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June 4, 2020

To whom it may concern

Company name TENMA CORPORATION  
Representative President and Representative Director  
Kaneto Fujino  
(Code: 7958; Tokyo Stock Exchange First Section)  
Inquiries: Executive Director Hiroshi Kaneda  
(TEL. 03-3598-5511)

## Notice of the 72nd Ordinary General Meeting of Shareholders

We hereby give notice of the 72nd Ordinary General Meeting of Shareholders of TENMA CORPORATION (“General Meeting of Shareholders”) with appropriate virus countermeasures for the meeting in light of the spread of new coronavirus infection.

### Details

**1. Date and Time:** June 26, 2020 (Friday) 10:00 a.m.

(Reception starts: 9.00 a.m. (JST))

**2. Venue:** 11-1, 1-Chome, Oji, Kita-ku, Tokyo, Japan

Tsutsuji Hall, Floor 3, Hokutopia (entrance is on floor 2).

### **3. Purpose of the Meeting:**

#### **(1) Matters to be Reported:**

1. The Business Report and the Consolidated Financial Statements for the 72nd fiscal year (from April 1, 2019 to March 31, 2020), and the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee.

2. The Non-consolidated Financial Statements for the 72nd fiscal year (from April 1, 2019 to March 31, 2020).

#### **(2) Matters to be Resolved:**

Company proposals

Proposal 1 Appropriation of the Surplus

Proposal 2 Election of Eight (8) Directors (Excluding Directors Who are Members of the Audit and Supervisory Committee)

Proposal 3 Election of One (1) Director Who is a Member of the Audit and Supervisory Committee

Proposal 4 Election of Accounting Auditor

Shareholder proposals

Proposal 5 Election of Eight (8) Directors (Excluding Directors Who are Members of the Audit and Supervisory Committee)

#### **4. Reference Documents for the General Meeting of Shareholders, etc.**

Please refer to the attachments for the reference documents for the General Meeting of Shareholders, business report, financial statement, consolidated financial statement, and the audit reports from the accounting auditor and the Audit and Supervisory Committee. One shareholder has submitted a shareholder proposal (Proposal 5) for the General Meeting of Shareholders. The board of directors of the Company opposes this proposal.

#### **5. New Coronavirus countermeasures for the General Meeting of Shareholders**

Given the continued risk of new coronavirus infection and the unlikelihood of the current situation being resolved in the near future, we intend to take the following countermeasures for the General Meeting of Shareholders in order to prevent the infection. We ask that shareholders consider not attending the meeting after checking the epidemic situation and your health condition on the day of the meeting. If you do not attend, please refer to the 72nd General Meeting of Shareholders Convocation Notice to be sent to shareholders for voting methods.

##### **(1) Our Request to Shareholders**

- Please take note of the new coronavirus situation and consider not attending regardless of your health condition.
- We especially recommend that shareholders who are elderly, have underlying conditions, or who are pregnant do not attend.

##### **(2) To Shareholders Attending the Venue**

- Please wear a facial mask when attending the venue. Please use the alcohol-based hand sanitizers located at the venue.
- Please notify venue staff if you feel unwell. Please note that venue staff may approach persons who appear unwell and prohibit from entering the venue or ask them to leave the venue.

##### **(3) Our Measures**

- On the day of the meeting, Company's attendees and venue staff will have their temperature measured, have their condition well checked, and wear masks (some will also wear gloves).
- Alcohol-based hand sanitizer will be placed at the venue.

- Seats will be arranged within the venue so that shareholders can sit as far away from each other as possible. Please note that this will reduce the capacity of the venue compared to previous years, meaning that some shareholders may be denied entry on the day of the meeting.

Any significant changes to the management or venue of the General Meeting of Shareholders as a result of the spread of new coronavirus infection will be available on our website (<https://www.tenmacorp.co.jp/>). Therefore, please check this beforehand if you are considering attending on the day of the meeting.

End

# Reference Documents for the General Meeting of Shareholders

## <Company proposals> (Proposal 1 to Proposal 4)

### **Proposal 1**      Appropriation of the Surplus

The Company considers enhancing the return of profits as one of its major management issues, with the goal of maintaining a consolidated dividend on equity ratio (DOE) of 2.5% or more. In addition, continuing the stable provision of dividends has been set as its basic policy, with the aim of further improving the return of profits. Furthermore, the Company's basic policy includes the consideration of increasing dividends through improved performance and the achievement of management targets.

According to this dividend policy, in order to set the annual dividends for this term to ¥80 per share to obtain a consolidated DOE of 2.5% or more, the Company proposes to set the year-end dividends for the 72nd term to ¥40 per share.

Through this action, together with the previous payment of interim dividends of ¥40 per share, this results in an annual dividend of ¥80 per share.

- (1) Type of dividends  
Cash
- (2) Dividend allocation and their aggregate amount  
Dividend per common share of the Company: ¥40  
Total dividends: ¥967,926,360
- (3) Effective date of dividends of surplus  
June 29, 2020

### **Proposal 2**      Election of Eight (8) Directors (Excluding Directors Who are Members of the Audit and Supervisory Committee)

The terms of office of all six (6) Directors (excluding Directors Who are Members of the Audit and Supervisory Committee) will expire at the conclusion of this meeting. Therefore, the Company proposes the election of eight (8) Directors (excluding Directors who are Members of the Audit and Supervisory Committee), as follows.

1. The policy for the determination of candidates for Director (excluding Directors who are Members of the Audit and Supervisory Committee) of the Company's proposal by the Board of Directors of the Company.

As stated below, the Company has decided on the candidates for Director (excluding Directors who are Members of the Audit and Supervisory Committee) to be

presented at this Ordinary General Meeting of Shareholders, finding them to be optimal from the viewpoint of maintaining and developing the corporate value of the Group and the common interests of the shareholders.

- (1) The candidates of the Company's proposal are the most suitable candidates for Director (excluding Directors who are Members of the Audit and Supervisory Committee) for achieving the proactive corporate value improvement measures that the Group should take

In order to achieve the final-year sales target of 91 billion yen and operating income target of 4.5 billion yen in the Second Mid-term Management Plan ("Mid-term Plan") for the three years ending in the 73rd term (the fiscal year ending on March 31, 2021), the Company has worked to expand earnings by leveraging the strength of the Group's network of bases covering Southeast Asia, expanding investment in rapidly growing Southeast Asian countries while also aggressively pursuing new orders to bases in China. To deal with high distribution costs, the Company has also worked to improve margins by reviewing product mix and selling prices.

However, with the decline in consumer confidence because of the consumption tax hike in Japan as well as reduced economic activity due to the increased impact of the global coronavirus pandemic, the Group's future outlook remains uncertain. We believe that it is vital to improve corporate value by proactively implementing measures that is evolved further from the management leveraging the Company's strengths so far. Until now, the Group's business strategy has focused on sales, while sales of low-margin products have also continued to some extent. The undeniable result is that operating profit margin is unlikely to improve compared to sales growth. It is therefore essential to create an environment in which we can work together to improve corporate value by establishing a unified management and supervision system for the entire Group and stabilizing the performance of each location.

In light of these circumstances, while following the Mid-term Plan formulated under the old management structure, the Company has established the following management principles under the new management structure in order to accelerate the future growth of the Company as it continues striving to improve corporate value.

- (i) To improve operational efficiency mainly by improving profit margin and increase sales further

In the business environment faced by the Company until now, unstable earnings have been an issue because each Group company has been entrusted with efficiency improvements such as control systems and automation. Under the new management system, we will improve margins through thorough cost

management by establishing a unified management system within the Group. In addition, we will expand business locations through conducting M&A and establishing new bases in order to make maximum use of the Group's current resources that have been constructed until now and establish a more stable management infrastructure.

(ii) To implement a disciplined shareholder return policy

The Company has been able to develop business by gaining the trust of business partners and other stakeholders based on the stable financial base built up until now, but has not been actively engaged in M&A or capital investment due to an outdated company culture that avoided change. Under the new management structure, we will take advantage of the Company's strength in having a financial base that allows for necessary investments at the necessary time, and proactively engage in M&A and capital investment in order to increase profit levels while maintaining a certain level of financial stability. Furthermore, we will strengthen shareholder returns with a target value of 100% total payout ratio, by dividends and proactive share buybacks.

(iii) To strengthen IR activities for the improvement of management transparency

Until now, management of the Company has been inward-looking, without actively engaging in IR activities directed toward minority shareholders as a listed company, and the system could not necessarily focus on proactive IR activities that would meet the expectations of all shareholders and investors. Under the new management structure, from the perspective of management transparency, we will hold more briefings for individual shareholders and institutional investors, proactively disclose information to shareholders and investors, and further enhance IR activities so as to raise our valuation in the market.

In the candidates for Director (excluding Directors who are Members of the Audit and Supervisory Committee) of this proposal, we believe that we have gathered the talent needed to ensure the continuity of management required to carry out the management policy described above and accelerate further growth, and that under this new management structure, constant efforts are essential for maintaining and developing the corporate value of the Group and the common interests of shareholders.

(2) The candidates of the Company's proposal are the most suitable candidates for Director for overcoming the urgent management issues facing the Group and for maintaining and improving the corporate value of the Group

As stated in the Notice Regarding Publication of Investigation Report by Third-Party Committee dated April 2, 2020, the Company set up the third-party committee

and investigated the suspected improper monetary payment acknowledged by the Company's overseas subsidiary (the "Issue"), and received from the third party committee its investigation report on March 13, 2020, and released the published version of the report on April 2, 2020. The third-party committee investigation report provided a causal analysis of the Issue and recommendations for preventing recurrence and identified valuable and important points regarding various management issues. With regards to management structure, the Company believes that the following points should be taken particularly seriously and earnestly.

- (i) The corporate culture and low awareness of compliance, including the inadequate control environment
- (ii) Deficiencies in governance by the Board of Directors

The Company has determined that in order to overcome the urgent management issues that it faces and to maintain and improve the corporate value of the Group, it must reform the management structure while ensuring the continuity of management to a certain degree. Specifically, with both Chairman of the Board and Representative Director Yasuichi Kaneda and President Kaneto Fujino retiring at the conclusion of this Ordinary General Meeting of Shareholders, and based on the recommendation of the third-party committee and in accordance with Corporate Governance Code Principle 4-8 ("Irrespective of the above, if a company believes it needs to appoint at least one-third of directors as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors."), the Company is nominating candidates for Director (excluding Directors who are members of the Audit and Supervisory Committee) such that half of the members of the Board of Directors of the Company, including the candidates for Director who are Members of the Audit and Supervisory Committee nominated by the Company's Audit and Supervisory Committee as stated in Proposal 3, will be outside directors who are independent of the Company.

In particular, with the aim of overcoming the management issue regarding corporate culture and compliance awareness in (i) above, Mr. Shoji Matsuyama, a certified public accountant, and Mr. Hirofumi Kurahashi, a lawyer, have been newly included as candidates for Directors who are not Members of the Audit and Supervisory Committee. We believe their expertise in corporate accounting and corporate legal affairs, including internal controls, can be incorporated into the Board of Directors and contribute to improving the control environment and fostering an awareness and culture of compliance within the Group.

In addition, the third-party committee report identified management intervention by then-Honorary Chairman Osamu Tsukasa as having caused significant distortion of the Company's governance function, and recommended that a system be firmly established to eliminate such distortion. As already reported in the Notice Regarding Dismissal of Honorary Chairman of the Company dated April 23, 2020, based on improper management intervention again by then-Honorary Chairman Osamu Tsukasa, the Company has terminated the contract with Mr. Tsukasa regarding the honorary chairman appointment. In order to overcome the management issue in (ii) above, the Company needs to completely break away from the opaque and unfair management structure, restore effective governance by the Board of Directors, and secure and maintain transparency in the corporate governance. To this end, we believe that a half of Board of Directors being outside directors independent of the Company will be extremely effective. Also, Mr. Shiro Hayashi has been newly included as a candidate for Director who is not a Member of the Audit and Supervisory Committee. We believe that his expertise in finance and perspective as an investor can be incorporated into the Board of Directors and it will be effective in restoring and making transparent the governance function of the Board of Directors of the Company.

In the Notice Regarding Formulation of Measures to Prevent Recurrence dated May 1, 2020, the Company has already announced measures to prevent the Issue from recurring. Moving forward, we aim to restore the trust of our stakeholders and society by thorough enforcement and deepening of these measures and by addressing the urgent management issues described above through the reformed management structure proposed by the Company.

2. Candidates for Director (excluding Directors who are Members of the Audit and Supervisory Committee)

Candidates for Director (excluding Directors who are Members of the Audit and Supervisory Committee) are shown in the following table. The adoption of this Proposal and Proposal 3 will result in a half the number of Directors of the Company (including current Directors who are Members of the Audit and Supervisory Committee) being independent outside directors.

Candidate No.	Name	Career summary, Position and Responsibilities in the Company	Candidate attributes
1	Reelection	Managing Director Investor Relations, Head of	



	Hiroshi Kaneda	Business Development, General Manager of General Affairs	
2	Reelection Takashi Sudo	Director General Manager of Finance & Accounting Department	
3	New election Hirohiko Hirono	Executive Officer General Manager of Research and Development Department	
4	New election Akira Yosano	Representative and President, Shanghai Tenma Platech & Housewares Co., Ltd. Representative and President, Tenma Precision (Suzhou) Co., Ltd.	
5	New election Yuuichi Nagai	Executive Officer General Manager of Sales Promotion Department	
6	New election Shiro Hayashi	—	Part-time Non-executive Officer
7	New election Hirofumi Kurahashi	—	Outside director Independent officer
8	New election Shoji Matsuyama	—	Outside director Independent officer

Candidate No.	Name (Date of birth)	Career summary, Position and Responsibilities in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
1	<div>Reelection</div> <div>Hiroshi Kaneda (September 1, 1977)</div>	<div>Feb. 2006 Representative Director, Spinshell, Inc. (current position)</div> <div>Apr. 2010 Advisor, FON Japan Co., Ltd.</div> <div>Jun. 2013 Executive Officer and Chief Information Officer</div> <div>Jun. 2014 Representative Director and Chief Executive Officer</div> <div>Nov. 2017 General Manager attached to General Affairs Department at the Company</div> <div>Apr. 2018 Managing Executive Officer, Head of New Business Development</div> <div>Aug. 2018 Representative Director, FHL Holdings Inc. (current position)</div> <div>Jun. 2019 Managing Director, General Affairs Department, Investor Relations and Head of New Business Development at the Company</div> <div>Nov. 2019 Managing Director, Investor Relations, Head of New Business Development, General Manager of General Affairs Department (current position)</div>	300,771 shares
	(Reasons for nomination as candidate for Director) Mr. Kaneda has many years of experience as a company manager and abundant experience and specialist knowledge attained through his involvement in the		

Candidate No.	Name (Date of birth)	Career summary, Position and Responsibilities in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
		development of new business. Since June 2019, as an Executive Director overseeing General Affairs and Investor Relations, he has a broad overview of the Company's business segments and has been engaged in active dialogue with institutional investors. In the expectation that he will lead the management of the Company by utilize his experience and specialist knowledge and contribute to the improvement of the corporate value of the Company, the Company proposes Mr. Kaneda as a candidate for Director.	
2	<div>Reelection</div> Takashi Sudo (April 22, 1972)	Mar. 1993    Joined the Company  Jun. 2016    General Manager attached to Finance & Accounting Department  Feb. 2017    General Manager of Finance & Accounting Department  Jun. 2017    Executive Officer, General Manager of Finance & Accounting Department  Jun. 2019    Director, General Manager of Finance & Accounting Department (current position)	1,200 shares
	(Reasons for nomination as candidate for Director) Mr. Sudo has been engaged in finance and accounting at the Company for many years and has abundant experience and specialist knowledge attained through various projects such as BCP formulation and operational improvement. Since June 2019, he has not only been working as a Director in finance and accounting, but also been working with the Tokyo Stock Exchange and the accounting auditor, engaging in active dialogue with institutional investors, and contributing to decision-making on important matters and supervision of business execution. In the expectation that he will continue to contribute to the improvement of the corporate value of the Company, the Company proposes Mr. Sudo as a candidate for Director.		

Candidate No.	Name (Date of birth)	Career summary, Position and Responsibilities in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
3	New election	Mar. 1992    Joined the Company	1,100 shares
	Hirohiko Hirono (March 23, 1970)	Apr. 2006    Section Manager, Houseware Sales Department Nagoya Sales Office of the Company	
Feb. 2010    Tokyo Branch Manager, Houseware Sales Department			
Feb. 2013    General Manager and Tokyo Branch Manager, Houseware Sales Department			
Jun. 2015    Executive Officer and General Manager, Houseware Sales Department			
Jun. 2016    Executive Officer and General Manager, Houseware Sales Department and Sales Promotion Department			
Oct. 2017    Executive Officer and General Manager, Houseware Sales Department and Research and Development Department			
Nov. 2018    Executive Officer and General Manager, Research and Development Department (current position)			
(Reasons for nomination as candidate for Director) Mr. Hirono has been engaged in sales at the Company for many years and has abundant experience and specialist knowledge in the overall business from materials procurement to manufacturing. Since June 2015, he has contributed to the expansion of earnings mainly in the houseware business as an Executive Officer, and in the expectation that he will continue to contribute to the			

Candidate No.	Name (Date of birth)	Career summary, Position and Responsibilities in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
	improvement of the corporate value of the Company, the Company proposes Mr. Hirono as a candidate for Director.		
4	<div>New election</div> Akira Yosano (March 27, 1955)	Oct. 1999    Joined the Company  Oct. 1999    General Manager, Sales Division, Shanghai Tenma Platech & Housewares Co., Ltd.  Apr. 2000    Vice President, Shanghai Tenma Platech & Housewares Co., Ltd.  Apr. 2001    President, Shanghai Tenma Platech & Housewares Co., Ltd.  Jun. 2007    Executive Officer of the Company and President, Shanghai Tenma Platech & Housewares Co., Ltd.  Apr. 2014    Executive Officer of the Company and Representative and President, Shanghai Tenma Platech & Housewares Co., Ltd.  Aug. 2015    Executive Officer of the Company, Representative and President of Shanghai Tenma Platech & Housewares Co., Ltd., Representative and President, Tenma Precision (Suzhou) Co., Ltd.  Jun. 2017    Representative and President of Shanghai Tenma Platech & Housewares Co., Ltd.,	No shares

Candidate No.	Name (Date of birth)	Career summary, Position and Responsibilities in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
		Representative and President, Tenma Precision (Suzhou) Co., Ltd. (current position)	
	(Reasons for nomination as candidate for Director) Mr. Yosano has abundant experience and specialist knowledge attained though broad engagement in production at the Group for many years, centered on the Group’s overseas bases. Since 2014, he has contributed to the expansion of earnings mainly in the Company’s overseas divisions as the person in charge of the Group’s overseas bases, and in the expectation that he will continue to contribute to the improvement of the corporate value of the Company, the Company proposes Mr. Yosano as a candidate for Director.		
5	<div>New election</div>  Yuuichi Nagai (April 20, 1970)	Apr. 1993    Joined the Company	500 shares
		Apr. 2013    General Manager, Sales Promotion Department	
		Sep. 2014    General Manager, Sales Promotion Department and Research and Development Department	
		Jun. 2016    Executive Officer and General Manager, Research and Development Department	
		Oct. 2017    Executive Officer and General Manager, Sales Promotion Department (current position)	
	(Reasons for nomination as candidate for Director) Mr. Nagai has abundant experience and specialist knowledge attained though engaging in a wide range of business divisions at the Company over many years, centered on research and development and sales promotion. Since June 2016, he has contributed to the expansion of earnings mainly in research and development and sales promotion as an Executive Officer, and in the expectation that he will continue to contribute to the improvement of the corporate value of the Company,		

Candidate No.	Name (Date of birth)	Career summary, Position and Responsibilities in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
the Company proposes Mr. Nagai as a candidate for Director.			
6	<div>New election</div> Shiro Hayashi (March 20, 1977)	Apr. 2001    Joined J.P. Morgan Securities  Apr. 2005    Joined Sparx Group  Aug. 2009    Joined Dalton Investments Group  Dec. 2014    Appointed Representative Director of Dalton Advisory KK (current position)  Jun. 2016    Appointed Director of Prestige International Inc. (current position)	No shares
(Reasons for nomination as candidate for Director) Mr. Hayashi has abundant experience and specialist knowledge as a financial expert and investor. In the expectation that by assuming the position of Director of the Company, he will be able to utilize his abundant experience and highly specialized knowledge in restoring and making transparent the governance function of the Board of Directors of the Company, and contributing to the improvement of the corporate value of the Company, the Company proposes Mr. Hayashi as a candidate for Director.			
7	<div>New election</div> Hirofumi Kurahashi (August 5, 1977) <div>Outside,</div> <div>independent</div>	Oct. 2002    Registered as an attorney-at-law (Dai-Ichi Tokyo Bar Association)  Nov. 2002    Joined Harada, Ozaki, and Hattori Law Office  Aug. 2006    Financial Services Agency Inspection Bureau General Affairs Division (Specialist Inspector)  Aug. 2008    Securities and Exchange Surveillance Commission Executive Bureau Securities	No shares

Candidate No.	Name (Date of birth)	Career summary, Position and Responsibilities in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
		<p>Business Monitoring Division (Specialist Inspector)</p> <p>Aug. 2010    Joined LM Law Offices</p> <p>Jan. 2013    Partner, Hokuto Law Office (current position)</p> <p>Jun. 2018    Outside Auditor, Rakuten Life Insurance Co., Ltd. (current position)</p>	
	<p>(Reasons for nomination as an outside director candidate)</p> <p>Although Mr. Kurahashi has not been involved in the management of a company except as an outside officer, he has abundant experience and specialist knowledge as a corporate legal expert and lawyer. By utilizing his abundant experience and highly specialized knowledge, we believe he will be able to improve the control environment of the entire Group, including the Board of Directors of the Company, foster an awareness and culture of compliance, and contribute to the restoration and transparency of the governance function of the Board of Directors of the Company from an independent position outside the management team. In the expectation that through these skills and knowledge, he will contribute to the improvement of the corporate value of the Company, the Company proposes Mr. Kurahashi as a candidate for Outside Director.</p>		
8	<p><b>New election</b></p> <p>Shoji Matsuyama (May 4, 1973)</p> <p>Outside, Independent</p>	<p>Oct. 1997    Joined Asahi Audit Corporation (now KPMG AZSA LLC)</p> <p>Apr. 2001    Registered as a certified public accountant</p> <p>Oct. 2005    Manager, 5th Division, Tokyo Office, Asahi Audit Corporation (now KPMG AZSA LLC)</p>	No shares



Candidate No.	Name (Date of birth)	Career summary, Position and Responsibilities in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
		<p>Jul. 2006 Matsuyama CPA Office (current position), registered as certified tax accountant</p> <p>Aug. 2007 Founding Partner, Asunaro &amp; Co. (current position)</p> <p>Jun. 2008 Outside Statutory Auditor, Plat'Home Co., Ltd. (TSE2) (current position)</p> <p>Jun. 2009 Outside Statutory Auditor, Seven Seas Holdings (now FRACTALE Corporation)</p> <p>Oct. 2009 Outside Statutory Auditor, Good Com Asset Co., Ltd.</p> <p>Jan. 2016 Outside Director, G Three Holdings Corp. (TSE2) (current position)</p> <p>Jan. 2018 Outside Director, Good Com Asset Co., Ltd. (current position)</p> <p>Jun. 2018 Outside Director, FRACTALE Corporation (TSE2) (current position)</p>	
	<p>(Reasons for nomination as candidate for Director)</p> <p>Although Mr. Matsuyama has not been involved in the management of a company except as an outside officer, he has abundant experience and specialist knowledge as a corporate accounting expert, including internal controls, and as a certified public accountant.</p> <p>By utilizing his abundant experience and highly specialized knowledge, we believe he will be able to improve the control environment of the entire Group, including the Board of Directors of the Company, foster an awareness and culture</p>		

Candidate No.	Name (Date of birth)	Career summary, Position and Responsibilities in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
	of compliance, and contribute to the restoration and transparency of the governance function of the Board of Directors of the Company from an independent position outside the management team. In the expectation that through these, he will contribute to the improvement of the corporate value of the Company, the Company proposes Mr. Matsuyama as a candidate for Outside Director.		

- Notes:
1. There is no special interest between the candidates and the Company.
  2. The Company has a business relationship with Spinshell, Inc., where Mr. Hiroshi Kaneda serves as Representative Director, that includes marketing and PR agency business, but over the last three fiscal years, the ratio of the amount of the transaction with Spinshell to the amount of the Company's annual consolidated sales is less than 1%, and the ratio of the amount of the transaction with the Company to the amount of Spinshell's annual sales is less than 7%. It is therefore deemed that no special interest exists between Mr. Kaneda and the Company.
  3. Mr. Shiro Hayashi concurrently serves as Representative Director of Dalton Advisory KK, a company that provides advisory service to Dalton Investment LLC, which was stated in the Statement of Large-Volume Holdings (Statement of Changes) offered for public inspection on August 15, 2019, as owning 3,535,000 shares as of August 9, 2019 (the Company has not been able to confirm the actual number of shares beneficially owned as of March 31, 2020). The Company and Dalton Advisory KK have no business dealings or other interests. It is therefore deemed that no special interest exists between Mr. Hayashi and the Company.
  4. Mr. Hirofumi Kurahashi and Mr. Shoji Matsuyama are candidates for Outside Director.
  5. Mr. Shiro Hayashi is a candidate for Director that is a Non-Executive Director, etc.
  6. If approval is granted for the appointment of Mr. Hirofumi Kurahashi, Mr. Shoji Matsuyama, and Mr. Shiro Hayashi, the Company intends to enter into agreements with Mr. Hirofumi Kurahashi, Mr. Shoji Matsuyama, and Mr. Shiro Hayashi pursuant to Article 427, Paragraph 1 of the Companies Act to limit

liability for damages under Article 423, Paragraph 1 of the Companies Act. The liability limits for damages pursuant to those agreements will be the minimum amount of liability stipulated by laws and regulations.

7. Mr. Hirofumi Kurahashi and Mr. Shoji Matsuyama fulfill the requirements for independent officers pursuant to the rules of the Tokyo Stock Exchange, and if their appointments are approved, the Company will designate them as independent officers and notify the Exchange.
8. The following opinions have been expressed by the Audit and Supervisory Committee regarding Mr. Hiroshi Kaneda, Mr. Takashi Sudo, and Mr. Akira Yosano.

“(1) Mr. Hiroshi Kaneda: Legal compliance and restoration of internal and external trust in internal controls are urgent issues for the Company, but Mr. Kaneda is problematic in addressing these issues and is inappropriate as a candidate for Director for the following reasons. (1) After learning about bribery of foreign officials in Country X in 2019, he responded as Managing Director for Legal and Investor Relations. He had a consulting agreement executed and advanced fictitious work for false expense processing. Ignorance on the part of a Director who is responsible for making important decisions greatly damages the corporate value of the Company, and the management responsibility of the Director should be as serious as if there was malicious intent (third-party committee investigation report). (2) In May 2019, when Mr. Kaneda was the Managing Executive Officer and Head of New Business Development, the Company subscribed to a capital increase for Spinshell, Inc. and paid 60 million yen. Spinshell, where Mr. Kaneda was Representative Director and owned 85% of the shares, had negative net worth, and borrowed more than 40 million yen from him. After the Company paid in 60 million yen in a capital increase and FHL Holdings Inc., where Mr. Kaneda is also Representative Director, paid in about 40 million yen in a capital increase, Mr. Kaneda recovered about 40 million yen on the same day. As a result of an audit by Members of the Audit and Supervisory Committee in May 2020, the three Directors learned of the recovery for the first time. The capital increase raises the risk of a transaction of conflict of interest with general shareholders, and there is a problem with the sufficiency of the explanation to the Directors, which lacks sincerity and ethics as a manager who constructs the internal control environment.

(2) Mr. Takashi Sudo: Legal compliance and restoration of internal and external trust in internal controls are urgent issues for the Company, but Mr. Sudo is problematic in addressing these issues and is inappropriate as a candidate for Director for the following reasons. (1) In the fiscal year ending

March 31, 2020, he retroactively revised securities reports, internal control reports, etc. which he was involved in preparing, for the fiscal years ending on March 31, 2017 and later. (2) As CFO, he took the initiative in pushing forward the false accounting methods and, as if nothing had happened, submitted the management confirmation document to KPMG AZSA LLC and announced the financial results for the second quarter. (3) Mr. Sudo did not inform the Members of the Audit and Supervisory Committee of the disbursements to foreign officials in Country X, as doing so would mean the information would be communicated to the accounting auditor, which would raise a serious issue. (4) He neglected the faulty control environment and ineffective internal controls at an overseas subsidiary and failed to exercise effective control over the management of an overseas subsidiary which withdrew cash to be delivered to public employees in a foreign country. (5) KPMG AZSA LLC resigned because there was no timely and appropriate explanation or report and the relationship of trust was thus damaged.

(3) Mr. Akira Yosano: Legal compliance and restoration of internal and external trust in internal controls are urgent issues for the Company, but Mr. Yosano is problematic in addressing these issues and is inappropriate as a candidate for Director for the following reasons. (1) When he was president of the subsidiary in Country Y, he shared information about the delivery of cash to customs bureau officials in Country Y and approved the payments. (2) The bribery in country Y is more malicious than receiving a request for money from the authorities (third-party committee investigation report). (3) Mr. Yosano stated that he communicated to the Head Office that the report to the Corporate Planning Department was an ex post facto report, and that the payment of the adjustment amount had been reported by an email or report, but the third-party committee investigation has not been able to confirm such an email or report. (4) It is also a major problem that because a receipt was not issued for the cash payments to the customs officials, different receipts from the whole organization were collected and used for accounting. Such improper accounting methods create not only the risk of bribery of foreign officials but also the risk of embezzlement (third-party committee investigation report).”

**Please note that the opinions above are as written in the corresponding parts of the written opinion by the Audit and Supervisory Committee, but the Board of Directors of the Company considers the opinions to be not appropriate with regard to the following points.**

**(1) The appropriateness and fairness of the Audit and Supervisory Committee procedure for formation of opinions are questionable**

The Company's Audit and Supervisory Committee is composed of three members, but no prior explanation was made to Audit and Supervisory Committee Member Fujimoto before urgently convening and holding a meeting on May 27, 2020, the date of submission of the opinion by the Audit and Supervisory Committee. The decision was made in about 10 minutes by approval of Audit and Supervisory Committee Members Kitano and Kataoka, without accepting the opinion of Audit and Supervisory Committee Member Fujimoto whatsoever. The Board of Directors of the Company has received a dissenting opinion stated by Audit and Supervisory Committee Member Fujimoto in response to the aforementioned opinion of Audit and Supervisory Committee Members Kitano and Kataoka, as follows: "In the Company's business environment, where there are serious management issues that must be overcome and shareholder proposals being made by former Honorary Chairman Tsukasa, regarding this Proposal, which was formulated with repeated discussions at the Board of Directors to reform the management structure while ensuring continuity of management with the Company's value as the highest priority, I regret that the hurried forcing of a majority vote by the Audit and Supervisory Committee without sufficient consultation and the request to include such opinions in the Notice of Convocation for the General Meeting of Shareholders further promotes mutual distrust among members of the Board of Directors, which is severely criticized in the third-party Committee investigation report, and is by no means proper."

**(2) There appear to be points in the opinion of the Audit and Supervisory Committee and the circumstances leading up to its assertion that the Board of Directors of the Company cannot accept**

The opinion of the Audit and Supervisory Committee discussed above mentions details from the third-party committee investigation report, but that report severely identifies mutual distrust among Members of the Board of Directors and acceptance of management intervention by then-Honorary Chairman Tsukasa as a cause of the deficiencies in governance function of the Board of Directors. The investigation report severely criticizes the fact that Members of the Audit and Supervisory Committee (who are expected to maintain independence from the perspective of stakeholders and to make a crisis response to minimize the damage to the corporate value of the Company due to the Tenma problem in Country X), during the period from receipt of the report at the Board

of Directors meeting on November 19, 2019, to the holding of the investigative report meeting on February 29, 2020, were obsessed with “hunting for the criminal” in the Tenma problem in Country X and spent considerable time and effort. As a result, they neglected to carry out a proper crisis response centered on communication with external agencies such as the Financial Service Agency, Tokyo Stock Exchange, and investigative authorities. The report also severely criticized such issues as that despite the fact that serious discussion of the establishment of the third-party committee as a crisis response to the Issue was intended to be held at the Board of Directors Meeting on November 19, 2019, Audit and Supervisory Committee Member Kataoka was absent from the Board of Directors Meeting on that day and attended a meeting held at KK TQ. At that meeting, Audit and Supervisory Committee Member Kataoka in coordination with then-Honorary Chairman Tsukasa and location heads opposed to the President who decided to report at once matters considered to be problematic actions by President Fujino to the internal contact for whistleblowing established by the Audit and Supervisory Committee Member. However, Audit and Supervisory Committee Members Kitano and Kataoka did not take the recommendation of the third-party committee seriously even after receiving the investigation report, and took the following actions.

- At the Board of Directors meeting on April 23, 2020, Audit and Supervisory Committee Members Kitano and Kataoka opposed the resolution for termination of then-Honorary Chairman Osamu Tsukasa who again conducted the improper management intervention
- At the meeting of the Board of Directors of the Company, Audit and Supervisory Committee Members Kitano and Kataoka relentlessly and repeatedly criticized Spinshell, Inc., where Executive Director Kaneda serves as Representative Director, based on false facts. (It should be noted that the Company’s investment in Spinshell, Inc. was based on Spinshell’s business plan which was created based on reasonable assumptions, and was made after a resolution by the Board of Directors of the Company in light of the proper evaluation of shares by a third party, and that no funds from the Company’s investment were used for loan repayment to Executive Director Kaneda as an individual. The following has been confirmed: that there is nothing unreasonable in the flow of funds according to an inspection of the bank book; that there is no particular concern about Spinshell’s business conditions, etc. from an interview concerning its business overview; and that on the contrary, due to the impact of the coronavirus pandemic there is an increase in inquiries for Live Call, a major business

using the video call system platform which is the Spinshell's base system. Also, the Company has not had anything in particular pointed out by auditors, including any need to take an impairment loss.)

- Despite the fact that partial non-disclosure measures deemed necessary by the third-party committee have been implemented in the published version of the investigation report in consideration of the privacy of parties concerned including Company employees, and despite the possibility of hindering investigations by public institutions and the resolution by the Board of Directors of the Company to publish the report in accordance with this policy, Audit and Supervisory Committee Member Kitano arbitrarily disclosed the full text of the report which any non-disclosure measures have not been implemented to someone other than those comprising the Board of Directors without any decision by the Board of Directors of the Company or the Audit and Supervisory Committee. This action has caused turmoil and confusion within the Company.
- The Board of Directors of the Company prepared for resolution and public announcement with the intent to resolve on May 22, 2020, Director candidates to be proposed by the Company at this Ordinary General Meeting of Shareholders, and already obtained consent by resolution of the Audit and Supervisory Committee with respect to a candidate for Member of the Audit and Supervisory Committee. However, at the time of the extraordinary meeting of the Audit and Supervisory Committee, which was suddenly held immediately preceding the Board of Directors meeting on the same day, Audit and Supervisory Committee Member Kitano circulated a document of which the creator is displayed as the law office to which the attorney for former Honorary Chairman Tsukasa belongs, and withdrew the consent by the previous Audit and Supervisory Committee. A new candidate for Member of the Audit and Supervisory Committee was then decided upon.
- At the Board of Directors Meeting on May 22, 2020, Audit and Supervisory Committee Member Kataoka at first stubbornly refused to give the name of the person who introduced the new candidate for Member of the Audit and Supervisory Committee decided upon at the extraordinary meeting of the Audit and Supervisory Committee on the same day, but in the end he revealed that the introduction was provided by a lawyer at the same law office to which the attorney for former Honorary Chairman Tsukasa belongs.

In comprehensive consideration of each of the circumstances described above, we see that there are suspicious points in the opinion of the Audit and Supervisory Committee that have been put forward forcibly by Audit and Supervisory Committee Members Kataoka and Kitano as described in (1) above that the Board of Directors of the Company cannot accept. The Board of Directors of the Company has no choice but to express its regret.

**(3) The opinion of the Audit and Supervisory Committee are unreasonable and cannot possibly be overlooked by the Board of Directors.** The opinion of the Audit and Supervisory Committee is a very biased view that overlooks the fact that after a law firm pointed out that the execution of the consulting agreement and the cash payments based upon it may violate the law, Managing Director Kaneda and Director Sudo immediately stopped the transaction and led the establishment of a third-party committee to clarify the matter. The opinion also overlooked the fact that after receipt of the report, while discussing it closely with outside experts, they has made efforts to maintain and restore its corporate value by proactively working on reforming the governance system, including the formulation of measures to prevent recurrence, negotiations with related organizations, dialogue with institutional investors, and selection of new candidates for a major renovation of the Board of Directors. Furthermore, the opinion made implicit assumptions, without stating any specific reason, that there were cash payments to customs officials in Country Y, which was not among the facts the third-party committee could find. Therefore, The Board of Directors of the Company cannot overlook the opinion.



**Proposal 3** Election of one (1) Director Who is a Member of the Audit and Supervisory Committee

Proposal 3 is made by decision of the Audit and Supervisory Committee.

The adoption of Proposal 2 and this Proposal will result in a half of the Board of Directors of the Company (including current directors who are members of the Audit and Supervisory Committee) being independent outside directors.

The following is as stated in the relevant part of the written request submitted by the Audit and Supervisory Committee to the election of a director who is a member of the Audit and Supervisory Committee pursuant to Article 344, Paragraph 2, Item 2 of the Companies Act.

**1. Overview of the Proposal**

Elect Koichi Kan as a director who is a member of the Audit and Supervisory Committee.

**2. Purpose of the Proposal**

It is clear that the deficiencies in corporate governance at the Board of Directors of the Company is an important issue given the inappropriate measures taken by the Board of Directors of the Company with regard to the bribery of overseas public officials by an overseas subsidiary of the Company and the excessive speculation about executives of the Company related to the Company's founding family. In order to break free of this situation, the Company believes that, in addition to appointing new personnel with expertise in corporate governance, it is also necessary to effect a drastic reform of corporate governance in the eyes of the public by appointing personnel with no connections to the Company's management in order to eliminate all collusion and compromise with the Company's management. In this respect, Koichi Kan with extensive experience in overseas bribery cases and broad experience and expertise in corporate governance, as a public prosecutor and attorney, is an ideal appointment. We therefore propose his election as a director who is a member of the Audit and Supervisory Committee of the Company.

**3. Name and Background, etc. of Candidate**

Name (Date of birth)	Career summary, Position and Responsibilities in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
Koichi Kan (April 18, 1964)	Apr. 1994 Public prosecutor, Yokohama District Public Prosecutor's Office	No shares

Name (Date of birth)	Career summary, Position and Responsibilities in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
	<p>Apr. 1995      Tsu District Public Prosecutor's Office</p> <p>Apr. 1997      Chiba District Public Prosecutor's Office, Investigative Section</p> <p>Apr. 1998      Tokyo District Public Prosecutor's Office, Trials Section</p> <p>Apr. 1999      Toyama District Public Prosecutor's Office (Public security labor section)</p> <p>Apr. 2002      Tokyo District Public Prosecutor's Office, Investigative Section</p> <p>Oct. 2002      Tokyo District Public Prosecutor's Office, General Affairs Section (training dispatch to Victim Support Center of Tokyo)</p> <p>Apr. 2003      Tokyo District Public Prosecutor's Office, Investigative Section</p> <p>Oct. 2003      Tokyo District Public Prosecutor's Office, Public Security Section</p> <p>Apr. 2004      Nagoya District Public Prosecutor's Office, Public Security Section (Public security labor section)</p> <p>Apr. 2005      Nagoya District Public Prosecutor's Office, Trials Section</p> <p>Apr. 2006      Nagoya District Public Prosecutor's Office, Public Security Section (Public security labor section)</p> <p>Apr. 2007      Resigned as public prosecutor</p> <p>Apr. 2007      Joined San Sogo Law Office</p>	

Name (Date of birth)	Career summary, Position and Responsibilities in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
	<p>Apr. 2008      Appointed professor at Faculty of Law, Keio University</p> <p>Apr. 2009      Partner, Rislute Law Office</p> <p>Apr. 2016      Appointed visiting professor at Musashino University</p> <p>Feb. 1, 2020    Founded Toranomom Daiichi Law Office</p>	
<p>(Reasons for nomination as an outside director candidate)</p> <p>Mr. Koichi Kan has extensive experience and considerable insights as a public prosecutor and attorney and will be able to offer qualified advice on the formation and maintenance of the Company's compliance system as well as improvements to corporate governance. Although he has no direct corporate management experience, we believe he will appropriately perform duties as an outside director based on the reasoning described above and select him as a candidate for an outside director of the Audit and Supervisory Committee.</p>		

- Notes:
1. There is no special interest between Mr. Koichi Kan and the Company.
  2. Mr. Koichi Kan is not currently a director who is a member of the Audit and Supervisory Committee.
  3. Mr. Koichi Kan is an outside director candidate.

Mr. Koichi Kan has given his informal consent to election as a director who is a member of the Audit and Supervisory Committee.

**Proposal 4** Election of Accounting Auditor

The Company auditor KPMG AZSA LLC will resign due to expiration of term at the conclusion of this General Meeting of Shareholders. We request the election of Audit Firm Hibiscus as the Company's new accounting auditor.

This Proposal was made by a decision of the Audit and Supervisory Committee based on the following reasoning.

The third-party committee set up to investigate the suspected improper monetary payment acknowledged in relation to the Company's overseas subsidiary (the "Issue") submitted its investigation report on March 13, 2020. The Company corrected past financial statements, released the public version of the report on April 2, 2020, and announced the dismissal of concerned parties of the Company and reoccurrence prevention measures in its Notice Regarding Formulation of Measures to Prevent Recurrence on May 1, 2020. The Company's accounting auditor KPMG AZSA LLC expressed reservations about any continuation of the audit contract because they did not receive explanations and reports about the Issue in a timely and appropriate manner, and the fiduciary relationship had been damaged. Despite numerous discussions, KPMG AZSA formally requested to resign at the end of its current term, and the Company decided to propose Audit Firm Hibiscus as a successor. Audit Firm Hibiscus was selected as a suitable candidate based on the Company's assessment that it will be able to appropriately conduct audits from the viewpoint of its independence, expertise and quality control system, as well as the expectation that a change of accounting auditor will bring a fresh perspective to audits.

The accounting auditor candidate is as follows.

Name	Audit Firm Hibiscus	
Location of main office	Sapporo Branch 1-4, Nishi 5-chome, Kita 4, Chuo-ku, Sapporo, Hokkaido Tokyo Branch 23-3 Higashi 2-chome, Shibuya-ku, Tokyo	
History	December 2005	Established in Sapporo by five (5) certified public accountants
	July 2007	Tokyo Branch established
	February 2009	Registered as an audit firm which audits listed companies by certified public accountants

Overview	Number of members	Representative Partner (Certified public accountant)	4
		Partner (Certified public accountants)	10
		Staff	40
		Total	54

(as of May 2020)

**<Shareholder proposals> (Proposal 5)**

**Proposal 5 is a proposal from a shareholder. The proposing shareholder has 7,943 voting rights.**

**We have included the original of the summary of the proposal and the reasons for the proposal submitted by the shareholder (excluding the Explanatory Notes by the Company), and also include the opinion of the Board of Directors of the Company with respect to the shareholder proposal.**

**Proposal 5** Election of eight directors (excluding directors who are members of the Audit and Supervisory Committee)

1. Summary of the proposal

Elect the following eight director candidates as directors of the Company

(1) Name: Yukio Haruyama [New election]

Date of birth: September 25, 1969

Career summary, Position and Responsibilities in the Company:

Apr. 1995 Joined the Company

Sep. 2008 Manager of President Office (currently Corporate Planning Department) of the Company

Jun. 2014 Executive Officer, Manager of Corporate Planning Department of the Company

Feb. 2015 Executive Officer of the Company, President of PT. TENMA INDONESIA (current position) and President of PT. TENMA CIKARANG INDONESIA (current position)

Reasons for nomination as director candidate:

Since joining the Company, Mr. Haruyama has gained a wealth of experience and expertise from his duties centering on the Corporate Planning Department, and he is familiar with the overall business activities of the Company. Since February 2015, he has contributed to improvements of performance of the Company by expanding the automobile business as the head of the Company's Indonesian subsidiary. We believe Mr. Haruyama's experience and expertise will be vital for reorganizing and reforming the Company.

(2) Name: Kazuharu Tateno [New election]

Date of birth: October 15, 1970

Career summary, Position and Responsibilities in the Company:

Apr. 1993 Joined the Company

Apr. 2012 Manager of Industrial Products Sales Department of the Company

Mar. 2013 Manager of Shiga Factory of the Company

Nov. 2014 Manager belonging to General Affairs Department of the Company  
President of TENMA (THAILAND) CO., LTD., Prachin Buri

Jun. 2016 Executive Officer of the Company  
President of TENMA (THAILAND) CO., LTD., Prachin Buri

Oct. 2018 Executive Officer of the Company  
President of TENMA (THAILAND) CO., LTD., Prachin Buri  
and President of TENMA (HCM) VIETNAM CO., LTD.

Jun. 2019 Managing Executive Officer of the Company  
President of TENMA (THAILAND) CO., LTD., Prachin Buri (current position)  
and President of TENMA (HCM) VIETNAM CO., LTD. (current position)

Reasons for nomination as director candidate:

Since joining the Company, Mr. Tateno has gained a wealth of experience and expertise from his duties centering on the Industrial Products Sales Department that handles Company products manufactured under consignment and is familiar with the overall business activities of the Company. As the head of the production plants in Japan and overseas since March 2013, he has contributed to improvements of performance of the Company by pushing through various reforms with leadership and speed. We believe Mr. Haruyama's experience and expertise will be vital for reorganizing and reforming the Company.

(3) Name: Yoshiyuki Yanagisawa [New election]

Date of birth: January 29, 1973

Career summary, Position and Responsibilities in the Company:

Apr. 1995    Joined the Company

Apr. 2013    Manager of Industrial Products Sales Department of the Company

Jun. 2016    Executive Officer, Manager of Industrial Products Sales Department of the Company (current position)

Reasons for nomination as director candidate:

Since joining the Company, Mr. Yanagisawa has gained a wealth of experience and expertise in the Industrial Products Sales Department that handles Company products manufactured under consignment and is familiar with the overall industrial products-related business activities of the Company. Since April 2013, he has strengthened relationships with domestic and overseas customers and contributed to improvements of performance as the manager of the Industrial Products Sales Department. We believe Mr. Yanagisawa's experience and expertise will be vital for reorganizing and reforming the Company.

(4) Name:                Ichiro Sakai [New election]

Date of birth:        May 6, 1960

Career summary, Position and Responsibilities in the Company:

Apr. 1983    Joined Chuo Trust & Banking Co., Ltd. (currently, Sumitomo Mitsui Trust Bank, Limited)

Apr. 2014    Manager of Internal Audit Department of the Company (seconded from Sumitomo Mitsui Trust Bank, Limited)

Mar.            Resigned from Sumitomo Mitsui Trust Bank, Limited  
2015

Apr. 2015    Joined the Company, Manager of General Affairs Department

Jun. 2017    Executive Officer, Manager of General Affairs Department of the Company

Nov.            Executive Officer, Assistant to President of the Company (current position)  
2019

Reasons for nomination as director candidate:

Mr. Sakai has extensive expertise and considerable insight through more than 10 years' overseas experience in the US and the UK during his time at Chuo Trust & Banking, and subsequently served in the risk management and internal audit departments. At the Company, he contributed to improvements of corporate value and business operation by introducing work-style reforms and executive stock remuneration (remuneration with the



Company's own shares) linked to medium/long-term performance during his service as Manager of General Affairs Department. We believe Mr. Sakai's expertise and insights will be vital for reorganizing and reforming the Company.

(5) Name: Shuji Kawamura [New election]

Date of birth: June 30, 1961

Career summary, Position and Responsibilities in the Company:

Apr. 1981 Joined the Company

Apr. 2014 Manager belonging to General Affairs Department of the Company, CEO of TENMA PRECISION (ZHONGSHAN) CO., LTD.

Jun. 2016 Managing Executive Officer of the Company, Chairman and CEO of TENMA PRECISION (ZHONGSHAN) CO., LTD.

Jun. 2019 Managing Executive Officer of the Company  
Chairman and CEO of TENMA PRECISION (ZHONGSHAN) CO., LTD.  
(current position)

Reasons for nomination as director candidate:

Mr. Kawamura has a wealth of experience and expertise gained from many years of duties in domestic and overseas production departments of the Company, and he is familiar with the overall production activities of the Company. Since being seconded to the Company's Chinese subsidiary in February 2009 where he is now manager, he has contributed to improvements of performance of the Company as well as proactively promoting production improvement activities at other overseas production plants. We believe Mr. Kawamura's extensive experience and expertise will be vital for reorganizing and reforming the Company.

**[Company Explanatory Note] Shuji Kawamura has not received any advance explanation regarding the appointment as director candidate from the proposing shareholder prior to this shareholder proposal, and he has stated that even if he were elected as a director in this General Meeting of Shareholders, he would not accept the election.**

(6) Name: Nobunoshin Tsutsuno [New election]

Date of birth: October 4, 1957

Career summary, Position and Responsibilities in the Company:

Mar. Joined the Company

1980

Jan. 2005    Manager of Technology Management Department

Sep. 2006    Manager of Technology Department

Jun. 2007    Executive Officer, Manager of Technology Department

Jun. 2014    Manager of Technology Department

Jun. 2019    Executive Officer, Manager of Technology Department (current position)

Reasons for nomination as director candidate:

Mr. Tsutsuno has a wealth of experience and expertise gained from many years of duties in the Technology Department of the Company, and he is familiar with the overall production and technology activities of the Company. As the Manager of the Technology Department since September 2006, he has contributed to improvements of performance of the Company by leading various improvement and support activities for domestic and overseas production plants. We believe Mr. Tsutsuno's considerable knowledge and expertise will be vital for reorganizing and reforming the Company.

(7) Name:                Tomohisa Egawa [New election]

Date of birth:        May 23, 1975

Career summary, Position and Responsibilities in the Company:

Apr. 1998    Joined the Company

Apr. 2019    Manager belonging to General Affairs Department of the Company,  
Chairman of TENMA PRECISION (SHENZHEN) CO., LTD.

Jun. 2019    Executive Officer of the Company, Chairman of TENMA PRECISION  
(SHENZHEN) CO., LTD. (current position)

Reasons for nomination as director candidate:

Since joining the Company, Mr. Egawa has gained a wealth of experience and expertise in the Industrial Products Sales Department that handles Company products manufactured under consignment, and he is familiar with the overall industrial products-related business activities of the Company. As the manager of the Company's Chinese subsidiary since 2016, he has contributed to the expansion of the Company's business as well as proactively providing sales support and promoting production improvement activities at other overseas production plants. We believe Mr. Egawa's experience and expertise will be vital for reorganizing and reforming the Company.

(8) Name:                Keisuke Fuchigami [New election]

Date of birth:        January 29, 1972

Career summary, Position and Responsibilities in the Company:

Apr. 1995    Joined the Company

Jun. 2016    Manager of Houseware Sales Department of the Company

Jun. 2019    Executive Officer, Manager of Houseware Sales Supervisory Department of the Company (current position)

Reasons for nomination as director candidate:

Since joining the Company, Mr. Fuchigami has gained a wealth of experience and expertise from his duties in the Houseware Sales Department of the Company, and he is familiar with the overall houseware-related business activities of the Company. As the manager of the Houseware Sales Department since June 2016, he has strengthened relationships with customers and contributed to the expansion of the houseware-related business. We believe Mr. Egawa's experience and expertise will be vital for reorganizing and reforming the Company.

**[Company Explanatory Note] Keisuke Fuchigami has not received any advance explanation regarding the appointment as director candidate from the proposing shareholder prior to this shareholder proposal, and he has stated that even if he were elected as a director in this General Meeting of Shareholders, he would not accept the election.**

Note:            All candidates are proposed to be elected as internal directors who are not members of the Audit and Supervisory Committee.

Note:            There is no special interest between the candidates and the Company.

2.    Reasons for shareholder proposal (Article 93, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Companies Act)

- (1)    The current directors are not competent. They took emergency measures that were lacking in reasonableness, with their ignorance being as serious as if they had acted maliciously. President Fujino gave prior approval for the payment of money to overseas officials in order to reduce additional tax. Top management are willing to breach compliance regulations. Director Sudo (CFO) led false accounting and President Fujino approved this and announced the financial results. Director Sudo failed to inform a Member of the Audit and Supervisory Committee, saying that doing so would lead to the audit company also finding out (from the third-party committee investigation report).
- (2)    Allowing current directors to elect successor directors would lead to them electing their favorites, leading to division among employees and exposing the Company to risk.

- (3) Restructure the Board of Directors by electing directors who are executives with experience in the fields and who are engaged in their current business, while having them appoint officers who have the necessary abilities for the Company. Current directors have no experience in the fields and lack problem-solving skills. If the current directors are dismissed, the executives will unite and strive to rebuild the Company.
- (4) Management by directors who are also major shareholders from the founding family is causing the current problems. Separate ownership and management by dismissing all members of the founding family.

## **[Opinion of the Board of Directors of the Company regarding the Shareholder Proposal]**

The Board of Directors of the Company opposes the shareholder proposal as it runs counter to the urgent management issues faced by the Company, lacks management continuity, and is extremely likely to damage the corporate value of the Group.

### **(1) The shareholder proposal will lead to deficiencies in governance at the Board of Directors of the Company**

As mentioned in Proposal 2, the third party committee report into the suspected improper monetary payment acknowledged by the Company's overseas subsidiary (the "Issue") identified management intervention by former Honorary Chairman Osamu Tsukasa as having caused significant distortion of the Company's governance function, and recommended that a system be firmly established to eliminate this. However, this shareholder proposal has been proposed by the very same former Honorary Chairman Osamu Tsukasa who was a party to such management intervention.

The candidates in the shareholder proposal are all current executives of the Group, and based on their ties to former Honorary Chairman Osamu Tsukasa (who is also a former chairman and representative director and former president and representative director of the Company), their election is likely to allow former Honorary Chairman Osamu Tsukasa to continue the inappropriate intervention. It is therefore clear that it will not resolve the management issues faced by the Company (deficiencies in governance at the Board of Directors) cited in Proposal 2. What is required for the Board of Directors of the Company is a high degree of independent, objective and transparent supervisory functions; therefore, the shareholder proposal that is consisted of only current executives of the Group Company without any bolstering of independent outside directors will not lead to the formation of an effective and transparent governance system expected by shareholders.

For these reasons, the shareholder proposal is not aimed at overcoming the pressing deficiencies in governance at the Board of Directors of the Company, and would in fact lead to further governance issues.

### **(2) The shareholder proposal includes director candidates who will not accept election**

Of the director candidates in the shareholder proposal, Shuji Kawamura and Keisuke Fuchigami have not received any advance explanation regarding the appointment as director candidate from the proposing shareholder prior to this shareholder proposal, and both have said that even if they were elected as a director in this General Meeting of Shareholders, that they would not accept the election.

The Company considers it abnormal and regrettable that a person who served as a representative

director and honorary chairman of the Company has included director candidates currently serving as executives in the Group in the shareholder proposal against their will without any advance consultation or confirmation of their intention. Even based solely on this fact, the shareholder proposal can only be said to disrespect both the director candidates and the appropriate governance of the Board of Directors of the Company.

**(3) The shareholder proposal lacks management continuity and is extremely likely to damage the corporate value of the Group**

The reasons for the Shareholder Proposal only mention the hope that necessary measures will be undertaken if current executives are elected as directors, and the proposing shareholder and director candidates do not mention any proactive and specific corporate value improvement measures that should be taken by the Group. The director candidates in the shareholder proposal are all current executives in the Group but are people who have no management experience at a publicly traded company let alone this Company.

The adoption of the shareholder proposal will lead to a complete loss of management continuity of the Company which is a publicly traded company, and this will almost certainly damage the corporate value of the Company and eventually the entire Group. As a publicly traded company with many stakeholders including shareholders, we oppose such a reckless shareholder proposal.