting of shareholders <u>for each category of Director (Director Serving on the Audit and Supervisory Committee and other Director).</u></p> <p>Article <u>28</u> to Article <u>29</u> (Same as the current article) Chapter 5 <u>Audit and Supervisory Committee</u> (Deleted)</p>

Current Articles	Proposed Amendments
<p><u>(Method of Election)</u> <u>Article 30.</u> 1. <u>Audit & Supervisory Board Members shall be elected by resolution of a general meeting of shareholders.</u> 2. <u>Resolutions on the election of an Audit & Supervisory Board Member shall be made by a majority of the votes of the shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their votes at such meetings are present.</u></p>	<p>(Deleted)</p>
<p><u>(Term of Office)</u> <u>Article 31.</u> 1. <u>The term of office of an Audit & Supervisory Board Member shall expire at the conclusion of the annual general meeting of shareholders for the last business year out of the business years terminating within four years after the election of the Audit & Supervisory Board Member.</u> 2. <u>The term of office of an Audit & Supervisory Board Member who is elected as the substitute for an Audit & Supervisory Board Member who retired from office before the expiration of the term of office shall continue until the time the term of office of the Audit & Supervisory Board Member who retired from office is to expire.</u></p>	<p>(Deleted)</p>
<p><u>(Full-Time Audit & Supervisory Board Members)</u> <u>Article 32.</u> The <u>Audit & Supervisory Board shall appoint full-time Audit & Supervisory Board Member(s) by its resolution.</u></p>	<p><u>(Full-Time Audit and Supervisory Committee Members)</u> <u>Article 30.</u> The <u>Audit and Supervisory Committee may appoint full-time Audit and Supervisory Committee Member(s) by its resolution.</u></p>

Current Articles	Proposed Amendments
<p>(Notice of Meeting of the <u>Audit & Supervisory Board</u>)</p> <p>Article <u>33</u>.</p> <p>1. Notice of Meeting of the <u>Audit & Supervisory Board</u> shall be issued to each <u>Audit & Supervisory Board Member</u> at least three days before the meeting. However, that period may be shortened if there is an urgent need.</p> <p>2. With the consent of all <u>Audit & Supervisory Board Members</u>, a meeting of the <u>Audit & Supervisory Board</u> may be held without following the convening procedures.</p> <p>(Compensation to Audit & Supervisory Board Members)</p> <p>Article <u>34</u>.</p> <p><u>Compensation to Audit & Supervisory Board Members shall be determined by resolution of a general meeting of shareholders.</u></p> <p>(Regulations of the <u>Audit & Supervisory Board</u>)</p> <p>Article <u>35</u>.</p> <p>Matters concerning the <u>Audit & Supervisory Board</u> shall be governed by the Regulations of the <u>Audit & Supervisory Board</u> established by the <u>Audit & Supervisory Board</u>, in addition to applicable laws and regulations and these Articles of Incorporation.</p>	<p>(Notice of Meeting of the <u>Audit and Supervisory Committee</u>)</p> <p>Article <u>31</u>.</p> <p>1. Notice of Meeting of the <u>Audit and Supervisory Committee</u> shall be issued to each <u>Audit and Supervisory Committee Member</u> at least three days before the meeting. However, that period may be shortened if there is an urgent need.</p> <p>2. With the consent of all <u>Audit and Supervisory Committee Members</u>, a meeting of the <u>Audit and Supervisory Committee</u> may be held without following the convening procedures.</p> <p>(Deleted)</p> <p>(Regulations of the <u>Audit and Supervisory Committee</u>)</p> <p>Article <u>32</u>.</p> <p>Matters concerning the <u>Audit and Supervisory Committee</u> shall be governed by the Regulations of the <u>Audit and Supervisory Committee</u> established by the <u>Audit and Supervisory Committee</u>, in addition to applicable laws and regulations and these Articles of Incorporation.</p>

Current Articles	Proposed Amendments
<p><u>(Exemption of Audit & Supervisory Board Members From Liability)</u> <u>Article 36.</u> 1. Pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, the Company may, by resolution of the Board of Directors, exempt an Audit & Supervisory Board Member (including a person who was formerly an Audit & Supervisory Board Member) from his/her liability for damages arising from neglecting his/her duties to the extent permitted by laws and regulations.</p> <p>2. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with an Audit & Supervisory Board Member limiting his/her liability for damages arising from neglecting his/her duties; provided, however, that the maximum liability for damages under such agreement shall be either an amount specified in advance that is not less than ¥2 million, or an amount as prescribed by laws and regulations, whichever is higher.</p> <p>Chapter 6 Accounting Auditor Article 37 to Article 38 (Omitted)</p> <p>(Compensation to Accounting Auditor) Article 39. Compensation to Accounting Auditor shall be determined by the Representative Director after obtaining the approval of the <u>Audit & Supervisory Board</u>.</p> <p>Chapter 7 Accounting Article 40 to Article 43 (Omitted)</p>	<p>(Deleted)</p> <p>(Deleted)</p> <p>Chapter 6 Accounting Auditor Article 33 to Article 34 (Same as the current article)</p> <p>(Compensation to Accounting Auditor) Article 35. Compensation to Accounting Auditor shall be determined by the Representative Director after obtaining the approval of the <u>Audit and Supervisory Committee</u>.</p> <p>Chapter 7 Accounting Article 36 to Article 39 (Same as the current article)</p>

Current Articles	Proposed Amendments
(New)	<p data-bbox="799 324 1264 454"><u>Supplementary Provisions</u> <u>(Provisional Measures Related to</u> <u>Exemption of Audit & Supervisory Board</u> <u>Members From Liability)</u></p> <p data-bbox="799 461 1264 824">1. <u>The Company may, by resolution of the</u> <u>Board of Directors, exempt an Audit &</u> <u>Supervisory Board Member (including</u> <u>a person who was formerly an Audit &</u> <u>Supervisory Board Member) from</u> <u>his/her liability for damages related to</u> <u>actions before the conclusion of the</u> <u>68th Annual General Meeting of</u> <u>Shareholders as prescribed in Article</u> <u>423, Paragraph 1 of the Companies Act</u> <u>to the extent permitted by laws and</u> <u>regulations.</u></p> <p data-bbox="799 831 1264 1283">2. <u>An agreement limiting liability for</u> <u>damages related to actions by an Audit</u> <u>& Supervisory Board Member</u> <u>(including a person who was formerly</u> <u>an Audit & Supervisory Board</u> <u>Member) before the conclusion of the</u> <u>68th Annual General Meeting of</u> <u>Shareholders as prescribed in Article</u> <u>423, Paragraph 1 of the Companies Act</u> <u>shall be governed by the provision of</u> <u>Article 36, Paragraph 2 of the Articles</u> <u>of Incorporation before amendments</u> <u>pursuant to the resolution of the same</u> <u>Annual General Meeting of</u> <u>Shareholders.</u></p>

Note: Some underlining does not coincide with the Japanese version because of translation adjustments.

Item 2: Appointment of Nine (9) Directors (excluding Directors Serving on the Audit and Supervisory Committee)

The Company will transition to a company with an audit and supervisory committee on the condition that Item 1 “Partial Amendments to the Articles of Incorporation” is approved. Therefore, the term of office of all nine (9) Directors will expire at the conclusion of this General Meeting of Shareholders, and we request the approval of the appointment of nine (9) Directors (excluding Directors Serving on the Audit and Supervisory Committee).

This proposal shall come into effect on the condition that the amendments to the Articles of Incorporation in Item 1 “Partial Amendments to the Articles of Incorporation” come into effect.

Career histories of the candidates for Directors (excluding Directors Serving on the Audit and Supervisory Committee) are as follows:

Candidate Number	Name (Date of Birth)	Brief history, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
1	Ryoji Abe (Nov. 9, 1957) [Reelection]	<p>Mar. 1983 Joined the Company</p> <p>Jun. 2008 Director & Vice President, Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div.</p> <p>Jun. 2015 Director & Executive Managing Officer, Division Manager of Semiconductor Devices 2nd Div. and Electronic Components Div. and in charge of Overseas Business Operation Div.</p> <p>Jan. 2020 Director, V.P. & Executive Managing Officer, in charge of Semiconductor Devices and Electronic Components Business and Division Manager of Semiconductor Devices Technology & Operation Center, President of Electronic Components Company, and Division Manager of Overseas Business Operation Div. and Branch Manager of South Korea Branch</p> <p>Apr. 2020 President (Representative Director) (present)</p>	9,200

Candidate Number	Name (Date of Birth)	Brief history, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
2	Yoshinae Takada (May 27, 1957) [Reelection]	<p>Apr. 1983 Joined the Company</p> <p>Jun. 2004 Director & Vice President, Manager of Corporate Planning Dept. and Financial & Accounting Dept., and in charge of E.D.P. Dept.</p> <p>Apr. 2008 Director & Vice President, Division Manager of Corporate Management Div.</p> <p>Jun. 2008 Director & Senior Vice President, Division Manager of Corporate Management Div.</p> <p>Jun. 2011 Director & Executive Vice President, Supervisor over Corporate Administration Div. and Corporate Management Div., and in charge of Risk Management and Corporate Compliance</p> <p>Jun. 2015 Director & Senior Executive Managing Officer, Supervisor over Corporate Administration Div. and Corporate Management Div., Division Manager of Corporate Management Div., and in charge of Risk Management and Corporate Compliance</p> <p>Apr. 2019 Director, V.P. & Senior Executive Managing Officer, Supervisor over Corporate Administration Div. and Corporate Management Div., and in charge of Risk Management and Corporate Compliance (present)</p>	12,500

Candidate Number	Name (Date of Birth)	Brief history, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
3	Nobuhito Shintoku (Dec. 6, 1960) [Reelection]	<p>Apr. 1985 Joined the Company</p> <p>Apr. 2010 Division Manager of Corporate Administration Div., Manager of General Affairs Dept., and Chief of Isehara Technical Center</p> <p>Jun. 2011 Director & Vice President, Division Manager of Corporate Administration Div. and Manager of General Affairs Dept., Chief of Isehara Technical Center, and in charge of Branch Office (related to Administration)</p> <p>Jun. 2011 President (Representative Director) of Hakuto A&L Co., Ltd. (present)</p> <p>Apr. 2013 Director & Vice President, Division Manager of Corporate Administration Div. and Manager of General Affairs Dept., Chief of Isehara Technical Center, Branch Manager of Kansai Branch, and in charge of Branch Office (related to Administration) of the Company</p> <p>Jun. 2015 Director & Managing Officer, Division Manager of Corporate Administration Div. and Manager of General Affairs Dept., Chief of Isehara Technical Center, Branch Manager of Kansai Branch, and in charge of Branch Office (related to Administration)</p> <p>Apr. 2017 Director, V.P. & Managing Officer, Division Manager of Corporate Administration Div., Manager of Human Resources Dept. and General Affairs Dept., Chief of Isehara Technical Center, and in charge of Branch Office (related to Administration) (present)</p>	10,800

Candidate Number	Name (Date of Birth)	Brief history, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
4	Akira Togo (Apr. 21, 1958) [Reelection]	<p>Oct. 1982 Joined the Company</p> <p>Dec. 2003 Manager of Sales Administration Dept., Chemical Business Div. (in charge of water treatment)</p> <p>Apr. 2008 Deputy Division Manager of Chemical Business Div.</p> <p>Apr. 2010 Deputy Division Manager of Chemical Business Div.</p> <p>Apr. 2015 Division Manager of Chemical Business Div.</p> <p>Jun. 2015 Managing Officer, Division Manager of Chemical Business Div.</p> <p>Jun. 2016 Director, V.P. & Managing Officer, Division Manager of Chemical Business Div.</p> <p>Mar. 2018 Representative Director & Chairman, Hakuto Life Science Co., Ltd. (present)</p> <p>Apr. 2018 Director, V.P. & Managing Officer, President of Chemical Solution Company of the Company (present)</p>	5,800

Candidate Number	Name (Date of Birth)	Brief history, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
5	<p>Tamaki Miyashita (Jan. 21, 1971)</p> <p>[Reelection]</p>	<p>Apr. 2000 Joined the Company</p> <p>Jan. 2010 Manager of Third Sales Dept., Semiconductor Devices 1st Div.</p> <p>Apr. 2014 Deputy Managing Director of Hakuto Enterprises Ltd.</p> <p>Oct. 2015 Managing Director of Hakuto Enterprises Ltd.</p> <p>Sept. 2017 Deputy Division Manager of Electronic Equipment Div. of the Company</p> <p>Apr. 2018 Managing Officer, President of System Products Company, and Manager of Sales 3rd Dept.</p> <p>Apr. 2019 Managing Officer, President of System Products Company, and in charge of Greater China Equipment Business Promotion</p> <p>Apr. 2019 Director of San-Ei Giken Inc. (present)</p> <p>Jun. 2019 Director, V.P. & Managing Officer, President of System Products Company, and in charge of Greater China Equipment Business Promotion of the Company</p> <p>Apr. 2020 Director, V.P. & Managing Officer, President of System Products Company, Division Manager of Overseas Business Operation Div. and Branch Manager of South Korea Branch, and in charge of Greater China Equipment Business Promotion (present)</p>	1,100

Candidate Number	Name (Date of Birth)	Brief history, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
6	Yugo Ishishita (Oct. 6, 1971) [New]	Apr. 2000 Joined the Company Apr. 2013 Manager of First Sales Dept., Semiconductor Devices 2nd Div. Oct. 2016 Manager of First Sales Dept., Device Solution Company Apr. 2017 Deputy Division Manager of Overseas Business Operation Div. (in charge of ST Business) and Manager of First Sales Dept., Device Solution Company Apr. 2018 Managing Officer and President of Strategic Device Company Apr. 2020 Managing Officer, President of Strategic Device Company, and Division Manager of Semiconductor Devices Technology & Operation Center (present)	1,400
7	Ichiro Takayama (Jan. 3, 1958) [Reelection]	Jun. 1986 Qualified Medical Doctor (U.S.) May 1990 Qualified Medical Doctor (Japan) Jun. 1990 Director of the Company Jun. 1996 Retired from Director Jun. 2000 Director of the Company (present)	1,058,923

Candidate Number	Name (Date of Birth)	Brief history, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
8	Keiji Kondo (Dec. 26, 1951) [Reelection] [External] [Independent]	Oct. 1979 Passed the Bar Examination Apr. 1984 Completed the training of a Legal Apprentice Apr. 1984 Registered as an attorney (present) Apr. 1984 Joined YUASA AND HARA Dec. 1996 Retired from YUASA AND HARA Mar. 1997 Established Fukuda and Kondo Law Firm (present) Jun. 2014 External Director of the Company (present) <Significant concurrent positions outside the Company> Joint representation at Fukuda and Kondo Law Firm	-
Reason, etc. for appointing External Directors: Reason: Although Mr. Keiji Kondo has not been directly engaged in company management, he is familiar with corporate law in his capacity as an attorney and has extraordinary insight to govern corporate management, and is deemed appropriate to carry out the duties of an External Director. Therefore, his appointment as an External Director is requested. Term of office: Mr. Keiji Kondo will have served as an External Director for six years as of the end of this General Meeting of Shareholders.			

Candidate Number	Name (Date of Birth)	Brief history, Position, Responsibility, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
9	Masahito Kamijo (Jul. 12, 1954) [Reelection] [External] [Independent]	<p>Jun. 2006 Representative Director and Managing Executive Officer of Saitama Resona Bank, Limited</p> <p>Jun. 2008 Director and Senior Managing Executive Officer of Resona Bank, Limited</p> <p>Jun. 2009 Representative Director and President of Saitama Resona Bank, Limited</p> <p>Apr. 2014 Director and Chairman of Saitama Resona Bank, Limited</p> <p>Apr. 2015 Chairman of Resona Research Institute Co., Ltd.</p> <p>Jun. 2015 External Director of the Company (present)</p> <p>Jun. 2016 External Director of Clarion Co., Ltd.</p> <p>Jun. 2018 External Director, ZENKOKU HOSHO Co., Ltd. (present)</p>	—
<p>Reason, etc. for appointing External Directors: Reason: Mr. Masahito Kamijo had served as Representative Director and President of Saitama Resona Bank, Limited and in other capacities that have allowed him to accumulate a wealth of experience in company management. It is judged, therefore, that seeking his opinions and advice on critical management issues would help promote proper decision making, and his appointment as an External Director is requested. Term of office: Mr. Masahito Kamijo will have served as an External Director for five years as of the end of this General Meeting of Shareholders.</p>			

Notes:

1. Mr. Yugo Ishishita is a new candidate for Director.
2. There are no special interests between the Company and each candidate.
3. Mr. Keiji Kondo and Mr. Masahito Kamijo are candidates for External Director.
4. The Company appointed Mr. Keiji Kondo and Mr. Masahito Kamijo as Independent Officers as stipulated by provisions of Tokyo Stock Exchange, and filed the relevant notification with the TSE. If their reelection is approved as originally proposed, the Company will continue to appoint them as Independent Officers.
5. Special notes on the candidates for appointment as External Directors are provided below.
 - (1) Independence of External Director candidates
Mr. Keiji Kondo and Mr. Masahito Kamijo satisfy the requirements for independent officers prescribed by the Tokyo Stock Exchange as well as the Company's independence requirements set forth in the "Independence Criteria for External Officers" (see p. 60).

(2) Agreements limiting the liability of External Directors

Based on Article 427, Paragraph 1 of the Companies Act (“the Act”), the Company has entered into contracts with each Director (excluding Executive Directors) to limit liability for damages as stipulated in Article 423, Paragraph 1 of the Act, to the higher of ¥3 million or the minimum liability limit amount stipulated in Article 425, Paragraph 1 of the Act. Should the reappointment of Mr. Ichiro Takayama, Mr. Keiji Kondo and Mr. Masahito Kamijo be approved, the Company will extend the above agreement with each of them.

Item 3: Appointment of Three (3) Directors Serving on the Audit and Supervisory Committee

The Company will transition to a company with an audit and supervisory committee on the condition that Item 1 “Partial Amendments to the Articles of Incorporation” is approved. Therefore, we request the approval of the appointment of three (3) Directors Serving on the Audit and Supervisory Committee.

The Audit & Supervisory Board has approved this proposal.

This proposal shall come into effect on the condition that the amendments to the Articles of Incorporation in Item 1 “Partial Amendments to the Articles of Incorporation” come into effect.

Career histories of the candidates for Directors Serving on the Audit and Supervisory Committee are as follows:

Candidate Number	Name (Date of Birth)	Brief history, Position, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
1	Fumiaki Yamamoto (Apr. 1, 1957) [New] [External] [Independent]	Apr. 1979 Joined The Kyowa Bank, Ltd. (currently Resona Bank, Limited) Apr. 2004 Executive Officer and Manager of Loan Management Department of Resona Bank, Limited Jun. 2005 Executive Officer, and vice in charge of Corporate Finance Department of Resona Bank, Limited Apr. 2010 Managing Executive Officer of Leopalace21 Corporation Jun. 2010 Director and Managing Executive Officer of Leopalace21 Corporation Apr. 2013 Senior Managing Director of Resona Research Institute Co., Ltd. Jun. 2015 External Audit & Supervisory Board Member of PACIFIC METALS CO., LTD. Jun. 2017 Outside Audit & Supervisory Board Member of SWCC Showa Holdings Co., Ltd. Jun. 2018 Full-time External Audit & Supervisory Board Member of the Company (present) Jun. 2019 Outside Audit & Supervisory Board Member of SWCC Showa Cable Systems Co., Ltd. (present)	400
Reason, etc. for appointing External Directors: Mr. Fumiaki Yamamoto has a wealth of experience and knowledge accumulated through his career in management and audit of multiple corporations. It is judged, therefore, that he will provide supervision and helpful advice on corporate management, and his appointment as an External Director Serving on the Audit and Supervisory Committee is requested. In addition, Mr. Fumiaki Yamamoto is a current External Audit & Supervisory Board Member of the Company and will have served as an Audit & Supervisory Board Member for two years as of the end of this General Meeting of Shareholders.			

Candidate Number	Name (Date of Birth)	Brief history, Position, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
2	<p>Hidenori Mizuno (Jul. 10, 1957)</p> <p>[New] [External] [Independent]</p>	<p>Apr. 1982 Joined the Mitsubishi Trust and Banking Corporation (the current Mitsubishi UFJ Trust and Banking Corporation)</p> <p>Jun. 2009 Executive Officer, General Manager of Personnel Division of the Mitsubishi UFJ Trust and Banking Corporation</p> <p>Jun. 2011 Managing Director of the Mitsubishi UFJ Trust and Banking Corporation</p> <p>Jun. 2012 Managing Director of the Mitsubishi UFJ Trust and Banking Corporation, Managing Executive Officer and vice in charge of compliance of Mitsubishi UFJ Financial Group, Inc.</p> <p>Jun. 2013 Managing Executive Officer of the Mitsubishi UFJ Trust and Banking Corporation</p> <p>Jun. 2014 President (Representative Director) of Mitsubishi UFJ Trust Business Co., Ltd.</p> <p>Jun. 2016 External Audit & Supervisory Board Member of the Company (present)</p> <p>Feb. 2017 Outside Auditor of Nippon Filcon Co., Ltd. (present)</p> <p>Apr. 2019 Chairman (Representative Director) of Mitsubishi UFJ Trust Business Co., Ltd. (present)</p>	—
<p>Reason, etc. for appointing External Directors: Mr. Hidenori Mizuno has a wealth of experience and knowledge as a business manager and external audit & supervisory board member. It is judged, therefore, that he will provide supervision and helpful advice on corporate management, and his appointment as an External Director Serving on the Audit and Supervisory Committee is requested. In addition, Mr. Hidenori Mizuno is a current External Audit & Supervisory Board Member of the Company and will have served as an Audit & Supervisory Board Member for four years as of the end of this General Meeting of Shareholders.</p>			

Candidate Number	Name (Date of Birth)	Brief history, Position, and Status of material holding of concurrent positions	Number of Shares of the Company Owned by the Candidate
3	Keiji Okanan (Jan. 13, 1957) [New] [External] [Independent]	<p>Apr. 1979 Joined the National Tax Agency</p> <p>Jul. 1999 Assistant Regional Commissioner (Large Enterprise Examination and Criminal Investigation), Sapporo Regional Tax Bureau</p> <p>Jul. 2006 Director, Office of Rulings and Legal Affairs, National Tax Agency</p> <p>Jul. 2008 Assistant Regional Commissioner (Management and Co-ordination), Osaka Regional Tax Bureau</p> <p>Jul. 2011 Regional Commissioner, Fukuoka Regional Tax Bureau</p> <p>Jun. 2012 Deputy Commissioner (Revenue Management and Collection), National Tax Agency</p> <p>Sept. 2013 Senior Managing Director, Nihon Joryushu Shuzo Kumiai (present)</p> <p>Jun. 2019 External Audit & Supervisory Board Member of the Company (present)</p>	—
<p>Reason, etc. for appointing External Directors: Although Mr. Keiji Okanan has not been directly engaged in company management, he has held important positions at the National Tax Agency and regional tax bureaus for many years and has a wealth of experience and knowledge accumulated through his career. It is judged, therefore, that he will provide supervision and helpful advice on corporate management, and his appointment as an External Director Serving on the Audit and Supervisory Committee is requested. In addition, Mr. Keiji Okanan is a current External Audit & Supervisory Board Member of the Company and will have served as an Audit & Supervisory Board Member for one year as of the end of this General Meeting of Shareholders.</p>			

Notes:

1. Each candidate is a candidate for External Director Serving on the Audit and Supervisory Committee.
2. There are no special interests between the Company and each candidate.
3. The Company appointed Mr. Fumiaki Yamamoto, Mr. Hidenori Mizuno, and Mr. Keiji Okanan as Independent Officers as stipulated by provisions of the Tokyo Stock Exchange, and filed the relevant notification with the TSE. If their reelection is approved as originally proposed, the Company will continue to appoint them as Independent Officers.
4. Special notes on the candidates for appointment as External Directors are provided below.
 - (1) Independence of External Director candidates
Mr. Fumiaki Yamamoto, Mr. Hidenori Mizuno, and Mr. Keiji Okanan satisfy the requirements for independent officers prescribed by the Tokyo Stock Exchange as well as the Company's

independence requirements set forth in the “Independence Criteria for External Officers” (see p. 60).

(2) Agreements limiting the liability of External Directors

Based on Article 427, Paragraph 1 of the Companies Act (“the Act”), the Company has entered into contracts with each Director (excluding Executive Directors) to limit liability for damages as stipulated in Article 423, Paragraph 1 of the Act, to the higher of ¥3 million or the minimum liability limit amount stipulated in Article 425, Paragraph 1 of the Act. Should the appointment of Mr. Fumiaki Yamamoto, Mr. Hidenori Mizuno, and Mr. Keiji Okanan be approved, the Company plans to enter into a new agreement with the same provisions with each person.

Item 4: Determination of Compensation to Directors (Excluding Directors Serving on the Audit and Supervisory Committee)

The compensation to Directors (excluding the employee salaries of persons simultaneously appointed as employee and director) of the Company approved at the 39th Annual General Meeting of Shareholders held on June 27, 1991 is not more than ¥450 million per year, but if Item 1 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the Company will transition to a company with an audit and supervisory committee. Therefore, we request the approval to set compensation to Directors (excluding Directors Serving on the Audit and Supervisory Committee) at not more than ¥450 million, and to have matters such as actual amount paid to each Director and the timing of payments be determined by the resolution of Board of Directors.

This compensation shall not include the employee salaries of persons simultaneously appointed as employee and director.

If Item 1 “Partial Amendments to the Articles of Incorporation” and Item 2 “Appointment of Nine (9) Directors (excluding Directors Serving on the Audit and Supervisory Committee)” approved as originally proposed, there shall be nine (9) Directors (excluding Directors Serving on the Audit and Supervisory Committee) (of which, two (2) are External Directors).

This proposal shall come into effect on the condition that the amendments to the Articles of Incorporation in Item 1 “Partial Amendments to the Articles of Incorporation” come into effect.

Item 5: Determination of Compensation to Directors Serving on the Audit and Supervisory Committee

If Item 1 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the Company will transition to a company with an audit and supervisory committee. Therefore, we request approval to set compensation to Directors Serving on the Audit and Supervisory Committee at not more than ¥60 million per year, and to have matters such as actual amount paid to each Director Serving on the Audit and Supervisory Committee and the timing of payments be determined in discussions by Directors Serving on the Audit and Supervisory Committee.

If Item 1 “Partial Amendments to the Articles of Incorporation” and Item 3 “Appointment of Three (3) Directors Serving on the Audit and Supervisory Committee” are approved as originally proposed, there shall be three (3) Directors Serving on the Audit and Supervisory Committee (of which, three (3) are External Directors).

This proposal shall come into effect on the condition that the amendments to the Articles of Incorporation in Item 1 “Partial Amendments to the Articles of Incorporation” come into effect.

Item 6: Determination of Compensation for Granting Restricted Shares to Directors (excluding Non-Executive Directors and Directors Serving on the Audit and Supervisory Committee)

If Item 1 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the Company will transition to a company with an audit and supervisory committee. As a part of the Company’s governance reforms, we request the approval to pay compensation newly in order to grant restricted shares to Directors (excluding Non-Executive Directors and Directors Serving on the Audit and Supervisory Committee, hereinafter the “Eligible Directors”) within the limit of compensation for which the approval is requested in Item 4 “Determination of Compensation to Directors (Excluding Directors Serving on the Audit and Supervisory Committee),” for the purposes of providing Eligible Directors with incentives to achieve sustained improvement of the Company’s corporate value and further promoting value sharing with shareholders.

In accordance with this proposal, compensation to be paid to Eligible Directors for the purpose of granting them restricted shares shall be monetary claims (hereinafter the “monetary compensation claims”), and its total amount deemed appropriate in light of the above purpose shall be not more than ¥70 million per year. The specific timing and allocation of payment to individual Eligible Directors shall be determined by the Board of Directors. Compensation for the purpose of granting restricted shares, however, shall not be paid to Non-Executive Directors, including External Directors, and Directors Serving on the Audit and Supervisory Committee.

Please note that the above compensation shall not include employee salaries of Directors concurrently serving as employees.

If Item 1 “Partial Amendments to the Articles of Incorporation” and Item 2 “Election of Nine Directors (excluding Directors Serving on the Audit and Supervisory Committee)” are approved as originally proposed, there shall be nine (9) Directors (excluding Directors Serving on the Audit and Supervisory Committee) (of which, one (1) is Non-Executive Director and two (2) are External Directors.) and six (6) Eligible Directors to whom this proposal applies. Pursuant to a resolution of the Company’s Board of Directors, Eligible Directors may make contributions in-kind of all of the monetary compensation claim received in accordance with this proposal to have common shares of the Company issued or disposed of, and the total number of common shares thereby issued or disposed of shall be 70,000 shares or less per year (provided that, if a split or consolidation of common shares of the Company (including allotment without contribution of common shares of the Company) is conducted on or after the day on which this proposal is approved or if any other necessity arises to adjust the total number of common shares of the Company issued or disposed of as restricted shares, the said total number shall be adjusted within a reasonable range).

The amount to be paid in per share shall be determined by the Board of Directors based on the closing price of the Company’s common shares on the Tokyo Stock Exchange on the business day immediately before the date of each resolution by the Board of Directors (the closing price on the closest preceding trading day, if there is no closing price on that date) within the range in which the price may not be particularly advantageous to Eligible Directors who subscribe for the said common shares of the Company. In thereby issuing or disposing of common shares of the Company, the Agreement on the Allotment of Restricted Shares (hereinafter the “Allotment Agreement”), which includes provisions to the following effect, shall be concluded between the Company and Eligible Directors.

- (1) **Restriction period**
Eligible Directors may not transfer, hypothecate, or otherwise dispose of common shares of the Company allotted per the Allotment Agreement (hereinafter the “Allotted Shares”) during the period from the day on which they are allotted shares under the Allotment Agreement until immediately after they retire from their position as Director of the Company (hereinafter the “Restriction Period”), (hereinafter “Transfer Restriction”).
- (2) **Treatment on retirement from office**
If Eligible Directors retire from their position as Director of the Company before the expiration of the period from the date they start to execute their duties until immediately before the conclusion of the first annual general meeting of shareholders (hereinafter the “Period of Service”), the Company shall acquire the Allotted Shares without contribution unless there is any justifiable reason for the retirement.
- (3) **Lifting of transfer restriction**
Notwithstanding the provision of (1) above, the Company shall lift the Transfer Restriction of all of Allotted Shares upon expiration of the Restriction Periods, on the condition that Eligible Directors have remained in the position of Director of the Company throughout the Period of Service. However, if Eligible Directors retire their position as Director before the expiration of the Period of Service for a justifiable reason, the number of Allotted Shares for which Transfer Restrictions are lifted shall be rationally adjusted as necessary. In cases specified above, the Company shall necessarily acquire without contribution such Allotted Shares whose Transfer Restriction has not been lifted, as of the time immediately after Transfer Restriction is lifted.
- (4) **Treatment during reorganization, etc.**
Notwithstanding the provision of (1) above, if, during the Restriction Period, a merger agreement in which the Company is the disappearing company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or any other matter relating to reorganization, etc. is approved at the Company’s General Meeting of Shareholders (or at a meeting of its Board of Directors in cases where approval at the Company’s General Meeting of Shareholders is not required regarding the reorganization, etc.), the Company shall lift, prior to the date on which the reorganization, etc. becomes effective, Transfer Restriction on Allotted Shares at the number that is reasonably determined by a resolution of the Board of Directors of the Company in light of the period from the date they start to execute their duties to the date of approval of the reorganization, etc. In cases specified above, the Company shall acquire without contribution such Allotted Shares whose Transfer Restriction has not been lifted, as of the time immediately after Transfer Restriction is lifted.
- (5) **Other matters**
Any other matters pertaining to the Allotment Agreement shall be decided at meetings of the Board of Directors of the Company.

This proposal shall come into effect on the condition that the amendments to the Articles of Incorporation in Item 1 “Partial Amendments to the Articles of Incorporation” come into effect.

Item 7: Introduction of Measures to Respond to a Large-Scale Purchase of the Company's Shares, etc. (Takeover Defense Measures)

The Company decided, at the meeting of its Board of Director held on May 29, 2020, to introduce measures to respond to a large-scale purchases of the Company's shares, etc. (takeover defense measures) (hereinafter the "Plan") as one of the initiatives for preventing parties who are inappropriate from controlling the determination of the Company's financial and operational policies in light of the Basic Policies Regarding Those Who Direct the Determination of the Company's Financial and Operational Policies (items stipulated in Article 118, Item 3 of Ordinance for Enforcement of the Companies Act, hereinafter the "Basic Policies") (as stipulated in Item 3-2-(2) of the same Article) on the condition that the Plan is approved by shareholders at the 68th Annual General Meeting of Shareholders to be held on June 25, 2020 (hereinafter the "General Meeting of Shareholders"). Accordingly, the Company requests the approval for the introduction of the Plan.

The Company has continually discussed for some time introducing takeover defense measures to ensure and maximize the Company's corporate value and the common interests of the shareholders, but had not resolved to implement any particular takeover defense measures. However, should the source of the Company's corporate value over the medium- to long-term come under threat by the acquisition of 20% or more of the Company's outstanding shares by a particular individual or group (hereinafter the "Purchaser"), or if increases in the Company's corporate value or maximization of common shareholder interests are otherwise threatened, the Purchaser shall be deemed inappropriate for controlling the determination of the Company's financial and operational policies, and the Board of Directors, in pursuit of its fiduciary responsibility to make prudent management judgments, may take appropriate defensive measures, to the extent allowed by the laws and regulations and the Company's Articles of Incorporation, to increase the Company's corporate value and maximize the common shareholder interest.

Regarding this point, although the Company does not recognize that there are signs of a specific large-scale purchase (as defined in III.2.(1)-1) below, the same shall apply hereinafter, taking into account the existence of an investor with interest in the Company's capital policy, as exemplified by receiving capital policy related proposals from a party with questionable sufficiency of understanding of the Company's business characteristics; the Company's determination that it is important to stipulate certain procedures regarding large-scale purchases that could be planned by a third party; and the social and economic conditions, etc. and trading conditions of the market in which the Company's share are traded under the impact of the spread of the novel coronavirus (COVID-19), it is deemed that the introduction of this Plan at this point in time will contribute to the Company's corporate value and the common interests of the shareholders.

The introduction of this Plan was resolved at the Board of Directors meeting above by all Directors of the Company, including two independent External Directors. All Audit & Supervisory Board Members of the Company, including three independent External Audit & Supervisory Board Members, attended that Board of Directors meeting and

expressed their opinion that they have no objections to this Plan on the condition that it is appropriately operated.

In addition, There may be amendments to the Companies Act, Financial Instruments and Exchange Act, other laws and regulations, related regulations, cabinet orders, Cabinet Office Ordinances, ministry ordinances, and rules of the financial instruments exchanges that the Company's shares, etc. are listed on (hereinafter collectively referred to as "Laws and Regulations") (including changes in the names of Laws and Regulations and the establishment of new Laws and Regulations that succeed former Laws and Regulations; the same shall apply hereinafter). In case of enactment of these amendments, any reference to the provisions of Laws and Regulations in this Plan shall be deemed to be replaced with a reference to the provisions of amended Laws and Regulation that substantively succeed the old provisions unless otherwise prescribed by the Board of Directors of the Company.

Details

I. Basic Policies regarding those who control the determination of the Company's financial and operational policies

Under its management philosophy (our mission) that *Hakuto, through its sound business, is committed to contributing to the development of Japanese industries and global trading as well as the welfare and peace of human society*, the Company, as an electronics trading company handling the most technologically advanced electronic and electric equipment and electronic components, and as a chemical manufacturer producing environmentally friendly industrial chemicals, has worked to stably provide products and services to meet the needs of the times and, as generating appropriate levels of profits, has practiced solid and stable management over the long term.

The Company is characterized by its status as an independent trading company with no ties to a specific manufacturer, and the consequent independence of its management. This means that the Company, in its inventory procurement, is not limited to the offerings of specific manufacturers and can handle a wide variety of domestic and overseas products, and has allowed the Company to create a supply system perfectly suited to customers' diversifying needs and work with manufacturers to develop products that meet customer needs. As a trading company linking suppliers, who are manufacturers, and customers, our corporate culture of placing a high value on people-to-people connections has formed a tight network, binding suppliers with customers, and embodies mutual development and the creation of positive relationships since our foundation to present.

As a technical trading company and chemical manufacturer, personnel with expert knowledge in the fields of electronics and electricity, and chemistry, are indispensable for providing added value, improving customer satisfaction, and developing competitive products. Employees are necessarily the core of our management resources and the Company has consistently pursued management policies that spare no time or capital when it comes to securing outstanding personnel and providing ongoing training.

Tangible and intangible assets in the form of the Company's management philosophy, which is based on the high aspirations of contributing to society, commercial rights based on sales agent agreements with suppliers, technology and know-how, and personnel who share a corporate culture and have deep knowledge of their work have increased the

Company's corporate value, enhanced the soundness of its finances, and made it possible for the Company to forthrightly return profits to shareholders in forms such as dividends that have either been stable or increased on Company performance, and treasury share acquisitions.

Judging from the Company's management to date and the conduct of companies that have won generally high praise from society, those who control the determination of the Company's financial and operational policies must develop a full understanding of, and maintain based on that understanding, the trusting relationships with the various stakeholders supporting the Company, and secure and maximize the Company's corporate value and the common interests of shareholders over the medium- to long-term. It follows, therefore, that those who inappropriately purchase large quantities of the Company's shares, etc. with a high likelihood of damaging the Company's corporate value and the common interests of shareholders would be inappropriate for controlling the determination of the Company's financial and operational policies.

II. Special initiatives contributing to realization of the Basic Policies

- (1) Initiatives aimed at increasing corporate value and maximizing the common interests of shareholders

The Company seeks to enhance the collaboration between the Electronics Segment and the Chemicals Segment to enjoy a synergy effect and also establish a solid management base focusing on the good balance of major Divisions.

Additionally, for further improving our corporate value, the Company plans to implement the following strategies in each segment:

(Electronics Segment)

The Company will thoroughly implement the user-oriented (customer viewpoint) sales and marketing activities and enhance the coordination function for the purpose of creating and maximizing the added value. The Company also intends to maintain its top position as a business agent in various commercial rights by completely acquiring important customers in the target market of each product.

(Chemicals Segment)

Backed by higher awareness of environment protection measures, the Company will exploit a new demand and provide new products that can meet the needs of the society. The Company will also develop markets and customers where the Company can expect the synergy effect with the Electronics business.

- (2) Reinforcement of corporate governance

- 1) Basic stance on corporate governance

The Company has positioned the improvement of corporate governance as its highest management priority and endeavors to properly construct the internal control system. In addition, the Company has made it a fundamental policy to ensure the proper, lawful and transparent management and strive to increase corporate value in order to undertake corporate management that meets the expectations of all stakeholders including shareholders, as a company contributing to international society.

- 2) Outline of the corporate governance system and reason for adopting said system

Aiming to achieve sustainable growth and greater medium- to long-term corporate

value for the Group, the Company introduced the executive officer system in June 2015 in order to enhance and accelerate the decision-making function of management and strengthen the business execution function from the perspective of reinforcing the corporate governance. The executive officer system consists of nine Directors and nine Executive Officers (four of whom serve concurrently as Directors) as of today. An outline of the system is as follows:

- The election and dismissal of Executive Officers is resolved by Board of Directors.
- Directors may concurrently serve as Executive Officers.
- Executive Officers shall hold their office for not more than one year, but may be reelected.
- The duties and responsible operations of Executive Officers are decided by the Board of Directors.

The Board of Directors, which generally meets monthly, consists of nine Directors, two of whom are External Directors.

The Board of Directors ensures the fairness and transparency of management by fully supervising overall management under the executive officer system, and makes decisions based on standards for submitting matters to the Board of Directors (matters prescribed by the Laws and Regulations and the Company's Articles of Incorporation, and other important matters defined by the Company). The execution of duties other than those to be decided solely by the Board of Directors and related determination are delegated to the Managing Directors Meeting, which is a meeting structure under the Board of Directors, or Executive Officers, etc. The Board of Directors receives reports on delegated matters from the Managing Directors Meeting or Executive Officers, etc. in accordance with the standards for reporting to the Board of Directors and supervises the execution of duties and related determinations.

The Company generally holds Managing Directors Meeting twice a month, which consists of the President (Representative Director) and Directors concurrently serving as Executive Officers, and promptly responds to quick understanding of the management status and the important business execution based on monthly business reports by Executive Officers. Full-time Audit & Supervisory Board Member attends the Managing Directors Meetings to provide advice on critical management issues and check the legality of those decisions. In addition, for particularly critical issues, Board of Managing Directors strives to ensure full deliberations and appropriate decision-making by deliberating such issues sufficiently before submitting to the Board of Directors.

The Company has adopted a corporate structure of a company with audit & supervisory board members and an audit & supervisory board. Three external Audit & Supervisory Board Members (one of whom is a full-time member) focus on compliance management. Furthermore, the Audit & Supervisory Board generally holds meetings once a month and makes decisions on audit policies and standards and annual audit plans, etc., and receives various reports such as on the status of audit by each Audit & Supervisory Board Member.

The Company has established a Compliance Committee, which is chaired by the President (Representative Director) and attended by the Director in charge of Corporate Compliance, Director in charge of General Affairs Dept. and Human Resources Dept., and Full-time Audit & Supervisory Board Member. The Committee

holds regular meetings twice a year as well as extraordinary meetings as necessary, and receives reports on the status of compliance trainings, use of whistle-blowing systems, and other educational activities regarding compliance from each responsible department of the Company.

In addition, as stated in the “Notice regarding Transition to Company with Audit and Supervisory Committee” dated March 31, 2020, the Company will transition to a company with an audit and supervisory committee, if each item is approved as originally proposed at this General Meeting of Shareholders. With this transition, the Company believes that it would be possible to further strengthen the audit and supervisory functions of the Board of Directors and further reinforce the corporate governance by having the Audit and Supervisory Committee Members responsible for supervising of the execution of duties by Directors, etc., as members of the Board of Directors. After the transition to a company with an audit and supervisory committee, the Board of Directors is scheduled to be composed of nine Directors (excluding Directors Serving on the Audit and Supervisory Committee) (two of whom are External Directors) and three Directors Serving on the Audit and Supervisory Committee (three of whom are External Directors).

3) Other

In addition to the above, the Company is working to reinforce its corporate governance, taking into consideration the latest Corporate Governance Code. See the Company’s Corporate Governance Report (<https://www.hakuto.co.jp/library/data/profile/governance201906.pdf>) for details on the Company’s corporate governance system.

III. Initiatives for preventing parties who are inappropriate, in light of Basic Policies, from controlling the determination of the Company’s financial and operational policies

1. Purpose of this Plan

The Company believes that it may be necessary to implement some sort of measures against a Purchaser as outlined in I. above, and that, as a listed company, it should essentially be individual shareholders who decide finally whether to sell shares to a Purchaser or whether to leave the management of the Company in the hands of a Purchaser.

However, in order for shareholders to make appropriate decisions, it is necessary for shareholders to properly understand the Company’s corporate value and its source, taking into full consideration the Company’s unique business characteristics as well as the histories of the Company and the Group. It is easily assumed that information provided by a Purchaser alone is not enough to recognize how the acquisition of controlling shares of the Company by a Purchaser would impact on the Company’s corporate value and its source. The Company believes that it is necessary for shareholders to make appropriate decision based on information provided by the Board of Directors of the Company which fully understands the Company’s unique business characteristics, evaluation and opinion of the Board of Directors of the Company on the acquisition of controlling shares by that Purchaser, and in certain situations, new

proposals by the Board of Directors of the Company.

Therefore, the Company considers it extremely important to ensure sufficient time for shareholders to analyze and examine various aspects of these information.

From these perspectives and taking into consideration the Basic Policies above, the Company concluded that it is necessary to introduce the Plan as one of the initiatives for preventing parties who are inappropriate, in light of the Basic Policies, from controlling the determination of the Company's financial and operational policies, to require the Large-Scale Purchaser (defined in 2.(1).1) below, the same shall apply hereinafter) to provide in advance necessary information about the Large-Scale Purchase and secure a certain period for consideration and negotiation so that the shareholders would appropriately decide whether to accept the proposal for the Large-Scale Purchase; to have the Board of Directors of the Company provide shareholders with the opinion on whether or not to accept the proposal for the Large-Scale Purchase upon recommendations of the Independent Committee (defined in 2.(1).5) below, the same shall apply hereinafter), or an alternative business plan for the acquisition proposal and business plan by the Large-Scale Purchaser (hereinafter the "Alternative Proposal"); or to negotiate with the Large-Scale Purchaser for the shareholders. It goes without saying that it is desirable to confirm the shareholders' intention upon introducing the Plan. Therefore, the Company intends to confirm shareholders' intention regarding introduction of the Plan at this Annual General Meeting of Shareholders.

For the reasons above, the Board of Directors of the Company decided to introduce the Plan on the condition that the shareholders' intention is confirmed by submitting the item to be approved relating introduction of the Plan to this Annual General Meeting of Shareholders.

The status of major shareholders of the Company as of March 31, 2020, are as shown in Appendix 1 "Status of Major Shareholders of the Company," and at this time there are no signs of an actual Large-Scale Purchase of the Company's shares.

As of March 31, 2020, Takayama International Education Foundation, the top shareholder of the Company, holds 20.56% of the Company's shares, and Mr. Ichiro Takayama, Mr. Ken Takayama and Mr. Ryutaro Takayama, the Company's major shareholders who are members of the founding family (hereinafter the "Founding Family Shareholders"), hold 5.15% of the Company's shares, respectively. Mr. Ichiro Takayama serves as a Director of the Company. However, there are no other persons with a relationship of interest with the founder except him among the Company's officers and employees, and the Company's management is not under the control of persons with a relationship of interest with the founder. In addition, Takayama International Education Foundation and the Founding Family Shareholders carry out decision making through various judgments on the disposal of the Company's shares and the exercise of voting rights, and the Company has not entered into agreements, etc., with Takayama International Education and the Founding Family Shareholders regarding the future plans of Takayama International Education and the Founding Family Shareholders to continue to hold the Company's shares. Therefore, Takayama International Education Foundation and the Founding Family Shareholders transfer, pass down through inheritance, and dispose of shares of the Company in other ways and may lower their ownership ratio for their own reasons, and it cannot be said that these shareholders will retain their position as stable shareholders into the future.

2. Content of the Plan

As outlined below, the Plan establishes rules to be adhered to by a party intending to carry out a large-scale purchase of the Company's shares, etc., clarifies that in certain cases, the party intending to carry out a large-scale purchase may sustain a loss as the Company takes countermeasures, and warns the party intending to carry out a large-scale purchase of the Company's shares, etc. that will not contribute to the Company's corporate value and eventually the common interests of shareholders by appropriately disclosing such rules and clarifications.

(1) Procedures for the Plan

1) Large-scale purchases, etc., subject to the Plan

The Plan applies to an actual or potential purchase of the Company's shares, etc. that falls or may fall under any of (i) through (iii) below or acts similar thereto (excluding those approved by the Board of Directors of the Company, hereinafter "Large-Scale Purchase"). A party who carries out or intends to carry out a Large-Scale Purchase (hereinafter "Large-Scale Purchaser") shall be required to follow the procedures prescribed in the Plan in advance.

- (i) A purchase or other acquisition¹ as a result of which the ownership ratio of shares, etc.² of a particular shareholder of the Company would become 20% or more with regard to the shares, etc. issued by the Company³
- (ii) A purchase or other acquisition⁴ as a result of which the total ownership ratio of shares, etc.⁵, of a particular shareholder and their specially related parties⁶ would become 20% or more with regard to the shares, etc. issued by the Company⁷
- (iii) Regardless of whether activities stipulated in (i) or (ii) above are carried out, activities carried out between a particular shareholder of the Company and another shareholder of the Company (including multiple shareholders, the same shall apply hereinafter in this (iii)), as a result of which an agreement that the said another shareholder would become a joint holder of the said particular shareholder or other activities, or activities⁸ that would establish a relationship⁹ between the said particular shareholder and the said another shareholder, in which one controls substantially over the other or they act in cooperation or collaboration (provided, however, that total ownership ratio of shares, etc. of the said particular shareholder and the said another would become 20% or more.)

2) Prior submission of a letter of intent to the Company

A Large-Scale Purchaser is required to submit to the Board of Directors of the Company a document in Japanese containing, among others, a written pledge to the effect that the Large-Scale Purchaser will comply with the procedures prescribed in the Plan in relation to the proposed Large-Scale Purchase (hereinafter the "Letter of Intent") in a form prescribed by the Company before the execution of the Large-Scale Purchase.

More specifically, the Large-Scale Purchaser is required to state the following matters in the Letter of Intent. In addition, the Large-Scale Purchaser that is a company or other judicial person shall also submit its Articles of Incorporation, certificate of all historical matters (or equivalent), and non-

consolidated/consolidated balance sheets and statements of income for the most recent five fiscal years.

- (i) Summary description of the Large-Scale Purchaser
 - (a) Name and address or residence
 - (b) If the Large-Scale Purchaser is a company or other juridical person, names and histories over the past ten years of the representative, directors (or equivalent position, the same shall apply hereinafter), and audit & supervisory board members (or equivalent position, the same shall apply hereinafter)
 - (c) If the Large-Scale Purchaser is a company or other juridical person, its purpose and details of its business
 - (d) If the Large-Scale Purchaser is a company or other juridical person, summary description of direct/indirect major shareholders or equity holders (10 largest holders in terms of ownership ratio of shares or equity holding ratio) and ultimate substantial controlling shareholder (equity holder)
 - (e) Contact address in Japan
 - (f) If the Large-Scale Purchaser is a company or other judicial person, law governing for the incorporation
 - (g) Name, location of headquarters, and details of business of major investees, and ownership ratio of shares or equity holding ratio to those major investees
- (ii) The number of the Company's shares, etc. currently held by the Large-Scale Purchaser, and the trading status of the Large-Scale Purchaser regarding the Company's shares, etc. during the period of 60 days immediately preceding the date of submission of the Letter of Intent
- (iii) Outline of the Large-Scale Purchase proposed by the Large-Scale Purchaser (including the classes and the number of the Company's shares, etc. planned to be acquired by the Large-Scale Purchaser through the Large-Scale Purchase, and the purpose of the Large-Scale Purchase [if the Large-Scale Purchaser's purposes include: the acquisition of control or the participation in management, pure investment or strategic investment, any transfer of the Company's shares, etc. to a third party after the completion of the Large-Scale Purchase, making a material proposal; or other purposes, the Large-Scale Purchaser must describe that fact and specific description of its content; if there are more than one purposes, the Large-Scale Purchaser is required to state all of them].)¹⁰

3) Provision of the Necessary Information

In cases where the Large-Scale Purchaser has submitted the Letter of Intent referred to in 2) above, the Large-Scale Purchaser is required to submit to the Company information in Japanese that is necessary and sufficient for shareholders to make a decision and for the evaluation, examination, etc., by the Board of Directors of the Company regarding the Large-Scale Purchase (hereinafter the "Necessary Information") in accordance with the following procedure:

First, the Company will send to the Large-Scale Purchaser at the contact address in Japan specified in 2) (i) (e) above the information list specifying information to

be initially submitted within 10 business days¹¹ (the first day not included) from the date of submission of the Letter of Intent. The Large-Scale Purchaser is required to submit sufficient information to the Company in accordance with the information list.

If the information provided by the Large-Scale Purchaser in accordance with the information list is reasonably determined by the Board of Directors of the Company to be insufficient for shareholders to make a decision and for the evaluation, examination, etc. by the Board of Directors in view of the details and the form of the Large-Scale Purchase, the Company will set out a reasonable period for additional information and require the Large-Scale Purchaser to provide additional information that is separately requested by the Board of Directors. Additional requests for Necessary Information may continue to be made until the Board of Directors of the Company consider the provision of Necessary Information to be sufficient. The deadline for the final response shall not exceed 60 days from the day the Large-Scale Purchaser received the information list, even if the Board of Directors does not consider the provision of Necessary Information to be sufficient (however, if requested by the Large-Scale Purchaser, the deadline may be extended to the extent necessary).

Regardless of the details and the form of the Large-Scale Purchase, the information listed in the following items shall, in principle, be included as part of the information list.

- (i) Details of the Large-Scale Purchaser and its group (including major shareholders and equity holders (regardless of direct or indirect; the same shall apply hereinafter), major subsidiaries and affiliates, joint holders, and specially related parties; in the case of funds, including fund members, equity holders, other members, and parties who continually provide investment advice; the same shall apply hereinafter) (including history, specific names, capital structure, investment ratios, business descriptions, descriptions of financial status, whether violations of Laws and Regulations exist within the past 10 years (and summary of violation if such violation exists), and name of the officers and their histories and whether violations of Laws and Regulations exists over the past 10 years (and summary of violation if such violation exists))
- (ii) Details of internal control system of the Large-Scale Purchaser and its group (including internal control system of the group), effectiveness and status of the system
- (iii) Purpose of the Large-Scale Purchase (details of the purpose disclosed in the Letter of Intent), method and other details of the Large-Scale Purchase (including whether the Large-Scale Purchaser intends to participate in management of the Company, types and amounts of consideration for the Large-Scale Purchase, timing of the Large-Scale Purchase, structure of any related transactions, number of shares, etc. planned to be acquired, ownership ratio of shares, etc. after the completion of the purchase, legality of the method of the Large-Scale Purchase, and feasibility of the Large-Scale Purchase and related transactions (and details of the conditions if there are certain conditions on the Large-Scale Purchase); and the intent and reason if the Company's shares, etc. are planned to be delisted after the completion of

- the Large-Scale Purchase; a licensed attorney’s opinion regarding the legality of the method of the Large-Scale Purchase shall be submitted.)
- (iv) The basis for calculation of the consideration of the Large-Scale Purchase and calculation process (including the assumed facts and assumptions of the calculation; the calculation method of calculation; numerical information used in calculation; details of the synergy and dis-synergy expected to arise from a series of transactions related to the Large-Scale Purchase; the name of a third party, if any, from whom an opinion is obtained in performing calculation; the outline of such an opinion; and the process through which the amount is determined based on such an opinion)
 - (v) Supporting documents explaining the source of funds for the Large-Scale Purchase (including the specific name of the provider of the funds [including substantial providers of funds (regardless of direct or indirect)], funding methods, existence or absence and details of any pledges made after the provision of funding and details of any related transactions).
 - (vi) Presence or absence of communication with a third party in conducting the Large-Scale Purchase (including communication about material proposal to the Company; the same shall apply hereinafter) and details of the communication and the outline of the third party if such communication exist
 - (vii) Status of holdings of the Company’s shares, etc. by the Large-Scale Purchaser and its group, status of holding of and contracts related to derivatives and other financial products whose underlying assets are assets related to the Company’s shares, etc. and the business of the Company and its group, status of lending/borrowed shares and short sales of the Company’s shares, etc.
 - (viii) If, with regard to the Company’s shares, etc. already held by the Large-Scale Purchaser, there are any lending agreement, hypothecation agreement, sell-back agreement, sales reservation or other important contracts or arrangements (hereinafter the “Hypothecation Agreements”), the type of the agreement, the counterparty to the agreement, and the specific terms and conditions of Hypothecation Agreements such as the quantity, etc. of the shares, etc. that are the subject of the agreement
 - (ix) If the Large-Scale Purchaser plans to enter into a Hypothecation Agreement or any other agreements with a third party with regard to the Company’s shares, etc. planned to be acquired by the Large-Scale Purchaser through the Large-Scale Purchase, the type of the agreement planned to be concluded, the counterparty to the agreement, and the specific terms and conditions of the agreement such as the quantity, etc. of the shares, etc. that are the subject of the agreement
 - (x) The management policy, business plan, financial plans, capital plans, investment plans, capital policy, and dividend policy of the Company and the Group attempted after the completion of the Large-Scale Purchase (including plans for selling off, providing collateral for, or other disposing of the Company’s assets after the completion of the Large-Scale Purchase)
 - (xi) The policy on the treatment, etc. of the Company and the Group’s officers, employees, labor union, business partners, customers, local communities where the Company’s facilities, etc. are located, and other stakeholders of

- the Company and the Group after completion of the Large-Scale Purchase
- (xii) Specific measures to avoid any conflict of interest with other shareholders of the Company
 - (xiii) Regulations under applicable Laws and Regulations in Japan and overseas related to the Large-Scale Purchase, and the possibility of obtaining approvals and licenses, etc. under Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, and Foreign Exchange and Foreign Control Trade Law, that should be obtained from the Japanese or overseas governments or third parties (The Large-Scale Purchaser is also required to provide a written opinion from a licensed attorney concerning these matters.)
 - (xiv) Possibility of maintaining approvals and licenses under Japanese and overseas Laws and Regulations necessary for the Group's management after the completion of the Large-Scale Purchase, and possibility of complying with Japanese and overseas Laws and Regulations
 - (xv) Presence or absence of relationship with antisocial forces or terrorist organizations (regardless of direct or indirect) and its details if such relationship exists

When a Large-Scale Purchaser proposes a Large-Scale Purchase, the Board of Directors of the Company shall appropriately disclose that fact in accordance with applicable Laws and Regulations. The Board of Directors also promptly discloses the outline of the proposal, the outline of Necessary Information, and any other information that is deemed necessary for shareholders to make a decision.

When the Board of Directors of the Company determines that Necessary Information has been sufficiently provided by the Large-Scale Purchaser, it notifies the Large-Scale Purchaser to that effect (hereinafter the "Information Provision Completion Notice") and promptly disclose that fact.

4) Establishment of the Board of Directors' Evaluation Period

After giving the Information Provision Completion Notice, the Board of Directors of the Company sets either of the periods listed in (i) or (ii) below with the day immediately following the date of the Information Provision Completion Notice as starting date for calculating, depending on such factors as the difficulty of evaluation of the Large-Scale Purchase, as a period for evaluation, examination, negotiation, opinion formation, and development of an alternative proposal by the Board of Directors of the Company (hereinafter the "Board of Directors' Evaluation Period") and promptly disclose it in accordance with applicable Laws and Regulations. The Large-Scale Purchase shall only be launched after the Board of Directors' Evaluation Period is completed, unless otherwise indicated in the Plan.

- (i) In the case of a tender offer for all Company's shares, etc., the consideration for which consists only of cash (in Japanese yen): a period of up to 60 days; or
- (ii) In the case of other Large-Scale Purchases: a period of up to 90 days.

However, for both cases (i) and (ii) above, the Board of Directors' Evaluation Period may be extended if the Board of Directors determines there is a reasonably

necessary reason to do so (the period shall be extended up to 30 days). In such cases, the Company will notify the Large-Scale Purchaser of the length of the extension and the specific reason why the extension is necessary, and discloses that fact to its shareholders and investors in compliance with the applicable Laws and Regulations.

During the Board of Directors' Evaluation Period, the Board of Directors of the Company shall sufficiently evaluate and examine the Necessary Information provided by the Large-Scale Purchaser while obtaining the advice of external experts from time to time as necessary and shall thereby examine the details of the Large-Scale Purchase proposed by the Large-Scale Purchaser from the perspective of protecting and enhancing the Company's corporate value and the common interests of shareholders. The Board of Directors of the Company will carefully form its opinion on the proposed Large-Scale Purchase through these examinations, etc. and notify the Large-Scale Purchaser of it. It will also disclose its opinion to its shareholders and investors in a timely and appropriate manner and in accordance with applicable Laws and Regulations.

The Board of Directors of the Company will also negotiate the terms and conditions and the method of the Large-Scale Purchase with the Large-Scale Purchaser as necessary and may present an alternative proposal to its shareholders and investors.

5) Recommendations of the Independent Committee concerning the exercise of countermeasures

In the Plan, an Independent Committee is established to preclude arbitrary decisions by the Board of Directors of the Company and to ensure the objectivity and reasonableness of the decisions and responses of the Board. It also provides recommendations to the Board whether to exercise the countermeasures. The Independent Committee shall consist only of parties independent of senior executives in charge of business execution of the Company, such as External Directors of the Company and outside experts (experienced corporate managers, former employees of government agencies, attorneys, certified public accountants, academics, or equivalent parties) in accordance with the Outline of Independent Committee Regulations (Please refer to Appendix 2 for the outline). In addition, if the introduction of takeover defense measures under the Plan is approved at this Annual General Meeting of Shareholders, the Company plans to elect three (3) Independent Committee Members listed in Appendix 3 at the first meeting of the Board of Directors of the Company after this Annual General Meeting of Shareholders.

During the Board of Directors' Evaluation Period, the Independent Committee shall, in parallel with the evaluation, examination, negotiation, opinion formation and development of an alternative proposal by the Board of Directors of the Company outlined in 4) above, make recommendations to the Board on whether countermeasures should be exercised, in accordance with the procedure outlined below. At the time, the Independent Committee may, at the cost of the Company, obtain advice from outside experts that are independent from the senior executives

in charge of business execution of the Company (including investment banks, securities companies, financial advisors, certified public accountants, attorneys, consultants, and other experts) in order to ensure that the judgment of the Independent Committee is made in a manner to contribute to protection and enhancement of the Company's corporate value and the common interests of shareholders. When the Independent Committee has made the following recommendations listed in (i) or (ii) below to the Board of Directors of the Company, the Board of Directors promptly discloses the fact that such recommendations have been made and the outline of the recommendations together with information about any other matters deemed appropriate by the Board of Directors in accordance with applicable Laws and Regulations.

- (i) In cases where the Large-Scale Purchaser has not complied with the procedures prescribed in the Plan

In cases where there are material violations of the procedures stipulated in the Plan by the Large-Scale Purchaser and the violations are not corrected within five business days (the first day not included) after the Board of Directors of the Company requests in writing to the Large-Scale Purchaser to make the corrections, the Independent Committee will, in principle, recommend the exercise of countermeasures to the Board of Directors, unless it is clearly necessary not to exercise countermeasures to protect and enhance the Company's corporate value and the common interests of shareholders, or there are any other special circumstances.

- (ii) In cases where the Large-Scale Purchaser has complied with the procedures prescribed in the Plan

In cases where the Large-Scale Purchaser has complied with the procedures prescribed in the Plan, the Independent Committee will, in principle, recommend the non-exercise of countermeasures to the Board of Directors of the Company.

However, even in cases where the Large-Scale Purchaser has complied with the procedures prescribed in the Plan, the Independent Committee may exceptionally recommend the exercise of countermeasures to the Board of Directors of the Company if the Committee has concluded that the said purchase is deemed to significantly undermine the Company's corporate value and the common interests of shareholders and that the exercise of countermeasures is appropriate for the reasons given in (a) through (l) below.

- (a) Cases where the Large-Scale Purchaser is judged to be a party who does not have any intention to participate in corporate management and is acquiring or intends to acquire the Company's shares, etc. only for the purpose of selling the Company's shares, etc. to the Company or a related party of the Company at a high price after driving the share price higher (so-called greenmailer), or is judged to be a party who is acquiring the Company's shares, etc. mainly for the purpose of capturing short-term gains.
- (b) Cases where the Large-Scale Purchaser is judged to be acquiring the Company's shares, etc. for the purpose of transferring such assets of the

Company or the Group companies as intellectual property rights, know-how, corporate secrets, major business partners, or customers that are necessary for the business operation of the Company or the Group companies to the Large-Scale Purchaser or its group companies, etc. by temporarily acquiring control over the corporate management of the Company

- (c) Cases where the Large-Scale Purchaser is judged to be acquiring the Company's shares, etc. for the purpose of using the assets of the Company or the Group companies as collateral for or the source of funds to repay, debts of the Large-Scale Purchaser or its group companies, etc., after acquiring control over the corporate management of the Company
- (d) Cases where the Large-Scale Purchaser is judged to be acquiring the Company's shares, etc. for the purpose of temporarily acquiring control over the corporate management of the Company and disposing high-value assets, etc. such as real estate and securities, that are not currently related to the business of the Company or the Group companies by sale, etc. and temporarily paying higher dividends from the disposition proceeds or deliberately selling the Company's shares, etc. at a high price as the share price surges during the period of the said temporarily higher dividends
- (e) Cases where the Large-Scale Purchaser is judged to have no particular interest or involvement in the management of the Company and aim to use various measures to capture gains from the sale of the Company's shares, etc. back to the Company or a third party after acquiring the shares, and ultimately pursue its own gains including disposing of the Company's assets
- (f) Cases where the method of purchase of the Company's shares, etc. proposed by the Large-Scale Purchaser is judged to impose restrictions on the opportunity or freedom of shareholders to make a decision by way of so-called coercive two-tier tender offer (the method of carrying out a tender offer in two steps where the purchaser does not solicit the sale of all of the Company's shares, etc. in the first stage while specifying unfavorable terms and conditions for purchase in the second stage or not clarifying the terms and conditions for purchase in the second stage) and shareholders could be effectively forced to sell the Company's shares, etc. (so-called coercive)
- (g) Cases where the terms and conditions for purchasing the Company's shares, etc. (including but not limited to class and amount of the consideration, basis of calculation of the consideration, other specific terms and conditions [including the timing and method for the acquisition], whether there is any illegality and the feasibility) proposed by the Large-Scale Purchaser are found significantly inadequate or unsuitable with respect to the Company's primary corporate value
- (h) Cases where the acquisition of control of the Company by the Large-Scale Purchaser is judged to cause a significant impediment to protection and enhancement of the Company's corporate value and the common interests of shareholders as it is expected that, such control

would spoil the relationship with the Company's shareholders as well as relationships with customers, employees and other stakeholders of the Group, which are the source of the Company's corporate value, and significantly damage the Company's corporate value and the common interests of shareholders

- (i) Cases where the Company's corporate value when the Large-Scale Purchaser acquires the control is judged to be significantly less than, in comparison of medium- to long-term future corporate value, that when the Large-Scale Purchaser does not acquire the control of the Company
- (j) Cases where the Large-Scale Purchaser is judged to be clearly not appropriate as a controlling shareholder of the Company, from a social standards perspective, such as the management team of, major shareholders of, or equity holders in the Large-Scale Purchaser including parties related to anti-social forces or terrorist organizations
- (k) Cases equivalent to (a) through (j) above that is judged to significantly damage the Company's corporate value and the common interests of shareholders

6) Resolution of the Board of Directors

The Board of Directors of the Company shall respect the recommendations of the Independent Committee prescribed in 5) above to the maximum extent and, taking into account the recommendation, promptly pass a necessary resolution approving the exercise or non-exercise of countermeasures from the perspective of protecting and enhancing the Company's corporate value and the common interests of shareholders.

Even if the Independent Committee recommends to pass a resolution of the non-exercise of countermeasures, the Board of Directors of the Company respects the recommendation of the Independent Committee to the maximum extent, and may convene a General Meeting of Shareholders of the Company using the method provided in 7) below in order to ask shareholders whether to exercise countermeasures or not, in the case where the Board of Directors determines that following the said recommendation would be a violation of Directors' fiduciary responsibility to make prudent management judgments, after passing a resolution of the exercise of countermeasures or not passing a resolution of the non-exercise of countermeasures.

Even after the Board of Directors of the Company has passed a resolution approving the exercise of countermeasures or has started exercising countermeasures, if (i) the Large-Scale Purchaser has withdrawn the proposal for a Large-Scale Purchase or (ii) there have been changes in the facts on which the judgment as to whether countermeasures should be exercised and it is no longer considered appropriate to exercise countermeasures from the perspective of protecting and enhancing the Company's corporate value and the common interests of shareholders, the Board of Directors shall pass a resolution of suspending the exercise of countermeasures.

If the above resolution is passed, the Board of Directors of the Company will promptly disclose the outline of that resolution and other matters deemed appropriate by the Board of Directors, which include evaluations, judgements and

opinions of the Board of Directors of the Company as to whether or not to exercise countermeasures, in accordance with applicable Laws and Regulations.

7) Convening a General Meeting of Shareholders of the Company

In cases where the Large-Scale Purchaser does not comply with the procedures prescribed in the Plan and the Board of Directors of the Company determines that it should convene a General Meeting of Shareholders to confirm shareholders' intention regarding the exercise of countermeasures under the Plan, the Board of Directors will convene a General Meeting of Shareholders as promptly as possible. Furthermore, even if the Large-Scale Purchaser has complied with the procedures prescribed in the Plan, in cases where the Board of Directors of the Company passes a resolution to exercise countermeasures from the perspective of protecting and enhancing the Company's corporate value and the common interests of shareholders, the Board of Directors will convene a General Meeting of Shareholders as promptly as possible. In this case, the Large-Scale Purchase shall be carried out after a proposal to exercise countermeasures is rejected at the General Meeting of Shareholders of the Company and the meeting is concluded. If the proposal to exercise countermeasures under the Plan is approved, the Board of Directors of the Company shall pass a resolution to exercise countermeasures under the Plan against the Large-Scale Purchase. If the proposal to exercise countermeasures under the Plan is rejected, the Board of Directors of the Company will not pass a resolution to exercise countermeasures under the Plan against the Large-Scale Purchase.

Even if procedures to convene the said General Meeting of Shareholders are completed, in cases where the Board of Directors subsequently passes a resolution to non-exercise countermeasures, or where the Large-Scale Purchaser does not comply with the procedures prescribed in the Plan and the Board of Directors comes to determine it appropriate to exercise countermeasures, the Company may suspend procedures to convene its General Meeting of Shareholders. If that resolution is passed, the Company will promptly disclose the outline of the said resolution and other matters deemed appropriate by the Board of Directors of the Company, which include evaluations, judgements and opinions of the Board of Directors of the Company as to whether or not to exercise countermeasures, in accordance with applicable Laws and Regulations.

(2) Specific countermeasures to be exercised under the Plan

Countermeasures exercised by the Company under the Plan are, in principle, the allotment of the share subscription rights (hereinafter the "Share Subscription Rights") without contribution. However, if it is judged appropriate to exercise other countermeasures permitted by Laws and Regulations and the Company's Articles of Incorporation, those countermeasures may also be taken.

The outline of the allotment of the Share Subscription Rights without contribution as countermeasures under the Plan is provided in Appendix 4 "Outline of the Allotment of the Share Subscription Rights Without Contribution." If the Share Subscription Rights are actually allocated without contribution, conditions such as those on the exercise period, terms and conditions of the exercise, provisions for acquisition may be set taking into consideration their effectiveness as

countermeasures against the Large-Scale Purchase, including (i) terms and conditions of the exercise of rights, established by the Board of Directors in accordance with prescribed procedures, that the exercise of rights by certain Large-Scale Purchasers and its joint holders, specially related parties, and parties who are approved by the Board of Directors to have effective control and cooperate or collaborate with those parties (hereinafter “Exception Parties”) shall not be approved, and (ii) provisions for acquisition to the effect that the Company may only acquire Share Subscription Rights held by share subscription rights holders other than Exception Parties when the Company acquires some of the Share Subscription Rights, or provisions for acquisition to the effect that the Company may acquire the Share Subscription Rights with certain restrictions on the exercise by Exception Parties as consideration for the same number of Share Subscription Rights to be acquired.

(3) Effective period, abolition, and change of the Plan

The effective period of the Plan shall be to expire at the conclusion of the annual general meeting of shareholders for the last business year out of the business years terminating within three years after the end of this Annual General Meeting of Shareholders.

In addition, if a resolution approving the abolition of the Plan is passed by the Board of Directors consisting of Directors elected at a General Meeting of Shareholders of the Company any time before the expiration of the said effective period, the Plan shall be abolished at that time.

After obtaining the approval of the Independent Committee, the Board of Directors may revise or change the Plan to the extent reasonably necessary for changes to Laws and Regulations, changes in the interpretation or application thereof, or changes in the tax system or case law. On the other hand, the Board of Directors of the Company will submit the matter to the closest General Meeting of Shareholders and obtain shareholder’s approval, the Company plans to make changes to the content of the Plan that substantially impacts the Company’s shareholders.

If the Plan is abolished and changes to the Plan are made that impact the Company’s shareholders, the Company will promptly disclose the abolishment of the Plan, fact and details of the change (if there are changes), and other matters deemed appropriate by the Board of Directors of the Company, in accordance with Laws and Regulations.

3. Rationale of the Plan

The Plan satisfies all three principles (principle of ensuring and enhancing corporate value and common interests of shareholders, principle of prior disclosure and shareholders’ intention, and principle of ensuring the necessity and reasonableness of defensive measures) prescribed in the “Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders’ Common Interest” jointly published by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005, and is based on the “Takeover Defense Measures in Light of Recent Environmental Changes” published by the Corporate Value Study Group, established within METI, on June 30, 2008, as well as “Principle 1-5. Takeover Defense Measures” of the Corporate Governance Code introduced on June 1, 2015 and

came into effect on June 1, 2018, through revisions to Securities Listing Regulations of the Tokyo Stock Exchange, and other experiences and debates regarding takeover defense measures. Therefore, it is highly rational.

(1) Principle of ensuring and enhancing corporate value and common interests of shareholders

As stated in 1. above, the Plan is proposed for the purpose of ensuring and enhancing the Company's corporate value and the common interests of shareholders in the case where a Large-Scale Purchase of the Company's shares, etc. by securing information and time necessary for the shareholders to decide whether to accept the proposal for the Large-Scale Purchase or for the Board of Directors of the Company to present an alternative proposal, as well as by enabling the Company to negotiate with the Large-Scale Purchaser on behalf of its shareholders or to take similar actions.

(2) Principle of prior disclosure and shareholders' intention

The Board of Directors of the Company resolved that the Company will submit the proposal for introduction of Takeover Defense Measures under the Plan resolved by the Board of Directors to this Annual General Meeting of Shareholders to be approved. In addition, as stated in 2.(3) above, if a resolution approving the abolition of the Plan is passed by the Board of Directors consisting of Directors elected at a General Meeting of Shareholders of the Company even after approval at this Annual General Meeting of Shareholders, the Plan shall be abolished at that time. In addition, in cases where a Large-Scale Purchaser complies with the procedures prescribed in the Plan, the Company shall convene the General Meeting of Shareholders regarding determination of exercise of countermeasures. Therefore, the shareholders' intention will be fully reflected on the continuation of the Plan.

(3) Principle of ensuring the necessity and reasonableness of defensive measures

- 1) Establishing the Independent Committee and respecting its recommendations to the maximum extent, and ensuring the information disclosure as stated in 2. above, in order to preclude arbitrary decisions by the Board of Directors regarding exercise of countermeasures against Large-Scale Purchases under the Plan and to ensure the objectivity and reasonableness of the decisions and responses of the Board of Directors, the Company established the Independent Committee that consists only of parties independent of senior executives in charge of business execution of the Company, such as External Directors of the Company and outside experts (experienced corporate managers, former employees of government agencies, attorneys, certified public accountants, academics, or equivalent parties). The Board of Directors respects the recommendations of the Independent Committee to the maximum extent in resolving the exercise or non-exercise of countermeasures. Furthermore, the Independent Committee may, at the cost of the Company, obtain advice of outside experts that are independent from the senior executives in charge of business execution of the Company (including investment banks, securities companies, financial advisors, certified public accountants, attorneys, consultants, and other experts) in order to ensure that the judgment of the Independent Committee is made in a manner to contribute to protection and

enhancement of the Company's corporate value and the common interests of shareholders.

The Company will also appropriately disclose information about the outline of the judgment made by Independent Committee to shareholders and investors in accordance with the Laws and Regulations, and put in place a mechanism to ensure the transparent administration of the Plan in a manner to contribute to the Company's corporate value and the common interests of shareholders.

2) Reasonable and objective requirements for the exercise of the Plan

As stated in 2. above, the Company has structured the Plan in a manner that it will not be exercised unless reasonable and objective requirements for exercise are satisfied and has put in place a mechanism to prevent the Board of Directors of the Company from arbitrarily exercising it.

3) The Plan is not a dead-hand type or slow-hand type takeover defense measures.

As stated in 2. (3) above, the Plan may be abolished anytime by the Board of Directors consisting of Directors who are elected at the General Meeting of Shareholders of the Company. Therefore, the Plan is not a dead-hand type takeover defense measure (takeover defense measure whose exercise cannot be prevented even after replacing a majority of the members of the Board of Directors).
Because the Company does not use staggered terms, the Plan is not a slow-hand type takeover defense measure (takeover defense measure that requires time to prevent the exercise of the Plan because the members of the Board of Directors cannot be replaced at once).

4. Impact on shareholders and investors

(1) Impact on shareholders and investors upon introduction of takeover defense measure under the Plan

Upon introduction of takeover defense measure under the Plan, Share Subscription Rights will not be issued. Therefore, introduction of takeover defense measure under the Plan will not directly have any specific impact on the legal rights and economic benefits pertaining to the Company's shares held by shareholders.

As stated in 2. (1) above, depending on whether the Large-Scale Purchaser complies with the Plan, the response policy of the Company to the proposed Large-Scale Purchase will be different. Therefore, shareholders and investors are advised to pay attention to any action that the Large-Scale Purchaser may or may not take.

(2) Impact on shareholders and investors at the time of allotment of the Share Subscription Rights without contribution

In the case where the Company's Board of Directors decides to exercise countermeasures and carry out an allotment of the Share Subscription Rights without contribution, the Share Subscription Rights will be allotted without contribution to shareholders whose names are recorded in the shareholder register as of the allotment date to be specified separately by the Board of Directors of the Company (hereinafter the "Allotment Date") at the rate of up to one Share Subscription Right per share held. Due to the nature of such a structure, while the allotment of the Share Subscription Rights without contribution causes dilution of the value per-share of the Company's

shares held by each shareholder, it does not cause dilution of the total value of the Company's shares held by each shareholder. As such, the allotment of the Share Subscription Rights without contribution is not expected to directly have a specific impact on the legal rights and economic benefits pertaining to the Company's shares held by shareholders.

However, as a result of this exercise of countermeasures, Exception Parties may eventually be subject to certain impact on their legal rights and economic benefits.

Please note that if the Company resolves to conduct an allotment of the Share Subscription Rights without contribution and decides subsequently to suspend exercise of countermeasures, this may result in substantial volatility in the share price of the Company's shares. For example, in cases where the Company suspends exercise of countermeasures after the shareholders to receive the allotment of the Share Subscription Rights without contribution are determined and thereby it acquires the Share Subscription Rights without contribution and does not deliver new shares, no dilution of economic value per share of the Company held by each shareholder occurs. Accordingly, shareholders and investors who have traded the Company's shares based on the assumption that dilution of economic value per share of the Company would occur may be exposed to a loss due to share price fluctuation.

In cases where discriminatory conditions are attached in relation to the exercise or acquisition of the Share Subscription Rights, while the legal rights and economic benefits of Exception Parties are expected to be affected due to the said exercise or acquisition, such conditions are not expected to directly have a specific impact on the legal rights and economic benefits pertaining to the Company's shares held by shareholders other than Exception Parties.

(3) Procedures to be followed by shareholders in conjunction with the allotment of the Share Subscription Rights without contribution

As those shareholders whose names are recorded in the last shareholder register as of Allotment Date of the Share Subscription Rights without contribution would naturally become holders of share options as of the effective date of the allotment of the Share Subscription Rights without contribution, no application procedures need to be followed by these shareholders. Furthermore, if provisions for acquisition are set on these Share Subscription Rights without contribution and the Company acquires the Share Subscription Rights, shareholders will receive the Company's shares as contribution for the Company acquiring the Share Subscription Rights without making monetary contributions equivalent to the value of the Share Subscription Rights. For Exception Parties, however, there are situations when the Share Subscription Rights that they hold are not acquired, and the Share Subscription Rights held by Exception Parties may be acquired using ones with certain restrictions on the exercise by Exception Parties as contribution on a one-to-one basis for each of the Share Subscription Rights to be acquired. In addition to the above, after the Board of Directors passes a resolution approving the allotment of these Share Subscription Rights without contribution, the allotment method, exercise method, the method of acquisition by the Company, and other details of the required procedures will be disclosed or notified in a timely and appropriate manner for their confirmation, in accordance with applicable Laws and Regulations.

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- 1 This refers to “shares, etc.” prescribed in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act. The same shall apply hereinafter unless otherwise prescribed.
 - 2 This refers to the “ownership ratio of shares, etc.” prescribed in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act. The same shall apply hereinafter unless otherwise prescribed. However, in calculating such ownership ratio of shares, etc., (a) specially related parties as defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act and (b) investment banks, securities companies, other financial institutions, tender offer agents of the said particular shareholder, and lead managing securities companies that have entered into a financial advisory agreement with the said particular shareholder (hereinafter the “Contracted Financial Institution”), attorneys, accountants, and other advisors are deemed as joint holders of the said particular shareholder (this refers to a “joint holder” as defined in Article 27-23, Paragraph 5 of the same Act and includes parties deemed as joint holders by the Board of Directors of the Company pursuant to the provisions of Paragraph 6 of that Article, and the same shall apply hereinafter) in the Plan. In addition, in calculating such ownership ratio of shares, etc., the most recent information announced by the Company can be used as reference for the total number of the Company’s shares issued.
 - 3 This includes having the right to request delivery of shares, etc. under a sales agreement and any other agreement, and various transactions prescribed in Article 14-6 of the Order for Enforcement of the Financial Instruments and Exchange Act.
 - 4 This refers to “shares, etc.” prescribed in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act. The same shall apply hereinafter in (ii).
 - 5 This refers to the “ownership ratio of shares, etc.” prescribed in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act. The same shall apply hereinafter unless otherwise prescribed. In addition, in calculating such ownership ratio of shares, etc., the most recent information announced by the Company can be used as reference for the total number of voting rights of the Company.
 - 6 This refers to “specially related parties” as defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act. However, the parties set forth in item (i) of that Paragraph shall exclude those who are prescribed in Article 2, Paragraph 2 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than Issuer. For the purpose of the Plan, (i) joint holders and (ii) Contracted Financial Institution are deemed as specially related parties of the said particular shareholder. The same shall apply hereinafter unless otherwise prescribed.
 - 7 This includes the purchase, other type of acceptance of transfer for value, and activity similar to acceptance of transfer for value prescribed in Article 6, Paragraph 3 of the Order for Enforcement of the Financial Instruments and Exchange Act.
 - 8 Whether “a relationship between the said particular shareholder and the said another shareholder, in which one controls substantially over the other or they act in cooperation or collaboration” has been established or not shall be judged based on factors such as the creation of the new investment relationship, business alliance relationship, transactional or contractual relationship, relationship of officers who concurrently holds other positions, funding relationship, credit provision relationship, or substantial interests relating the Company’s shares, etc., based on derivatives, borrowed share certificates, etc., or the direct or indirect influence on the Company by the said particular shareholder and the said another shareholder.
 - 9 Whether the activity stipulated in (iii) above or not shall be judged reasonably by the Board of Directors of the Company based on the recommendations of the Independent Committee. The Board of Directors of the Company may ask its shareholders to submit the necessary information to the extent required to judge whether the activity falls under the requirements of (iii) above.
 - 10 This means material proposal as define 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 Holding of Share Certificates, etc. The same shall apply hereinafter.

- 11 A business day means a day other than the days set forth in the items of Article 1, Paragraph 1 of the Act on Holidays of Administrative Organs. The same shall apply hereinafter.

Status of Major Shareholders of the Company

As of March 31, 2020

Name of shareholder	Contribution in the Company	
	Number of shares held (thousands of shares)	Ownership (%)
Takayama International Education Foundation	4,226	20.56
Japan Trustee Services Bank, Ltd. (trust account)	1,176	5.72
Ichiro Takayama	1,058	5.15
Ken Takayama	1,058	5.15
Ryutaro Takayama	1,058	5.15
The Master Trust Bank of Japan, Ltd. (trust account)	831	4.04
ATRA KK	543	2.64
Hakuto Employee Stock Ownership Plan	409	1.99
RE FUND 107-CLIENT AC	383	1.86
DFA INTL SMALL CAP VALUE PORTFOLIO	376	1.82

- Notes: 1. Number of shares held are rounded down to the nearest thousand shares, and ownership (%) is rounded down to the third decimal place.
2. The above ownership (%) is calculated based on the number of shares (20,554,135 shares), which excludes treasury shares. In addition, treasury shares are excluded from the list of major shareholders above.

Outline of Independent Committee Regulations

1. The Independent Committee is established by resolution of the Board of Directors of the Company in order to preclude arbitrary decisions by the Board concerning, among others, the exercise of countermeasures against a Large-Scale Purchase and to ensure the objectivity and reasonableness of the decisions and responses of the Board.
2. The Independent Committee shall consist of three or more members. The Independent Committee members shall be appointed by resolution of the Board of Directors of the Company from among persons who are either (1) External Directors of the Company or (2) outside experts (experienced corporate managers, former employees of government agencies, attorneys, certified public accountants, academics, or equivalent parties) and who are independent from the senior executives in charge of business execution of the Company. The Company shall enter into an agreement concerning the duty of due care of a prudent manager and confidentiality obligations with Independent Committee members.
3. The term of office of an Independent Committee member shall be the period from the day on which they are appointed to the day of the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year that ends within three years or another day separately agreed between the Company and the said member, unless otherwise prescribed by a resolution of the Board of Directors of the Company.
4. The Independent Committee shall be convened by a Representative Director of the Company or any of the Independent Committee members.
5. The chairperson of the Independent Committee shall be elected from among Independent Committee members by a vote of the members.
6. Resolutions of the Independent Committee shall be by majority of the votes of the Independent Committee members present at the meeting. However, in the case of an accident or any other special circumstances that prevent an Independent Committee member from voting on a resolution, a resolution of the Independent Committee shall be passed by a majority of the votes of all Independent Committee members present at the meeting (excluding said Independent Committee member).
7. The Independent Committee shall deliberate and pass resolutions on the matters listed in the following items and recommend its decisions to the Board of Directors of the Company with a reason for that recommendation.
 - (1) Whether countermeasures under the Plan should be exercised
 - (2) Suspending exercise of countermeasures under the Plan
 - (3) Abolishment of or changes to the Plan
 - (4) Any other matters related to the Plan on which the Board of Directors of the Company chooses to seek advice from the Independent CommitteeIn deliberating and passing resolutions by the Independent Committee, each Independent Committee member shall do so solely from the perspective of whether the matter in question contributes to the Company's corporate value and the common interests of shareholders and shall not do so for the purpose of seeking personal benefits for themselves or senior executives of the Company.
8. The Independent Committee may have a Director or employee of the Company or any other persons deemed necessary to attend its meeting and request their opinion

- or explanation about matters specified by the Independent Committee as necessary.
9. In performing its duties, the Independent Committee may, at the cost of the Company, obtain advice of external experts that are independent from senior executives in charge of business execution of the Company (including investment banks, securities companies, financial advisors, certified public accountants, attorneys, consultants, and other experts).

Name and Brief Histories of Independent Committee Members

Name: Keiji Okanan
 Brief history: Born Jan. 13, 1957
 Apr. 1979 Joined the National Tax Agency
 Jul. 1999 Assistant Regional Commissioner (Large Enterprise Examination and Criminal Investigation), Sapporo Regional Tax Bureau
 Jul. 2006 Director, Office of Rulings and Legal Affairs, National Tax Agency
 Jul. 2008 Assistant Regional Commissioner (Management and Co-ordination), Osaka Regional Tax Bureau
 Jul. 2011 Regional Commissioner, Fukuoka Regional Tax Bureau
 Jun. 2012 Deputy Commissioner (Revenue Management and Collection), National Tax Agency
 Sept. 2013 Senior Managing Director, Nihon Joryushu Shuzo Kumiai (present)
 Jun. 2019 External Audit & Supervisory Board Member of the Company (present)

Name: Keiji Kondo
 Brief history: Born Dec. 26, 1951
 Oct. 1979 Passed the Bar Examination
 Apr. 1984 Completed the training of a Legal Apprentice
 Registered as an attorney (Tokyo Bar Association)
 Joined YUASA AND HARA
 Dec. 1996 Retired from YUASA AND HARA
 Mar. 1997 Established Fukuda and Kondo Law Firm (present)
 Jun. 2014 External Director of the Company (present)

Name: Hidenori Nakagawa
 Brief history: Born Nov. 20, 1967
 Apr. 1990 Joined Legal Training and Research Institute of the Supreme Court
 Apr. 1992 Registered with Dai-Ichi Tokyo Bar Association
 Worked at Nagashima & Ohno
 Sept. 1997 Graduated from University of Chicago Law School (LL.M).
 Worked at Chicago-based Kirkland & Ellis LLP
 Apr. 1998 Obtained license to practice law in New York
 Sept. 1998 Returned to Nagashima & Ohno
 Sept. 1999 Worked at Regulatory Trading Management Dept. of Tokyo Branch, Merrill Lynch Securities (present Office of General Counsel, Merrill Lynch Japan Securities Co., Ltd.)
 Apr. 2003 Seconded to UFJ Strategic Partner K.K.
 Jul. 2004 Joined TMI Associates as partner (present)
 Jun. 2019 External Audit & Supervisory Board Member of Nice Corporation (former trade name: Nice Holdings, Inc.) (present)

Notes: Relationship with the Company

The Company appointed External Director Mr. Keiji Kondo and External Audit & Supervisory Board Member Mr. Keiji Okanan as Independent Officers as stipulated by provisions of the Tokyo Stock Exchange, and filed the relevant notification with the TSE.

Mr. Keiji Kondo and Mr. Keiji Okanan are scheduled to be elected as External Director and External Director Serving on the Audit and Supervisory Committee, respectively, at the General

Meeting of Shareholders.

There are no special interests between the Company and Mr. Hidenori Nakagawa.

Outline of the Allotment of the Share Subscription Rights Without Contribution

1. Total number of the Share Subscription Rights to be allotted
The total number of the Share Subscription Rights to be allotted shall be the number separately specified by the Company's Board of Directors in the resolution approving the allotment of the Share Subscription Rights without contribution (hereinafter "Resolution Approving the Allotment of the Share Subscription Rights Without Contribution") and this number shall not exceed the final total number of issued shares of the Company as of a certain day separately specified by the Board of Directors in the Resolution Approving the Allotment of the Share Subscription Rights Without Contribution (hereinafter "Allotment Date") (excluding the number of shares of the Company held by the Company as of the said date).
2. Shareholders eligible for allotment
The Share Subscription Rights shall be allotted without contribution to shareholders whose names are recorded in the last shareholder register as of the Allotment Date at the rate of up to one Share Subscription Rights per common share of the Company held by the said shareholders (excluding shares of the Company held by the Company as of the said date) that is separately specified by the Company's Board of Directors in the Resolution Approving the Allotment of the Share Subscription Rights Without Contribution.
3. Effective date of the allotment of the Share Subscription Rights without contribution
The effective date shall be the day separately specified by the Company's Board of Directors in the Resolution Approving the Allotment of the Share Subscription Rights Without Contribution.
4. Class and number of shares that are the subject of the Share Subscription Rights
The class of the shares that are the subject of the Share Subscription Rights shall be common shares of the Company and the number of shares that are the subject of a Share Subscription Right (hereinafter "Number of Subject Shares") shall be the number separately specified by the Company's Board of Directors in the Resolution Approving the Allotment of the Share Subscription Rights Without Contribution provided that the Number of Subject Shares shall not exceed one. However, in cases where the Company carries out a share split or share consolidation, the Number of Subject Shares shall be adjusted.
5. Type and amount of assets to be contributed upon exercise of the Share Subscription Rights
The type of assets to be contributed upon exercise of the Share Subscription Rights shall be money and the amount of assets to be contributed upon exercise of the Share Subscription Rights per common share of the Company shall be the amount separately specified by the Company's Board of Directors in the Resolution Approving the Allotment of the Share Subscription Rights Without Contribution provided that this amount shall not be less than ¥1.
6. Restrictions on the transfer of the Share Subscription Rights
Any transfer of the Share Subscription Rights shall be subject to the approval of the

Company's Board of Directors.

7. Exercise conditions of the Share Subscription Rights

Exercise conditions of the Share Subscription Rights shall be set separately by the Company's Board of Directors (Conditions may be attached on the exercise of rights considering the effect as a countermeasure against Large-Scale Purchases, including conditions that certain Large-Scale Purchasers designated by the Board of Directors in line with required procedures and parties the Board of Directors determines are joint holders, specially related parties, and parties who have effective control and cooperate or collaborated with those parties (hereinafter "Exception Parties") are not permitted to exercise their rights.)

8. Acquisition of the Share Subscription Rights by the Company

The Company may set provisions for acquisition to the effect that only it can only acquire all the Share Subscription Rights or only the Share Subscription Rights held by rights holders other than Exception Parties or acquisition conditions to the effect that it can acquire the Share Subscription Rights held by Exception Parties using only those with certain restrictions on the exercise by Exception Parties as compensation for the same number of Share Acquisition Rights to be acquired in with a resolution by the Company's Board of Directors on the condition that certain conditions occur or that it is a certain day stipulated separately by the Board of Directors or later.

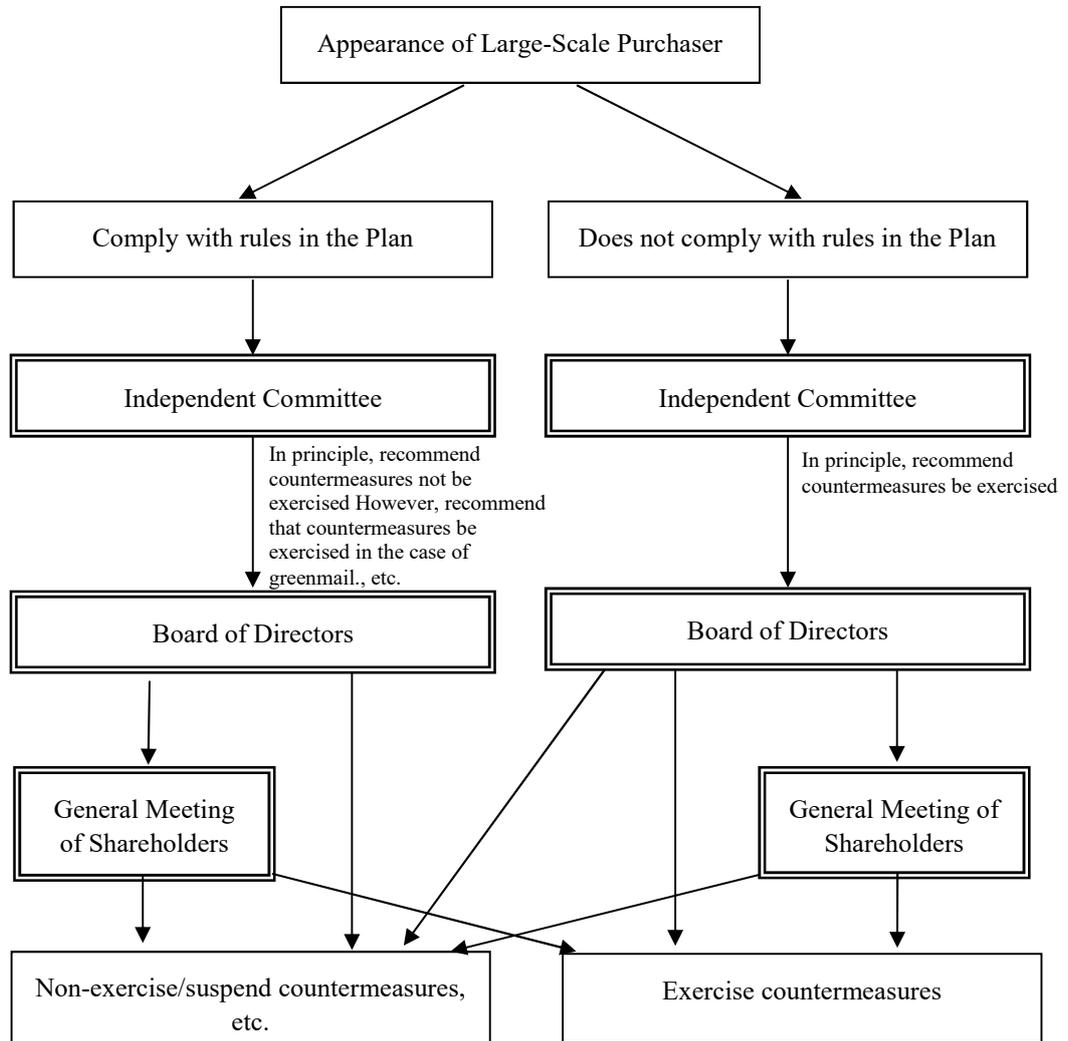
9. Acquisition without contribution in the case of revocation, etc. of the decision to exercise countermeasures

In cases where the Company's Board of Directors has revoked the exercise of countermeasures or other cases separately specified by the Board of Directors in the Resolution Approving the Allotment of the Share Subscription Rights Without Contribution, the Company may acquire all of the Share Subscription Rights without contribution.

10. Exercise period, etc. of the Share Subscription Rights

The exercise period of the Share Subscription Rights and other necessary matters shall be separately specified by the Company's Board of Directors in the Resolution Approving the Allotment of the Share Subscription Rights Without Contribution.

Overview of the Plan's procedures



* The figure provides an overview of the procedural flow for the Plan. See the main text of this proposal for details.

(Reference) Independence Criteria for External Officers

External Directors and Audit & Supervisory Board Members of the Company (hereinafter collectively referred to as External Officers) shall be determined to be independent if they do not fall under any of the following criteria:

1. A person whose major business partner is the Company (meaning a person who has received from the Company a payment equivalent to 2% or more of the annual consolidated net sales for the most recent fiscal year of that person) or an executive of that person;
2. A person is a major business partner of the Company (meaning a person who has paid to the Company a payment equivalent to 2% or more of the annual consolidated net sales for the most recent fiscal year of the Company) or an executive of that person;
3. A person who is a certified public accountant, tax accountant, attorney, judicial scrivener, patent attorney, consultant, etc., who receives money or other property from the Company in an amount of ¥10 million or more per year separately from compensation as an Officer of the Company (if the person who receives such property is an organization, such as a juridical person, association, etc., a person who belongs to an organization that receives property from the Company in an amount exceeding 2% of annual revenue of the organization);
4. A person belonging to the audit corporation that is the Accounting Auditor of the Company or its consolidated subsidiary who is in charge of providing audit services to the Company or its consolidated subsidiary;
5. An executive of a financial institution that is indispensable in financing of the Company to the extent the Company is dependent on the financial institution as the Company cannot find a substitute;
6. A major shareholder of the Company or its executive;
7. An executive of a company a major shareholder of which is the Company;
8. An executive of a company at which an Officer of the Company is serving as an External Officer;
9. A person who receives a donation of ¥10 million or more per year from the Company (if the person who receives such donation is an organization, such as a juridical person, association, etc., a person who belongs to an organization that receives donation from the Company in an amount exceeding 2% of annual revenue of the organization);
10. A person who has fallen under any of 1. through 9. above anytime during the last three (3) years;
11. A spouse or a relative within the second degree of kinship of any of the persons listed in 1. through 10. above (limited to important persons);
12. A spouse or a relative within the second degree of kinship of a Director, Executive Officer, Manager, or other employee (limited to important persons) of the Company or its subsidiary;
13. A spouse or a relative within the second degree of kinship of a person who has fallen under a Director, Executive Officer, Manager, or other employee (limited to important persons) of the Company or its subsidiary any time during

- the last three (3) years;
14. A person who has special circumstances other than those listed in 1. through 13. above that prevent him or her from performing the duties as an independent External Officer, such as conflict of interest with general shareholders of the Company; or
 15. A person whose total term of office as an External Officer at the Company has exceeded eight (8) years.

Notes:

1. An “executive” is an executive director, an executive officer, or an officer or employee holding a similar position at a corporation or other organization.
2. A “major shareholder” is a person who holds shares that are equivalent of 10% or more of the total voting rights at the end of the most recent fiscal year.
3. An “important person” is an officer or employee who holds a position that is equivalent to or above the position of executive director, executive officer, or general manager of a division/department.

[Information on Exercise the Voting Rights]

Voting rights exercisable at a general meeting of shareholders are important rights of shareholders.

Shareholders are requested to exercise their voting rights after reviewing the “Reference Materials for the General Meeting of Shareholders” attached below.

You may exercise your voting rights by one of the following three methods.

By Attending the General Meeting of Shareholders

Please submit your Form for Exercising Voting Rights and present it at the reception desk.

Date & Time:

Thursday, June 25, 2020 at 10:00 a.m.

By Submitting the Form for Exercising Voting Rights by Mail

Please indicate “for” or “against” for each agenda item shown on the enclosed Form for Exercising Voting Rights and return it to the Company.

Exercise Due Date:

No later than 5:30 p.m. on Wednesday, June 24, 2020

By Exercising Voting Rights via the Internet

Enter your vote for each proposal according to the instructions on the next page.

Exercise Due Date:

No later than 5:30 p.m. on Wednesday, June 24, 2020

Procedures for Exercising Voting Rights via the Internet

- (1) If you exercise your voting rights both by mail and via the Internet, the voting via the Internet shall prevail. In the case of multiple voting via the Internet, the last voting shall prevail.
- (2) Shareholders may not be able to use the Voting Rights Exercise Site depending on their Internet environment, subscribed services, or the model of the device used.
- (3) To prevent unauthorized access by parties other than shareholders and the alteration of shareholder votes, shareholders voting via the Internet will be asked to change their “Temporary Password” on the Voting Rights Exercise Site.
- (4) The shareholders are to bear any costs incurred for the access to the Voting Rights Exercise Site using a PC, smartphone, or mobile phone, such as Internet connection and telecommunication charges.

e-Voting platform for institutional investors

Institutional investors who have applied in advance to use the e-Voting Platform for institutional investors run by ICJ, Inc. can cast their votes via this system instead of the Company’s system for voting via the Internet, which is described above.

[How to vote via the Internet]

■ Exercising voting rights by scanning the QR Code

Smartphone users can log in to the Voting Rights Exercise Site without entering the login ID and the temporary password provided on the Voting Rights Exercise Form.

1. Please scan the QR Code provided on the lower right of the Voting Rights Exercise Form using a smartphone.
* QR Code is a registered trademark of Denso Wave Incorporated.
2. Then, enter your vote for each proposal according to the instructions on the screen.
You can log in to the website using the QR Code only once.
If you intend to exercise your voting rights again to change your previous vote or exercise your voting rights without using the QR Code, please see “Exercising voting rights by entering login ID and temporary password” below.

■ Exercising voting rights by entering login ID and temporary password

<Voting Rights Exercise Site URL> <https://evote.tr.mufg.jp/>

1. Please access the Voting Rights Exercise Site.
2. Enter the “login ID” and the “temporary password” provided on the Voting Right Exercise Form.
3. Enter a new password.
4. Then, enter your vote for each proposal according to the instructions on the screen.

If you have any questions about the exercise of voting rights via the Internet, such as how to use a PC, smartphone, or mobile phone to vote, please call the help desk below.

Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Department (Helpdesk)

Tel: 0120-173-027

Hours: 9:00 a.m.–9:00 p.m. (only in Japan, toll free)

<p>The English translation is an abridged version of the original invitation notice in Japanese. In the event of discrepancy, the Japanese version shall prevail.</p>
