

March 3, 2020

To Our Shareholders:

2-3, Kita-Aoyama 1-Chome, Minato-ku,
Tokyo

Tokai Carbon Co., Ltd.

Hajime Nagasaka, President and CEO

Notice of FY2019 Annual Meeting of Shareholders

The Company would hereby like to request shareholders to attend the Company's FY2019 Annual Meeting of Shareholders as described below.

If you are unable to attend the meeting on the date, you may also exercise your voting rights in writing or via the Internet, etc., as described in the "Guidance on Exercising Your Voting Rights" on page 3. We kindly request you to read the following "Reference Document for the Annual Meeting of Shareholders" and exercise your voting rights no later than 5:40 p.m., March 26, 2020 (Thursday).

Sincerely yours,

- 1. Date:** 10:00 a.m., March 27 (Friday), 2020
- 2. Venue:** Banquet room Orizuru Rei, The Main Bldg. Arcade Floor,
Hotel New Otani
4-1 Kioi-cho, Chiyoda-ku, Tokyo
(Please note that the venue is different from last year's venue.
Please refer to the access map for the venue of the Annual
Meeting of Shareholders attached at the end of this notice.)
- 3. Purposes:**
Items to be reported:
 1. The business report, the consolidated financial statements and the results of consolidated financial statement audits by the Accounting Auditor and the Board of Auditors for the fiscal year 2019 business period (January 1, 2019 to December 31, 2019)
 2. The non-consolidated financial statements for the fiscal year 2019 business period (January 1, 2019 to December 31, 2019)

Items to be resolved:

Agenda No. 1:	Appropriation of Retained Earnings
Agenda No. 2:	Election of Eight (8) Directors
Agenda No. 3:	Election of One (1) Auditor
Agenda No. 4:	Election of One (1) Substitute Auditor
Agenda No. 5:	Determination of Remuneration in Order to Allot Shares with Restriction on Transfer to Directors (Excluding External Directors)

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1. When you attend the meeting, we kindly request that you submit the enclosed voting form to the receptionist at the venue.
 2. If there are any revisions to the Reference Document for the Annual Meeting of Shareholders, the business report, the consolidated financial statements and the non-consolidated financial statements, such revisions will be posted on the Company's website. (URL: <https://www.tokaicarbon.co.jp/>)
 3. The following documents are posted on the Company's website (URL: <https://www.tokaicarbon.co.jp/>) in accordance with applicable laws and regulations and the provisions of Article 17 of the Articles of Incorporation of the Company. They are therefore not included in this notice of the annual meeting of shareholders.
 - (1) The consolidated statements of changes in net assets and the notes to consolidated financial statements forming parts of the consolidated financial statements
 - (2) The statements of changes in net assets and the notes to financial statements forming parts of the financial statements

This document includes parts of financial statements and consolidated financial statements audited by the Auditors of the Company to prepare the auditors' report, and by the independent auditor of the Company to prepare the independent auditors' report.

Reference Document for the Annual Meeting of Shareholders

Agenda No. 1: Appropriation of Retained Earnings

The Company would like to appropriate retained earnings as follows.

The Company regards returning profits to shareholders to be one of its important management priorities in its efforts to increase corporate value over the medium and long term. Accordingly, the Company aims to pay dividends stably and continuously with a consolidated payout ratio of 30% as a target, while giving consideration to its operating results and forecasts, investment plans, and status of cash flows, etc. in each period.

The Company plans to pay a year-end dividend of ¥24 per share for the current period, which is the same as the interim dividend. The year-end dividend will bring the total 2019 dividend, including the interim dividend, to ¥48 per share.

1. Type in which dividends are paid
Cash payment
2. Allocation of dividends and total amount of dividends
¥24 per common share of the Company Total ¥5,115,650,808
3. Effective date on which dividends are disbursed from retained earnings
March 30, 2020

Agenda No. 2: Election of Eight (8) Directors

The terms of office of all eight (8) Directors will expire at the conclusion of this Annual Meeting of Shareholders. Accordingly, the Company proposes to elect eight (8) Directors.

The candidates for Directors are as follows.

Candidate No.	1
Name	Hajime Nagasaka (Reappoint)
Date of Birth	January 9, 1950 (70)
Term of Office as Director	14 years
Attendance at Board of Directors Meeting	100% (17 of 17)
Number of the Company's shares owned	120,500 shares

Brief profile, position and responsibility	
April 1972	Joined Tokai Electrode Mfg. Co., Ltd. (currently the Company)
March 2006	Director Executive Officer Deputy General Manager, Carbon Black Division
March 2008	Director Managing Executive Officer Deputy General Manager, Carbon Black Division
March 2010	Director Managing Executive Officer General Manager, Carbon Black Division
March 2011	Director Senior Managing Executive Officer General Manager, Carbon Black Division
March 2012	Director Senior Managing Executive Officer in charge of Carbon Black Division and Graphite Electrode Division
March 2013	Representative Director Senior Managing Executive Officer in charge of Carbon Black Division and Graphite Electrode Division
March 2014	Representative Director Executive Vice President in charge of Carbon Black Division, Graphite Electrode Division and Raw Material Procurement Department
February 2015	President and CEO (incumbent)
Reason for nomination as a candidate for Director	
Mr. Hajime Nagasaka has been involved in the management of the Company and its group companies over many years, serving as President and CEO since February 2015. The Company reappointed him as a candidate for Director because Mr. Nagasaka has extensive experience and broad knowledge mainly of its mainstay carbon black business and the graphite electrode business.	

Candidate No.	2
Name	Yuji Serizawa (Reappoint)
Date of Birth	December 27, 1959 (60)
Term of Office as Director	7 years
Attendance at Board of Directors Meeting	100% (17 of 17)
Number of the Company's shares owned	53,200 shares

Brief profile, position and responsibility	
April 1984	Joined the Company
March 2006	Executive Officer Deputy General Manager, Fine Carbon Division
March 2009	Executive Officer General Manager, Fine Carbon Division
March 2012	Director Executive Officer in charge of Fine Carbon Division General Manager, Fine Carbon Division
March 2013	Director Executive Officer General Manager, Tanoura Laboratory General Manager, Tanoura Plant
March 2014	Executive Officer General Manager, Graphite Electrode Division
March 2015	Director Executive Officer General Manager, Graphite Electrode Division
January 2016	Director Executive Officer General Manager, Corporate Planning Division
March 2017	Director Executive Officer Chairman, Human Resources Department, General Affairs Department, and Legal Affairs Department (incumbent)
Reason for nomination as a candidate for Director	
Mr. Yuji Serizawa has been engaged in the management of the Company and its group company over many years, serving as Director, Executive Officer of the Company since March 2015. The Company reappointed Mr. Serizawa as a candidate for Director because he has extensive experience and knowledge mainly in the fine carbon business, graphite electrode business, and administrative operations.	

Candidate No.	3
Name	Masafumi Tsuji (Reappoint)
Date of Birth	January 10, 1963 (57)
Term of Office as Director	3 years
Attendance at Board of Directors Meeting	100% (17 of 17)
Number of the Company's shares owned	48,000 shares

Brief profile, position and responsibility	
April 1986	Joined the Company
March 2014	Business Director General Manager, Carbon Black Division
March 2015	Executive Officer General Manager, Carbon Black Division
January 2016	Executive Officer General Manager, Graphite Electrode Division
January 2017	Executive Officer General Manager, Fine Carbon Division
March 2017	Director Executive Officer General Manager, Fine Carbon Division
January 2020	Director Executive Officer Deputy Chairman, Corporate Planning Department, Strategic Investment Department, and Sales Research & Planning Department General Manager, Corporate Planning Department
February 2020	Director Executive Officer Deputy Chairman, Corporate Planning Department, Strategic Investment Department, and Sales Research & Planning Department General Manager, Corporate Planning Department and Sales Research & Planning Department (incumbent)
Notable Concurrent Positions Chairman of the Board, Tokai Carbon U.S.A., Inc. Vice Chairman of the Board, MWI, Inc. Chairman of the Board, Tokai Carbon Korea Co., Ltd. Chairman of the Shareholders Committee, Tokai Carbon Europe GmbH Chairman of the Shareholders Committee, Tokai Carbon Deutschland GmbH Chairman of the Board, Tokai Carbon (Dalian) Co., Ltd.	
Reason for nomination as a candidate for Director Mr. Masafumi Tsuji has held positions, such as General Manager, Human Resources Department, General Manager, Management Planning Office, General Manager, Carbon Black Division, General Manager, Graphite Electrode Division, and General Manager, Fine Carbon Division, and he has been serving as Director, Executive Officer since March 2017. The Company reappointed Mr. Tsuji as a candidate for Director because he has extensive experience and knowledge of the Company's businesses ranging from planning and administration to sales.	

Candidate No.	4
Name	Katsuyuki Yamaguchi (Reappoint)
Date of Birth	March 29, 1964 (55)
Term of Office as Director	1 year
Attendance at Board of Directors Meeting	100% (14 of 14)
Number of the Company's shares owned	19,000 shares

Brief profile, position and responsibility	
April 1988	Joined the Company
September 2015	General Manager, Engineering Department, Technology & Engineering Division
December 2016	Business Director General Manager, Technology & Engineering Division
March 2018	Executive Officer General Manager, Technology & Engineering Division
March 2019	Director Executive Officer General Manager, Technology & Engineering Division
June 2019	Director Executive Officer General Manager, Technology & Engineering Division General Manager, Environmental Safety Management Department (incumbent)
Reason for nomination as a candidate for Director	
<p>Mr. Katsuyuki Yamaguchi has been engaged mainly in the R&D field since he joined the Company, and has held positions, such as General Manager, Engineering Department, General Manager, Technology & Engineering Division, and he has been serving as Director, Executive Officer since March 2019. The Company reappointed Mr. Yamaguchi as a candidate for Director because he has extensive business experience in the Company and knowledge of the Company's businesses ranging from R&D, manufacturing, and engineering.</p>	

Candidate No.	5
Name	Shunji Yamamoto (Reappoint)
Date of Birth	March 8, 1962 (58)
Term of Office as Director	1 year
Attendance at Board of Directors Meeting	100% (14 of 14)
Number of the Company's shares owned	9,500 shares

Brief profile, position and responsibility	
April 1985	Joined the Company
March 2013	General Manager, Kyushu-Wakamatsu Plant
June 2015	General Manager, Production & Technology Department, Carbon Black Division
March 2016	Director, Managing Director, Thai Tokai Carbon Product Co., Ltd.
March 2018	Executive Officer, the Company Director, Managing Director, Thai Tokai Carbon Product Co., Ltd.
March 2019	Director Executive Officer, the Company Director, TCCB Genpar LLC (incumbent)
Notable Concurrent Positions	
Director, TCCB Genpar LLC	
Reason for nomination as a candidate for Director	
<p>Mr. Shunji Yamamoto has been engaged mainly in the manufacturing division since he joined the Company, and has held positions, such as General Manager, Kyushu-Wakamatsu Plant, General Manager, Production & Technology Department, Carbon Black Division, and he has been serving as Director, Executive Officer since March 2019. In addition, he has displayed his ability as top management of Thai Tokai Carbon Product Co., Ltd., an affiliate of the Company, since he assumed the position in March 2016. The Company reappointed Mr. Yamamoto as a candidate for Director because he has extensive business experience in the Company and knowledge of the Company's businesses of manufacturing and engineering.</p>	

Candidate No.	6
Name	Hirofumi Masuda (New)
Date of Birth	November 3, 1961 (58)
Number of the Company's shares owned	30,200 shares

Brief profile, position and responsibility	
April 1985	Joined the Company
August 2012	General Manager, Sales Department, Graphite Electrode Division
March 2015	General Manager, Osaka Branch General Manager, Nagoya Branch
March 2016	General Manager, Marketing & Sales Department, Carbon Black Division
March 2017	Director and Deputy Managing Director, Thai Tokai Carbon Product Co., Ltd.
March 2019	Executive Officer, the Company Director and Deputy Managing Director, Thai Tokai Carbon Product Co., Ltd.
January 2020	Executive Officer General Manager, Carbon Black Division, the Company (incumbent)
Reason for nomination as a candidate for External Director	
<p>Mr. Hirofumi Masuda has been engaged in the sales division since he joined the Company, and has held positions, such as General Manager, Sales Department, Graphite Electrode Division, General Manager, Marketing & Sales Department, Carbon Black Division, and he has been serving as Executive Officer since March 2019. In addition, he has displayed his ability as top management of Thai Tokai Carbon Product Co., Ltd., an affiliate of the Company, since he assumed the position in March 2017. The Company appointed Mr. Masuda as a candidate for Director because he has extensive business experience in the Company and knowledge of the Company's businesses of sales.</p>	

Candidate No.	7
Name	Nobumitsu Kambayashi (Reappoint) (Outside) (Independent)
Date of Birth	May 28, 1948 (71)
Tenure of Office as External Director	4 years
Attendance at Board of Directors Meeting	100% (17 of 17)
Number of the Company's shares owned	13,900 shares

Brief profile, position and responsibility	
April 1971	Joined Kawasaki Heavy Industries, Ltd.
October 2002	Director, Kawasaki Shipbuilding Corporation
June 2005	Managing Director, Kawasaki Shipbuilding Corporation
April 2008	Managing Executive Officer, Kawasaki Heavy Industries, Ltd. Director/Senior Vice President, Kawasaki Shipbuilding Corporation
June 2009	Senior Vice President, Kawasaki Heavy Industries, Ltd.
April 2010	President & Representative Director, Kawasaki Shipbuilding Corporation Senior Vice President (part-time), Kawasaki Heavy Industries, Ltd.
October 2010	Senior Vice President (Representative Director), Kawasaki Heavy Industries, Ltd. President, Ship & Offshore Structure Company
April 2013	Director, Kawasaki Heavy Industries, Ltd.
June 2013	Adviser, Kawasaki Heavy Industries, Ltd.
June 2015	Chairman, Japan Ship Technology Research Association (incumbent)
March 2016	External Director, the Company (incumbent)
June 2017	Outside Director, Inui Global Logistics Co., Ltd. (incumbent)
Notable Concurrent Positions	
Chairman, Japan Ship Technology Research Association Outside Director, Inui Global Logistics Co., Ltd.	
Reason for nomination as a candidate for External Director	
Mr. Nobumitsu Kambayashi has held various positions, such as President and Representative Director of Kawasaki Shipbuilding Corporation and President of Ship & Offshore Structure Company of Kawasaki Heavy Industries, Ltd., and he has been serving as External Director of the Company since March 2016. The Company reappointed Mr. Kambayashi as a candidate for Director because he has provided appropriate advice on the management and business execution of the Company from an objective and professional viewpoint based on his extensive experience and insights gained as a manager of globally operating manufacturing companies.	

Notes:

1. There are no special conflict of interests between Mr. Nobumitsu Kambayashi and the Company.
2. Mr. Nobumitsu Kambayashi is a candidate for External Director.

3. Outline of limited liability agreement

If this agenda item is approved as proposed and Mr. Nobumitsu Kambayashi assumes the position of External Director, the Company will enter into an agreement with Mr. Kambayashi to limit the liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act pursuant to Article 427, Paragraph 1 of the said Act. The amount of liability for damages under this agreement shall be the minimum limited liability stipulated in laws and regulations.

4. Mr. Nobumitsu Kambayashi meets the Independence Standards for External Officers set by the Company. If this agenda is approved as proposed, the Company will designate Mr. Nobumitsu Kambayashi as an independent officer provided for in the provisions of the Tokyo Stock Exchange and register him accordingly with the said exchange.

Candidate No.	8
Name	Junichi Tanahashi (New) (Outside) (Independent)
Date of Birth	May 7, 1948 (71)
Number of the Company's shares owned	0 shares

Brief profile, position and responsibility	
April 1981	Joined Nippon Chemical Industrial Co., Ltd.
July 1984	Director, Nippon Chemical Industrial Co., Ltd.
July 1986	Managing Director, Nippon Chemical Industrial Co., Ltd.
June 1989	President, Nippon Chemical Industrial Co., Ltd.
April 2005	Chairman, Nippon Chemical Industrial Co., Ltd.
May 2005	Advisor, Japan Inorganic Chemical Industry Association (incumbent)
December 2009	Outside Director, Fuji Chemical Co., Ltd. (incumbent)
May 2014	Vice President, The Association of Powder Process Industry and Engineering, JAPAN (incumbent)
June 2015	Chairman, Nippon Chemical Industrial Co., Ltd. (incumbent)
Notable Concurrent Positions Advisor, Japan Inorganic Chemical Industry Association Outside Director, Fuji Chemical Co., Ltd. Vice President, The Association of Powder Process Industry and Engineering, JAPAN Chairman, Nippon Chemical Industrial Co., Ltd.	
Reason for nomination as a candidate for External Director Mr. Junichi Tanahashi has extensive experience and knowledge gained as a manager of a globally operating material manufacturing company. The Company appointed him as a candidate for Director as he is deemed able to provide management with appropriate advice and perform the management oversight function from a standpoint independent from the management team of the Company, which is charged with the execution of business operations.	

Notes:

1. There are no special conflict of interests between Mr. Junichi Tanahashi and the Company.
2. Mr. Junichi Tanahashi is a candidate for External Director.
3. Outline of limited liability agreement
If this agenda item is approved as proposed and Mr. Junichi Tanahashi assumes the position of External Director, the Company will enter into an agreement with Mr. Tanahashi to limit the liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act pursuant to Article 427, Paragraph 1 of the said Act. The amount of liability for damages under this agreement shall be the minimum limited liability stipulated in laws and regulations.
4. Mr. Junichi Tanahashi meets the Independence Standards for External Officers set by the Company. If this agenda is approved as proposed, the Company will designate Mr. Junichi Tanahashi as an independent officer provided for in the provisions of the Tokyo Stock Exchange and register him accordingly with the said exchange.

Agenda No. 3: Election of One (1) Auditor

The terms of office of Mr. Kazuyuki Kakehashi, Auditor will expire at the conclusion of this Annual Meeting of Shareholders. Accordingly, the Company proposes to elect one (1) Auditor.

The Board of Auditors has already given its consent to this agenda item.

The candidate for Auditor is as follows.

Name	Kazuyuki Kakehashi (Reappoint)
Date of Birth	December 7, 1951 (68)
Term of Office as Auditor	4 years
Attendance at Board of Directors Meeting	100% (17 of 17)
Attendance at Board of Auditors Meeting	100% (16 of 16)
Number of the Company's shares owned	18,800 shares

Brief profile and position	
April 1975	Joined Toyo Carbon Co., Ltd. (currently the Company)
March 2001	General Manager, Production Technology Department, Fine Carbon Division, the Company
March 2004	General Manager, Tanoura Plant
March 2009	General Manager, Shonan Office General Manager, Chigasaki Plant Industrialization Group Manager, R&D Strategy Division
August 2009	Assistant to General Manager, Fine Carbon Division
September 2009	Assistant to General Manager, R&D Strategy Division
March 2010	General Manager, R&D Planning Department, R&D Strategy Division
August 2010	Director, Tokai Konetsu Kogyo Co., Ltd.
March 2015	Managing Executive Officer, Tokai Konetsu Kogyo Co., Ltd.
March 2016	Auditor, the Company
November 2018	Full-time Auditor
March 2019	Auditor
May 2019	Full-time Auditor (incumbent)
Reason for nomination as a candidate for Auditor	
Mr. Kazuyuki Kakehashi has engaged mainly in the technology division since he joined the Company, and has also involved in management at Tokai Konetsu Kogyo Co., Ltd. since August 2010. Accordingly, he is deemed able to provide management with appropriate advice as an Auditor based on his extensive experience and knowledge.	

Notes: Outline of limited liability agreement

If this agenda item is approved as proposed and Mr. Kazuyuki Kakehashi assumes the position of Auditor, the Company will enter into an agreement with Mr. Kakehashi to limit the liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act pursuant to Article 427, Paragraph 1 of the said Act. The amount of liability for damages under this agreement shall be the minimum limited liability stipulated in laws and regulations.

Agenda No. 4: Election of One (1) Substitute Auditor

The Company wishes to elect one (1) Substitute Auditor to prepare for a situation in which there is a shortfall in the number of auditors required by laws and regulations.

The Board of Auditors has already given its consent to this agenda item.

The candidate for Substitute Auditor is as follows.

Name	Motokazu Hiura (Outside) (Independent)
Date of Birth	December 15, 1955 (64)
Number of the Company's shares owned	0 shares

Brief profile and position	
April 1977	Joined Dainichiseika Color & Chemicals Mfg. Co., Ltd.
April 2014	Manager, Corporate Finance & Accounting Department, Dainichiseika Color & Chemicals Mfg. Co., Ltd.
April 2015	General Manager, Corporate Finance & Accounting Division, Dainichiseika Color & Chemicals Mfg. Co., Ltd.
March 2019	Retired Dainichiseika Color & Chemicals Mfg. Co., Ltd. (to the present)
Reason for nomination as a candidate for Substitute External Auditor	
Mr. Motokazu Hiura engaged in the corporate finance & accounting division at Dainichiseika Color & Chemicals Mfg. Co., Ltd., and he has specialized knowledge of corporate finance and accounting through his work. Although he has never been involved in corporate management, he is deemed able to provide management with appropriate advice as External Auditor based on his experience as described above.	

Notes:

1. There are no special conflict of interests between Mr. Motokazu Hiura and the Company.
2. Mr. Motokazu Hiura is a candidate for Substitute External Auditor.
3. Outline of limited liability agreement
If this agenda item is approved as proposed and Mr. Motokazu Hiura assumes the position of External Auditor, the Company will enter into an agreement with Mr. Hiura to limit the liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act pursuant to Article 427, Paragraph 1 of the said Act. The amount of liability for damages under this agreement shall be the minimum limited liability stipulated in laws and regulations.
4. Mr. Motokazu Hiura meets the Independence Standards for External Officers set by the Company. If this agenda is approved as proposed and Mr. Motokazu Hiura assumes the position of External Auditor, the Company will designate Mr. Motokazu Hiura as an independent officer provided for in the provisions of the Tokyo Stock Exchange and register him accordingly with the said exchange.

Agenda No. 5: Determination of Remuneration in Order to Allot Shares with Restriction on Transfer to Directors (Excluding External Directors)]

The total amount of compensation for the Company's Directors was set at 350 million yen or less per year (not including salary of the employees serving concurrently as directors) pursuant to the approval of the FY2005 Annual Meeting of Shareholders held on March 30, 2006. The Company proposes to pay new remuneration in order to allot shares with restriction on transfer to Directors (excluding External Directors; the "Targeted Directors"), separately from the abovementioned remuneration limit, as part of its review of its executive remuneration plan. The purpose of the introduction of such remuneration is to provide incentives to the Targeted Directors of the Company for continuous enhancement of the corporate value of the Company and to promote the improved sharing of its value with the shareholders. Based on this agenda item, monetary remuneration receivables (the "monetary claims") shall be provided as remuneration in order to allot shares with restriction on transfer to the Targeted Directors. The total sum of monetary claims payable to the Targeted Directors shall be limited to an annual amount of 100 million yen (not including salary of the employees serving concurrently as directors), an amount deemed appropriate in light of the aforementioned purpose of the introduction of the remuneration. The specific time for the payment and allocation to each Targeted Director shall be decided by the Board of Directors. External Directors shall not be eligible for remuneration in order to allot shares with restriction on transfer.

The Company currently has eight Directors (including two External Directors). If Agenda No. 2, "Election of Eight Directors," is approved as proposed, the number of the Company's Directors will be eight (including two External Directors). The Targeted Directors, pursuant to the resolution of the Company's Board of Directors, will issue all the monetary claims provided to them based on this agenda item as property contributed in kind to receive the issue or undertake the disposal of the common shares of the Company. The total number of common shares that the Company will newly issue or dispose of shall be limited to 100,000 shares per year (however, if the share split or consolidation of the Company's common shares (including free allotment of the Company's common shares) is carried out with the effective date after the date of approval of this agenda item, the total number will be adjusted within a reasonable range as necessary).

The amount to be paid in per share shall be determined by the Board of Directors based on the closing price for the common shares of the Company at the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors (if trading is not closed on the said day, the closing price on the immediately preceding trading day) to an extent not especially favorable to the Targeted Directors who subscribe to the said common shares. The issuance or disposal of the Company's common shares based on this agenda item shall be conditional on the signing of an agreement on the allotment of restricted stock (the "Allotment Agreement") that sets out the following conditions between the Company and the Targeted Directors.

(1) Transfer restriction period

The Targeted Directors shall not transfer, create any security interest on, or otherwise dispose of shares of the common stock of the Company (the "Transfer Restriction") thus allotted (the "Allotted Shares") for 30 years from the date of allotment of shares under the Allotment Agreement (the "Transfer Restriction Period").

(2) Treatment at the time of retirement

In the event a Targeted Director retires from a position predetermined by the Board of Directors before the expiration of the Transfer Restriction Period, the Company shall rightfully acquire the Allotted Shares without consideration at the time of such retirement,

except in the case of the Targeted Director's expiration of term of office, death or other justifiable reasons.

(3) Lifting of the Transfer Restriction

Regardless of the provisions stated in (1) above, the Company shall lift the Transfer Restriction from all Allotted Shares upon the expiry of the Transfer Restriction Period on the condition that the Targeted Director has been in a position predetermined by the Board Meeting throughout the Transfer Restriction Period. However, if the Targeted Director retires from a position set out in (2) above prior to the expiration of the Transfer Restriction Period due to the Targeted Director's expiration of term of office, death or any other justifiable reason, the number of the Allotted Shares whose Transfer Restriction is to be lifted and the timing of the lifting of the Transfer Restriction will be adjusted as necessary to a reasonable extent. The Company shall rightfully acquire, without consideration, the Allotted Shares for which the Transfer Restriction has not been lifted as of the time immediately after the lifting of the Transfer Restriction implemented pursuant to the abovementioned provision.

(4) Treatment during reorganization, etc.

Regardless of the provision in (1) above, if matters related to a merger agreement in which the Company is absorbed, a share-exchange agreement or share transfer plan in which the Company becomes a wholly-owned subsidiary, or any other matters related to reorganization are approved at the Company's Annual Meeting of Shareholders (or approved by the Board of Directors in cases in which approval from the Annual Meeting of Shareholders is not required for the said reorganization) during the Transfer Restriction Period, the Company shall lift the Transfer Restriction on the Allotted Shares in the number reasonably determined in consideration of the period from the start date of the Transfer Restriction Period to the date of approval of the said reorganization, etc. by means of a resolution of the Board of Directors of the Company, prior to the effective date of the said reorganization, etc. In the case as provided above, the Company shall rightfully acquire, without consideration, the Allotted Shares for which the Transfer Restriction has not been lifted as of the time immediately after the Transfer Restriction was lifted.

(5) Other matters

Any other matter relating to the Allotment Agreement shall be decided by the Board of Directors of the Company.

(Reference)

[Independence Standards for External Officers]

The Company designates all personnel who fulfil the qualifications of independent officers. The Company has established its own criteria for independence of external officers as follows:

- 1 An executive (executive director, executive officer, corporate officer, manager, or other employee) of the Group (the Company and its consolidated subsidiaries) (including a person who has been an executive of the Group)
- 2 A principal shareholder of the Group (shareholder holding 10% or more of the total voting rights of the Company) or an executive of the Group
- 3 (1) A principal business partner of the Group (whose transaction amount with the Company accounts for more than 2% of the Company's consolidated annual sales for the last fiscal year) or an executive of such principal business partner
(2) A business partner of the Company whose transaction amount with the Company accounts for more than 2% of the business partner's consolidated annual sales for the last fiscal year, or an executive of such counterparty
- 4 A principal creditor of the Group (whose debt balance as of the end of the last fiscal year accounts for more than 2% of the Company's consolidated total assets) or an executive of such principal creditor
5. A professional service provider including a consultant, lawyer, or certified public accountant who has not received money or other assets from the Company that is more than 10 million yen on average over the past three years other than the officer's remuneration. In addition, the Group is not a principal business partner of the accounting firm, legal firm, or other organization to which the professional service provider belongs (whose transaction amount exceeds 2% of their annual revenue)
- 6 A representative or employee of the accounting auditor of the Company
- 7 An executive of a corporation of which the Company holds 10% or more of the voting rights
- 8 A person or organization who receives a large amount in donations or subsidies from the Group or an executive of the Group (the amount of donation exceeds 10 million yen)
- 9 An executive of a corporation which appoints an officer (director, accounting advisor, auditor, executive officer, or accounting auditor) or employee of the Group as its corporate officer
- 10 A close relative of a person who is one of 1-9 above
- 11 A person who has been one of 2-9 above, or whose close relative has been one of 2-9 above, during the past three years

Even if a person falls under one of the above qualifications, if the Company judges that the person is in practice independent, the Company will disclose and explain the reason when appointing the person as an external officer.