

Please note that the following is an unofficial English translation of the Japanese original text of the Notice of Convocation of the 120th Ordinary General Meeting of Shareholders of Akebono Brake Industry Co., Ltd. The Company provides this translation for reference purposes only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Securities Code: 7238

June 3, 2021

To Shareholders with Voting Rights

Akebono Brake Industry Co., Ltd.  
19-5, Nihonbashi Koami-cho, Chuo-ku, Tokyo  
President & CEO  
Yasuhiro Miyaji

## NOTICE OF CONVOCATION OF THE 120TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Akebono Brake Industry Co., Ltd. (the “Company”) now announces and cordially invites you to attend the 120th Ordinary General Meeting of Shareholders, to be held as set forth below.

You can exercise your voting rights by mail or via the Internet instead of attending the meeting. Please refer to the “Exercise of Voting Rights” on page 2 and exercise your voting rights after reading the “Reference Documents for the General Meeting of Shareholders” contained herein by 5:40 p.m. June 23 (Wednesday), 2021 (JST).

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| <b>1. Date and Time</b> | June 24 (Thursday), 2021, at 10:00 a.m. (Reception will open at 9:00 a.m.) (JST)                               |
| <b>2. Place</b>         | Conference Hall, Ai-City (Headquarters), Akebono Brake Industry Co., Ltd. 5-4-71, Higashi, Hanyu City, Saitama |
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**3. Purpose of the Meeting**

**Matters to be Reported**

- (1) Business Report and Consolidated Financial Statements, as well as Results of the Audits of the Consolidated Financial Statements by the Independent Auditor and the Audit & Supervisory Board for the 125th Business Term (From April 1, 2020 to March 31, 2021)
- (2) Non-Consolidated Financial Statements for the 125th Business Term (From April 1, 2020 to March 31, 2021)

**Matters to be Resolved**

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|------------------------|--|
| <b>Proposal No. 1:</b> | Partial Amendments to the Articles of Incorporation  |
| <b>Proposal No. 2:</b> | Election of Two (2) Directors (excluding Directors who are Audit & Supervisory Committee Members)  |
| <b>Proposal No. 3:</b> | Election of Four (4) Directors who are Audit & Supervisory Committee Members   |
| <b>Proposal No. 4:</b> | Determination of Remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members)  |
| <b>Proposal No. 5:</b> | Determination of Remuneration for Directors who are Audit & Supervisory Committee Members  |
| <b>Proposal No. 6:</b> | Determination of the Amount of Remuneration and Specific Terms and Conditions concerning Share Acquisition Rights as Share-based Payment Stock Options for Directors (excluding Directors who are Audit & Supervisory Committee Members and Other Directors who are Outside Directors) |
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- Should any revisions be made to the Reference Documents for the General Meeting of Shareholders, they will be posted on the Company’s website(<https://www.akebono-brake.com/english/>).

## **Exercise of Voting Rights**

The right to vote is an important right that allows the shareholders to participate in the running of the Company. We ask that shareholders exercise their voting rights after referring to the “Reference Documents for the General Meeting of Shareholders.”

### **Shareholders who will not attend the meeting**

**If you are unable to attend the meeting, you can exercise your voting rights by mail or via the Internet.**

#### **Exercising Voting Rights by Mail**

Please indicate your agreement or disagreement with respective proposals on the enclosed Voting Rights Exercise Form and send it by mail to us. Please note that no indication of agreement or disagreement with respective proposals shall be deemed to be an indication of “agreement” to the proposals of the Company.

**Deadline for Exercising Voting Rights: To arrive no later than 5:40 p.m. on June 23 (Wednesday), 2021 (JST)**

#### **Exercising Voting Rights via the Internet**

Please access the site for exercising voting rights (<https://evote.tr.mufg.jp/>) from your computer or smartphone, and enter your vote for each proposal following instructions on screen. (Not available from 2:00 a.m. to 5:00 a.m. (JST))

**Deadline for Exercising Voting Rights: No later than 5:40 p.m. on June 23 (Wednesday), 2021 (JST)**

### **Shareholders who will attend the meeting**

When you attend the meeting, you are requested to present the enclosed Voting Rights Exercise Form at the reception desk upon arrival at the meeting.

- To save paper resources, we request that you bring this booklet with you when attending the meeting.

#### **\* Attending the meeting by proxy**

When shareholders exercise their voting rights by proxy, those voting rights may be exercised by one other shareholder who possesses voting rights of the Company. In such a case, however, it is a condition that either the Voting Rights Exercise Form, or a document that can provide proof of identity (copy of certificate of seal impression, driver's license, etc.) be submitted together with a letter of consent that contains the signature or seal of the entrusting shareholder.

**Date and Time: June 24 (Thursday), 2021, at 10:00 a.m. (JST)**

## **REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS**

### **Proposals and Reference Matters**

#### **Proposal No. 1: Partial Amendments to the Articles of Incorporation**

1. Reason for the proposal

- (1) The Company would like to transition from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee in order to further enhance corporate governance and increase corporate value. This will enable the Company to make decisions swiftly and further strengthen the supervisory function of the Board of Directors through measures such as granting voting rights to Directors who are Audit & Supervisory Committee members at meetings of the Board of Directors. Accordingly, the Company shall newly establish provisions related to Directors who are Audit & Supervisory Committee members and the Audit & Supervisory Committee, and make amendments, such as deletion of the provisions related to Audit & Supervisory Board members and the Audit & Supervisory Board, as necessary for the transition to a Company with an Audit & Supervisory Committee.
- (2) With respect to Class A Shares, the Company shall make amendments to Item 5 of Paragraph 5 of Article 6-2 and Item 3 of Paragraph 6 of the same Article of the current Articles of Incorporation in order to change the place for acceptance of Request for Acquisition in Exchange for Common Shares and the place for acceptance of Request for Acquisition in Exchange for Money to its Global Head Office.
- (3) The Company shall review the provisions of Articles 15, 26, and 29 of the current Articles of Incorporation with respect to the appointment of the convener of the General Meeting of Shareholders, the Chairman and the Representative Director, and the Senior Advisors and Advisors to adjust them to the current situation of the Company.
- (4) The Company shall amend Article 28 of the current Articles of Incorporation in order to enable the execution of limited liability agreements with Directors other than Executive Directors, etc. for the purpose of continuously inviting candidates who are suitable as Directors. The Company has obtained the consent of each Audit & Supervisory Board member with respect to such amendment.
- (5) Provisions to the effect that dividends of surplus, etc. may be paid by resolution of the Board of Directors in order to flexibly implement capital policies and dividend policies shall be newly established with amendments to Article 32 of the Articles of Incorporation.
- (6) At the conclusion of the 119th Ordinary General Meeting of Shareholders held on July 30, 2020, the Company decided not to continue the Policy toward Bulk Purchase of Shares and Other Securities of the Company (the “Take-over Defense Plan”), and therefore, Articles 42 and 43 of the current Articles of Incorporation concerning the Take-over Defense Plan shall be deleted.
- (7) In addition, necessary amendments shall be made, such as revisions to terms and phrases associated with each of the above amendments.

2. Details of the amendments

The details of the amendments are as follows.

The amendments to the Articles of Incorporation pertaining to this proposal shall go into effect at the conclusion of this Ordinary General Meeting of Shareholders.

(Amendments are indicated in underlined text)

Current Articles of Incorporation	Proposed Amendments
<p>Chapter 1 General Provisions</p> <p>Articles 1 through 3 (Text omitted)</p> <p>Article 4 (Organs)</p> <p>The Company shall have the following organs in addition to the General Meeting of Shareholders and Directors:</p> <p>(1) Board of Directors</p> <p>(2) <u>Audit &amp; Supervisory Board members</u></p> <p>(3) <u>Audit &amp; Supervisory Board</u></p> <p>(4) Independent Auditor</p> <p>Article 5 (Text omitted)</p> <p>Chapter 2 Shares</p> <p>Article 6 (Text omitted)</p> <p>Article 6-2 (Class A Shares)</p> <p>The contents of the Class A Shares issued by the Company shall be set forth in the following paragraph to Paragraph 10.</p> <p>2.~4. (Text omitted)</p> <p>5. Right to Request Acquisition in Exchange for Common Shares</p> <p>(1)~(4) (Text omitted)</p> <p>(5) Place for Acceptance of Request for Acquisition in Exchange for Common Shares</p> <p><u>The shareholders register administrator's office for handling of related affairs:</u></p> <p><u>4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo</u></p> <p><u>Mitsubishi UFJ Trust and Banking Corporation,</u></p> <p><u>Corporate Agency Division</u></p> <p>(6)~(7) (Text omitted)</p> <p>6. Right to Request Acquisition in Exchange for Money</p> <p>(1)~(2) (Text omitted)</p> <p>(3) Place for Acceptance of Request for Acquisition in Exchange for Money</p> <p><u>The shareholders register administrator's office for handling of related affairs:</u></p> <p><u>4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo</u></p> <p><u>Mitsubishi UFJ Trust and Banking Corporation,</u></p> <p><u>Corporate Agency Division</u></p> <p>(4) (Text omitted)</p> <p>7.~10. (Text omitted)</p> <p>Article 7 (Acquisition of Own Shares)</p> <p><u>The Company may acquire its own shares through market transactions by resolution of the Board of Directors pursuant to the provisions of paragraph 2 of Article 165 of the Companies Act.</u></p> <p>Articles 8 through 12 (Text omitted)</p> <p>Chapter 3 General Meeting of Shareholders</p> <p>Articles 13 through 14 (Text omitted)</p> <p>Article 15 (Convener and Chairman)</p> <p><u>The Representative Director, Chairman shall</u></p>	<p>Chapter 1 General Provisions</p> <p>Articles 1 through 3 (Unchanged)</p> <p>Article 4 (Organs)</p> <p>The Company shall have the following organs in addition to the General Meeting of Shareholders and Directors:</p> <p>(1) Board of Directors</p> <p>(2) <u>Audit &amp; Supervisory Committee</u></p> <p>(Deleted)</p> <p>(3) Independent Auditor</p> <p>Article 5 (Unchanged)</p> <p>Chapter 2 Shares</p> <p>Article 6 (Unchanged)</p> <p>Article 6-2 (Class A Shares)</p> <p>The contents of the Class A Shares issued by the Company shall be set forth in the following paragraph to Paragraph 10.</p> <p>2.~4. (Unchanged)</p> <p>5. Right to Request Acquisition in Exchange for Common Shares</p> <p>(1)~(4) (Unchanged)</p> <p>(5) Place for Acceptance of Request for Acquisition in Exchange for Common Shares</p> <p><u>Akebono Brake Industry Co., Ltd.</u></p> <p><u>Global Head Office</u></p> <p>(6)~(7) (Unchanged)</p> <p>6. Right to Request Acquisition in Exchange for Money</p> <p>(1)~(2) (Unchanged)</p> <p>(3) Place for Acceptance of Request for Acquisition in Exchange for Money</p> <p><u>Akebono Brake Industry Co., Ltd.</u></p> <p><u>Global Head Office</u></p> <p>(4) (Unchanged)</p> <p>7.~10. (Unchanged)</p> <p>(Deleted)</p> <p>Articles 7 through 11 (Unchanged)</p> <p>Chapter 3 General Meeting of Shareholders</p> <p>Articles 12 through 13 (Unchanged)</p> <p>Article 14 (Convener and Chairman)</p> <p><u>A Director designated in advance by the Board of</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>convene the General Meeting of Shareholders and shall be the Chairman thereof.</p> <p>2. In the event that <u>the office of the Representative Director, Chairman is vacant or the Representative Director, Chairman</u> is unable to attend the meeting, <u>the President and Director shall convene the General Meeting of Shareholders and shall be the Chairman thereof, or in the event that the President and Director is unable to attend the meeting,</u> another Director shall convene the General Meeting of Shareholders and shall be the Chairman thereof, in accordance with the order determined in advance by resolution of the Board of Directors.</p> <p>Articles <u>16</u> through <u>18</u> (Text omitted)</p> <p>Article <u>18-2</u>(Meeting of Class Shareholders) Provision under Article <u>14</u> shall be applied to a meeting of class shareholders held on the same day as an Ordinary General Meeting of Shareholders.</p> <p>2. Provisions under Articles <u>15</u>, <u>16</u> and <u>18</u> shall be applied <i>mutatis mutandis</i> to a meeting of class shareholders.</p> <p>3. Provision under Article <u>17.1</u> and provision under Article <u>17.2</u> shall respectively be applied <i>mutatis mutandis</i> to the resolutions at a meeting of class shareholders as set forth in Article 324, Paragraph 1 of the Companies Act and the resolutions at a meeting of class shareholders as set forth in Article 324, Paragraph 2 of the Companies Act.</p>	<p><u>Directors</u> shall convene the General Meeting of Shareholders and shall be the Chairman thereof.</p> <p>2. In the event that <u>such Director</u> is unable to attend the meeting, another Director shall convene the General Meeting of Shareholders and shall be the Chairman thereof, in accordance with the order determined in advance by resolution of the Board of Directors.</p> <p>Articles <u>15</u> through <u>17</u> (Unchanged)</p> <p>Article <u>17-2</u>(Meeting of Class Shareholders) Provision under Article <u>13</u> shall be applied to a meeting of class shareholders held on the same day as an Ordinary General Meeting of Shareholders.</p> <p>2. Provisions under Articles <u>14</u>, <u>15</u> and <u>17</u> shall be applied <i>mutatis mutandis</i> to a meeting of class shareholders.</p> <p>3. Provision under Article <u>16.1</u> and provision under Article <u>16.2</u> shall respectively be applied <i>mutatis mutandis</i> to the resolutions at a meeting of class shareholders as set forth in Article 324, Paragraph 1 of the Companies Act and the resolutions at a meeting of class shareholders as set forth in Article 324, Paragraph 2 of the Companies Act.</p>
<p>Chapter 4 Directors and Board of Directors</p> <p>Article <u>19</u> (Number of Members) The number of Directors of the Company shall not exceed <u>twelve (12)</u>.</p> <p>(New item)</p> <p>Article <u>20</u> (Method of Election) Directors shall be elected at the Ordinary General Meeting of Shareholders.</p> <p>2. (Text omitted)</p> <p>3. (Text omitted)</p> <p>Article <u>21</u> (Text omitted)</p> <p>Article <u>22</u> (Term of Office) The term of office of Directors shall be until the conclusion of the Ordinary General Meeting of Shareholders for the last business year that ends within <u>two (2)</u> years from the time of their election.</p> <p>(New item)</p> <p>2. <u>The term of office of a Director who is elected to increase the number of Directors or to fill a vacancy shall be until the time when the term of office of the</u></p>	<p>Chapter 4 Directors and Board of Directors</p> <p>Article <u>18</u> (Number of Members) The number of Directors (<u>excluding individuals who are Audit &amp; Supervisory Committee members</u>) of the Company shall not exceed <u>six (6)</u>.</p> <p>2. <u>The number of Directors who are Audit &amp; Supervisory Committee members of the Company shall not exceed six (6).</u></p> <p>Article <u>19</u> (Method of Election) Directors shall be elected at the General Meeting of Shareholders <u>by distinguishing between Directors who are Audit &amp; Supervisory Committee members and other Directors.</u></p> <p>2. (Unchanged)</p> <p>3. (Unchanged)</p> <p>Article <u>20</u> (Unchanged)</p> <p>Article <u>21</u> (Term of Office) The term of office of Directors (<u>excluding individuals who are Audit &amp; Supervisory Committee members</u>) shall be until the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within <u>one (1)</u> year from the time of their election.</p> <p>2. <u>The term of office of Directors who are Audit &amp; Supervisory Committee members shall be until the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within two (2) years from the time of their election.</u> (Deleted)</p>

Current Articles of Incorporation	Proposed Amendments
<p><u>Directors in office expires.</u> (New item)</p> <p>Article 23 (Notice of Convocation of Meeting of Board of Directors) Notice of convocation of a meeting of the Board of Directors shall be sent to each Director <u>and each Audit &amp; Supervisory Board member</u> no later than three (3) days prior to the date of such meeting; provided, however, that this period may be shortened in case of emergency.</p> <p>2. Meetings of the Board of Directors may be held without following the procedures for convocation if the consent of all <u>Directors and Audit &amp; Supervisory Board members</u> is obtained. (New item)</p> <p>Articles 24 through 25 (Text omitted)</p> <p>Article 26 (Representative Director <u>and Directors with Titles</u>) The Board of Directors shall appoint the Representative Director by its resolution. <u>The Board of Directors may decide, by its resolution, to appoint the Chairman and Director, the Vice Chairman and Director, the President and Director, Executive Vice President and Director, and a few Senior Managing Directors and Managing Directors.</u></p> <p>Article 27 (Remuneration) Remuneration, bonuses, and other financial benefits <u>(hereinafter collectively referred to as the "Remuneration")</u> to be received from the Company as consideration for the execution of duties by Directors shall be determined by resolution of the General Meeting of Shareholders.</p> <p>Article 28 (Limited Liability Agreement with <u>Outside Directors</u>) The Company may enter into an agreement with an <u>Outside</u> Director to limit the <u>Outside</u> Director's liability for damages for negligence in duties pursuant to the provisions of paragraph (1) of Article 427 of the Companies Act; provided, however, that the maximum amount of liability</p>	<p>3. <u>The term of office of Directors who are Audit &amp; Supervisory Committee members elected as substitutes for Directors who are Audit &amp; Supervisory Committee members elected to fill a vacancy caused by retirement of Directors who were Audit &amp; Supervisory Committee members prior to the expiry of their term of office shall be up to the expiry of the term of office of such retiring Directors who were Audit &amp; Supervisory Committee members.</u></p> <p>Article 22 (Notice of Convocation of Meeting of Board of Directors) Notice of convocation of a meeting of the Board of Directors shall be sent to each Director no later than three (3) days prior to the date of such meeting; provided, however, that this period may be shortened in case of emergency.</p> <p>2. Meetings of the Board of Directors may be held without following the procedures for convocation if the consent of all Directors is obtained.</p> <p><u>Article 23 (Delegation of Decision-Making on Execution of Important Operations)</u> <u>Pursuant to the provisions of paragraph 6 of Article 399-13 of the Companies Act, the Company may delegate all or part of the decision-making on the execution of important operations (excluding matters listed in each item of paragraph 5 of the same Article) to the Directors by resolution of the Board of Directors.</u></p> <p>Articles 24 through 25 (Unchanged)</p> <p>Article 26 (Representative Director) The Board of Directors shall appoint the Representative Director by its resolution.</p> <p>Article 27 (Remuneration) Remuneration, bonuses, and other financial benefits to be received from the Company as consideration for the execution of duties by Directors shall be determined by resolution of the General Meeting of Shareholders, <u>distinguishing between Directors who are Audit &amp; Supervisory Committee members from other Directors.</u></p> <p>Article 28 (Limited Liability Agreement with Directors) The Company may enter into an agreement with a Director <u>(excluding those who are Executive Directors)</u> to limit the Director's liability for damages for negligence in duties pursuant to the provisions of paragraph (1) of Article 427 of the Companies Act; provided, however, that the maximum amount of liability under such agreement</p>

Current Articles of Incorporation	Proposed Amendments
under such agreement shall be one million (1,000,000) yen or more, as determined in advance, or the amount stipulated by laws and regulations, whichever is higher.	shall be one million (1,000,000) yen or more, as determined in advance, or the amount stipulated by laws and regulations, whichever is higher.
<u>Article 29 (Senior Advisor, Advisor)</u> <u>Senior Advisors and Advisors may be appointed by resolution of the Board of Directors; provided, however, that their term of office shall be one (1) year or less.</u>	(Deleted)
<u>Chapter 5 Audit &amp; Supervisory Board Members and the Audit &amp; Supervisory Board</u>	(Deleted)
<u>Article 30 (Number of Members)</u> <u>The number of Audit &amp; Supervisory Board members of the Company shall not exceed five (5).</u>	(Deleted)
<u>Article 31 (Method of Election)</u> <u>Audit &amp; Supervisory Board members shall be elected at the General Meeting of Shareholders.</u>	(Deleted)
<u>2. Resolutions for the election of Audit &amp; Supervisory Board members shall be made by a majority of the votes of the shareholders present who hold one-third (1/3) or more of the voting rights of the shareholders who are entitled to exercise their voting rights.</u>	
<u>Article 32 (Term of Office)</u> <u>The term of office of Audit &amp; Supervisory Board members shall be until the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within four (4) years from the time of their election.</u>	(Deleted)
<u>2. The term of office of Audit &amp; Supervisory Board members elected to fill a vacancy caused by retirement of Audit &amp; Supervisory Board members prior to the expiry of their term of office shall be up to the expiry of the term of office of such retiring Audit &amp; Supervisory Board members.</u>	
<u>Article 33 (Notice of Convocation of Meeting of Audit &amp; Supervisory Board)</u> <u>Notice of convocation of a meeting of the Audit &amp; Supervisory Board shall be sent to each Audit &amp; Supervisory Board member no later than three (3) days prior to the date of such meeting; provided, however, that this period may be shortened in case of emergency.</u>	(Deleted)
<u>2. Meetings of the Audit &amp; Supervisory Board may be held without following the procedures for convocation if the consent of all Audit &amp; Supervisory Board members is obtained.</u>	
<u>Article 34 (Rules of Audit &amp; Supervisory Board)</u> <u>Matters concerning the Audit &amp; Supervisory Board shall be governed by the Rules of the Audit &amp; Supervisory Board set forth by the Audit &amp; Supervisory Board, in addition to laws and regulations or these Articles of Incorporation.</u>	(Deleted)
<u>Article 35 (Standing Audit &amp; Supervisory Board Members)</u> <u>The Audit &amp; Supervisory Board shall appoint Standing Audit &amp; Supervisory Board members by its resolution.</u>	(Deleted)
<u>Article 36 (Remuneration)</u>	(Deleted)

Current Articles of Incorporation	Proposed Amendments
<p><u>The Remuneration for Audit &amp; Supervisory Board members shall be determined by resolution of the General Meeting of Shareholders.</u></p> <p><u>Article 37 (Limited Liability Agreement with Outside Audit &amp; Supervisory Board Members)</u></p> <p><u>The Company may enter into an agreement with an Outside Audit &amp; Supervisory Board member to limit the Outside Audit &amp; Supervisory Board member's liability for damages for negligence in duties pursuant to the provisions of paragraph (1) of Article 427 of the Companies Act; provided, however, that the maximum amount of liability under such agreement shall be one million (1,000,000) yen or more, as determined in advance, or the amount stipulated by laws and regulations, whichever is higher.</u></p>	<p>(Deleted)</p>
<p>(New item)</p> <p>(New item)</p> <p>(New item)</p>	<p><u>Chapter 5 Audit &amp; Supervisory Committee</u></p> <p><u>Article 29 (Notice of Convocation of Audit &amp; Supervisory Committee)</u></p> <p><u>Notice of convocation of a meeting of the Audit &amp; Supervisory Committee shall be sent to each Audit &amp; Supervisory Committee member no later than three (3) days prior to the date of such meeting; provided, however, that this period may be shortened in case of emergency.</u></p> <p><u>2. Meetings of the Audit &amp; Supervisory Committee may be held without following the procedures for convocation if the consent of all Audit &amp; Supervisory Committee members is obtained.</u></p> <p><u>Article 30 (Rules of Audit &amp; Supervisory Committee)</u></p> <p><u>Matters concerning the Audit &amp; Supervisory Committee shall be governed by the Rules of the Audit &amp; Supervisory Committee set forth by the Audit &amp; Supervisory Committee, in addition to laws and regulations or these Articles of Incorporation.</u></p>
<p><u>Chapter 6 Calculation</u></p> <p><u>Article 38 (Text omitted)</u></p> <p>(New item)</p> <p><u>Article 39 (Record Date for Dividends of Surplus)</u></p> <p><u>The record date for the year-end dividend of the Company shall be March 31 of each year.</u></p> <p>(New item)</p> <p><u>2. In addition to the preceding paragraph, dividends of surplus may be paid by specifying the record date.</u></p> <p><u>Article 40 (Interim Dividends)</u></p> <p><u>The Company may pay interim dividends with September 30 of each year as the record date by resolution of the Board of Directors.</u></p> <p><u>Article 41 (Text omitted)</u></p>	<p><u>Chapter 6 Calculation</u></p> <p><u>Article 31 (Unchanged)</u></p> <p><u>Article 32 (Decision-Making Body for Dividends of Surplus, etc.)</u></p> <p><u>Except as otherwise provided by law or regulations, the Company may determine matters such as dividends of surplus stipulated in each item of paragraph 1 of Article 459 of the Companies Act by resolution of the Board of Directors.</u></p> <p><u>Article 33 (Record Date for Dividends of Surplus)</u></p> <p><u>The record date for the year-end dividend of the Company shall be March 31 of each year.</u></p> <p><u>2. The record date for the interim dividend of the Company shall be September 30 of each year.</u></p> <p><u>3. In addition to the preceding two paragraphs, dividends of surplus may be paid by specifying the record date.</u></p> <p>(Deleted)</p> <p><u>Article 34 (Unchanged)</u></p>
<p><u>Chapter 7 Take-over Defense Plan</u></p> <p><u>Article 42 (Introduction of Take-over Defense Plan)</u></p>	<p>(Deleted)</p> <p>(Deleted)</p>




Current Articles of Incorporation	Proposed Amendments
<p><u>The introduction, continuation and abolishment of Take-over Defense Plan may also be decided at the General Meeting of Shareholders.</u></p> <p>2. <u>The introduction, continuation and abolishment of Take-over Defense Plan as set forth in the preceding paragraph means that the Company shall determine procedures to be observed by the persons who conduct purchases, countermeasures against persons who violate such procedures and other measures with respect to such purchases of shares and other rights issued by the Company, shall continue to apply, and shall abolish the application thereof, in order to prevent decisions on the financial and business policies of the Company from being controlled by persons who are inappropriate in light of the basic policies concerning the role of the persons who control the decisions on the financial and business policies of the Company.</u></p> <p><u>Article 43 (Decision-Making Body for Allotment of Share Acquisition Rights without Contribution)</u></p> <p><u>The Company may allocate share acquisition rights without contribution and share acquisition rights for subscription by resolution of the Board of Directors in accordance with the procedures specified by the Take-over Defense Plan set forth in the preceding Article, as well as, in accordance with a resolution of the Board of Directors based on a resolution of the General Meeting of Shareholders or delegation by the resolution of the General Meeting of Shareholders.</u></p> <p>2. <u>The resolution of the General Meeting of Shareholders pursuant to the provisions of the preceding paragraph shall be made by a majority of the votes of the shareholders present who hold one-third (1/3) or more of the voting rights of the shareholders who are entitled to exercise their voting rights.</u></p>	<p>(Deleted)</p>

**Proposal No. 2:** Election of Two (2) Directors (excluding Directors who are Audit & Supervisory Committee Members)

Where Proposal No. 1 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the Company will transition to a Company with an Audit & Supervisory Committee, and the term of office of all (five (5)) Directors will expire effective at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the Company proposes the election of two (2) Directors (excluding Directors who are Audit & Supervisory Committee members; the same applies hereinafter in this proposal) for after the transition to a Company with an Audit & Supervisory Committee.

On condition that Proposal No. 1 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed and that the amendments to the Articles of Incorporation go into effect by resolution of the said proposal, the resolution of this proposal shall go into effect.

The details of the candidates for Director are as follows:

No.	Name (Date of Birth)	Brief Personal History, Assignments and Position in the Company, and any Important Representation of Other Entities	Number of the Company's Shares Held
1	 Yasuhiro Miyaji (May 17, 1957) <div>Reelection</div>	April 1981      Joined Jidosha Kiki Co., Ltd. (currently: Bosch Corporation) October 2000    General Manager, Sales Planning Department, Sales Division, Bosch Braking Systems Co., Ltd. (currently: Bosch Corporation) April 2002      Deputy General Manager, Sales Division, Chassis System Business Unit, Bosch Corporation August 2005    President and Representative Director, TMD Friction Japan K.K. January 2009    Executive Officer, Bosch Corporation November 2010   Managing Executive Officer, in charge of Customer Business, Bosch Corporation April 2016      Senior Executive Officer, in charge of Customer Business, Bosch Corporation July 2017      Managing Executive Officer, Deputy General Manager of Vehicle Installation Business, NIDEC CORPORATION September 2019   Joined the Company, Representative Director (Current) October 2019    Executive Officer, President & CEO, the Company (Current) [Assignments in the Company] CEO	Common shares: 29,468
<p>[Reason for selecting Yasuhiro Miyaji as the candidate for Director]</p> <p>Mr. Miyaji has served as the Representative Director of TMD Friction Japan K.K., the Senior Executive Officer of Bosch Corporation, and the Managing Executive Officer of NIDEC CORPORATION. As he was engaged in the brake business at Bosch Corporation and TMD Friction Japan K.K., he has profound expertise in the brake business. In addition, at both companies he expanded their businesses with Japanese automakers, acquired new customers, and created very strong relationships with numerous Japanese automakers. He has been demonstrating strong leadership as President &amp; CEO of the Company from 2019 and has been fully executing his duties in carrying out the Business Turnaround Plan and pursuing future growth.</p> <p>For the purpose of revitalization and growth of the Company, it is indispensable for us to recover the trust of automakers, and, as Mr. Miyaji is the best person who can recover the trust of automakers and lead the expansion of our business, the Company nominates him as the candidate for Director.</p>			

[Translation for Reference Purposes Only]

No.	Name (Date of Birth)	Brief Personal History, Assignments and Position in the Company, and any Important Representation of Other Entities	Number of the Company's Shares Held
2	 Takamasa Kurinami (August 5, 1953) <div>Reelection</div>	April 1977      Joined Toyota Motor Co., Ltd (currently: TOYOTA MOTOR CORPORATION) January 2002    General Manager, Corporate Planning Department, TOYOTA MOTOR CORPORATION January 2006    Senior Vice President, Toyota Motor Europe S.A./N.V. June 2010       Senior Executive Officer, Deputy General Manager, Sales Department, DAIHATSU MOTOR CO., LTD. June 2014       Senior Executive Officer, DAIHATSU MOTOR CO., LTD. January 2016    Executive Director, in charge of the Overseas Office, Perusahaan Otomobil Kedua Sdn. Bhd. September 2018 Joined the Company, Advisor, Assistant to President & CEO January 2019    Managing Executive Officer, Head of Corporate Planning Division, the Company June 2019       Executive Officer, Head of Corporate Division, the Company September 2019 Director, the Company (Current) October 2019    Executive Vice President & COO, the Company (Current) Chairman, Akebono Brake Corporation (Current) January 2020    In charge, North American Operations (Current) [Assignments in the Company] COO In charge, North American Operations [Any Important Representation of Other Entities] Chairman, Akebono Brake Corporation	Common shares: 10,000
[Reason for selecting Takamasa Kurinami as the candidate for Director] At TOYOTA MOTOR CORPORATION, Mr. Kurinami served as the General Manager of Corporate Planning Department and the Senior Vice President of Toyota Motor Europe S.A./N.V., and, at DAIHATSU MOTOR CO., LTD., he served as the Deputy General Manager of Sales Department, and, thereafter, he served as the Senior Executive Officer of said company, and as the Executive Director of Perusahaan Otomobil Kedua Sdn. Bhd. After joining the Company, he has been demonstrating strong leadership as Member of the Board, and as Executive Vice President & COO since 2019, in moving forward with the implementation of the Business Turnaround Plan. The Company nominates him as the candidate for Director for the purpose of steady and speedy realization of the Business Turnaround Plan based on his extensive experience and knowledge of automakers as well as his experience and ability with globally diverse perspectives, and for the purpose of recovering the trust and strengthening new relationships among stakeholders.			

Notes: 1. There is no special interest between the candidates and the Company.

2. The candidates do not hold the Class A shares of the Company.

3. The Company has entered into a directors and officers liability insurance contract as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The said insurance will compensate for any legal damages and dispute costs arising in the event a claim for compensation of damages is made against the insured person during the term of the insurance due to an act taken by the insured person based on his or her position. Each candidate is included as the insured person in the aforesaid insurance contract.

4. The number of the Company's shares held by Mr. Yasuhiro Miyaji and Mr. Takamasa Kurinami includes shares they hold through the Officers' Shareholding Association of the Company.

**Proposal No. 3:** Election of Four (4) Directors who are Audit & Supervisory Committee Members

Where Proposal No. 1 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the Company will transition to a Company with an Audit & Supervisory Committee. Accordingly, the Company proposes the election of four (4) Directors who are Audit & Supervisory Committee members.

This proposal has already been approved by the Audit & Supervisory Board.

On condition that Proposal No. 1 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed and that the amendments to the Articles of Incorporation go into effect by resolution of the said proposal, the resolution of this proposal shall go into effect.

The details of the candidates for Director who is Audit & Supervisory Committee member are as follows:


No.	Name (Date of Birth)	Brief Personal History, Assignments and Position in the Company, and any Important Representation of Other Entities	Number of the Company’s Shares Held
1	 Hiroaki Tanji (July 31, 1952)  <div>New Election</div>  <div>Candidate for Outside Director</div>  <div>Candidate for Independent Officer</div>  Attendance at meetings of the Board of Directors 18/18 (100%)	April 1976      Joined DENKI KAGAKU KOGYO KABUSHIKI April 1992      KAISHA (currently: Denka Company Limited) April 1997      Joined HOYA CORPORATION July 1999      General Manager, R&D Center for Advanced June 2000      Technology Research Institution, HOYA June 2003      CORPORATION July 1999      Senior Vice President, HOYA Holdings, Inc. June 2000      Director, HOYA CORPORATION June 2003      Director, Corporate Executive Officer, and June 2006      General Manager, Business Development June 2009      Department, HOYA CORPORATION September 2010      Director, Corporate Executive Officer, Chief April 2012      Technology Officer, HOYA CORPORATION May 2012      Corporate Executive Officer, in charge of Planning, June 2012      HOYA CORPORATION June 2012      Management Advisor, Unison Capital, Inc. June 2012      Counsel, ASAHI TEC CORPORATION June 2013      Vice President & Representative Corporate June 2013      Executive Officer, Chief Financial Officer, ASAHI June 2013      TEC CORPORATION June 2013      Director, Vice President & Representative Corporate June 2013      Executive Officer, Chief Financial Officer, ASAHI June 2013      TEC CORPORATION June 2013      Director, President & Representative Corporate June 2013      Executive Officer, Chief Executive Officer, ASAHI June 2013      TEC CORPORATION June 2017      Chairman and Director, ASAHI TEC September 2019      CORPORATION September 2019      Outside Director, the Company (Current)	Common shares: 0
<p>[Reason for selecting Hiroaki Tanji as the candidate for Outside Director who is Audit &amp; Supervisory Committee member and summary of expected roles]</p> <p>Mr. Tanji has served as the Director, Corporate Executive Officer and Chief Technology Officer of HOYA CORPORATION and the Director, the President &amp; Representative Corporate Executive Officer, Chief Executive Officer of ASAHI TEC CORPORATION. He has extensive experience and profound expertise in business management in a variety of industrial fields, centered on the materials and parts industries, including automotive parts, and he also has experience in planning and implementing the reconstruction and reorganization of businesses and plants. Since 2019, he has served as Outside Director of the Company.</p> <p>We expect that, toward the revitalization and growth of the Company, he will contribute to the realization of appropriate decision-making and management supervision by the Board of Directors of the Company with a broad perspective based on his extensive experience and knowledge, and his independent and fair position and, thus, the Company nominates him as the candidate for Outside Director who is Audit &amp; Supervisory Committee member.</p>			

[Translation for Reference Purposes Only]

No.	Name (Date of Birth)	Brief Personal History, Assignments and Position in the Company, and any Important Representation of Other Entities	Number of the Company's Shares Held
2	 <p>Yuichi Hiromoto (September 25, 1957)</p> <p>New Election</p> <p>Candidate for Outside Director</p> <p>Attendance at meetings of the Board of Directors 18/18 (100%)</p>	<p>April 1980      Joined Mitsubishi Corporation</p> <p>January 2001    President and Representative Director, Mitsubishi Corp. - UBS Realty Inc.</p> <p>October 2009    Deputy General Manager, Industrial Finance Business Department, Mitsubishi Corporation</p> <p>April 2010      Executive Officer and General Manager, Industrial Finance Business Department, Mitsubishi Corporation</p> <p>April 2015      Managing Executive Officer and COO of the New Industrial Finance Business Group, Mitsubishi Corporation</p> <p>October 2016    Co-CEO, Japan Industrial Solutions Co., Ltd.</p> <p>December 2018   President &amp; CEO, Japan Industrial Solutions Co., Ltd. (Current)</p> <p>September 2019 Outside Director, the Company (Current)</p> <p>[Any Important Representation of Other Entities] President &amp; CEO, Japan Industrial Solutions Co., Ltd.</p>	Common shares: 0
<p>[Reason for selecting Yuichi Hiromoto as the candidate for Outside Director who is Audit &amp; Supervisory Committee member and summary of expected roles]</p> <p>At Mitsubishi Corporation, Mr. Hiromoto has served as the Managing Executive Officer and COO of the New Industrial Finance Business Group, and as the President and Representative Director of Mitsubishi Corp. UBS Realty Inc., a subsidiary of Mitsubishi Corporation, and currently serves as the President &amp; CEO of Japan Industrial Solutions Co., Ltd. Having served as a manager of the operating company of the investment fund, and having assumed the principal posts of major trading companies in Japan and overseas, he has extensive experience and profound expertise in financial and corporate management. Since 2019, he has served as Outside Director of the Company.</p> <p>We expect that, toward the revitalization and growth of the Company, he will contribute to the realization of appropriate decision-making and management supervision by the Board of Directors of the Company with globally diverse perspectives based on his extensive experience and knowledge, and, thus, the Company nominates him as the candidate for Outside Director who is Audit &amp; Supervisory Committee member.</p>			

[Translation for Reference Purposes Only]

No.	Name (Date of Birth)	Brief Personal History, Assignments and Position in the Company, and any Important Representation of Other Entities	Number of the Company's Shares Held
3	 Yosuke Mishiro (April 14, 1952) <div>New Election</div> <div>Candidate for Outside Director</div> <div>Candidate for Independent Officer</div> Attendance at meetings of the Board of Directors 12/12 (100%)	October 1975    Joined Mitsubishi Corporation March 1985    Manager, Mitsubishi Corporation (Americas) (New York Headquarters) February 2001    Managing Director, Oaktree Capital Management Japan Limited August 2003    Joined Teijin Seiki Co., Ltd. (currently: Nabtesco Corporation), Assistant to the Senior General Manager, Technology and R&D Division, Administrative Officer June 2006    Executive Officer, General Manager, Planning Department, Power Control Company, Nabtesco Corporation June 2008    Director and Deputy General Manager, Corporate Planning Division, Nabtesco Corporation June 2009    Director and General Manager, Corporate Planning Division, Nabtesco Corporation June 2015    Representative Director and Executive Vice President; President, Accessibility Innovations Company, Nabtesco Corporation June 2017    Outside Audit & Supervisory Board Member, SENQCIA CORPORATION October 2018    Outside Director, SENQCIA CORPORATION July 2020    Outside Director, the Company (Current)	Common shares: 0
<p>[Reason for selecting Yosuke Mishiro as the candidate for Outside Director who is Audit &amp; Supervisory Committee member and summary of expected roles]</p> <p>Mr. Mishiro has experience as General Manager of the Corporate Planning Division, President of the Accessibility Innovations Company (automatic door business), and Representative Director and Executive Vice President at Nabtesco Corporation. He also has led business and corporate strategy with a focus on industrial machinery, and has extensive experience and deep insight regarding corporate management. Moreover, he has experience in global business, M&amp;A and business revitalization. Since 2020, he has served as Outside Director of the Company.</p> <p>We expect that, for the revitalization and growth of the Company, he will contribute to the realization of appropriate decision-making and management supervision by the Board of Directors of the Company from an independent and fair position with a broad perspective based on his extensive experience and knowledge. Thus, the Company nominates him as the candidate for Outside Director who is Audit &amp; Supervisory Committee member.</p>			

No.	Name (Date of Birth)	Brief Personal History, Assignments and Position in the Company, and any Important Representation of Other Entities	Number of the Company's Shares Held
4	 <p>Shigeyuki Kawamoto (June 24, 1967)</p> <p>New Election</p> <p>Candidate for Outside Director</p> <p>Candidate for Independent Officer</p>	<p>April 1998 Registered at Tokyo Bar Association</p> <p>October 2009 Executive Managing Director and Member of the Board, Enterprise Turnaround Initiative Corporation of Japan (currently: Regional Economy Vitalization Corporation of Japan)</p> <p>January 2013 Registered at Kyoto Bar Association Partner attorney, Karasuma Law Office (Current)</p> <p>October 2015 Outside Audit &amp; Supervisory Board Member, Fringe81 Co., Ltd. (Current)</p> <p>June 2019 Outside Director (Audit and Supervisory Committee Member), TAKEBISHI CORPORATION (Current)</p> <p>[Any Important Representation of Other Entities] Partner attorney, Karasuma Law Office Outside Audit &amp; Supervisory Board Member, Fringe81 Co., Ltd. Outside Director (Audit and Supervisory Committee Member), TAKEBISHI CORPORATION</p>	Common shares: 0
<p>[Reason for selecting Shigeyuki Kawamoto as the candidate for Outside Director who is Audit &amp; Supervisory Committee member and summary of expected roles] Mr. Kawamoto has contributed to a number of corporate restructurings at companies while a member of such company as the Enterprise Turnaround Initiative Corporation of Japan, and has expert knowledge and experience as an attorney at law as well as extensive knowledge related to management. We expect him to assist in the strengthening of the auditing structure and the supervisory function from an independent position for the revitalization of the Company and, thus, the Company nominates him as the candidate for Outside Director who is Audit &amp; Supervisory Committee member.</p>			

- Notes:
1. Mr. Yuichi Hiromoto concurrently serves as the President & CEO of Japan Industrial Solutions Co., Ltd and in relation to the issuance of the Class A Shares, Japan Industrial Solutions Fund II, the General Partner of which is said company, entered into an investment agreement with the Company. There are no special interests between the other candidates and the Company.
  2. The candidates do not hold the Class A shares of the Company.
  3. Mr. Hiroaki Tanji, Mr. Yuichi Hiromoto, Mr. Yosuke Mishiro, and Mr. Shigeyuki Kawamoto are the candidates for Outside Director. Where the appointment of Mr. Hiroaki Tanji, Mr. Yosuke Mishiro, and Mr. Shigeyuki Kawamoto is approved, the Company plans to register them as Independent Officers to the Tokyo Stock Exchange under the regulations of the said Exchange.
  4. Mr. Hiroaki Tanji, Mr. Yuichi Hiromoto, and Mr. Yosuke Mishiro are currently Outside Directors of the Company, and Mr. Hiroaki Tanji and Mr. Yuichi Hiromoto will both have served as Outside Director for one (1) year and nine (9) months while Mr. Yosuke Mishiro will have served as Outside Director for eleven (11) months as of the conclusion of this Ordinary General Meeting of Shareholders. For the status of main activities of the three Outside Directors in the 125th Business Term, please refer to “(3) Matters related to Outside Directors and Officers” on page 46.
  5. With respect to the response to and handling of the Inappropriate Conduct in Periodic Inspection Reports announced by the Company on February 16, 2021 by the three Outside Directors, Mr. Hiroaki Tanji, Mr. Yuichi Hiromoto, and Mr. Yosuke Mishiro, please refer to “(3) Matters related to Outside Directors and Officers” on page 46.
  6. The Company has entered into a directors and officers liability insurance contract as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The said insurance will compensate for any legal damages and dispute costs arising in the event a claim for compensation of damages is made against the insured person during the term of the insurance due to an act taken by the insured person based on his or her position. Each candidate is included as the insured person in the aforesaid insurance contract.
  7. Where the appointment of the candidates is approved, a contract limiting their liabilities will be concluded



with the Company. Below is an overview of the details of that contract.

Effective after entering into these agreements, should an Outside Director bear any liability arising from his/her act or omission and such Outside Director performed his/her duty in good faith and without gross negligence in relation to such act or omission, his/her liabilities shall be limited to an amount equal to the higher of ¥1 million or the minimum amount of his/her obligation as stipulated under Article 425, Paragraph 1 of the Companies Act.



(Reference)

### Standard Regarding the Independence of Outside Officers

Akebono Brake Industry Co., Ltd. (the “Company”) sets forth the Standard Regarding the Independence of Outside Officers of the Company as detailed below. The Outside Officers of the Company shall not fall under any of the standards below.

1. A person who is or has previously been an executive (Note 1) of the Akebono Group
2. A major shareholder of the Company (Note 2)
3. A person to whom the Akebono Group is a major business counterparty (Note 3), or, when such a person is a corporation, an executive of the corporation (Note 1)
4. A person who is a major business counterparty of the Akebono Group (Note 4), or, when such a person is a corporation, an executive of the corporation (Note 1)
5. A certified public accountant (or a tax accountant) or an employee of an auditing firm (or a tax accounting firm), who belongs to the independent auditor of the Akebono Group
6. A consultant, an accounting specialist such as a certified public accountant, or a legal expert such as an attorney at law, who receives from the Akebono Group a significant amount of money or other assets (Note 5) other than remuneration for officer (when a person who receives such assets is an organization such as a corporation or an association, a person who belongs to such organization)
7. A person or an executive thereof (Note 1) who receives a large amount of donation (Note 6) from the Akebono Group
8. A close relative (Note 8) of an important person (Note 7) among those who fall under any of 2. to 7. above
9. A person who in the past three years has fallen under any of 2. to 8. above
10. Other person who is reasonably judged to be in circumstances under which he or she is unable to fulfill his or her duties as an Outside Officer

Provided, however, that, if a person who falls under any of 1. to 9. above and if the Company judges that the said person is qualified to become an Outside Officer of the Company in view of his or her personality, insight and other attributes, the Company may elect the said person as an Outside Officer on the condition that the reason why the Company judges that the said person is qualified as an Outside Director is publicly explained.

- Notes:
1. An “executive” refers to an executive as defined in Item 6, Paragraph 3, Article 2 of the Ordinance for Enforcement of the Companies Act, and means an executive director, an executive officer, a corporate officer and an employee who executes the business of an equity-method company (if an employee is a corporation, or a person who executes duties stated in Paragraph 1, Article 598 of the Companies Act, or a person equivalent to such person), a person who executes the business of a corporation other than a company or an organization, and an employee (a staff, etc.) of a corporation including a company or an organization.
  2. A “major shareholder” means a shareholder who holds 10% and more of the voting rights of the Company or an executive of such shareholder.
  3. A “person to whom the Akebono Group is a major business counterparty” means a person for whom transactions of the business counterparty’s group to the Akebono Group in the most recent fiscal year amount to more than 2% of the consolidated net sales of the business counterparty.
  4. A “person who is a major business counterparty of the Akebono Group” means a person for whom transactions of the Akebono Group to the business counterparty’s group in the most recent fiscal year amount to more than 2% of the consolidated net sales of the Akebono Group.
  5. A “significant amount of money or other assets” means that the total amount of the value amounts to ¥10 million or more in the most recent fiscal year in the case of an individual, and, in case of an organization, more than 2% of the consolidated net sales in the most recent fiscal year.
  6. A “significant amount of donation” means that the average annual donation amounts to more than ¥10 million in the past three years.
  7. An “important person” means an officer or a person with a managerial position of each company or business counterparty in the case of an executive in 2., 3., 4. and 7. above, and a certified public

accountant who belongs to an auditing firm or an attorney at law who belongs to a law firm in the case of a person who belongs to an organization in 5. and 6. above.

8. A “close relative” means a spouse or person within the second degree of consanguinity.

**Proposal No. 4:** Determination of Remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members)

The amount of remuneration for Directors of the Company is the “total of the fixed remuneration, which is subject to the upper limit of ¥300 million per year, and the short-term performance-based remuneration that is linked to both corporate and individual performance” (the upper limit of the short-term performance-based remuneration is 40% of the fixed remuneration (¥120 million)) as approved at the 107th Ordinary General Meeting of Shareholders on June 19, 2008.

Where Proposal No. 1 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the Company will transition to a Company with an Audit & Supervisory Committee. Accordingly, the Company proposes that the amount of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee members; the same applies hereinafter in this proposal) be set in consideration of the duties of Directors, the number of Directors and economic conditions among various other factors and be sum of the fixed remuneration, which is subject to the upper limit of ¥200 million yen per year (of which, up to ¥30 million is for Outside Directors), and the short-term performance-based remuneration that is linked to corporate and individual performance, which is subject to the upper limit of ¥80 million per year, and that the specific amount of remuneration for each Director and the timing of payment thereof among other matters be determined based on the resolution of the Board of Directors. The remuneration for Directors who are Outside Directors shall consist of the fixed remuneration only.

A summary of the terms and conditions of the Company’s basic policy for determining remuneration for each Director is as provided in the attachment. Since the contents of the policy are considered to remain suitable as a policy for determining remuneration also in the event that this proposal is approved, the Company does not intend to revise this policy. The amount of remuneration pertaining to this proposal signifies the payment of fixed remuneration and performance-based remuneration based on the said policy, and the Company has determined that the terms and conditions of the policy are suitable in that they provide the necessary and reasonable contents of the remuneration framework in light of the calculation standard by individual, percentage criteria, headcount criteria and other factors.

The amount of remuneration for Directors shall not include the portion of employee salary for a Director who concurrently serves as an employee.

At present, prior to the transition to a Company with an Audit & Supervisory Committee, the Company has five (5) Directors (including three (3) Outside Directors). Where Proposal No. 1 “Partial Amendments to the Articles of Incorporation” and Proposal No. 2 “Election of Two (2) Directors (excluding Directors who are Audit & Supervisory Committee members)” are approved as originally proposed, the number of Directors (excluding Directors who are Audit & Supervisory Committee members) after the transition to a Company with an Audit & Supervisory Committee will be two (2) (including no Outside Directors).

On condition that Proposal No. 1 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed and that the amendments to the Articles of Incorporation go into effect by resolution of the said proposal, the resolution of this proposal shall go into effect.

**Proposal No. 5:** Determination of Remuneration for Directors who are Audit & Supervisory Committee Members

Where Proposal No. 1 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the Company will transition to a Company with an Audit & Supervisory Committee. Accordingly, the Company proposes that the amount of remuneration for Directors who are Audit & Supervisory Committee members be set in consideration of the duties and the number of Directors who are Audit & Supervisory Committee members and economic conditions among various other factors and subject to the upper limit of ¥100 million per year and that the specific amount of remuneration for each Directors who is Audit & Supervisory Committee member and the timing of payment thereof among other matters be determined based on the consultation among Directors who are Audit & Supervisory Committee members.

The Company has determined that the amount of remuneration pertaining to this proposal are suitable in light of the duties and the number of Directors who are Audit & Supervisory Committee members.

Where Proposal No. 1 “Partial Amendments to the Articles of Incorporation” and Proposal No. 3 “Election of Four (4) Directors who are Audit & Supervisory Committee members” are approved as originally proposed, the number of Directors who are Audit & Supervisory Committee members after the transition to a Company with an Audit & Supervisory Committee will be four (4).

On condition that Proposal No. 1 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed and that the amendments to the Articles of Incorporation go into effect by resolution of the said proposal, the resolution of this proposal shall go into effect.

**Proposal No. 6:** Determination of the Amount of Remuneration and Specific Terms and Conditions concerning Share Acquisition Rights as Share-based Payment Stock Options for Directors (excluding Directors who are Audit & Supervisory Committee members and Other Directors who are Outside Directors)

The Company established the maximum amount of medium-term share acquisition rights as share-based payment stock options for its Directors (excluding Outside Directors) at ¥60 million per year and the maximum amount of long-term share acquisition rights as share-based payment stock options for its Directors (excluding Outside Directors) at ¥120 million per year as approved at the 111th Ordinary General Meeting of Shareholders on June 20, 2012.

Where Proposal No. 1 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the Company will transition to a Company with an Audit & Supervisory Committee. Accordingly, the Company proposes, separate from Proposal No. 4 “Determination of the Amount of Remuneration for Directors (excluding Directors who are Audit & Supervisory Committee members),” to set the maximum amount of remuneration pertaining to the medium-term and long-term share acquisition rights as share-based payment stock options, which is paid to Directors (excluding Directors who are Audit & Supervisory Committee members and other Directors who are Outside Directors; hereinafter referred to as “Relevant Directors”) after the transition to a Company with an Audit & Supervisory Committee, as ¥40 million for medium-term share acquisition rights and as ¥80 million for long-term share acquisition rights per year, and the terms and conditions of such share acquisition rights. The contents of the share-based payment stock options for which the Company seeks approval under this proposal are the same as those approved at the 111th Ordinary General Meeting of Shareholders. The purpose of issuing share acquisition rights is to have the remuneration reflect the medium- and long-term management efforts of Directors of the Company and boost motivation and moral toward increasing the stock price and enhancing performance through appropriate management. Since this purpose must be carried out also after the transition to a Company with an Audit & Supervisory Committee, the Company believes that the adoption of share-based payment stock options for Relevant Directors is appropriate.

A summary of the terms and conditions of the Company’s basic policy for determining remuneration pertaining to the share acquisition rights as share-based payment stock options for each of the Relevant Directors is as provided in the attachment, and since the contents of the policy are considered to remain suitable as a policy for determining remuneration also after this proposal is approved, the Company does not intend to revise this policy. The amount of remuneration pertaining to the share acquisition right as share-based payment stock options for each of the Relevant Directors concerning this proposal signifies the payment of remuneration based on the said policy, and the Company has determined that the terms and conditions of the policy are suitable in that they provide the necessary and reasonable contents of the remuneration framework in light of the calculation standard by individual, percentage criteria, headcount criteria and other factors.

The aforesaid amount of remuneration for Directors shall not include the portion of employee salary for a Director who concurrently serves as an employee. At present, the Company has five (5) Directors (including three (3) Outside Directors). Where Proposal No. 1 “Partial Amendments to the Articles of Incorporation” and Proposal No. 2 “Election of Two (2) Directors (excluding Directors who are Audit & Supervisory Committee members)” are approved as originally proposed, the number of Relevant Directors will be two (2).

On condition that Proposal No. 1 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed and that the amendments to the Articles of Incorporation go into effect by resolution of the said proposal and that Proposal No. 4 “Determination of Remuneration for Directors (excluding Directors who are Audit & Supervisory Committee members)” is approved as originally proposed, the resolution of this proposal shall go into effect.

Terms and conditions of the medium-term and long-term share acquisition rights to be granted to Relevant Directors as share-based payment stock options are as follows.

<Terms and conditions of the medium-term share acquisition rights to be granted to Relevant Directors as share-based payment stock options>

1. Maximum number of share acquisition rights

The number of share acquisition rights to be allotted per year shall not exceed 1,700.

2. Class and number of shares to be issued or transferred upon exercise of the share acquisition rights

The number of shares to be issued or transferred upon the exercise of each share acquisition right shall be 100 common shares of the Company, which is subject to the upper limit of 170,000 common shares of the Company to be issued or transferred per year.

In the event of a share split or a share consolidation of the Company's common share after the allocation of share acquisition rights, the number of shares to be issued or transferred upon the exercise of the share acquisition rights shall be adjusted according to the following formula.

However, such adjustment shall be made only to the number of shares for the share acquisition rights then not yet exercised, and any resulting fractions of less than one share shall be discarded.

Number of shares after adjustment = Number of shares before adjustment × Ratio of share split or share consolidation

If, after the allocation of share acquisition rights, the Company carries out a merger (*kyushu-gappei* or *shinsetsu-gappei*) or a demerger (*kyushu-bunkatsu* or *shinsetsu-bunkatsu*), or if the Company becomes a wholly owning parent company upon a share-for-share exchange with another company, the Company may adjust the number of shares, as necessary.

3. Amount to be paid upon allotment of share acquisition rights

The amount to be paid in per share acquisition right shall be an amount determined by the Company's Board of Directors on the basis of the fair value of the share acquisition rights calculated on the allotment date using the Black-Scholes model. In allotting the share acquisition rights, payment of the amount determined on the basis of the fair value of share acquisition rights shall be replaced with payment by way of offsetting the payment obligation of the Directors against the corresponding remuneration receivables of the Directors pertaining to the medium-term share acquisition rights allotted to them as share-based payment stock options.

4. Value of property contributed upon exercise of share acquisition rights

The amount to be paid per share upon the exercise of share acquisition rights shall be ¥1 per share.

5. Exercisable period of the share acquisition rights

The exercisable period of the share acquisition rights shall be three (3) years (or the period stipulated in 7. (1) below in the event that, before the three (3) years have passed, the holder of the share acquisition rights who is a Director and/or an Executive Officer of the Company resigns from all said positions, or the said person dies) that begin on the day when three (3) years have passed from the day immediately following the allotment date of the share acquisition rights (in the event that, before the three (3) years have passed, the holder of the share acquisition rights who is a Director and/or an Executive Officer of the Company resigns from all said positions, or the said person dies, the day immediately following the date of such an event). The specific dates of such period shall be determined by the Company's Board of Directors.

6. Restrictions on transfer of the share acquisition rights

Any transfer of the share acquisition rights shall be subject to the approval of the Company's Board of Directors.

7. Conditions for exercising of the share acquisition rights

(1) For the holder of the share acquisition rights who is a Director and/or an Executive Officer of the Company, in the case that he or she resigns from all said positions, the period during which he or she can exercise the rights shall be limited to the ten (10) days beginning one (1) day after the day of the said

resignation. However, this limitation shall not apply in the event of the death of the holder of the share acquisition rights.

- (2) A holder of the share acquisition rights may not exercise them partially.
- (3) Any other terms and conditions for exercising the share acquisition rights shall be determined by a resolution of the Company's Board of Directors.

8. Matters concerning the acquisition of share acquisition rights

- (1) In the case that a proposal for approval of a merger contract under which the Company is to be the dissolving company is approved at the Company's Ordinary General Meeting of Shareholders, or in the case that a proposal for approval of a share exchange contract or a share transfer plan under which the Company is to become a wholly-owned subsidiary is approved at the Company's Ordinary General Meeting of Shareholders, the Company may acquire share acquisition rights without consideration on the date separately to be determined by the Company's Board of Directors.
- (2) In the case that a holder of the share acquisition rights or his or her heir no longer fulfills the conditions for the exercise of the share acquisition rights, the Company may acquire such share acquisition rights without consideration on the date separately to be determined by the Company's Board of Directors.

<Terms and conditions of the long-term share acquisition rights to be granted to Relevant Directors as share-based payment stock options>

1. Maximum number of share acquisition rights

The number of share acquisition rights to be allotted per year shall not exceed 3,400.

2. Class and number of shares to be issued or transferred upon exercise of the share acquisition rights

The number of shares to be issued or transferred upon the exercise of each share acquisition right shall be 100 common shares of the Company, which is subject to the upper limit of 340,000 common shares of the Company to be issued or transferred per year.

In the event of a share split or a share consolidation of the Company's common share after the allocation of share acquisition rights, the number of shares to be issued or transferred upon the exercise of the share acquisition rights shall be adjusted according to the following formula.

However, such adjustment shall be made only to the number of shares for the share acquisition rights then not yet exercised, and any resulting fractions of less than one share shall be discarded.

Number of shares after adjustment = Number of shares before adjustment × Ratio of share split or share consolidation

If, after the allocation of share acquisition rights, the Company carries out a merger (*kyushu-gappei* or *shinsetsu-gappei*) or a demerger (*kyushu-bunkatsu* or *shinsetsu-bunkatsu*), or if the Company becomes a wholly owning parent company upon a share-for-share exchange with another company, the Company may adjust the number of shares, as necessary.

3. Amount to be paid upon allotment of share acquisition rights

The amount to be paid in per share acquisition right shall be an amount determined by the Company's Board of Directors on the basis of the fair value of the share acquisition rights calculated on the allotment date using the Black-Scholes model. In allotting the share acquisition rights, payment of the amount determined on the basis of the fair value of share acquisition rights shall be replaced with payment by way of offsetting the payment obligation of the Directors against the corresponding remuneration receivables of the Directors pertaining to the long-term share acquisition rights allotted to them as share-based payment stock options.

4. Value of property contributed upon exercise of share acquisition rights

The amount to be paid per share upon the exercise of share acquisition rights shall be ¥1 per share.

5. Exercisable period of the share acquisition rights

The exercisable period of the share acquisition rights shall be thirty (30) years (or the period stipulated in 7.

(1) below in the event that, before the thirty (30) years have passed, the holder of the share acquisition rights who is a Director and/or an Executive Officer of the Company resigns from all said positions, or the said person dies). The specific dates of such period shall be determined by the Company's Board of Directors.

6. Restrictions on transfer of the share acquisition rights  
Any transfer of the share acquisition rights shall be subject to the approval of the Company's Board of Directors.
7. Conditions for exercising of the share acquisition rights
  - (1) For the holder of the share acquisition rights who is a Director and/or an Executive Officer of the Company, the period during which he or she can exercise the rights shall be limited to the ten (10) days beginning one (1) day after the day when he or she resigns from all said positions. However, this limitation shall not apply in the event of the death of the holder of the share acquisition rights.
  - (2) A holder of the share acquisition rights may not exercise them partially.
  - (3) Any other terms and conditions for exercising the share acquisition rights shall be determined by a resolution of the Company's Board of Directors.
8. Matters concerning the acquisition of share acquisition rights
  - (1) In the case that a proposal for approval of a merger contract under which the Company is to be the dissolving company is approved at the Company's Ordinary General Meeting of Shareholders, or in the case that a proposal for approval of a share-for-share exchange contract or a share transfer plan under which the Company is to become a wholly-owned subsidiary is approved at the Company's Ordinary General Meeting of Shareholders, the Company may acquire share acquisition rights without consideration on the date separately to be determined by the Company's Board of Directors.
  - (2) In the case that a holder of the share acquisition rights or his or her heir no longer fulfills the conditions for the exercise of the share acquisition rights, the Company may acquire such share acquisition rights without consideration on the date to be separately determined by the Company's Board of Directors.



## Attachment

### 1. Basic Policy

The Company formulates the basic policy for determining the remuneration for Directors as follows:

- 1) Acquire and develop talented human resources
- 2) Motivate them to continuously improve corporate performance and value
- 3) Maintain a high level of fairness and rationality

### 2. Matters concerning the policy for determining the terms and conditions of the remuneration for each Director

- (1) The remuneration for Directors excluding Outside Directors consists of the basic (fixed) remuneration and the performance-based remuneration, and the remuneration for Outside Directors consists of the fixed remuneration only. In terms of the ratio of remuneration, the upper limit of the performance-based remuneration shall be 100% of the fixed remuneration, of which 40% (cash) is provided as short-term performance-based remuneration, 20% (share acquisition rights) as medium-term performance-based remuneration, and 40% (share acquisition rights) as long-term performance-based remuneration. The basic remuneration is the monthly fixed remuneration determined based on the positions and duties of each Director. The specific amount is determined at the Board of Directors' Meeting by comprehensively taking into account remuneration standards benchmarked against companies with a business size that is comparable to that of the Company or belonging to a related business sector or field, among other factors.

The performance-based remuneration is determined based on both corporate and individual performance of the preceding fiscal year. As for the short-term performance-based remuneration, the amount shall be divided by 12 and paid monthly over a period of one (1) year. Corporate performance shall be evaluated based on the magnitude of achievement against the targets of preceding fiscal year's consolidated profit (profit attributable to owners of parent) and consolidated operating profit and EVA.

With regard to the performance-based remuneration, the policy for determining the terms and conditions of non-cash remuneration and amount thereof or the number or the calculation method thereof is that share acquisition rights with different exercisable periods shall be granted as medium-term performance-based remuneration and long-term performance-based remuneration, and the details are to be determined by the General Meeting of Shareholders and the Board of Directors.

The terms and conditions of remuneration of each Director are determined by the Board of Directors upon seeking consultation from the Officers' Remuneration Advisory Committee and receiving a report from the said Committee.

This policy for determining the terms and conditions of remuneration has been resolved by the Board of Directors upon seeking consultation from the Officers' Remuneration Advisory Committee and receiving a report from the said Committee.

- (2) The Board of Directors has judged that the terms and conditions of the remuneration of each Director for this 125th Business Term are in line with the policy for determining the terms and conditions of remuneration for the following reason:

The terms and conditions of remuneration for each Director were determined by the Board of Directors upon seeking consultation from the Officers' Remuneration Advisory Committee and receiving a report from the said Committee. Accordingly, it has been judged that the Board of Directors basically respects the report and has determined the terms and conditions in line with the policy.