

The following is an English translation of the Notice of the 59th Ordinary General Meeting of Shareholders of Shima Seiki Mfg., Ltd., to be held on June 25, 2020. The Company provides this translation for reference and convenience only and without any guarantee as to its accuracy.

Securities Code: 6222

June 3, 2020

To: Our Shareholders

85 Sakata, Wakayama
SHIMA SEIKI MFG., LTD.
Mitsuhiro Shima
President

Notice of the 59th Ordinary General Meeting of Shareholders

We would like to take this opportunity to thank you for your kind and continuous support. Shima Seiki Mfg., Ltd., (the "Company") will convene the 59th Ordinary General Meeting of Shareholders as stated below. If you are unable to attend the meeting, you may exercise your voting rights in writing or via the Internet. In such a case, please review the reference document for the General Meeting of Shareholders provided below and cast your vote by 5:45 p.m., Wednesday, June 24, 2020.

- 1. Date and Time** 10:00 a.m., Thursday, June 25, 2020 (reception starts at 9:00 a.m.)
- 2. Place** High-Vision Hall, Company Headquarters, 85 Sakata, Wakayama
- 3. Objectives**

Matters to report

1. The business report, consolidated financial statements, and the results of the consolidated financial statements of audits by the accounting auditor and the Audit & Supervisory Board for the 59th business period from April 1, 2019, to March 31, 2020.
2. The unconsolidated financial statements for the 59th business period from April 1, 2019, to March 31, 2020.

Proposals to resolve

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Partial Amendments to the Articles of Incorporation
- Proposal No. 3:** Appointment of Eight (8) Directors (excluding Directors who are Audit & Supervisory Committee Members)
- Proposal No. 4:** Appointment of Three (3) Directors who are Audit & Supervisory Committee Members
- Proposal No. 5:** Setting Remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members)
- Proposal No. 6:** Setting of Remuneration for Directors who are Audit & Supervisory Committee Members
- Proposal No. 7:** Giving Share Remuneration-type Stock Options (equity warrants) as Remuneration to Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors)

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- ◎ Shareholders attending the meeting are asked to submit the enclosed voting form to the receptionist at the venue. In addition, please take this notice with you to save resources.
 - ◎ Any amendments to the reference documents for the general meeting of shareholders, business report, consolidated financial statements, or unconsolidated financial statements will be posted on the Company website (<https://www.shimaseiki.co.jp/irj/irj.html>).
 - ◎ Of the documents provided under current laws and regulations and the provisions of Article 16 of the Articles of Incorporation, the following items are presented on the Company website (<https://www.shimaseiki.co.jp/irj/irj.html>) and are not presented in the documents attached to the convocation notice.
 - (i) Consolidated statements of changes in net assets and notes to the consolidated financial statements
 - (ii) Unconsolidated statements of changes in net assets and notes to the unconsolidated financial statements
- The above consolidated and unconsolidated statements of changes in net assets and notes to the consolidated and unconsolidated financial statements consist of a part of the consolidated and unconsolidated financial statements that were audited in preparing the audit report by the Audit & Supervisory Board members and the accounting audit report by the accounting auditor.
- ◎ Please understand that the Company will give no souvenirs to shareholders present at the General Meeting of Shareholders from this year.

Notice of the prevention of infection from the novel coronavirus

The spread of the novel coronavirus infection is a concern. For shareholders, please check the status of the infection in Japan and your physical condition on the date of the general meeting of shareholders. **Voting rights are exercisable in writing (by mail) or online, so please give high priority to avoiding the risk of infection in making the judgment.**

For shareholders who intend to attend the general meeting of shareholders, **please wear a mask when visiting the venue and implement preventive measures for the infection. Particularly for elderly persons, persons with underlying disease, and pregnant women, please fully consider whether to attend the meeting.**

Please understand that we may deny entry into the venue if there are an insufficient number of seats at the venue after extending the distance between seats for shareholders to prevent the spread of the infection.

Our staff will wear masks at the venue. Disinfectant solution will be prepared for shareholders as well. Our staff may stop shareholders who look ill and deny entry into the venue. The Company will take other precautions to prevent infection; please understand and cooperate with these precautions.

In the event changes in the operation of the general meeting of shareholders arise because of future conditions, such changes will be posted on our website (<https://www.shimaseiki.co.jp/irj/irj.html>).

***Please understand that the plant tour usually held after the general meeting of shareholders is canceled for this meeting.**

Instructions on the Exercise of Voting Rights

When attending the General Meeting of Shareholders:

Please present the enclosed voting form to the receptionist at the meeting.

Time and date of the meeting: 10:00 a.m., Thursday, June 25, 2020.

When exercising voting rights in writing:

After indicating approval or disapproval of the proposals on the enclosed voting form, please return the completed form to the Company.

Exercise period: No later than 5:45 p.m., Wednesday, June 24, 2020.

When exercising voting rights via the Internet:

Please access the website to exercise voting rights as specified by the Company (<https://evote.tr.mufg.jp/>) by personal computer, smartphone, or mobile phone using the login ID and temporary password printed on the enclosed voting form. Enter your vote of approval or disapproval according to the guidance on the screen.

Please refer to the next page for more information.

Exercise period: No later than 5:45 p.m., Wednesday, June 24, 2020.

*If voting rights are exercised both in writing and via the Internet, the exercise of such voting rights via the Internet will be deemed valid. In cases where voting rights are exercised more than once via the Internet, the last exercise of such rights will be deemed the valid and official vote. If voting rights are exercised more than once via personal computer, smartphone, and mobile phone, such rights exercised on the last occasion will be deemed effective and valid.

Procedures for Exercising Voting Rights via the Internet

Exercise voting rights via the Internet by accessing the Company's designated **voting rights website** (<https://evote.tr.mufg.jp/>) via personal computer, smartphone, or mobile phone.

Access the website via smartphone **without entering the login ID and temporary password**. You may log in to the website by scanning the **QR code for the login** provided on the right-hand side of the voting stub of the enclosed Voting Rights Exercise Form.

***You may exercise voting rights only once via smartphone.**

If you log in to the website more than once, please follow the instructions below.

Please confirm **the login ID and temporary password, which are indicated on the enclosed Voting Rights Exercise Form**. You will need to enter them when you exercise voting rights via the Internet.

Inquiries about the system (Help Desk)

Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division

Phone: 0120-173-027 (9:00 a.m. to 9:00 p.m. <Tokyo Time>; toll-free within Japan only)

[Information on the Electronic Voting Platform (To Institutional Investors)]

Institutional investors may use the electronic voting platform operated by ICJ, Inc., to exercise voting rights via the Internet.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Appropriation of Surplus

The Company has made it the basic policy to pay stable dividends over the long term through continuous business development by setting profit returns to shareholders as one of the most important managerial issues.

In addition, the Company has a policy of investing balanced allocations for growth from the long-term perspective and internal reserve in preparation for future business development.

Under these policies, the Company proposes to pay a year-end dividend per share of 15 yen for the current fiscal year.

Year-End Dividends

- (1) Type of dividend property
Cash
- (2) Distribution of dividends to shareholders and total of dividends
15 yen per share of common stock of the Company.
This will amount to total dividends of 517,666,110 yen.
- (3) Effective date of the distribution of retained earnings
June 26, 2020

The interim dividend per share of 20 yen was paid; consequently, the annual dividend per share, which consists of interim and year-end dividends, amounts to 35 yen.

Proposal No. 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

- (1) The proposal is to add provisions concerning Audit & Supervisory Committee members and the Audit & Supervisory Committee and delete the provisions on the Audit & Supervisory Board members and Audit & Supervisory Board to transition to a company with an audit & supervisory committee with the aim of making management more efficient by further strengthening the audit and supervisory functions of the Board of Directors and improving governance and accelerating decision-making through the delegation of authority.
- (2) The proposal is to change the numbers of articles as a result of the above amendments and make other amendments as required.

2. Details of the amendments

Details of the amendments are as follows.

The proposal shall become effective at the conclusion of this general meeting of shareholders.

(The underlined portions are to be amended)

Current Articles of Incorporation	Proposed Amendments
CHAPTER I GENERAL PROVISIONS Article 1 to Article 3 (Omitted) (Organizations) Article 4. In addition to the General Meeting of Shareholders and directors, the Company shall have the following organizations: (1) Board of Directors; (2) <u>Audit & Supervisory Board Members;</u> (3) <u>Audit & Supervisory Board; and</u> (4) <u>Accounting Auditor</u> Article 5 to Article 18 (Omitted) CHAPTER IV DIRECTORS AND THE BOARD OF DIRECTORS (Number of Directors) Article 19. The Company shall have <u>fifteen (15)</u> or fewer Directors. (Newly added) (Election of Directors) Article 20. (Newly added)	CHAPTER I GENERAL PROVISIONS Article 1 to Article 3 (No amendments) (Organizations) Article 4. In addition to the General Meeting of Shareholders and directors, the Company shall have the following organizations: (1) Board of Directors; (2) <u>Audit & Supervisory Committee; and</u> (Deleted) (3) <u>Accounting Auditor</u> Article 5 to Article 18 (No amendments) CHAPTER IV DIRECTORS AND THE BOARD OF DIRECTORS (Number of Directors) Article 19. The Company shall have <u>ten (10)</u> or fewer Directors <u>(excluding Directors who are Audit & Supervisory Committee Member).</u> 2. <u>The Company shall have five (5) Directors who are Audit & Supervisory Committee Members.</u> (Election of Directors) Article 20. <u>The Directors of the Company shall be separately elected for the Directors who are Audit & Supervisory Committee Members and other Directors by a resolution adopted at the general meeting of shareholders.</u>

Current Articles of Incorporation	Proposed Amendments
(Newly added) The resolution for the election of the <u>Directors</u> shall be made by a majority of the votes of the shareholders present at the meeting where shareholders holding one-third or more of the votes of the shareholders entitled to exercise their votes at such meeting are present, and cumulative voting shall not be permitted. (Newly added)	<u>2. The Company may elect substitutes for Directors who are Audit & Supervisory Committee Members (hereinafter called “substitutes”) at the general meeting of shareholders in advance and in preparation for a lack in the number of Directors who are Audit Committee Member as stipulated in the laws and regulations.</u> <u>3. The resolution for the election stipulated in the above two paragraphs shall be made by a majority of the votes of the shareholders present at the meeting where shareholders holding one-third or more of the votes of the shareholders entitled to exercise their votes at such meeting are present, and cumulative voting shall not be permitted.</u> <u>4. The term of office in the resolution for the election of substitutes shall expire at the commencement of the Ordinary General Meeting of Shareholders held for the last business year that ends within two (2) years after such election, unless such term of office is shortened by such resolution itself.</u>
(Term of Office of Directors) Article 21. The term of office of the Directors shall expire at the conclusion of the Ordinary General Meeting of Shareholders held for the last business year that ends within <u>two (2) years</u> from their election; provided, <u>however, that the term of office of any Director who assumes an office to fill a vacancy or to increase the number of Directors shall be the same as the remaining term of office of the other Directors who are currently in office.</u> (Newly added) (Newly added)	(Term of Office of Directors) Article 21. The term of office of the Directors <u>(excluding Directors who are Audit & Supervisory Committee Members)</u> shall expire at the conclusion of the Ordinary General Meeting of Shareholders held for the last business year that ends within <u>one (1) year</u> from their election. <u>2. The term of office of the Directors who are Audit & Supervisory Committee Members shall expire at the conclusion of the Ordinary General Meeting of Shareholders held for the last business year that ends within two (2) years from their election.</u> <u>3. For the Directors who are Audit & Supervisory Committee Members elected as a substitute of the Directors retired before expiration of the term of office, the term of office shall expire at the end of the term of office of the retired Directors.</u>

Current Articles of Incorporation	Proposed Amendments
(Board of Directors) Article 22. (Omitted) 2. The notice of convocation of the meeting of the Board of Directors shall be sent to each Director <u>and Audit & Supervisory Board Member</u> three (3) days prior to the date of the meeting; provided, however, that when there is an urgent necessity, this notice period may be shortened. (Newly added)	(Board of Directors) Article 22. (No amendments) 2. The notice of convocation of the meeting of the Board of Directors shall be sent to each Director <u>no later than</u> three (3) days prior to the date of the meeting; provided, however, that when there is an urgent necessity, this notice period may be shortened. 3. <u>The meeting of the Board of Directors may be held without the procedure for convocation when agreed upon by all the Directors.</u>
(Omission of the Resolution of the Board of Directors) Article 23. If all the Directors agree to a proposal to be resolved by the Board of Directors in writing or by means of electronic or magnetic record, the Company shall deem that the resolution to approve such proposal by the Board of Directors has been made; provided, <u>however, that this shall not apply to cases where any Audit & Supervisory Board Member states his/her objection.</u>	(Omission of the Resolution of the Board of Directors) Article 23. If all the Directors agree to a proposal to be resolved by the Board of Directors in writing or by means of electronic or magnetic record, the Company shall deem that the resolution to approve such proposal by the Board of Directors has been made.
(Representative Directors) Article 24. <u>Representative Directors of the Company</u> shall be appointed <u>by resolution of the Board of Directors.</u>	(Representative Directors) Article 24. <u>Representative Directors</u> shall be appointed <u>among Directors (excluding Directors who are Audit & Supervisory Committee Members) by resolution of the Board of Directors.</u>
(Directors with Titles) Article 25. One (1) Chairman, one (1) President and several Executive Vice Presidents, Senior Executive Directors and Executive Directors may be appointed by resolution <u>of</u> the Board of Directors.	(Directors with Titles) Article 25. One (1) Chairman, one (1) President and several Executive Vice Presidents, Senior Executive Directors and Executive Directors may be appointed <u>among Directors (excluding Directors who are Audit & Supervisory Committee Members)</u> by resolution of the Board of Directors.
Article 26 to Article 27 (Omitted)	Article 26 to Article 27 (No amendments)

Current Articles of Incorporation	Proposed Amendments
(Newly added) (Remuneration, etc. for Directors) Article <u>28</u>. The remuneration, bonuses and other financial benefits given by the Company as consideration for the execution of duties (<u>hereinafter referred to as the “Remuneration, etc.”</u>) for Directors shall be determined by resolution at the General Meeting of Shareholders. Article <u>29</u>. (Omitted) <u>CHAPTER V AUDIT & SUPERVISORY BOARD MEMBERS AND THE AUDIT & SUPERVISORY BOARD</u> (<u>Number of Audit & Supervisory Board Members</u>) Article <u>30</u>. <u>The Company shall have four (4) or fewer Audit & Supervisory Board Members.</u> (<u>Election of Audit & Supervisory Board Members</u>) Article <u>31</u>. <u>The resolution for the election of the Audit & Supervisory Board Members shall be made by a majority of the votes of the shareholders present at the meeting where shareholders holding one-third or more of the votes of the shareholders entitled to exercise their votes at such meeting are present.</u>	(<u>Delegation to Directors of determination of the execution of operation</u>) Article <u>28</u>. <u>The Company may delegate to Directors all or a part of determination of significant execution of operation (excluding the matters stated in the Article 399-13, Paragraph 5, Items of Companies Act) by a resolution of the Board of Directors according to the provisions of Article 399-13, Paragraph 6, of the Companies Act.</u> (Remuneration, etc. for Directors) Article <u>29</u>. The remuneration, bonuses and other financial benefits given by the Company as consideration for the execution of duties for Directors shall be <u>separately</u> determined for <u>Directors who are Audit & Supervisory Committee Members and other Directors</u> by resolution at the General Meeting of Shareholders . Article <u>30</u>. (No amendments) <u>CHAPTER V AUDIT & SUPERVISORY COMMITTEE</u> (Deleted) (Deleted)

Current Articles of Incorporation	Proposed Amendments
<u>(Term of Office of Audit & Supervisory Board Members)</u> <u>Article 32.</u> <u>The term of office of the Audit & Supervisory Board Members shall expire at the conclusion of the Ordinary General Meeting of Shareholders held for the last business year that ends within four (4) years from their election; provided, however, that the term of office of any Audit & Supervisory Board Member, who is elected to fill a vacancy of an Audit & Supervisory Board Member who retired from office before the expiration of his/her term of office, shall expire upon the expiration of the term of office of the Audit & Supervisory Board Member who retired.</u>	(Deleted)
<u>(Audit & Supervisory Board)</u> <u>Article 33.</u> The notice of convocation of <u>the meeting of the Audit & Supervisory Board</u> shall be sent to <u>each Audit & Supervisory Board Member</u> three (3) days prior to the date of the meeting; provided, however, that when there is an urgent necessity, this notice period may be shortened. (Newly added)	<u>(Audit & Supervisory Committee)</u> <u>Article 31.</u> The notice of convocation of <u>the meeting of the Audit & Supervisory Committee</u> shall be sent to <u>each Audit & Supervisory Committee Member</u> <u>no later than</u> three (3) days prior to the date of the meeting; provided, however, that when there is an urgent necessity, this notice period may be shortened. <u>2. The meeting of the Audit & Supervisory Committee may be held without the procedure for convocation when agreed upon by all the Audit & Supervisory Committee Members.</u>
<u>(Standing Audit & Supervisory Board Members)</u> <u>Article 34.</u> <u>Standing Audit & Supervisory Board Members</u> shall be appointed by resolution of <u>the Audit & Supervisory Board.</u>	<u>(Standing Audit & Supervisory Committee Members)</u> <u>Article 32.</u> <u>Standing Audit & Supervisory Committee Members</u> <u>may</u> be appointed by resolution of <u>the Audit & Supervisory Committee.</u>
<u>(Substitute Audit & Supervisory Board Members)</u> <u>Article 35.</u> <u>1. Substitute Audit & Supervisory Board Members may be elected at the General Meeting of Shareholders by way of precaution against the cases where there occurs any vacancy which results in a shortfall in the number of Audit & Supervisory Board Members prescribed in applicable laws and regulations.</u>	(Deleted)

Current Articles of Incorporation	Proposed Amendments
2. <u>The resolution for the election of the substitute Audit & Supervisory Board Members shall be made by a majority of the votes of the shareholders present at the meeting where shareholders holding one-third or more of the votes of the shareholders entitled to exercise their votes at such meeting are present.</u> 3. <u>When the substitute Audit & Supervisory Board Members who are elected pursuant to paragraph 1 assume the office of Audit & Supervisory Board Members, the term of their office shall expire upon the expiration of the term of office of their predecessors; provided, however, that the term of office of the substitute Audit & Supervisory Board Members shall not exceed the time of the conclusion of the Ordinary General Meeting of Shareholders held for the last business year that ends within four (4) years from their election as substitute Audit & Supervisory Board Members.</u> 4. <u>The term of effect of the resolution of election of the substitute Audit & Supervisory Board Members shall expire at the commencement of the Ordinary General Meeting of Shareholders held for the last business year that ends within four (4) years after such resolution, unless such term of effect is shortened by such resolution itself.</u>	
<u>(Regulations of the Audit & Supervisory Board)</u> <u>Article 36.</u> Unless otherwise provided for in applicable laws and regulations or in these Articles of Incorporation, matters relating to <u>the Audit & Supervisory Board</u> shall be governed by <u>the Regulations of the Audit & Supervisory Board</u> established by <u>the Audit & Supervisory Board</u>.	<u>(Regulations of the Audit & Supervisory Committee)</u> <u>Article 33.</u> Unless otherwise provided for in applicable laws and regulations or in these Articles of Incorporation, matters relating to <u>the Audit & Supervisory Committee</u> shall be governed by <u>the Regulations of the Audit & Supervisory Committee</u> established by <u>the Audit & Supervisory Committee</u>.

Current Articles of Incorporation	Proposed Amendments
<u>(Remuneration, etc. for Audit & Supervisory Board Members)</u>	(Deleted)
Article 37. <u>The Remuneration, etc. for the Audit & Supervisory Board Members shall be determined by resolution at the General Meeting of Shareholders.</u>	
<u>(Agreement to Limit the Liability of Outside Audit & Supervisory Board Members)</u>	(Deleted)
Article 38. <u>Pursuant to Article 427, paragraph (1) of the Companies Act, the Company may enter into an agreement with the Outside Audit & Supervisory Board Members, which will limit the liability of the Outside Audit & Supervisory Board Members under Article 423, paragraph (1) of the Companies Act; provided, however, that the maximum amount of liability under the said agreement shall be the amount stipulated under applicable laws and regulations.</u>	
CHAPTER VI ACCOUNTS	CHAPTER VI ACCOUNTS
Article 39 to Article 42 (Omitted)	Article 34 to Article 37 (No amendments)
(Newly added)	<u>Supplemental provision</u> <u>(Transitional measure for agreement to Limit the Liability of Outside Audit & Supervisory Board Members)</u> <u>The agreement to limit the liability for damage stipulated in the Article 423, Paragraph 1, of the Companies Act shall govern the conduct of Outside Audit & Supervisory Board Members (including former Outside Audit & Supervisory Board Members) before conclusion of the 59th Ordinary Meeting of Shareholders held on June 2020 by provisions of Article 38 of the Articles of Incorporation before the amendments based on a resolution of the above ordinary general meeting of shareholders.</u>

Proposal No. 3: Appointment of Eight (8) Directors (excluding Directors who are Audit & Supervisory Committee Members)

The Company will transition to a company with an audit and supervisory committee subject to approval and passage of Proposal No. 2: Partial Amendments to the Articles of Incorporation. In line with this, the term of office of all the current (nine) directors will expire at the conclusion of this ordinary general meeting of shareholders. Therefore, please appoint eight (8) directors (excluding the directors who are Audit & Supervisory Committee members).

Nomination of candidates for directors (excluding directors who are Audit & Supervisory Committee members) was discussed at the meeting of the Nominating and Remuneration Committee, an advisory body of the Board of Directors, where an outside director is the chair, and outside directors account for 50% or more of the members, for higher transparency and objectivity. The candidates were determined at the meeting of the Board of Directors based on the report from the Nominating and Remuneration Committee.

This proposal shall become effective subject to the entry into force of the Proposal No. 2: Partial Amendment to the Articles of Incorporation.

The candidates for director (excluding directors who are Audit & Supervisory Committee members) are as follows:

Candidate No.	Name	Present position in the Company	Characteristics			Number of times of attendance at the meeting of the Board of Directors
1	Masahiro Shima	Chairman, Representative Director	Re-appointment			11/12 times
2	Mitsuhiro Shima	President, Representative Director	Re-appointment			12/12 times
3	Reiji Arikita	Executive Director	Re-appointment			12/12 times
4	Ikuto Umeda	Senior Executive Director	Re-appointment			12/12 times
5	Takashi Nanki	Director	Re-appointment			12/12 times
6	Hirokazu Nishitani	Director	Re-appointment			11/12 times
7	Yoshio Ichiryu	Director	Re-appointment	Outside	Independent	12/12 times
8	Rieko Zamma	Director	Re-appointment	Outside	Independent	12/12 times

No.	Name (Date of birth)	Profile, position, responsibility and significant concurrent positions		Number of shares of the Company held
1	Masahiro Shima (March 10, 1937) <u>Re-appointment</u>	July 1961	Founded Sanshin Seiki Mfg. Ltd., (now the Company) President, Representative Director	1,070,000 shares
		March 2009	President, Representative Director, Director of Sales Headquarters	
		June 2017	Chairman, Representative Director (current)	
[Reasons for nomination as a candidate for Director] Mr. Masahiro Shima established the Company in 1961 and has developed the group into a leader in the flat knitting machine industry while serving as the president and representative director over a long period. Mr. Shima has substantial experience and knowledge in the R&D field, especially in the development of products from automated glove knitting machines to WHOLEGARMENTR® flat knitting machines, and has served as the driving force for the group by showing strong leadership at the center of management. He has also supervised the entire management team as chairman and representative director since 2017. Consequently, he has been chosen as a candidate for director and has been judged appropriate after helping to achieve the group's continuous enhancement in enterprise value.				
2	Mitsuhiro Shima (June 23, 1961) <u>Re-appointment</u>	March 1987	Joined the Company	1,061,600 shares
		March 1998	General Manager of System Development Division	
		June 2002	Director, General Manager of System Development Division	
		June 2007	Executive Director in charge of Control System Development Division, Intellectual Property Department and Total Design Center, General Manager of Graphic System Development Division	
		June 2011	Senior Executive Director in charge of Machinery Production Technology Division and Total Design Center, Director of Production Headquarters	
		June 2012	Executive Vice President in charge of Corporate Planning Division and Total Design Center, Deputy Director of Sales Headquarters	
		June 2017	President, Representative Director, Director of the Sales Headquarters of the Company in charge of the Corporate Planning Division (current)	
		June 2018	President, Representative Director, Director of the Sales Headquarters of the Company in charge of the Corporate Planning Division (current)	
[Reasons for nomination as a candidate for Director] Mr. Mitsuhiro Shima has a wide range of work experience as a person responsible for R&D, manufacturing, and sales fields and substantial experience and knowledge in the management as a director. He has served as the president and representative director since 2017 and controlled the group to make decisions regarding significant matters on the management and supervise the execution of operations. Consequently, he has been chosen as a candidate for director and has been judged appropriate after helping to achieve the group's continuous enhancement in enterprise value.				

No.	Name (Date of birth)	Profile, position, responsibility and significant concurrent positions		Number of shares of the Company held
3	Reiji Arikita (February 21, 1953) <u>Re-appointment</u>	March 1971	Joined the Company	9,400 shares
		March 2004	General Manager of Mechatronic Development Division	
June 2006	Director, General Manager of Mechatronic Development Division			
November 2007	Director in charge of Control System Development Division, General Manager of Mechatronic Development Division			
March 2009	Director, Director of Development Headquarters			
June 2011	Executive Director, Director of Development Headquarters			
June 2018	Executive Director, Executive Officer, and General Manager of the Material Purchasing Division in charge of the Production Headquarters (current)			
[Reasons for nomination as a candidate for Director] Mr. Reiji Arikita has controlled the Development Division over many years and contributed to advancement in R&D of the Company in the R&D field by using his substantial experience and knowledge. He is now in charge of the Material Purchasing Division based on his experience and results in the Development Division and now controls the entire production process. He has made decisions regarding significant managerial matters and supervises the execution of operations as the director while performing his duties and fulfilling his responsibilities. Consequently, he has been chosen as a candidate for director and has been judged appropriate after helping to achieve the group's continuous enhancement in enterprise value.				
4	Ikuto Umeda (February 20, 1957) <u>Re-appointment</u>	May 1990	Joined the Company	153,800 shares
		March 1998	Manager of Senshu Branch, Sales Division	
June 2004	Director, General Manager of Export Division			
November 2007	Director, General Manager of Export Division, CEO of Shima Seiki Win Win Ltd. (now Shima Seiki (Hong Kong) Ltd.)			
November 2008	Director in charge of Export Division, CEO of Shima Seiki Win Win Ltd.			
March 2009	Director, CEO of Shima Seiki Win Win Ltd.			
March 2013	Director, General Manager of Corporate Planning Division, CEO of Shima Seiki (Hong Kong) Ltd.			
June 2013	Executive Director, Vice Director of Sales Headquarters, General Manager of Corporate Planning Division, CEO of Shima Seiki (Hong Kong) Ltd.			
June 2018	Senior Executive Director, Executive Officer, and Director of Sales Headquarters in charge of the Total Design Center (current)			
[Reasons for nomination as a candidate for Director] Mr. Ikuto Umeda has served as director of the Sales Headquarters, which controls the entire sales segment, including overseas sales, and he has led the management of overseas subsidiaries as CEO of subsidiaries in China and Hong Kong for many years. He has substantial global experience and produced excellent results. He has made decisions regarding significant managerial matters and supervises the execution of operations as the director while performing his duties and fulfilling his responsibilities. Consequently, he has been chosen as a candidate for director and has been judged appropriate after helping to achieve the group's continuous enhancement in enterprise value.				

No.	Name (Date of birth)	Profile, position, responsibility and significant concurrent positions		Number of shares of the Company held
5	Takashi Nanki (March 28, 1959) <u>Re-appointment</u>	March 1986	Joined the Company	800 shares
		November 2008	General Manger of Accounting Division	
		May 2010	General Manger of Accounting and Finance Division	
		June 2010	Director in charge of Administration Division, General Manager of Accounting and Finance Division	
		March 2013	Director in charge of Administration Division and Physical Distribution Division; General Manager of Accounting and Finance Division	
		July 2013	Director in charge of Physical Distribution Division, General Manager of Accounting and Finance Division	
		November 2014	Director, General Manager of Accounting and Finance Division, in charge of Physical Distribution Division	
		March 2016	Director, General Manager of Accounting and Finance Division, in charge of the Administration Division and Physical Distribution Division (current)	
		June 2018	Director, Executive Officer, and General Manager of the Accounting and Finance Division in charge of the General Affairs and Personnel Division, Administration Division, and Physical Distribution Division (current)	
[Reasons for nomination as a candidate for Director]				
Mr. Takashi Nanki has been responsible for the Accounting and Finance Division and in charge of the General Affairs and Personnel Division and the Administrative Division and has demonstrated substantial knowledge and produced excellent results in the business management of the group. He has made decisions regarding significant matters on management and supervised the execution of operations from the financial viewpoint while managing the internal control field that includes compliance and risk management to appropriately perform duties and fulfill his responsibilities as director. Consequently, he has been chosen as a candidate for director and has been judged appropriate after helping to achieve the group’s continuous enhancement in enterprise value.				
6	Hirokazu Nishitani (August 4, 1955) <u>Re-appointment</u>	March 1978	Joined the Company	4,700 shares
		March 2006	General Manager of Control System Development Division	
		April 2010	General Manager of Material Purchasing Division	
		June 2011	Director, General Manager of Material Purchasing Division (current)	
		June 2018	Director, Executive Officer, and Director of the Development Headquarters (Current)	
[Reasons for nomination as a candidate for Director]				
Mr. Hirokazu Nishitani had been responsible for the Development Division and the Purchasing Division and has substantial experience and knowledge in the product development field. He now controls the R&D field as the director of the Development Headquarters. He has made decisions regarding significant managerial matters and supervises the execution of operations as the director while performing his duties and fulfilling his responsibilities. Consequently, he has been chosen as a candidate for director and has been judged appropriate after helping to achieve the group’s continuous enhancement in enterprise value.				

8	Yoshio Ichiryu (January 3, 1946) <u>Re-appointment</u> <u>Outside</u> <u>Independent</u>	April 1968 Joined the Ministry of International Trade and Industry (now Ministry of Economy, Trade and Industry) June 1993 Director-General, MITI-Kinki Bureau June 1995 Director-General, Machinery and Information Industries Policy, Machinery and Information Industries Bureau August 1996 Director-General for Policy Coordination, Minister's Secretariat June 1998 Retired the MITI July 2000 Established Ichiryu Associates, Inc. President & CEO (current) June 2014 Director (current) (Significant concurrent positions) President & CEO, Ichiryu Associates, Inc. Outside Director, SALA Corporation	9,900 shares
	[Reasons for nomination as a candidate for Outside director] Mr. Yoshio Ichiryu has substantial experience in the field of economic and industrial policies and broad knowledge and experience in management as a business administrator. He also fulfills the appropriate roles of outside director, including supervision of the execution of operations from an objective viewpoint independent of management. He also supervises the nomination and remuneration of officers as the chair of the Nominating and Remuneration Committee, an advisory body of the Board of Directors. In light of this, he has been chosen as a candidate for outside director and has been judged capable of continuously supervising management for achievement of the group's continuous enhancement in enterprise value.		

No.	Name (Date of birth)	Profile, position, responsibility and significant concurrent positions	Number of shares of the Company held
9	Rieko Zamma (March 21, 1950) <u>Re-appointment</u> <u>Outside</u> <u>Independent</u>	April 1970 Joined Shizuoka Broadcasting System Co., Ltd. June 1973 Joined Kobunsha Co., Ltd. June 1980 Established CANDID, Inc. (now CANDID COMMUNICATIONS, Inc.) CEO July 2005 Established Creative Senior, Inc. (now CANDID PRODUCE, Inc.) CEO (current) January 2009 Established club willbe, a network for grown-ups Representative (current) June 2016 Director (current) (Significant concurrent positions) CEO, CANDID PRODUCE, Inc. Outside Director, FUJITA KANKO INC. Outside Director, IBJ, Inc. Outside Director, BeNEXT Group Inc. (the former Trust Tech Inc.)	300 shares
[Reasons for nomination as a candidate for Outside Director] Ms. Rieko Zamma has substantial experience in the planning of events and the promotion of advertising strategies as a producer with a wide range of insights and experience in management as a business administrator. She also serves as an outside director for the supervision of the execution of operations from an objective viewpoint independent of management. She also supervises the nomination and remuneration of officers as a Nominating and Remuneration Committee member, an advisory body of the Board of Directors. In light of this, he has been chosen as a candidate for outside director and has been judged capable of continuously supervising management for achievement of the group's continuous enhancement in enterprise value.			

(Note)

1. Director candidates Mr. Masahiro Shima and Mr. Mitsuhiro Shima have all the shares of Wajima Kosan Co., Ltd., a major shareholder of the Company, and the Company has transaction relationships in real estate leasing with Wajima Kosan.
There are no special interests between other director candidates and the Company.
2. The number of shares held by each candidate includes their shareholding through the stock ownership plan for officers of Shima Seiki.
3. The Company has an agreement with Mr. Yoshio Ichiryu and Ms. Rieko Zamma concerning the limitation of liability for damage as provided in Article 423, Paragraph 1, of the Companies Act. The limit of liability under the agreement is the minimum liability provided in Article 425, Paragraph 1, of the same law. The Company will maintain the above agreement with both persons concerning the limitation on liability for damage if they are reappointed.
4. Matters concerning candidates for outside director are as follows.
 - (1) Mr. Yoshio Ichiryu and Ms. Rieko Zamma are candidates for outside director.
 - (2) Mr. Yoshio Ichiryu will serve as an outside director for six years as of the end of the general meeting of shareholders.
 - (3) Ms. Rieko Zamma will serve as an outside director of the Company for four years as of the end of the general meeting of shareholders.
5. The Company designated Mr. Yoshio Ichiryu and Ms. Rieko Zamma as independent officers based on the provisions of the Tokyo Stock Exchange and reported this to the exchange.

Proposal No. 4: Appointment of Three (3) Directors who are Audit & Supervisory Committee Members

The Company will transition to a company with an audit and supervisory committee subject to the approval and passage of Proposal No. 2: Partial Amendments to the Articles of Incorporation. In line with this, the Company asks you to appoint three (3) directors who are Audit & Supervisory Committee members. The proposal has been agreed in advance by the Audit & Supervisory Board.

The nomination of candidates for directors who are Audit & Supervisory Committee members was discussed at the meeting of the Nominating and Remuneration Committee, an advisory body of the Board of Directors, where an outside director is the chair, and outside directors account for 50% or more of the members for higher transparency and objectivity. The candidates were determined at the meeting of the Board of Directors based on the report from the Nominating and Remuneration Committee.

This proposal shall become effective subject to the entry into force of Proposal No. 2: Partial Amendment to the Articles of Incorporation.

The candidates for director who are Audit & Supervisory Committee members are as follows:

Candidate No.	Name	Present position in the Company	Characteristics			Number of times of attendance
1	Hisahito Totsui	Standing Audit & Supervisory Board Member	New appointment			12/12 times for meetings of Board of Directors 13/13 times for meetings of Audit & Supervisory Board
2	Daisuke Shinkawa	Audit & Supervisory Board Member	New appointment	Outside	Independent	11/12 times for meetings of Board of Directors 12/13 times for meetings of Audit & Supervisory Board
3	Sachiko Nomura	Audit & Supervisory Board Member	New appointment	Outside	Independent	12/12 times for meetings of Board of Directors 13/13 times for meetings of Audit & Supervisory Board

No.	Name (Date of birth)	Profile, position, responsibility and significant concurrent positions		Number of shares of the Company held
1	Hisahito Totsui (April 3, 1965) <u>New appointment</u>	March 1988 March 2008 June 2018	Joined the Company Deputy General Manager, Internal Auditing Division (current) Standing Audit & Supervisory Board Member of the company (current)	2,100 shares
	[Reasons for nomination as a candidate for outside director and an Audit & Supervisory Committee member] Mr. Hisahito Totsui has belonged to the Accounting and Finance Division for many years and has substantial experience and knowledge in that field while having been responsible for the Internal Audit Office and is familiar with the entire businesses of the Company. He has served as an Audit & Supervisory Board member since 2018 based on his experience and appropriately conducts audits from a fair and objective standpoint. In light of this, he has been chosen as a candidate for director and an Audit & Supervisory Committee member and has been judged capable of contributing to the health and transparency of the management of the Company as an Audit & Supervisory Committee member.			
2	Daisuke Shinkawa (April 28, 1964) <u>New appointment</u> <u>Outside</u> <u>Independent</u>	May 1991 August 1991 April 2002 January 2003 June 2012	Registered as certified public accountant Registered as tax attorney Established HOKUTO tax accountant office Partner Representative Partner, HOKUTO tax accountant office (incumbent) Corporate Auditor (incumbent) (Significant concurrent positions) Representative Partner, HOKUTO tax accountant office Outside Director (Audit & Supervisory Committee Member), Kurabo Industries Ltd. Outside Auditor, VALTES Co., Ltd	2,000 shares
	[Reasons for nomination as a candidate for outside director and an Audit & Supervisory Committee member] Mr. Daisuke Shinkawa has an excellent character and deep insight, as well as substantial experience as a CPA and CTA. He has appropriately audited the execution of operations from an accounting and tax perspective as an Audit & Supervisory Board member since 2012. In light of this, he has been chosen as a candidate for outside director and an Audit & Supervisory Committee member and has been judged capable of contributing to the health and transparency of the management of the Company as an Audit & Supervisory Committee member from a position independent of the execution of operations.			

No.	Name (Date of birth)	Profile, position, responsibility and significant concurrent positions	Number of shares of the Company held
3	Sachiko Nomura (December 31, 1973) <u>New appointment</u> <u>Outside</u> <u>Independent</u>	April 2000 Registered as attorney Joined Dojima Law Office (to present) June 2015 Audit & supervisory board member (current) (Significant concurrent positions) Attorney Outside corporate auditor, B&P Co., Ltd. Outside director, Kobe Bussan Co., Ltd. Outside corporate auditor, Shinobu Foods Products Co., Ltd. Adjunct professor, Osaka University Graduate School of Law	900 shares
[Reasons for nomination as a candidate for outside director and an Audit & Supervisory Committee member] Ms.Sachiko Nomura has an excellent character and deep insight, as well as substantial experience as an attorney. She has appropriately audited the execution of operations from a legal perspective as an Audit & Supervisory Board member since 2015. In light of this, she has been chosen as a candidate for outside director and an Audit & Supervisory Committee member and has been judged capable of contributing to the health and transparency of the management of the Company as an Audit & Supervisory Committee member from a position independent of the execution of operations.			

(Note)

- There are no special interests between the candidates for directors who are Audit & Supervisory Committee members and the Company.
- The number of shares held by each candidate includes their shareholding through the stock ownership plan for officers of Shima Seiki.
- The name stated in the family registry of Sachiko Nomura is Sachiko Suzuki.
- The Company has an agreement with Daisuke Shinkawa and Sachiko Nomura concerning the limitation on liability for damage as an Audit & Supervisory Board member as provided in Article 423, Paragraph 1, of the Companies Act. The limit of liability under the agreement is the minimum liability as provided in Article 425, Paragraph 1, of the same law. The Company will enter into an agreement with them equivalent in terms to the agreement concerning the limitation on liability for damage when their appointment is approved as directors and Audit & Supervisory Committee members.
- Matters concerning candidates for outside directors who are Audit & Supervisory Committee members are as follows:
 - Daisuke Shinkawa and Sachiko Nomura are candidates for outside directors who are Audit & Supervisory Committee members.
 - Daisuke Shinkawa is familiar with corporate accounting as a CPA and CTA despite no experience in the direct involvement with company management, and so he has been judged capable of appropriately executing the duties of outside director and an Audit & Supervisory Committee member.
 - Sachiko Nomura is familiar with corporate legal affairs as an attorney despite no experience in the direct involvement with company management, and so she has been judged capable of appropriately executing the duties of outside director and an Audit & Supervisory Committee member.
 - Daisuke Shinkawa is now an Outside Audit & Supervisory Board member of the Company and his tenure as Outside Audit & Supervisory Board member will be eight (8) years at the conclusion of this general meeting of shareholders.
 - Sachiko Nomura is now an Outside Audit & Supervisory Board member and her tenure as Outside Audit & Supervisory Board member will be five (5) years at the conclusion of this general meeting of shareholders.
- The Company designated Daisuke Shinkawa and Sachiko Nomura as independent officers under the provisions of the Tokyo Stock Exchange and registered this with the Tokyo Stock Exchange.

[Reference] Criteria for the independence of outside officers

All the following requirements shall be satisfied to determine that outside officers are independent of the Company:

1. Outside officers have not been an executor of business ^(Note 1) of the Company and its affiliated companies (hereinafter called “our group”) for the past ten years.
2. Outside officers do not now nor have in the past three years met any of the following conditions:
 - (1) A person whose major client is our group^(Note 2) or its executor of business
 - (2) A major client of our group^(Note 3) or its executor of business
 - (3) A major shareholder (a person directly or indirectly holding 10% or more of all voting rights) of the Company or its executor of business
 - (4) An executor of business of a person whose major shareholder (directly or indirectly holding 10% or more of all voting rights) is our group
 - (5) A consultant, accounting specialist such as certified public accountant, or a specialist in the law such as an attorney who receives money and other properties^(Note 4) from the group, in addition to an officer’s remuneration (a person belonging to a legal entity and a union in the case where the organization receives the above properties)
 - (6) A person who receives large contributions in money and other property^(Note 4) from our group or its executor of business
 - (7) An executor of the business of other companies where an executor of business of our group is an outside officer
 - (8) The spouse or relative within the second degree of a person meeting the criteria of (1)–(7) above in the case where the person is significant
 - (9) The spouse or relative within the second degree of a person executing significant business, such as a director (excluding an outside director), and the person responsible for the divisions of our group
3. There are no other reasons for judging it reasonable that outside officers fail to perform duties as independent outside officers

^(Note 1) An executor of business means an executive director, company executive, executive officer, and employee executing business and other persons executing business, such as a position holder and employee similar to the above of legal entities and other organizations.

^(Note 2) A person whose main client is our group means a person whose annual amount of trade with our group is above 100 million yen or 2% of consolidated sales.

^(Note 3) A major client of our group means a person whose annual amount of trade with our group is above 100 million yen or 2% of our group’s consolidated sales, and loans to our group are above 2% of our group’s consolidated total assets.

^(Note 4) Large amounts of money and other property mean that the total amount is more than 10 million yen per year for individuals and 2% of annual net sales for organizations.

[Reference] Basis for the view on directors' remuneration program related to Proposal Nos. 5 and 7

The Company has the following basic policy for directors' remuneration in order to further increase directors' willingness to contribute to an increase in operating results and enterprise value and to ensure the employment of excellent human resources.

(Basic policy for directors' remuneration)

- 1 Details of the remuneration shall increase the directors' incentive to achieve continuous growth and medium- and long-term enhancement in the enterprise value of the Company
- 2 The remuneration system shall be based on the roles and responsibilities of directors to ensure transparency and fairness.
- 3 The directors' remuneration shall ensure the employment of excellent human resources necessary for realizing an enhancement in enterprise value.
- 4 The remuneration system shall share the value with shareholders.

Based on the above policy, the remuneration of executive directors shall consist of flat fixed remuneration, performance-based variable remuneration, and share remuneration-type stock options. Outside directors and non-executive directors shall receive only fixed remuneration in light of their roles. (The officers' retirement benefit program was abolished on June 27, 2013.)

Fixed remuneration shall be based on the base amount for each title, taking into account the level of remuneration by other companies. The performance-based variable remuneration (excluding those of Outside directors) shall be determined within a range of 0% to 150% of the base amount based on their titles according to consolidated results for each fiscal year and results at the fields in charge.

The share remuneration-type stock options shall be designed to function as an incentive for sharing the value with shareholders and an increase in the medium- and long-term enterprise value. (This does not apply to outside directors).

Remuneration for executive directors is discussed at the meeting of the Nominating and Remuneration Committee, an advisory body of the Board of Directors, where an outside director is the chair, and outside directors account for 50% of the members to ensure transparency and fairness in reports to the Board of Directors. The remuneration is determined by a resolution adopted by the Board of Directors.

Proposal No. 5: Setting Remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members)

The performance-linked variable remuneration of 2% or less of net income attributable to owners of the parent was approved as the remuneration for directors (not applicable to outside directors) separately from the fixed remuneration of 300 million yen or less per year (of which 50 million yen or less per year is for outside directors) approved at the 57th Ordinary General Meeting of Shareholders on June 27, 2018. The Company will transition to a company with an audit and supervisory committee when Proposal No. 2: Partial Amendments to the Articles of Incorporation is approved and resolved without amendments.

In line with this, a new remuneration amount for directors shall be set in exchange for the existing one according to the provisions of Article 361, Paragraphs 1 and 2, of the Companies Act. Taking into account recent economic conditions, as before, the remuneration for directors (excluding directors who are Audit & Supervisory Committee members) shall be the performance-based variable remuneration of 2% or less of net income attributable to owners of the parent for the relevant fiscal year (not applicable to outside directors) and is separate from the fixed remuneration of 300 million yen or less per year (of which 50 million yen or less per year is for outside directors).

The remuneration for directors shall exclude salary as employees or employee-directors as before.

Directors now total nine (9) (of which outside directors are two); however, they (excluding directors who are Audit & Supervisory Committee members) will total eight (8) (of this number, outside directors are two) when Proposal No. 2: Partial Amendments to the Articles of Incorporation and Proposal No. 3: Appointment of Eight (8) Directors (excluding directors who are the Audit & Supervisory Committee members) are approved and resolved without changes.

This proposal shall become effective subject to the entry into force of Proposal No. 2: Partial Amendment to the Articles of Incorporation.

Proposal No. 6: Setting of Remuneration for Directors who are Audit & Supervisory Committee Members

The Company will transition to a company with an audit and supervisory committee when Proposal No. 2: Partial Amendments to the Articles of Incorporation is approved and resolved without changes.

In line with this, the Company hopes to set the remuneration for directors who are Audit & Supervisory Committee members to 80 million yen or less per year according to Article 361, Paragraph 1 and 2, of the Companies Act, taking into account their duties and responsibilities.

Directors who are Audit & Supervisory Committee members will total three (3) when the Proposal No. 2: Partial Amendments to the Articles of Incorporation and Proposal No. 4: Appointment of Three (3) Directors who are Audit & Supervisory Committee members are approved and resolved without changes.

This proposal shall become effective subject to the entry into force of Proposal No. 2: Partial Amendment to the Articles of Incorporation.

Proposal No. 7: Giving Share Remuneration-type Stock Options (equity warrants) as Remuneration to Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors)

The Company obtained approval for awarding equity warrants as share remuneration-type stock options within 100 million yen or less per year to directors (excluding outside directors) at the 57th Ordinary General Meeting of Shareholders on June 27, 2018. The Company will transition to a company with an audit and supervisory committee when Proposal No. 2: Partial Amendments to the Articles of Incorporation is approved and resolved without changes.

In line with the transition to a company with an audit and supervisory committee, the proposal is to ask you to approve the award of share remuneration-type stock options (equity warrants) as remuneration within 100 million yen or less per year to directors (excluding directors who are Audit & Supervisory Committee members and outside directors) in future as before.

This share remuneration-type stock option program will pay to directors subject to the equity warrants (excluding directors who are Audit & Supervisory Committee members and outside directors) monetary remuneration equivalent to the total amount of the equity warrants and offset the monetary remuneration receivable by the paid-in-obligation of equity warrants. This is designed to further increase the sharing of value with shareholders from the medium- and long-term viewpoint and functions as a health incentive for directors (excluding directors who are Audit & Supervisory Committee members and outside directors) to maintain and increase the sustainable enterprise value.

The remuneration related to the equity warrants of 100 million yen or less per year will be established and will be separate from the remuneration of directors that the Company hopes will be approved under Proposal No. 5: Setting of Remuneration for Directors (excluding directors who are Audit & Supervisory Committee members).

The applicable directors (excluding directors who are Audit & Supervisory Committee members and outside directors) will total six (6) when Proposal No. 2: Partial Amendments to the Articles of Incorporation and Proposal No. 3: Appointment of Eight (8) Directors (excluding directors who are the Audit & Supervisory Committee members) are approved and resolved without changes. The Company proposes to give the Board of Directors discretion in the timing of the issue of equity warrants to directors and the allocation of equity warrants to directors.

This proposal shall become effective subject to the entry into force of Proposal No. 2: Partial Amendment to the Articles of Incorporation.

Note

(1) Subject to allocation of the equity warrants

Directors of the Company (excluding directors who are Audit & Supervisory Committee members and outside directors)

(2) Classes and numbers of shares subject to the equity warrants

The shares subject to equity warrants will be common shares. The number of shares subject to each equity warrant (hereinafter called the “number of shares provided”) will be 100.

In the case of a share split, free share awards, or a reverse split, the number of shares provided will be adjusted by the following formula. However, the adjustment is made only to equity warrants not exercised as of that time, and any fractions less than one share arising from the adjustment would be

rounded down.

Adjusted number of shares provided = Unadjusted number of shares provided × Ratio of a share split, free share awards, or a reverse split

When the equity warrants are succeeded because of an absorption or consolidation type merger or the exchange or transfer of shares making us a wholly owned subsidiary, we will be able to adjust the number of shares we think necessary according to the ratio of mergers and other factors.

(3) Upper limit of the equity warrants

The upper limit will be 500 equity warrants issued to directors within one year after the date of the ordinary general meeting of shareholders for each fiscal year. The equity warrants are allocated on an annual basis.

(4) Paid-in amount of the equity warrants

The paid-in amount will be the fair value calculated on the date of allocation of the equity warrants by the Black-Scholes model and other methods. The amounts will be offset by the equivalent remuneration claims.

(5) Value of the property contributed in exercising the equity warrants

Money will be the property contributed in exercising each equity warrant. The value will be the number of shares to be issued by exercise of the equity warrants multiplied by 1 yen per share.

(6) Exercise period of the equity warrants

The exercise period will be up to 30 years from the day after the allocation date of the equity warrants to be determined by the Board of Directors.

(7) Terms and conditions of exercise of the equity warrants

Subscribers receiving allocations of equity warrants (hereinafter called “holders of equity warrants”) will be able to exercise the equity warrants for a period from one day after losing the position as director to 10 days after.

Other the terms and conditions of the exercise of equity warrants will be determined by the Board of Directors.

(8) Restriction on transfer of the equity warrants

Acquiring equity warrants by transfer will require the approval of the Board of Directors.

(9) Treatment of a fraction less than 1 share in the number of shares to be issued at the time of exercise

In the number of shares to be issued to the holders of equity warrants, any fraction less than 1 share will be rounded down.

(10) Other details of the equity warrants

Details of the above items (2) - (9) and other details of the equity warrants will be determined by the Board of Directors, which makes all decisions regarding the offer of equity warrants.

(Reference)

The Company will annually allocate to our executive officers the same details of share remuneration-type stock options (equity warrants) as the above-mentioned share remuneration-type stock options (equity warrants) to directors (excluding directors who are Audit & Supervisory members and outside directors).