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(Securities Code 6418)

June 10, 2020

To Our Shareholders

Yojiro Kamihigashi  
President and Representative Director  
Japan Cash Machine Co., Ltd.  
2-3-15 Nishiwaki, Hirano-ku, Osaka

## Convocation Notice of the 67<sup>th</sup> Ordinary General Meeting of Shareholders

Japan Cash Machine Co., Ltd. (hereinafter referred to as the “Company”) hereby notifies you that the 67<sup>th</sup> Ordinary General Meeting of Shareholders will be held as follows.

We sincerely apologize for the significant trouble and concern caused by COVID-19. Our thoughts are with those who have contracted the disease, and we are praying for their speedy recovery.

In lieu of attending the meeting in person, you may exercise your voting right in writing. Please refer to the documents for the Ordinary General Meeting of Shareholders attached and vote on the proposals using the form enclosed herein to exercise your voting right. The form should be returned to the Company on or before 5:30 p.m. on Wednesday, June 24, 2020.

**1. Date and time:** 10:00 a.m., Tuesday, June 25, 2020 (Reception start time 9:00 a.m.)

**2. Location:** Miyako City Osaka Tennoji (formerly known as Tennoji Miyako Hotel), Yoshino Room (6<sup>th</sup> floor)  
1-2-8, Matsuzaki-cho, Abeno-ku, Osaka

### **3. Meeting Agenda:**

#### **Reports:**

1. Reports on the Business Report, the Consolidated Financial Statements and the Results of the Audit of the Consolidated Financial Statements by the Independent Auditor and the Audit & Supervisory Board for the 67<sup>th</sup> Fiscal Year (from April 1, 2019 to March 31, 2020) .
2. Reports on the Non-Consolidated Financial Statements for the 67<sup>th</sup> Fiscal Year (from April 1, 2019 to March 31, 2020)

#### **Resolutions:**

Proposal 1: Election of Eight (8) Directors

Proposal 2: Election of Four (4) Audit & Supervisory Board Members

Proposal 3: Continuation of Policy to Address Large-scale Purchases of the Company’s Shares  
(Takeover Defense Measures)

## Proposal 1: Election of eight (8) Directors

The term of office of all eight (8) directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the Company has proposed to elect eight (8) directors, inclusive of two (2) External Directors.

The candidates are as follows:

No.		Name	Current Position and Responsibility in the Company	Attendance Ratio of the Board of Directors meetings (67 <sup>th</sup> Fiscal Year)
1	Reappointment	Koichiro Kamihigashi	Chairman	100.0% (18 out of 18 meetings)
2	Reappointment	Yojiro Kamihigashi	President and Representative Director	100.0% (18 out of 18 meetings)
3	Reappointment	Tsuyoshi Takagaki	Executive Director and Senior Executive Officer, Executive General Manager of Corporate Planning Division	100.0% (18 out of 18 meetings)
4	Reappointment	Yoshihiro Iuchi	Director and Senior Executive Officer, Executive General Manager of Global Strategy Division, In Charge of Sales Division and Production Division	100.0% (18 out of 18 meetings)
5	Reappointment	Mitsuhiro Ueno	Director and Senior Executive Officer, Executive General Manager of Global Governance Division, Representative Director of JCM Europe GmbH.	92.8 % (13 out of 14 meetings)
6	Reappointment	Norihito Nakatani	Director and Senior Executive Officer, Executive General Manager of First R&D Division and Quality Division	100.0 % (14 out of 14 meetings)
7	Reappointment External Independent	Koji Yoshikawa	External Director	94.4% (17 out of 18 meetings)
8	New External Independent	Tatsuhiko Saruwatari		-% (- out of - meetings)

Note: Attendance ratio of the Board of Directors meetings of Mr. Mitsuhiro Ueno and Mr. Norihito Nakatani indicates after their appointment for Director on June 26, 2019.

No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company (Important concurrent positions)	Number of the Company's Shares Held
1	<p><b>Koichiro Kamihigashi</b> (December 15, 1957)</p> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Reappointment</div> <p>Number of years served as Director 33 years (at the conclusion of this Ordinary General Meeting of Shareholders)</p> <p>Attendance Ratio of the Board of Directors meetings (67<sup>th</sup> Fiscal Year) 100.0% (18/18)</p>	<p>Apr. 1978    Joined Japan Cash Machine Co., Ltd. May 1987    Director Jun. 1991    Executive Director Jun. 1994    President and Representative Director Apr. 2007    Director Jun. 2007    Chairman (present)</p> <p>(Important Concurrent Position) President and Representative Director of Johto Investment and Development, Inc.</p>	2,707,246
	<p>Reason for selecting the candidate for Director</p> <p>Mr. Koichiro Kamihigashi has long been a member of the Board, actively participating in the management of the Company as Director, including the President and Representative Director. Based on the accumulated management experience, he is currently overseeing decision-making processes and business execution activities from a broader perspective as the Chairman of the Board. Since it is expected that he will continue to perform his duties appropriately and will contribute to adding up corporate value to the Company, we consider him a suitable candidate for Director. Accordingly, he is a proposed candidate for Director.</p>		
	<p>Special interests between the candidate and the Company</p> <p>There is no special interest between the candidate and the Company.</p>		

No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company (Important concurrent positions)	Number of the Company's Shares Held
2	<p><b>Yojiro Kamihigashi</b> (June 5, 1959)</p> <p>Reappointment</p> <p>Number of years served as Director 27 years (at the conclusion of this Ordinary General Meeting of Shareholders)</p> <p>Attendance Ratio of the Board of Directors meetings (67<sup>th</sup> Fiscal Year) 100.0% (18/18)</p>	<p>Oct. 1984    Joined Japan Cash Machine Co., Ltd.</p> <p>Jun. 1993    Director</p> <p>May 1995    Director General Manager of Overseas Sales Department</p> <p>Jun. 2006    Director Executive Officer Executive General Manager of International Division</p> <p>Apr. 2007    President and Representative Director (present)</p>	1,458,283
	<p>Reason for selecting the candidate for Director</p> <p>Mr. Yojiro Kamihigashi has ample management experience at overseas subsidiaries. Capitalizing on this experience, he currently exerts his effective leadership in the management of the Company group's global business development. He plays an important decision-making role, while overseeing business execution activities. Since it is expected that he will continue to perform his duties appropriately and will contribute to adding up corporate value to the Company, we consider him a suitable candidate for Director. Accordingly, he is a proposed candidate for Director.</p>		
	<p>Special interests between the candidate and the Company</p> <p>There is no special interest between the candidate and the Company.</p>		
3	<p><b>Tsuyoshi Takagaki</b> (September 13, 1961)</p> <p>Reappointment</p> <p>Number of years served as Director 7 years (at the conclusion of this Ordinary General Meeting of Shareholders)</p> <p>Attendance Ratio of the Board of Directors meetings (67<sup>th</sup> Fiscal Year) 100.0% (18/18)</p>	<p>Aug. 1997    Joined Japan Cash Machine Co., Ltd. Executive Officer</p> <p>Jun. 2007    Deputy Executive General Manager of Administration Division</p> <p>Oct. 2011    Senior Executive Officer Executive General Manager of Human Resources, General Affairs and Corporate Planning Division</p> <p>Jun. 2013    Director and Senior Executive Officer</p> <p>Dec. 2013    Executive General Manager of Corporate Planning Division (present)</p> <p>Jun. 2019    Executive Director, Senior Executive Officer (present)</p> <p>Jul. 2019    In Charge of First R&amp;D Division and Quality Division</p>	5,300
	<p>Reason for selecting the candidate for Director</p> <p>Since joining the Company, Mr. Tsuyoshi Takagaki has worked for the development of the Company group, taking charge of general affairs, legal, compliance, and human resources. He currently makes effective business decisions based on his experiences accumulated through his career, while also currently supervises execution of effective business activities as Executive Director. Since it is expected that he will continue to perform his duties appropriately and will contribute to adding up corporate value to the Company, we consider him a suitable candidate for Director. Accordingly, he is a proposed candidate for Director.</p>		
	<p>Special interests between the candidate and the Company</p> <p>There is no special interest between the candidate and the Company.</p>		

No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company (Important concurrent positions)	Number of the Company's Shares Held
4	<p><b>Yoshihiro Iuchi</b> (May 21, 1960)</p> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Reappointment</div> <p>Number of years served as Director 2 years (at the conclusion of this Ordinary General Meeting of Shareholders)</p> <p>Attendance Ratio of the Board of Directors meetings (67<sup>th</sup> Fiscal Year) 100.0% (18/18)</p>	<p>Mar. 2004    Joined Japan Cash Machine Co., Ltd. Jun. 2007    Executive Officer                   Deputy Executive General Manager of International Division</p> <p>Nov. 2010    Representative Director of JCM Gold (H.K.) Ltd. Jun. 2016    Senior Executive Officer                   In Charge of Production</p> <p>Jun. 2018    Director and Senior Executive Officer,                   Executive General Manager of Global Strategy Division (present)</p> <p>Jul. 2019    In Charge of Sales Division and Production Division (present)</p>	11,600
	<p>Reason for selecting the candidate for Director</p> <p>Since joining the Company, Mr. Yoshihiro Iuchi has engaged mainly in overseas sales activities, and then worked as the representative Director of a subsidiary company that controls overseas production. Currently, he serves as Director with playing a useful role of overseeing appropriate decision making and business execution from a global perspective. Since it is expected that he will continue to perform his duties appropriately and will contribute to adding up corporate value to the Company, we consider him a suitable candidate for Director. Accordingly, he is a proposed candidate for Director.</p>		
<p>Special interests between the candidate and the Company</p> <p>There is no special interest between the candidate and the Company.</p>			

No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company (Important concurrent positions)	Number of the Company's Shares Held
5	<p><b>Mitsuhiro Ueno</b> (May 28, 1954)</p> <p>Reappointment</p> <p>Number of years served as Director 1 year (at the conclusion of this Ordinary General Meeting of Shareholders)</p> <p>Attendance Ratio of the Board of Directors meetings since his appointment on June 26, 2019 (67<sup>th</sup> Fiscal Year) 92.8% (13/14)</p>	<p>Apr. 1978    Joined Daiwa Bank, Ltd. (current Resona Bank, Ltd.)</p> <p>May 2000    Branch Manager of Senri-Chuo branch of the same company</p> <p>Oct. 2003    Operating Officer in charge of Loan Division and Loan Planning Division, Kinki Osaka Bank, Ltd.</p> <p>Aug. 2006    Director, Fitch Ratings Ltd.</p> <p>Apr. 2011    Director of Personal Banking Division of Tokyo Branch, Australia and New Zealand Banking Group Ltd.</p> <p>Apr. 2016    Corporate Adviser, Japan Cash Machine Co., Ltd.</p> <p>Jun. 2016    External Audit &amp; Supervisory Board Member (Full-time)</p> <p>Jun. 2019    Director and Senior Executive Officer, Executive General Manager of Global Governance Division (present)</p> <p>Apr. 2020    Representative Director of JCM Europe GMBH. (present)</p>	3,200
	<p>Reason for selecting the candidate for Director</p> <p>Mr. Mitsuhiro Ueno, as an External Audit &amp; Supervisory Board Member (Full-time) since 2016, provided useful advice and recommendations to the Company's group based on his wealth of knowledge and experience in corporate management, which he acquired while working at a financial institution. In addition, he currently serves as a director, making appropriate decisions on global governance and risk management functions and supervising the execution of business operations. Since it is expected that he will continue to perform his duties appropriately and will contribute to adding up corporate value to the Company, we consider him a suitable candidate for Director. Accordingly, he is a proposed candidate for Director.</p>		
	<p>Special interests between the candidate and the Company</p> <p>There is no special interest between the candidate and the Company.</p>		

No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company (Important concurrent positions)	Number of the Company's Shares Held
6	<p><b>Norihito Nakatani</b> (February 20, 1960)</p> <p>Reappointment</p> <p>Number of years served as Director 1 year (at the conclusion of this Ordinary General Meeting of Shareholders)</p> <p>Attendance Ratio of the Board of Directors meetings since his appointment on June 26, 2019 (67<sup>th</sup> Fiscal Year) 100.0% (14/14)</p>	<p>Oct. 1990      Joined Japan Cash Machine Co., Ltd.</p> <p>Jun. 2007      Executive Officer, Deputy Executive General Manager of SCM Division</p> <p>May 2008      Deputy Executive General Manager of Engineering Division</p> <p>Nov. 2010      Representative Director of JCM China Co., Ltd.</p> <p>Jun. 2015      In charge of Production of Creating and Manufacturing Division</p> <p>Jun. 2016      Executive General Manager of Production Division</p> <p>Jun. 2017      Executive General Manager of Second R&amp;D Division</p> <p>Jun. 2018      Senior Executive Officer Executive Director of JCM Systems Co., Ltd. (present)</p> <p>Jun. 2019      Director and Senior Executive Officer (present)</p> <p>Jul. 2019      Executive General Manager of Quality Division (present), Executive General Manager of First R&amp;D Division (present)</p>	9,700
	<p>Reason for selecting the candidate for Director</p> <p>Mr. Norihito Nakatani has a proven track record and experience of contributing to the development of the Company's group by strengthening the functions of the operations he is responsible for, such as being engaged mainly in production-related operations since joining the Company, and also serving as a representative director of a subsidiary responsible for overseas production, and currently in charge of the Quality Division and the Research and Development Division. Since it is expected that he will continue to perform his duties appropriately and will contribute to adding up corporate value to the Company, we consider him a suitable candidate for Director. Accordingly, he is a proposed candidate for Director.</p>		
	<p>Special interests between the candidate and the Company</p> <p>There is no special interest between the candidate and the Company.</p>		

No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company (Important concurrent positions)	Number of the Company's Shares Held			
	<p><b>Koji Yoshikawa</b> (February 8, 1950)</p> <table border="1" data-bbox="209 253 459 396"> <tr> <td>Reappointment</td> </tr> <tr> <td>External</td> </tr> <tr> <td>Independent</td> </tr> </table> <p>Number of years served as Director 6 years (at the conclusion of this Ordinary General Meeting of Shareholders)</p> <p>Attendance Ratio of the Board of Directors meetings (67<sup>th</sup> Fiscal Year) 94.4% (17/18)</p>	Reappointment	External	Independent	<p>Apr. 1978 Appointed Public Prosecutor, Osaka District Public Prosecutors Office</p> <p>Apr. 2000 Deputy Manager, Special Investigation Department, Osaka District Public Prosecutors Office</p> <p>Apr. 2004 Prosecutor, Supreme Public Prosecutors Office</p> <p>Jul. 2005 Deputy Chief Public Prosecutor, Osaka District Public Prosecutors Office</p> <p>Jan. 2009 Chief Public Prosecutor, Kobe District Public Prosecutors Office</p> <p>Jan. 2010 Resigned from Prosecutor</p> <p>Mar. 2010 Registered as Attorney</p> <p>Jun. 2014 External Director of the Company (present)</p> <p>(Important Concurrent Position) Attorney (Baba Law Firm) External Audit &amp; Supervisory Board Member of NCS&amp;A Co., Ltd.</p>	—
Reappointment						
External						
Independent						
7	<p>Reason for selecting the candidate for External Director Although Mr. Koji Yoshikawa has not been directly involved in the management of a company, he has extensive knowledge and expertise as a judicial officer. He has been giving appropriate advice to the Company group that operates compliance-oriented management, such as maintaining casino gaming licenses in the U.S. Since it is expected that he will contribute to strengthening the function of supervising the execution of duties of other Directors and management transparency, we consider him an appropriate candidate for External Director of the Company. Accordingly, he is a proposed candidate for External Director.</p> <p>Matters regarding independence The Company nominates this candidate as an Independent Director based on the regulations of the Tokyo Stock Exchange and has reported such to the Exchange. It should also be mentioned that the Company has its own standards for judging independence, separately from those stipulated by the Exchange, and this candidate also fulfills the standards of the Company.</p> <p>Special interests between the candidate and the Company There is no special interest between the candidate and the Company.</p> <p>Regarding agreements limiting the liability The Company concluded a contract with this candidate to limit his liability for damages under Article 423 (1) of the Companies Act based on the stipulation in Article 427 (1) of the same. The maximum amount of the liability for damages under the said contract shall be ten million yen or the minimum amount of the liability prescribed by Article 425 (1) of the Companies Act, whichever is higher. If the reelection of this candidate is approved, we plan to continue the contract.</p>					



No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company (Important concurrent positions)	Number of the Company's Shares Held			
	<p><b>Tatsuhiko Saruwatari</b> (March 1, 1953)</p> <table border="1" data-bbox="207 253 459 396"> <tr> <td data-bbox="207 253 459 304">New</td> </tr> <tr> <td data-bbox="207 304 459 356">External</td> </tr> <tr> <td data-bbox="207 356 459 396">Independent</td> </tr> </table>	New	External	Independent	<p>Apr. 1976      Joined Toto Kiki Ltd. (current TOTO Ltd.)  Jun. 2001      Director, Executive Officer, Director of Equipment  Business Group of the Same Company  Jun. 2002      Director, Managing Executive Officer, Director of  Equipment Business Group, General Manager of  Central Technology Center of the Same Company  Jun. 2006      Director, Senior Managing Executive Officer, In  Charge of Research &amp; Technology Group, Corporate  Planning Department of the Same Company  May. 2013      External Audit &amp; Supervisory Board Member of  Izutsuya Co., Ltd.  Jun. 2013      Representative Director, Executive Vice President of  TOTO Ltd.  Jun. 2016      External Audit &amp; Supervisory Board Member of  Noritake Co., Ltd. (present)  (Important Concurrent Position)  External Audit &amp; Supervisory Board Member of Noritake Co., Ltd.</p>	—
New						
External						
Independent						
8	<p>Reason for selecting the candidate for External Director  Mr. Tatsuhiko Saruwatari has a wealth of experience and broad knowledge as a manager and is expected to provide advice and suggestions in management activities aimed at realizing the sustainable enhancement of the corporate value of the Company's group. In addition, we consider him an appropriate candidate for the position of outside director of the Company, who aims to strengthen the supervisory function of directors' business execution and further improve the transparency of management.</p> <p>Matters regarding independence  The Company nominates this candidate as an Independent Director based on the regulations of the Tokyo Stock Exchange and plans to report such to the Exchange. It should also be mentioned that the Company has its own standards for judging independence, separately from those stipulated by the Exchange, and this candidate also fulfills the standards of the Company.</p> <p>Special interests between the candidate and the Company  There is no special interest between the candidate and the Company.</p> <p>Regarding agreements limiting the liability  The Company plans to conclude a contract with this candidate to limit his liability for damages under Article 423 (1) of the Companies Act based on the stipulation in Article 427 (1) of the same. The maximum amount of the liability for damages under the said contract shall be ten million yen or the minimum amount of the liability prescribed by Article 425 (1) of the Companies Act, whichever is higher.</p>					

## Proposal 2: Election of Four (4) Audit & Supervisory Board Members

The term of office for four Audit & Supervisory Board Members will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, it has proposed to elect four Audit & Supervisory Board Members, inclusive of two (2) External Audit & Supervisory Board Members.

Consent for this subject has been obtained from the Audit & Supervisory Board.

The candidates for Audit & Supervisory Board Members are as follows:

No.		Name	Current Position and Responsibility in the Company	Attendance Ratio of the Board of Directors meetings (67 <sup>th</sup> Fiscal Year)	Attendance Ratio of the Audit & Supervisory Board Members meetings (67 <sup>th</sup> Fiscal Year)
1	Reappointment	Shigeru Yamazawa	Audit & Supervisory Board Member (full-time)	100.0% (18 out of 18 meetings)	100.0% (15 out of 15 meetings)
2	Reappointment	Michimasa Teraoka	Audit & Supervisory Board Member (full-time)	100.0% (14 out of 14 meetings)	100.0% (10 out of 10 meetings)
3	Reappointment External Independent	Hiroshi Morimoto	External Audit & Supervisory Board Member	94.4% (17 out of 18 meetings)	94.4% (13 out of 15 meetings)
4	New External Independent	Yoko Sato		- % (- out of - meetings)	- % (- out of - meetings)

Note: Attendance ratio of the Board of Directors and the Audit & Supervisory Board Members meetings of Mr. Michimasa Teraoka indicates after his appointment for Audit & Supervisory Board Member (full-time) on June 26, 2019.

No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the company (Important concurrent positions)		Number of the Company's Shares Held
1	<b>Shigeru Yamazawa</b> (April 21, 1955)	Mar. 1976	Joined Japan Cash Machine Co., Ltd.	40,700
	Reappointment	Apr. 1998	Sales Promotion General Manager of Sales Division	
		Apr. 2004	Deputy Executive General Manager of Domestic Sales Division	
	No. of years served as Audit & Supervisory Board Member 2 years	Jun. 2006	Executive Officer	
No. of attendance at the Board of Directors meetings (67 <sup>th</sup> Fiscal Year) 100% (18/18)	Jun. 2007	Senior Executive Officer	40,700	
	Apr. 2015	Executive General Manager of Domestic Sales Division		
No. of attendance at the Audit & Supervisory Board Members meetings (67 <sup>th</sup> Fiscal Year) 100% (15/15)	Apr. 2018	Senior Executive Officer	40,700	
	Jun. 2018	Deputy Executive General Manager of Global Commercial Division Senior Executive Officer Deputy Executive General Manager of Global Operation Division (present) Audit & Supervisory Board Member (present)		
Reason for nomination as a candidate for Audit & Supervisory Board Member Mr. Shigeru Yamazawa has sufficient insight and experience in preventing fraud and controlling risks at the site of sales activities. Also, he is familiar with the business procedures of the entire Company group, as he has held several key posts, focusing on sales to domestic and overseas customers. We, therefore, consider him to be an appropriate candidate for Audit & Supervisory Board Member and continuously proposed as a candidate for Audit & Supervisory Board Member.				
Special interests between the candidate and the Company There is no special interest between the candidate and the Company.				
2	<b>Michimasa Teraoka</b> (May 17, 1960)	Jun. 1980	Joined Japan Cash Machine Co., Ltd.	42,731
	Reappointment	Jun. 2006	Executive Officer, Deputy Executive General Manager of Administration Division	
		Jun. 2007	Senior Executive Officer, Executive General Manager of Administration Division	
	No. of years served as Audit & Supervisory Board Member 1 year	Jun. 2014	Executive Director of JCM Systems Co., Ltd.	
No. of attendance at the Board of Directors meetings (67 <sup>th</sup> Fiscal Year) 100% (14/14)	Jun. 2017	Senior Executive Officer (present), General Manager of Domestic Related Business Management Department in Corporate Planning Division		
	No. of attendance at the Audit & Supervisory Board Members meetings (67 <sup>th</sup> Fiscal Year) 100% (10/10) since his appointment on June 26, 2019	Jun. 2018	In Charge of Risk Management and Internal Audit	42,731
Jun. 2019		Audit & Supervisory Board Member (present)		
Reason for nomination as a candidate for Audit & Supervisory Board Member Since joining the company, Mr. Michimasa Teraoka has been engaged in management operations centering on finance and accounting for many years and has rich experience and achievements regarding these operations. He is currently responsible for risk management and internal audit and has extensive familiarity with business operations of the whole Company Group. We, therefore, consider him to be an appropriate candidate for Audit & Supervisory Board Member and continuously proposed as a candidate for Audit & Supervisory Board Member.				
Special interests between the candidate and the Company There is no special interest between the candidate and the Company.				



No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the company (Important concurrent positions)	Number of the Company's Shares Held			
<b>4</b>	<p style="text-align: center;"><b>Yoko Sato</b> July 23, 1960</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr><td style="text-align: center;">New</td></tr> <tr><td style="text-align: center;">External</td></tr> <tr><td style="text-align: center;">Independent</td></tr> </table>	New	External	Independent	<p>Sep. 1986      Joined Showa Ota &amp; Co. (current Ernst &amp; Young ShinNihon LLC)</p> <p>Mar. 1990      Registered as a Public Accountant (present)</p> <p>May. 2011      Senior Partner, Ernst &amp; Young ShinNihon LLC</p> <p>Jun. 2019      Resigned from the Same Company</p> <p>Sep. 2019      Established Yoko Sato Certified Public Accountant Office (present)</p> <p style="text-align: center;">(Important Concurrent Position) Public Accountant (Yoko Sato Certified Public Accountant Office)</p>	—
	New					
	External					
	Independent					
	<p>Reason for selecting the candidate for External Audit &amp; Supervisory Board Member</p> <p>Although Ms. Yoko Sato has not been directly involved in the management of a company, she is expected to provide advice and proposals from an objective and professional perspective based on her extensive auditing experience as a certified public accountant over many years and her professional insight into finance and accounting. Therefore, we consider her to be an appropriate candidate for audit &amp; supervisory board member of the company and proposed as a new candidate for audit &amp; supervisory board member.</p>					
<p>Matters regarding independence</p> <p>The company nominates the candidate as an independent officer based on the regulations of the Tokyo Stock Exchange and has reported such to the Exchange. It should also be mentioned that the company has its own independent standards, separately from those stipulated by the Exchange, and he also fulfills those standards of the company.</p>						
<p>Special interests between the candidate and the Company</p> <p>There are no special interests between the candidate and the Company.</p>						
<p>Regarding agreements limiting the liability</p> <p>The company has concluded a contract with the candidate to limit his liability for damages under Article 423 (1) of the Companies Act based on the stipulation in Article 427 (1) of the same. The maximum amount of the liability for damages under the said contract shall be 10 million yen or the minimum amount of the liability prescribed by Article 425 (1) of the Companies Act, whichever is higher.</p>						

Independence Standards for External Officer  
(External Director and External Audit & Supervisory Board Member)

The Company defines the standards for the independence of External Directors and External Audit & Supervisory Board Members of the Company (hereinafter referred to collectively as “external officer”) as follows. Based on an investigation by the Company to an extent possible, it is considered that an external officer is sufficiently independent of the Company if none of the following criteria is applicable.

1. A person who executes business (including managing director, executive officer, and employee, but excluding Audit & Supervisory Board Member, hereinafter referred to collectively as “executor”) of the Company or its consolidated subsidiaries (hereinafter referred to generally as “the Company group”) or has been an executors of the Company group for the past ten years
2. An entity whose major sales destination is the Company group (referring to groups that provide products or services for the Company group, including both direct partners and their parent company, subsidiaries, and business group composed of subsidiaries of the same parent company, and the same applies hereinafter, with a transaction volume in the latest fiscal year of more than 2% of the annual consolidated sales of them) or their executors
3. An entity that is a major sales destination of the Company group (referring to groups to which the Company group provides products or services with a transaction volume in the latest fiscal year of more than 2% of the annual consolidated sales of the Company group) or their executors
4. Legal expert, accounting expert, consultant, or advisor who receives a substantial amount of cash or economic benefits (more than five million yen annually for individuals and twelve million yen for an organization in cash or economic benefits during the latest fiscal year excluding Director’s compensation) from the Company group apart from Director’s compensation (if a corporate body or an association is a recipient of the economic benefit, its members)
5. A person who belongs to the audit corporation that carries out statutory audits of the Company group
6. A person who receives donations or funding exceeding a certain fixed amount from the Company (10 million yen annually on average over the past three fiscal years (if a corporate body or an association is the recipient of the donation or funding, its executors))
7. An executor who belongs to a major financial institution from which the Company group receives loans (financial institutions that provide loans equivalent to more than 2% of the consolidated asset of the Company group as of the end of the latest fiscal year) or their parent company or subsidiary
8. A major shareholder of the Company group (those who directly and indirectly own 10% or more of the total voting rights in terms of the holding ratio of voting rights in the latest fiscal year) or if the major shareholder is a corporate body, executor of the corporate body
9. An executor of another company who is concurrently an External Director of the Company group (if an executor of the Company group is an External Director of another company whose executor is also an external officer of the Company)
10. Those to which 2 - 9 above are applicable for the past five years
11. Spouse and relative by affinity within the second degree of kinship of those who apply to any of the above 1 - 10 (limited to those who have an important position, including Director (excluding External Director), executive officer, and senior management employee above general manager, attorney belonging to legal company, certified public accountant belonging to an audit corporation or an accounting firm, councilor, director, and supervisor, belonging to a incorporated foundation, incorporate association, or incorporated educational institution, or others of equivalent importance from an objective and reasonable point of view)
12. Apart from the above, those who have a particular reason for not being able to carry out the duties of an independent external officer, such as those with a conflict of interest with the Company

It should also be mentioned that even when one applies to any of the above 2 - 11, if the person fulfills the conditions to be an external officer under the Companies Act, and if the Company considers the person appropriate to be an independent external officer, it is possible for this person, as an exception, to be a candidate for independent external officer with the reasons for the nomination articulated.

### **Proposal 3: Continuation of Policy to Address Large-scale Purchases of the Company's Shares (Takeover Defense Measures)**

Having obtained approval by resolution of the 53rd Ordinary General Meeting of Shareholders held on June 28, 2006, as a measure for enhancing the Company's corporate value, as well as for ensuring and improving the common interests of the shareholders, the Company introduced countermeasures against large-scale purchases of the Company's shares (takeover defense measures) for the purpose of preventing abusive acquisition of the Company and other hostile actions. Subsequently, the continuation of the policy was approved by shareholders at the 55th, 58th, 61st and 64th Ordinary General Meetings of Shareholders, as part of the contents were revised as necessary in consideration of various developments about takeover defense measures (hereinafter referred to as the "Current Plan"). The effective period of the Current Plan will expire at the conclusion of this Ordinary General Meeting of Shareholders.

After the continuation of the Current Plan was approved, the Company has explored the best way to implement it, including the pros and cons of having it from the perspective of enhancing corporate value, as well as ensuring and improving the common interests of the shareholders, taking into account changes in social and economic conditions, and developments in various arguments on takeover defense measures.

As a result, at the Board of Directors Meeting held on May 12, 2020, the Company decided to continue the Current Plan on the condition that shareholders at this Ordinary General Meeting of Shareholders approves it as an effort to prevent an inappropriate person from controlling the decisions on the financial and business policies of the Company (Article 118, Item 3 (ii) (2) of the Ordinance for Enforcement of the Companies Act) in light of the Basic Policies related to the way a person is to control the decisions on the financial and business policies of the Company (hereinafter the "Basic Policies"), provided by Article 118, Item 3 of the Ordinance for Enforcement of the Companies Act (hereinafter, the Current Plan is referred to as "this Plan" after its continuation). Please be advised of the details as below.

At the above meeting of the Board of Directors, the continuation of this Plan was unanimously approved and passed by eight directors, including one independent external director, and all four of the Company audit & supervisory board members, including two external audit & supervisory board members, attended the meeting and expressed their approval of this Plan, provided that the concrete implementation of this Plan is carried out appropriately.

The major changes in this plan are as follows.

- 1) The members of the special committee are limited to those external directors or external audit & supervisory board members of the Company who have been notified to the Tokyo Stock Exchange as "independent director" (the number of independent directors is to be increased from two to four).
  - 2) In addition, an outline of the Special Committee Rules was provided, and the wording was arranged, for example, by using the western calendar for the date.
- I. Basic Policies Related to the Way the Persons who Control the Decisions on the Financial and Business Policies of the Company
- The Company believes that the persons who controls the decision on the financial and business policies of the Company needs to be one who fully understands details of finance and business the origin of the Company's corporate value, and the relationships of trust with each of the stakeholders who support the Company, and who sincerely aims to continuously secure and enhance the Company's corporate value, and also the common interests of its shareholders.

Since the Company is a listed company, the purchase and sale of the Company's shares is, in

principle, made at the discretion of shareholders and investors, and we believe that the decision whether or not to accept a proposal to purchase a large number of shares, which would involve a transfer of control of the company, should ultimately be made based on the consensus of the shareholders. Even if it is a large-scale purchase of shares of our Company, if it contributes to the improvement of our Company's corporate value and ultimately to the common interests of shareholders, we do not deny this, nor do we deny the significance and effect of revitalizing corporate activities through changes in management control.

However, in recent years, there has been a trend in Japan's capital markets to suddenly, hostilely and unilaterally purchase a large number of shares without prior consultation or agreement with the management of the target company. Among the unilateral purchases of a large number of shares, we believe there may be purchases that significantly damage the enhancement of the corporate value of the target company and consequently the common interests of its shareholders, such as those that target only businesses, assets, technology or know-how in a specific field, or that would obviously damage the corporate value of the target company and consequently the common interests of its shareholders due to the purpose of the purchase; those that may effectively force shareholders to sell their shares; those that do not provide sufficient time or information to consider the purchase for the board of directors or shareholders of the target company or to propose an alternative proposal for the board of directors of the target company; and those that do not show a sincere intention to conduct reasonable management activities.

As part of the responsibility of the management entrusted by the Company's shareholders, the Company has made efforts to conduct investor relations activities so that the Company's shareholders and investors can understand the appropriate value of the Company's shares.

However, the Company believes that it is essential that appropriate and sufficient information be provided by both the Purchaser and the Board of Directors of the Company to the shareholders who are required to make an appropriate decision in a short period of time on the appropriateness of the price for the acquisition of the Company's shares presented by the Purchaser in the event of a sudden large-scale acquisition of the Company's shares. Furthermore, the Company believes that information such as the impact of the Acquisition on the Company, the management policy of the Purchaser when it participates in the management of the Company, the details of the Purchaser's business plan, the Purchaser's past investment behavior, and the opinion of the Board of Directors of the Company regarding the Acquisition will be the material information for making decision to the Company's shareholders.

In this regard, under the current Financial Instruments and Exchange Act, there is a mechanism for providing information under the tender offer regulations, but since a large-scale purchase conducted in the market is not subject to the regulations, the aforementioned mechanism for providing information cannot be established. Furthermore, even with respect to a Large-Scale Purchase to which the Tender Offer Restrictions apply, the number of questions to the Purchaser in the Opinion Report, as permitted under the Financial Instruments and Exchange Act, is limited to one time, and the Purchaser is not required to provide sufficient answers to such questions, and it is possible for the Purchaser not to provide answers with reasons. Therefore, it cannot be denied that even in the case of a Large-Scale Purchase to which the Tender Offer Regulations apply, there may be cases in which shareholders are required to respond to the pros and cons of the Tender Offer without providing sufficient information and without securing sufficient time for shareholders to consider whether or not to accept the Tender Offer.

As a result of considering the above situation, the Company believes that it is necessary for a large-scale purchaser to provide the Board of Directors in advance with information necessary and sufficient



for the shareholders to make a decision on the purchase in accordance with certain reasonable rules established and disclosed in advance by the Company, and to allow the purchaser to commence the purchase only after a certain evaluation period has elapsed at the Board of Directors.

In addition, as mentioned above, it cannot be said that there are no Large-Scale Purchases that would cause irreparable damage to the Company such as significantly damage for the corporate value of the Company and the common interests of its shareholders. The Company recognizes that it is its natural responsibility as a person entrusted with the management of the Company to protect the corporate philosophy and brand of the Company and the interests of its shareholders and other stakeholders from such Large-Scale Purchases.

In order to fulfill the above responsibilities, the Board of Directors believes that it is necessary to determine whether or not a purchaser who intends to acquire a large number of the Company's shares is appropriate as a person who controls decisions on the Company's financial and business policies, after carefully considering the impact of such acquisition on the enhancement of the corporate value of the Company and the common interests of its shareholders, based on the details of the Purchaser's business, future business plans, past investment behavior, and other factors, and that it is necessary to take measures that the Board of Directors consider appropriate in accordance with certain reasonable rules established and disclosed in advance in order to enhance the corporate value of the Company and, by extension, ensure the common interests of its shareholders.

## II. The Source of the Company's Corporate Value and Special Efforts that Contribute to Putting the Basic Policies into Practice

### 1. The source of the Company's corporate value

Since its founding in 1955, the Company, as a group, has pursued a unique business model by developing, manufacturing, and selling money handling units for the gaming market and commercial market (retail, banking, transportation, etc.) including a variety of vending machines, fare adjustment machines and IT terminals and a broad range of labor-saving machines for handling money to all markets in the world and a series of devices and equipment for amusement business through carrying out basic research and technology development with an eye on the future on the strength of technological capability and a huge amount of monetary data accumulated from the past related to currency validation and transport, that we have built over decades, as well as on a stable financial standing.

In addition, the Company has obtained more than 200 gaming licenses through rigorous screening of the Company and its management team by the Gaming Commission of each U.S. state, and boasts a high share of the U.S. casino market based on its credibility as a compliance-oriented company.

The Company has contributed to the development of the economy and society through these unique businesses while helping build a social environment that meets the needs of the times and security systems by developing hybrid products with bill validator units that respond to the emergence of cashless payments, and system product that integrate bill transport technology and money payment function. The company will continue to make efforts to broadly promote our high-quality, high-performing products to various markets and to increase their adoption in various fields.

## 2. Outline of efforts to maximize corporate value

### (1) Formulation of a medium-term management plan

The Company is currently conducting its business activities under the following basic policies and priority measures set forth in the Medium-Term Management Plan Rolling Plan (IV), which ends in fiscal 2021 (the fiscal year ending March 2022), announced on May 14, 2019.

#### [Basic Policy]

“Improve earnings structure and management cultures to enhance our corporate value”

- 1) Strengthen our global governance system
- 2) Enhance profitability and rebuild the earnings structure
- 3) Strengthen competitiveness by enhancing the ability and speed of our business promotion and execution; and
- 4) Renewal of management system (foundation)

#### [Priority Measures]

##### 1) Expand new business

(Expand the sales channel)

- Accelerate the expansion of markets, regions, and customer bases by strengthening the global commercial function, the third business division.

(Create a new market by developing a new product)

- Accelerate the early launch of developing themes and expedite the contribution to sales through new products.

##### 2) Improve the profitability of the existing businesses

- Consistently revamp earning structure and management structure in sales, development, production, quality control, and maintenance divisions.

##### 3) As a long-term vision we will create a forth business division as a new business field with considering new payment system era working to strengthen the technological innovation and marketing to respond to changes of the market structure and the technology and development capabilities that can respond to new market creation.

##### 4) Endeavor toward achieving targets of the medium-term management plan (IV) by mainly strengthening mobility for business activities of each division and devoting optimum management resources, including strategic investment such as M&As, financial strategies, and human resource strategies to implementing the above measures from (1) to (3).

Unfortunately, in fiscal 2019, the first year of our medium-term management plan, we had a difficult start, missing our targets for both net sales and profits, due to a reactionary decline in pre-law enforcement rush demand in Germany, an increase in expenses resulting from the accelerated transfer of production sites from China to the Philippines against the backdrop of soaring labor costs and additional tariffs associated with the trade friction between the U.S. and China, as well as the timing of the market launch of new products was in off-crop season. In light of the above situation, in which the earnings forecast will deviate significantly from the plan from the first year, we have already started to review the medium-term management plan and plan to formulate a new management plan while assessing the impact of the new coronavirus on production and sales. First, we will work to secure market share in our main markets and expand our business domains to bring us closer to the numerical targets set forth in the current Rolling Plan (IV).

## (2) Strengthening of corporate governance

In June 2006, the Company has introduced an executive officer system to separate management oversight functions from business execution functions and has made a series of reforms to corporate governance in pursuit of the most appropriate style for the Company. In June 2014, the Company has introduced an external director system and appointed two directors, including a non-Japanese director, to strengthen the supervisory function of directors over the execution of business and to improve management transparency. Although the number of external directors was temporarily reduced to one last year, we will work to ensure diversity in the Board of Directors and strengthen the supervisory function by returning the number of external directors to two, and by adding two new external audit & supervisory board members, one of whom is a woman subject to the approval of a proposal for the election of directors at this Ordinary General Meeting of Shareholders.

## (3) Policy for returning profits

Regarding the policy for returning profits, the Company has set a goal of deciding the policy with a minimum consolidated dividend ratio of 30% as the basis and with DOE (dividend on equity) in mind, while considering both an increase in dividend amounts through expanding profits based on growth strategy, and stable payment of dividends as returning profits to the shareholders. In accordance with this policy, the Company will continue to return profits in accordance with the performance of each fiscal year.

### III. Efforts to Prevent an Inappropriate Person from Controlling the Decisions on the Financial and Business Policies of the Company considering the Basic Policies

#### 1. Purpose of the continuation of this Plan

This Plan is intended to be continued for the purpose of enhancing the Company's corporate value and ultimately, improving the common interests of the shareholders in accordance the Basic Policies described in I.

The Board of Directors of the Company has concluded that it is essential to have in place a framework for preventing large-scale purchases of shares that conflict with the corporate value and ultimately, the common interests of the shareholders. Under the framework, in the case of a large-scale purchase of shares of the Company, the Board of Directors will have the Purchaser and the person who proposes the purchase (hereinafter, collectively referred to as "Purchasers") provide information on the said purchase in advance, and thereby, the shareholders can decide whether or not to accept the purchase, or the Board of Directors of the Company can either secure the time necessary to make alternative proposals or negotiate with the Purchasers on behalf of the shareholders.

The situation of major shareholders of the Company as of March 31, 2020 is as described in business report. Approximately 33% of the total Company shares issued are held by the Company's board members (seven directors, two audit & supervisory board members and seven executive officers) and their related parties (one asset management firm, the employee shareholding association, and six relatives within a second degree of kinship with the directors, audit & supervisory board members and executive officers). However, the Company is listed on a stock exchange. Therefore, it is natural that shares of the Company change hands through transactions and other methods, based on the independent will of shareholders. About 17% of the approximately 33% shares held by the Company's directors and their related parties are held by individual shareholders. It cannot be denied that the

possibility that the Company's shares may be transferred, inherited, or otherwise disposed of according to the will or circumstances of each individual, and that the shares held may be dispersed or scattered and there is no guarantee of future stability. It causes the possibility that a large-scale purchase of shares may be made in the future that may damage the corporate value of the Company and the common interests of shareholders.

Accordingly, judging that the effort remains necessary to prevent an inappropriate person from controlling the decisions on the financial and business policies of the Company in light of the Basic Policies, the Company, at the Board of Directors Meeting held on May 12, 2020, has decided to continue the effort on the condition that the proposal is approved by shareholders at this Ordinary General Meeting of Shareholders.

Please be advised that as of the time when the continuation of this Plan was decided, there was no evidence that the Board of Directors of the Company had received any proposal for a large-scale purchase of shares from a specific third party.

## 2. Details of this Plan

The contents of this Plan are as follows. Please also refer to the procedures related to this Plan that is summarized in the form of a flow chart in [Attachment 1].

### (1) Purchases subject to this Plan

Under this Plan, in the case that a purchase that meets [1] and [2] as follows (excluding cases in which the Board of Directors has given its consent beforehand) is undertaken, the procedures set forth by this Plan shall be followed.

[1] A purchase that brings the total of the holding rate (Note 3) of holders (Note 2) of share certificates, etc., that were issued by the Company (Note 1) to 20% or more.

[2] A tender offer that brings the total ownership rate (Note 6) of share certificates, etc., issued by the Company (Note 4), related to the tender offer (Note 5), and that of persons in its special relationship (Note 7) to 20% or more.

Note 1) means the share certificates, etc., prescribed in Article 27-23, paragraph 1 of the Financial Instruments and Exchange Act. The same shall apply hereinafter except as otherwise provided.

Note 2) means the holders, prescribed in Article 27-23, paragraph 3 of the Financial Instruments and Exchange Act. The same shall apply hereinafter except as otherwise provided.

Note 3) means the holding rate of share certificates, etc., prescribed in Article 27-23, paragraph 4 of the Financial Instruments and Exchange Act. The same shall apply hereinafter except as otherwise provided.

Note 4) means share certificates, etc., prescribed in Article 27-2, paragraph 1 of the Financial Instruments and Exchange Act. The same shall apply to [2].

Note 5) means tender offers, prescribed in Article 27-2, paragraph 6 of the Financial Instruments and Exchange Act. The same shall apply hereinafter except as otherwise provided.

Note 6) means the ownership rate of share certificates, etc., prescribed in Article 27-2, paragraph 8 of the Financial Instruments and Exchange Act. The same shall apply hereinafter except as otherwise provided.

Note 7) means persons in a special relationship, prescribed in Article 27-2, paragraph 7 of the

Financial Instruments and Exchange Act. However, the persons prescribed in paragraph 1 of the same Act exclude those prescribed in Article 3, paragraph 2 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc., by Person Other Than Issuer. The same shall apply hereinafter except as otherwise provided.

(2) Demand for Purchasers to submit information

If Purchasers conduct or propose a purchase (hereinafter both referred to as “Purchases”), Purchasers are firstly required to submit to the Company a letter of intent, before effecting Purchases, stating that the said Purchasers will observe the procedures set forth by this Plan when conducting Purchases.

The letter of intent shall comply with a form specified by the Company and clearly describe the name, address, governing law of incorporation of the Purchasers, their name of the representative, and their contact information in Japan, as well as the outline of the Purchases. Please note that the letter of intent shall be written in Japanese only.

Next, the Company will issue to Purchasers a list of information items that Purchasers shall submit to enable shareholders to make judgments and the Company’s Board of Directors to form opinions, etc., (hereinafter referred to as the “Necessary Information”) within 10 business days of receiving the letter of intent. The specific contents of the information to be submitted include the following as concrete examples, though they depend on the attributes of Purchasers and the contents of Purchases. Such information shall also be submitted in Japanese only.

(a) Concrete contents of Purchases

- [1] Purposes, methods, and contents of Purchases (including the timing of purchases, schemes of related transactions, legality of purchasing methods, and probability of executing purchases).
- [2] Need or no need for Purchasers to obtain a third party’s consent in effecting Purchases. If needed, their contents.
- [3] Contents of consideration for Purchase (the value, types, etc.) and grounds for the calculation (facts and hypotheses as the premises of the calculation, calculation method, and numerical information used for calculation, as well as the value of synergies that are expected to be created by a series of deals related to Purchases and grounds for the calculation).
- [4] Information substantiating the availability of funds for Purchases, the specific name of fund providers to Purchasers (including effective fund providers), and methods for financing Purchases (including the contents of related deals).
- [5] Contents of the Company group’s management policies, business plans, financing plans, capital policies, dividend policies, measures for utilizing assets, etc., after the Purchase is executed.
- [6] Policies for treating the Company’s and Company group’s stakeholders, including employees, trading partners, and customers, after the Purchase is executed.
- [7] Other information that the Company reasonably judges necessary.

(b) Matters related to Purchasers

Details include the specific names, capital structures, and career records or histories of Purchasers and their groups (joint holders and people with whom they are in a special relationship), as well as information on members and constituent members (in the case of a fund), such as their line of business, financial standing, their businesses’ performance, histories and outcomes of their past acquisitions, existence or nonexistence of past violations of laws or regulations and their contents, if

any, and the career records of board members and other relevant people.

The Company may ask for additional information until all Necessary Information are collected, if the information already submitted, on its own, is regarded as insufficient for forming an opinion that facilitates the judgment of the shareholders and if written consent on the need for additional information is obtained from a special committee.

However, the period for the Purchasers' reply (hereinafter referred to as the "Period for Providing Information") is set to a maximum of 60 days after the day the list for the Necessary Information is dispatched. If that period passes before all the Necessary Information is provided, the Company may end communications with the Purchasers about provision of information and commence the procedures described in (3) below.

The Board of Directors of the Company will disclose the fact that the letter of intent was submitted, as appropriate. Regarding information provided to the Company, the Company will disclose it in full or in part in a timely manner if the Company deems it necessary.

- (3) Study of contents of purchases, negotiations with Purchasers, and presentation of alternative proposals
- If the Board of Directors of the Company judges that the information that it asked for based on (2) above has been obtained in a sufficient amount, or when the Period for Providing Information expires, the Board of Directors will notify the Purchasers to that effect, and disclose thus promptly and set the period based on that described in [1] or [2] below as the time for assessing and examining the information, negotiating with the Purchasers, or forming of opinions and formulating alternative proposals with respect to the Purchases, depending on the contents of the Purchases (hereinafter referred to as the "Assessment Period"). A Purchase can be made for the first time after the Assessment Period expires.

[1] 60 days (the first day is not included) in the case of Purchases of all shares of the Company through a tender offer with cash (the Japanese yen) as the only consideration.

[2] 90 days (the first day is not included) in the case of Purchases other than the above.

During the Assessment Period, the Board of Directors of the Company will assess, examine, and work on the contents of the Purchases of the Purchasers from the perspective of enhancing the Company's corporate value and ultimately, ensuring and improving the common interests of the shareholders, based on the information and materials that the Purchasers have submitted. In addition, the Board of Directors of the Company will discuss or negotiate with the Purchasers to improve the contents of the Purchases, as necessary, from the perspective of enhancing the Company's corporate value and ultimately, ensuring and improving the common interests of the shareholders, as well as to present alternative plans to the shareholders.

If the Board of Directors does not reach a final decision on whether or not to implement his Plan within the Assessment Period, the Board of Directors may pass a resolution to extend the Assessment Period by a maximum of 30 days (the first day is not included) within the range necessary to examine the contents of the Purchases of the Purchasers, negotiate with Purchasers, prepare alternative plans, etc. In this case, the Board of Directors of the Company will disclose the reason for extending the Assessment Period, the extended period of time, and matters that are regarded as appropriate promptly after the resolution of the extension was passed.

#### (4) Recommendation of Special Committee

##### (a) The Special Committee

The Company has set up a special committee separately as is the case with the Current Plan for the purpose of ensuring the objectivity and reasonableness of the judgments of the Board of Directors of the Company with respect to discussions, negotiations, and extensions of the Assessment Period, provided for in (3) above, as well as the applicability, etc., of Trigger Events, set forth in (b) below.

The Special Committee will follow the procedure provided for in “Special Committee Rules” to assess and examine the contents of the Purchases of the Purchasers and make a recommendation to the Board of Directors of the Company. A summary of the Special Committee Rules is shown in [Attachment 3].

In conducting assessments, examinations, and other tasks, the Special Committee may obtain advice from experts (financial advisers, attorneys in law, certified public accountants, etc.) who are third parties and independent at the expenses of the Company to ensure that its judgment contributes to the enhancement of corporate value and the common interests of the shareholders.

When the Special Committee makes a decision, all the committee members should attend the meeting in principle, and a decision shall be made by a majority vote. The Board of Directors of the Company will make a final decision by giving utmost respect to the committee’s recommendation.

In order to enable fair and neutral judgments, the Special Committee shall consist of three or more members who are selected by the board of directors from among the Company’s external directors and external audit & supervisory board member of the Company who have been notified to the Tokyo Stock Exchange as independent directors and who, in principle, have entered into an agreement with the Company that includes a duty of care clause for the Company. The names and career records of the members of the Special Committee are as described in [Attachment 3].

##### (b) The Special Committee’s recommendation for implementing this Plan

The Special Committee will recommend to the Board of Directors of the Company that this Plan be implemented (the contents of specific countermeasures are as described in [6] below) in the event that the Purchases of the Purchasers fall under any of the following events (hereinafter referred to as “Trigger Events”) and are regarded as deserving the implementation of this Plan.

[1] In the event of Purchases that do not comply with the procedures provided for in this Plan.

[2] In the event of Purchases that fall under any of the acts listed in (i) through (iv) as follows that can cause obvious damage to the enhancement of the Company’s corporate value and ultimately, the common interests of the shareholders.

(i) Act of buying up shares merely to raise its price without the Purchasers’ serious intention of being involved in corporate management, then demanding that the Company or its related people buy these shares at a high price (the so-called “green mailers”).

(ii) Act of taking temporary control of the Company and engaging in management to realize the profits of the Purchasers to the detriment of the Company, such as acquiring important assets, know-how, and confidential corporate information necessary for the Companies to run operations, as well as assets, etc., of main trading partners and customers at a low price.

(iii) Act of appropriating the assets of the Companies to secure the debts or to be a source for repayment of the debts of the Purchasers or their group companies.

(iv) Act of taking temporary control of the company management, disposing of the Companies’ real properties, securities, and other high-value assets without immediate relationship to the business

of the Companies, and paying out a temporarily high dividend with profits from that disposal, or watching for an opportunity for a rapid increase in stock prices caused by the temporarily high dividend to sell off shares.

- [3] In the event of Purchases that in fact risk pressuring shareholders to sell shares, such as a coercive two-tiered tender offer (meaning the Purchase of shares such as in a public tender offer under which the shareholders are not solicited to sell all their shares at the first stage, and the second-stage Purchase terms are disadvantageously set compared to the initial Purchase terms or the second-stage Purchase terms are left ill-defined)
- [4] In the event of Purchase terms that are insufficient or inappropriate from the perspective of the Company's intrinsic value (including the value and kind of consideration, the timing of Purchases, the legality of purchasing methods, the probability of undertaking Purchases, and the policies for treating the Company's employees, business partners, customers, and other stakeholders after the Purchases were executed.)
- [5] In the event of Purchases that risk destroying relationships with employees, customers, trading partners, creditors, and other stakeholders, who are indispensable to realizing the sustainable growth of the Company's corporate value, and causing damage to the enhancement of the Company's corporate value and ultimately, the common interests of the shareholders.

However, whether or not it is before or after the record date of the right, the Special Committee may make a new and different judgment, including on the suspension or withdrawal of the implementation of this Plan, and give that recommendation to the Board of Directors of the Company in the event of the Purchasers' withdrawal of the Purchases or the nonexistence of other Purchases after the above recommendation was made, or in the event that it is judged that the Purchases of the Purchasers do not fall under the Trigger Events, as there is a change in the relevant facts upon which the judgment on the above recommendation was premised.

Even in the event of judging whether or not this Plan should be implemented, if the Special Committee concludes that it is appropriate that the implementation obtain a resolution at a general meeting of shareholders, the Special Committee will recommend the Board of Directors of the Company to convene a general meeting of shareholders to take up an agenda item related to the implementation of this Plan thereto.

(c) The Special Committee's recommendation for not implementing this Plan

The Special Committee will recommend the Board of Directors of the Company not to implement this Plan when judging whether or not the Purchasers comply with the procedures provided for in this Plan, including the provision of information and ensuring the time for assessment provided for in (2) and (3) above, and that it has reached the judgment that the Purchases of the Purchasers do not fall under any of the Trigger Events as a result of assessment and examination of information and materials provided by the Purchasers and discussions and negotiations between the Board of Directors of the Company and the Purchasers.

However, the Special Committee may make a new and different judgment, including on the implementation of this Plan, and give that recommendation to the Board of Directors of the Company in the event that it reaches the judgment that the Purchases of the Purchasers fall under any of the Trigger Events, as there is a change in the relevant facts, etc., upon which the said judgment was premised.



(5) Resolution by the Board of Directors

The Board of Directors of the Company shall give utmost respect to the Special Committee's recommendation in (4) above and make a final decision on whether or not to implement this Plan, or whether or not to suspend or withdraw the implementation. In the event of having made such a decision, the Board of Directors of the Company will disclose information on the outline of the said decision, that of the recommendation of the Special Committee, and other matters deemed appropriate by the Board of Directors of the Company promptly after the decision was made.

In the event that the Special Committee recommends the convocation of a general meeting of shareholders related to the implementation of this Plan, the Board of Directors of the Company shall convene the meeting as soon as practically possible and take up the agenda item related to the implementation of this Plan thereto. In the event of resolving the implementation of this Plan at the general meeting of shareholders, the Board of Directors of the Company shall follow the resolution and perform the procedures necessary for the implementation of this Plan. The Purchasers must not undertake the purchase in the period from the commencement of the procedure related to this Plan to the passing of a resolution of whether or not to implement this Plan at a meeting of the Board of Directors of the Company, or to the passing of a resolution of whether or not to implement this Plan at the general meeting of shareholders in the case of the said general meeting of shareholders being convened.

In the event that a decision is made to suspend or withdraw the implementation of this Plan after the decision to implement it was made, the value of the stock per share will not be diluted. Therefore, investors who trade the Company's shares on the premise that dilution of the value of the stock per share will occur, risk suffering a considerable loss due to fluctuations in the share prices.

(6) Contents of the specific measure

The specific measure that the Board of Directors of the Company will take to counter inappropriate Purchases is an issuance of Stock Acquisition Rights through a gratis allotment as described in [Attachment 5], Procedures for Gratis Allotment of Stock Acquisition Rights (hereinafter referred to as the "Stock Acquisition Rights").

The outline of the Stock Acquisition Rights is as below:

(a) Shareholders eligible to allotments

Shareholders who are recorded in the final shareholder registry on the record date prescribed by the Board of Directors (hereinafter referred to as the "Allotment Date") when passing a resolution related to the Stock Acquisition Rights (hereinafter referred to as the "Resolution to Issue the Stock Acquisition Rights") shall be allotted Stock Acquisition Rights at a ratio of a minimum of one (1) right for every one (1) share held (however, excluding common shares of the Company held by the Company itself).

(b) Class and number of shares that are the object of the Stock Acquisition Rights

The class of shares that is the object of the Stock Acquisition Rights shall be common shares of the Company. The number of shares that is the object of one (1) Stock Acquisition Right shall be one (1) unless otherwise adjusted.

(c) The total number of Stock Acquisition Rights

The upper limit shall be calculated by multiplying the final total number of shares issued as of the Allotment Date by two (2) (however, excluding the number of shares of the Company that the

Company itself holds at the same point in time.)

(d) Amount to be paid upon exercise of the Stock Acquisition Rights

The amount to be paid for one (1) share to be delivered upon exercise of the Stock Acquisition Rights shall be one (1) yen.

(e) Exercise period of the Stock Acquisition Rights

The Exercise Period shall be from the date when three (3) weeks elapse since the effective date of the gratis allotment of the Stock Acquisition Rights to the date when six (6) months elapse since the above start date. However, if the final day of the Exercise Period is a holiday for the institutions that handle the payment, the final day will be extended to the next business day.

(f) Exercise terms of the Stock Acquisition Rights

[1] "Specified large-scale holders," [2] "Their joint holders," [3] Specified large-scale purchasers," [4] "Persons with whom they have special relationships," [5] Persons to whom the Stock Acquisition Rights were transferred or succeeded from the persons described in [1] to [4] above without the approval of the Board of Directors of the Company," or [6] "Persons related to the persons described in [1] to [5] (hereinafter, the persons corresponding to [1] to [6] are collectively referred to as the "Non-Qualified Persons"). Only persons who do not fall under any of [1] to [6] may exercise the Stock Acquisition Rights. Non-residents who are required to go through specified procedures under applicable laws at home and overseas by exercising the Stock Acquisition Rights are in principle not eligible to exercise the Stock Acquisition Rights.

For the definitions and details of the terms used in the above, please refer to [Attachment 4], Procedures for Gratis Allotment of Stock Acquisition Rights.

(g) Acquisition of the Stock Acquisition Rights

[1] The Company may acquire all the Stock Acquisition Rights without consideration on a date that falls within what the Board of Directors of the Company specifies as between the effective date of the gratis allotment of the Stock Acquisition Rights and the date when the Exercise Period of the Stock Acquisition Rights expires according to the decision of the Board of Directors of the Company in the event that the Board of Directors of the Company recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights.

[2] On a date that the Board of Directors of the Company will separately specify, the Company may acquire all the Stock Acquisition Rights held by persons other than the Non-Qualified Persons that have not been exercised until the business day immediately before the said date. In exchange, the Company may deliver one (1) common share of the Company in the number of applicable shares for every one (1) Stock Acquisition Right. In the events that include one that a third party who is not a Non-Qualified person has come to own the Stock Acquisition Rights, held by the Non-Qualified Persons, through transfers, etc., after the Company performed the acquisition, the Company may acquire such Stock Acquisition Rights multiple times.

(h) Transfer of the Stock Acquisition Rights

Transfer of the Stock Acquisition Rights is subject to approval by the Board of Directors of the Company.

(7) Effective period, continuation, abolition, and revision of this Plan

The period of delegation of the right to decide matters related to the gratis allotment of the Stock

Acquisition Rights regarding this Plan, to be given at a resolution in this Ordinary General Meeting of Shareholders (hereinafter referred to as the “Effective Period”) shall be up to the conclusion of the Ordinary General Meeting of Shareholders related to the term ending in March 2023.

The Company will seek approval to continue this Plan from the shareholders at the Ordinary General Meeting of Shareholders related to the term ending in March 2023. If approval is given, this Plan will remain effective up to the conclusion of the Ordinary General Meeting of Shareholders related to the last of the fiscal years ending within three years from the conclusion of this Ordinary General Meeting of Shareholders. Similarly, the Company shall confirm the intention of the shareholders to continue this Plan every three years thereafter.

However, even before the maturation of the effective period of this Plan and in the event that a resolution is passed to withdraw the above delegation to the Board of Directors regarding decisions on matters related to the gratis allotment of the Stock Acquisition Rights at a general meeting of shareholders of the Company, or that a resolution is passed to abolish this Plan at a meeting of the Board of Directors of the Company, which consists of directors elected at a general meeting of shareholders, this Plan shall be abolished at that point. Therefore, it is possible to abolish this Plan by the intention of the shareholders.

In addition, from the perspective of enhancement of corporate value and ultimately, ensuring and improving the common interests of the shareholders, based on the examination of the Board of Directors of the Company of revisions, establishments, etc., of the Financial Instruments and Exchange Act and other related laws and regulations, the Company may revise or alter this Plan as necessary.

In the event that this Plan is abolished or altered, the Company will disclose the facts of the said abolition or alterations promptly, as well as the contents of changes in the case of alteration and other items deemed appropriate by the Board of Directors of the Company.

#### IV. Judgment of the Board of Directors of the Company on the above Efforts and the Reasons for the Judgment

##### 1. Special efforts that contribute to realizing the Basic Policies (Efforts in II above)

The efforts described in II above have been formulated as concrete measures for enhancing the Company’s corporate value and ultimately, improving the common interests of the shareholders in a continuous manner, contributing to realizing the Basic Policies.

Therefore, these efforts comply with the Basic Policies and agree with the common interests of the shareholders but are not intended to protect the positions of directors and Audit & Supervisory Board Members of the Company.

##### 2. Efforts to prevent an inappropriate person from controlling the decisions on the financial and business policies of the Company considering the Basic Policies (Efforts in III above)

###### (1) This Plan complies with the Basic Policies

This Plan is a framework for enhancing corporate value and ultimately, ensuring the common interests of the shareholders in the event that a large-scale Purchase of shares of the Company is undertaken, under which the Board of Directors of the Company will have the Purchasers and the person who proposes the Purchase provide information on the said Purchase in advance, and thereby, the shareholders can decide whether or not to accept the Purchase, or the Board of Directors of the Company can either secure the time necessary to make alternative proposals or negotiate with the

Purchasers on behalf of the shareholders. In addition, this Plan complies with the Basic Policies.

- (2) Efforts will not damage the common interests of the shareholders and are not intended to protect the positions of the corporate officers of the Company

For the following reasons, the Company believes that the efforts to prevent control by an inappropriate person will not damage the common interests of the shareholders and are not intended to protect the positions of the corporate officers of the Company in light of the Basic Policies.

- (a) The efforts completely fulfill the requirements of the guidelines related to takeover defense measures.

This Plan completely fulfills the three principles (the principle of ensuring or enhancing corporate value and the common interests of the shareholders, the principle of prior disclosure and consent of the shareholders, and the principle of necessity and reasonableness) provided for in the “Guidelines Regarding Takeover Defenses for the Purpose of the Protection and Enhancement of Corporate Value and Shareholders’ Common Interests,” jointly announced by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005. In addition, the contents of this Plan are established in reference to “Takeover Defense Measures in Light of Recent Environmental Changes,” released on June 30, 2008 by the Corporate Value Study Group of the Ministry of Economy, Trade and Industry, as well as day-to-day practices and arguments regarding takeover defense measures.

- (b) The efforts place importance on the intention of the shareholders (resolutions at general meetings of shareholders and a sunset clause).

As described in 1 in III above, this Plan will remain effective on the condition that the shareholders give approval at this Ordinary General Meeting of Shareholders.

In addition, as described in 2 (5) in III above, Resolution by the Board of Directors Meeting, in the event that the Special Committee issues a recommendation to convene a general meeting of shareholders with respect to the implementation of this Plan, the Board of Directors of the Company will be required to convene a general meeting of shareholders to take up an agenda item about the implementation of this Plan and pass a resolution thereon at the general meeting of shareholders.

Furthermore, as described above in 2 (7) in III, Effective period, continuation, abolition and revision of this Plan, this Plan includes the so-called sunset clause that limits the effective period to about three years. In addition, before the expiration of the effective period, in the event that a resolution is passed to withdraw the above resolution to delegate, or a resolution is passed in a meeting of the Board of Directors, elected at general meetings of shareholders, to abolish this Plan, this Plan will be abolished at that point. In this sense, continuation or abolition of this Plan is based on the intention of the shareholders of the Company.

- (c) Setting reasonable and objective Trigger Events

As described in 2 (4) (b) in III above, this Plan is designed not to be implemented unless predetermined reasonable and objective requirements are fulfilled and can be regarded to incorporate a mechanism for preventing arbitrary implementation by the Board of Directors of the Company. Moreover, such Trigger Events have been set based on an elaborate analysis of the way appropriate and reasonable takeover defense measures should be in reference to materials including analysis of court cases in Japan and the above “Guidelines.”

(d) Setting of the Special Committee

The Company has set up a special committee separately for the purpose of ensuring the objectivity and reasonableness of judgments by the Board of Directors of the Company regarding negotiations and discussions with Purchasers, extension of the Assessment Period, the applicability of Trigger Events, etc.

The Special Committee, in consideration of the purpose for setting it, consists of only persons who are independent from the Board of Directors and fulfill the requirements described in 2 (4) (a) in III. The Special Committee may seek advice from independent third-party experts (financial advisors, attorneys in law, certified public accountants, etc.) at the expense of the Company.

The Special Committee will follow the procedure provided for in “Rules for Special Committee” to assess and examine the applicability, etc., of Trigger Events, and make a recommendation to the Board of Directors of the Company. The Board of Directors of the Company will make a final decision on whether to implement this Plan, or whether to suspend or withdraw the implementation while giving utmost respect to the Special Committee’s recommendation.

(e) This Plan is not a dead-hand or slow-hand takeover defense measure.

This Plan may be abolished by the Board of Directors, which consists of directors elected at general meetings of shareholders of the Company. A person who acquired a large amount of share certificates of the Company may appoint directors at a general meeting of shareholders, and the Board of Directors, which consists of such directors, may abolish this Plan.

Therefore, this Plan is not a dead-hand takeover defense measure (in which even if a majority of the Board of Directors are replaced, the implementation of this Plan cannot be stopped). In addition, as the term of office for the directors of the Company is one (1) year, this Plan is not a slow-hand takeover defense measure (in which it takes more time to stop the implementation because the directors cannot be replaced all at once).

V. Impact on Shareholders and Investors

1. Impact on shareholders and investors at the time of renewing this Plan

The Stock Acquisition Rights will not be issued at the time of renewing this Plan. Therefore, it will not have any direct and concrete impact on the rights and economic interests of the shareholders and investors.

2. Impact on shareholders and investors at the time of issuing the Stock Acquisition Rights

If a Board of Directors Meeting or a general meeting of shareholders of the Company decides to implement this Plan and pass a resolution to issue the Share Acquisition Rights through a gratis allocation of the Stock Acquisition Rights, the Company will allocate the Stock Acquisition Rights to shareholders who are recorded in the final registry of shareholders on the Allotment Date, specified by the said resolution, at a ratio of a minimum of one (1) Stock Acquisition Right for every one (1) share held.

3. Procedure required for shareholders upon issuance of the Stock Acquisition Rights

- (1) If a Board of Directors Meeting or a general meeting of shareholders of the Company decides to implement this Plan and passes a resolution to issue the Stock Acquisition Rights through a gratis

allocation of stock acquisition rights, the Board of Directors of the Company will decide and publicize the Allocation Date.

(2) Procedure for exercising the Share Acquisition Rights

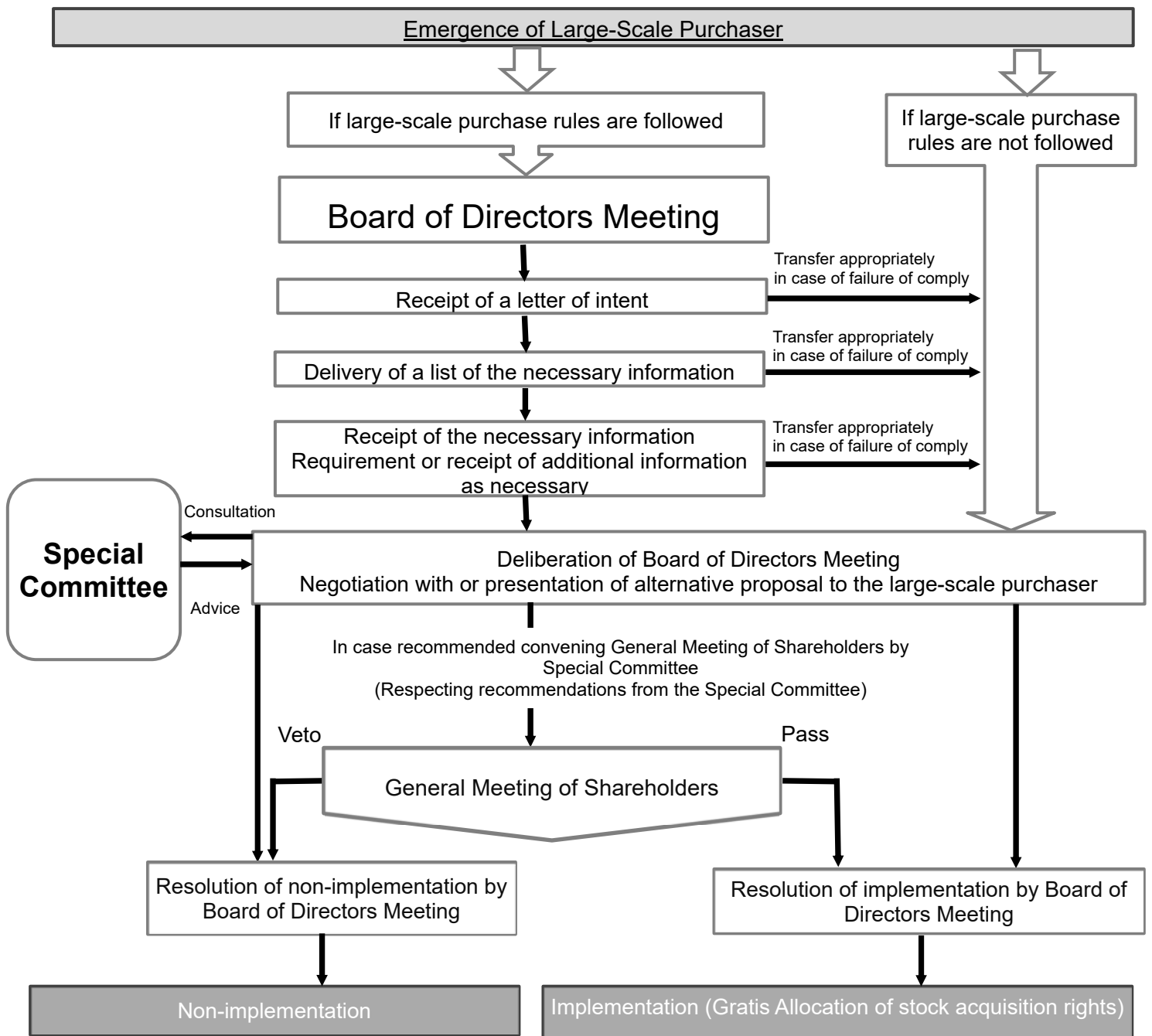
The Company will deliver an application form to be submitted by shareholders upon the exercise of the Share Acquisition Rights (in a form prescribed by the Company, including a pledge letter that states that the shareholders themselves are not Non-Qualified Persons) and other necessary documents to shareholders who are recorded in the final register of shareholders on the Allotment Date. The shareholders of the Company who submit these necessary documents and pay one (1) yen per share acquisition right held to institutions that handle the payment during the Exercise Period, separately decided by the Board of Directors of the Company, will be issued shares of the Company at a rate of one (1) common share for every one (1) share acquisition right.

(3) Procedure for acquisition of the Stock Acquisition Rights

If the Company determines terms that allow the Company to acquire the Stock Acquisition Rights in exchange for shares of the Company, the Company may acquire the Stock Acquisition Rights on the date that the Board of Directors of the Company determined separately.

In this case, if the Company acquires the Stock Acquisition Rights from shareholders other than Non-Qualified Persons and delivers common shares of the Company in exchange for them, the Company will not pay a money equivalent to the exercise price. Accordingly, the shareholders holding the Stock Acquisition Rights will receive common shares of the Company at a ratio of one (1) share of the Company for every one (1) Stock Acquisition Right as consideration. Therefore, in this case, documents related to the exercise of the Stock Acquisition Rights will not be delivered, but the said shareholders may be separately requested to submit written forms, prescribed by the Company, regarding matters such as the fact that they are not Non-Qualified Persons.

**Procedure flow of this Plan**



Note: This flowchart was created for easy understanding of the flow of procedures in this Plan after having simplified the content of the Plan. Please refer to the body of the proposal 3 for details of this Plan.

## **Outline of the Special Committee Rules**

### 1. Establishment

The Special Committee shall be established by a resolution of the Board of Directors of the Company.

### 2. Members

The Special Committee shall consist of three or more of the Company's external directors or external audit & supervisory board members who have been delegated by the board of directors of the Company and who have been notified to the Tokyo Stock Exchange as independent directors or audit & supervisory board member of the Company.

### 3. The Person Authorized to Call the Committee

A special committee shall be convened by each member of the special committee.

### 4. Requirements for Resolution

A special committee shall be constituted by the presence of all members of the special committee and shall be resolved by a majority of those present. However, if a member of the Special Committee is absent for unavoidable reasons, the resolution shall be passed by a majority of the members of the Special Committee present and approved by a majority of those present.

### 5. Powers and Duties

- 1) The special committee shall evaluate and examine the details of the purchase, etc. based on the information provided, and if necessary, make efforts to improve the corporate value of the Company and the common interests of the shareholders by recommending an extension of the evaluation period or negotiating with the prospective purchaser through the president and representative director of the Company, etc. and finally determine whether or not there are grounds for triggering the Plan and make a recommendation to the Board of Directors of the Company as to whether or not to trigger the Plan.
- 2) The Special Committee may request the Board of Directors of the Company to submit information necessary for resolutions and recommendations.
- 3) The Special Committee shall recommend the triggering of the Plan to the Company's Board of Directors if the purchase, etc. falls under a triggering event and it is deemed appropriate to trigger the Plan. However, even in the event that the Special Committee deems it appropriate to trigger the Plan, if the Special Committee deems it appropriate to obtain a resolution of the General Meeting of Shareholders regarding the triggering of the Plan, the Special Committee shall recommend that the Board of Directors convene a general meeting of shareholders and propose a proposal for triggering the Plan.

### 6. Consultation

Special Committees may, at the expense of the Company, obtain the advice of independent third-party experts (Includes financial advisers, certified public accountants, lawyers, and other professionals.).



## 7. The Board of Directors' Duty to Respect

The Board of Directors of the Company shall make the final decision with the utmost respect for the recommendations of the Special Committee. However, if the triggering of the Plan is put to a general meeting of shareholders of the Company, it shall be subject to the resolution of such general meeting of shareholders.

Names and Brief histories of Special Committee members

1. Koji Yoshikawa

(Date of Birth: February 8, 1950)

- Apr. 1978 Appointed Public Prosecutor, Osaka District Public Prosecutors Office
- Apr. 2000 Deputy Manager, Special Investigation Department, Osaka District Public Prosecutors Office
- Apr. 2004 Prosecutor, Supreme Public Prosecutors Office
- Jul. 2005 Deputy Chief Public Prosecutor, Osaka District Public Prosecutors Office
- Jan. 2009 Chief Public Prosecutor, Kobe District Public Prosecutors Office
- Jan. 2010 Resigned from Prosecutor
- Mar. 2010 Registered as Attorney
- Jun. 2014 External Director of the Company (present)

[Important Concurrent Position]

Attorney (Baba Law Firm)

External Audit & Supervisory Board Member of NCS&A Co., Ltd.

\* Mr. Koji Yoshikawa is an external director as defined in Article 2, Item 15 of the Companies Act and will be reappointed as an external director of the Company subject to his election at this Ordinary General Meeting of Shareholders. The Company has registered him as an independent officer as stipulated by the Tokyo Stock Exchange.

2 Tatsuhiko Saruwatari

(Date of Birth: March 1, 1953)

- Apr. 1976 Joined Toto Kiki Ltd. (current TOTO Ltd.)
- Jun. 2001 Director, Executive Officer, Director of Equipment Business Group of the Same Company
- Jun. 2002 Director, Managing Executive Officer, Director of Equipment Business Group, General Manager of Central Technology Center of the Same Company
- Jun. 2006 Director, Senior Managing Executive Officer, In Charge of Research & Technology Group, Corporate Planning Department of the Same Company
- May 2013 External Audit & Supervisory Board Member of Izutsuya Co., Ltd.
- Jun. 2013 Representative Director, Executive Vice President of TOTO Ltd.
- Jun. 2016 External Audit & Supervisory Board Member of Noritake Co., Ltd. (present)

[Important Concurrent Position]

External Audit & Supervisory Board Member of Noritake Co., Ltd.

\* Mr. Tatsuhiko Saruwatari will be appointed as an External director as stipulated in Article 2, Item 15 of the Companies Act, subject to his election at this Ordinary General Meeting of Shareholders. The Company plans to register him as an independent officer as stipulated by the Tokyo Stock Exchange.

### 3 Hiroshi Morimoto

(Date of Birth: July 13, 1960)

Apr. 1987 Certified as Attorney, Joined Kitahama Partners

Jun. 1995 External Audit & Supervisory Board Member (present)

[Important Concurrent Position]

Attorney (The Representative of Kitahama Partners and the CEO of Kitahama Group)

External Audit & Supervisory Board Member, Senshukai Co., Ltd.

External Audit & Supervisory Board Member, IwaiCosmo Securities Co., Ltd.

\* Mr. Hiroshi Morimoto is an external audit & supervisory board member as stipulated in Article 2, Item 16 of the Companies Act and will be reappointed as an external audit & supervisory board member of the Company subject to his election at this Ordinary General Meeting of Shareholders. The Company plans to register him as an independent officer as stipulated by the Tokyo Stock Exchange.

### 4. Yoko Sato

(Date of Birth: July 23, 1960)

Sep. 1986 Joined Showa Ota & Co. (current Ernst & Young ShinNihon LLC)

Mar. 1990 Registered as a Public Accountant (present)

May. 2011 Senior Partner, Ernst & Young ShinNihon LLC

Jun. 2019 Resigned from the Same Company

Sep. 2019 Established Yoko Sato Certified Public Accountant Office (present)

[Important Concurrent Position]

Public Accountant (Yoko Sato Certified Public Accountant Office)

\*Ms. Yoko Sato will be appointed as an External Audit & Supervisory Board Member as stipulated in Article 2, Item 15 of the Companies Act, subject to her election at this Ordinary General Meeting of Shareholders. The Company plans to register her as an independent officer as stipulated by the Tokyo Stock Exchange.

Guideline of Gratis Allocation of the Stock Acquisition Rights

(a) Content of the stock acquisition right

(1) Type and the number of shares to be acquired under the stock acquisition right

- 1) Type of shares to be acquired under the stock acquisition right shall be common shares of the Company.
- 2) The number of shares of the Company to be delivered (this collectively refers to issuance of new shares of the Company and transfer of shares of the Company held by the Company corresponding to such new shares. This shall hereinafter apply.) in exchange for acquisition of the stock acquisition right and the number of shares of the Company to be newly delivered by the exercise of the stock acquisition right shall be as provided in (b) below.

However, if the number of subject shares (defined in 3) below) is adjusted in 3) below, the number shall be adjusted to that calculated by multiplying the number of subject shares after adjustment by total number of the stock acquisition rights.

- 3) The number of common shares of the Company to be delivered in exchange for acquisition or by the exercise of each stock acquisition right (hereinafter referred to as the "Number of Subject Shares") shall be one share. However, if the Company makes a stock split or reverse stock split, the Number of Subject Shares shall be adjusted by the following calculation formula:

Number of Subject Shares after adjustment = Number of Subject Shares before adjustment x rate of stock split/ reverse stock split

In this connection, such adjustment shall be made only for the stock acquisition rights not acquired or exercised at that time, and any fractions less than one share, which may occur as a result of adjustment, shall be rounded down, with no adjustment in cash being made. In addition, for such treatment of fractions, in adjusting the Number of Subject Shares given any subsequent event of adjustment of the Number of Subject Shares, such fractions shall be properly reflected in the Number of Subject Shares before adjustment, and the Number of Subject Shares after adjustment shall then be calculated.

(2) Value of assets to be contributed in exercising the stock acquisition right

- 1) The amount to be paid in exercising each stock acquisition right shall be the value calculated by multiplying the exercise price (defined in 2) below) by the Number of Subject Shares.
- 2) The amount of one share of common stock of the Company to be paid in exercising the stock acquisition right (hereinafter referred to as the "Exercise Price") shall be ¥1.

(3) Bank receiving the amount to be paid in exercising the stock acquisition right and place of receipt of payment

The above bank and place shall be designated by the Board of Directors of the Company at the time of resolution of issuance of the stock acquisition right.

(4) Exercise period for the stock acquisition right

Exercise period shall be a period from the day three weeks after the effective date of gratis allocation of the stock acquisition right in (d) below to the day six months after this effective date. However, if the last day of the exercise period falls on a non-business day of the place of receipt of payment, the following business day shall be the last day.

(5) Matter concerning capital and capital reserve to be increased when shares are issued following the

exercise of the stock acquisition right

When issuing common shares of the Company following the exercise of the stock acquisition right, the entire amount of offer price of shares shall be capitalized, and the amount not to be included in capital shall be ¥0.

(6) Restrictions on transfer of the stock acquisition right

Transfer of the stock acquisition right requires approval of the Board of Directors of the Company.

(7) Acquisition of the stock acquisition right

- 1) If the Board of Directors of the Company considers it appropriate for the Company to acquire the stock acquisition right, the Company may acquire all stock acquisition rights free of charge at a date specified by the Board of Directors during the period from the effective date of gratis allocation of the stock acquisition right to the maturity of the exercise period for the stock acquisition right.
- 2) the Company may acquire at a date separately specified by the Board of Directors of the Company all stock acquisition rights not exercised until the business day prior to the said date specified by the Board of Directors of the Company of the stock acquisition rights held by those other than the “Non-Qualified Persons” defined in (e)-(1) below, and deliver in exchange for this one common share of the Company from the Number of Subject Shares in relation to one stock acquisition right. If any third party other than the Non-Qualified Persons acquires the stock acquisition right held by any Non-Qualified Persons by transfer, etc. after the Company’s acquisition, the Company may implement more than one such acquisition of the stock acquisition rights.

(8) Succession of obligations involving the stock acquisition right in the case of merger, company split-up, stock swap and stock transfer

In the case of a merger/ company split-up/ stock swap/ stock transfer, if a merger in which the Company succeeding obligations involving the stock acquisition rights becomes an expired corporation, split-up by merger or new establishment in which the Company becomes a company split, or stock swap or stock transfer in which the Company becomes a wholly-owned subsidiary is conducted, obligations involving the stock acquisition right not acquired, exercised, or retired at the time may be transferred under the decision policy below to the surviving company after merger (hereinafter referred to as the “Surviving Company in Merger”) or company to be established through the merger (hereinafter referred to as the “New Company in Merger”) in the case of a merger, a company taking over all or part of obligations held by the Company split in the split-up by merger in connection with that company’s business (hereinafter referred to as the “Succeeding Company in Split-up by Merger”), a new company established in new establishment in split-up by new establishment (New Company in Split-up by Establishment”), or a company which becomes the wholly owning parent company through stock swap or stock transfer (wholly owning parent company in Stock Swap, wholly owning parent company in Stock Transfer and those six companies are referred to collectively as the “Surviving Company, etc.”) in a stock swap or stock transfer. However, this shall only apply when a proposal on the merger contract, contract on split-up by acquisition, plan for split-up by new establishment, stock swap contract, or stock transfer plan in which the effect that succession of obligations involving the stock acquisition right is subject to the following decision policy for each case is entered is approved by the general meeting of shareholders of the Company:

- 1) Type of shares to be acquired under the stock acquisition right succeeded  
Common stock of the Surviving Company, etc.
- 2) Number of shares to be acquired under the stock acquisition right succeeded

The number of shares shall be reasonably adjusted corresponding to the ratio, etc. of merger, company split-up, stock swap, or stock transfer. Fractions less than one share after adjustment shall be rounded down.

3) The amount to be paid in exercising each stock acquisition right succeeded

The amount shall be reasonably adjusted corresponding to the ratio, etc. of merger, company split-up, stock swap, or stock transfer. Fractions less than ¥1 after adjustment shall be rounded down.

4) Exercise period for the stock acquisition right succeeded, other acquisition or exercise of the right conditions, lapse of the resolution on issuance, etc.

Those matters shall be determined by the Board of Directors of the Company at the time of merger, company split-up, stock swap, or stock transfer in accordance with this Guideline.

5) Approval of transfer by the Board of Directors

Transfer of the stock acquisition right requires approval of the Board of Directors of the Surviving Company, etc.

(9) Restrictions on issuance of certificates the stock acquisition right

No certificates of the stock acquisition right shall be issued.

(b) Total number of stock acquisition rights

Total number shall be up to the number calculated by multiplying the last outstanding shares as of the record date (defined in (d) below) for gratis allocation of the stock acquisition right (excluding the number of common shares held by the Company at that time) by 2.

(c) Method of gratis allocation of the stock acquisition right and recipients of such allocation

For shareholders recorded in the final list of shareholders (including those who cannot exercise stock acquisition rights in accordance with the provision of (e) below, and excluding the Company as owner of treasury stock) as of the record date for gratis allocation of the stock acquisition right (defined in (d) below), the stock acquisition right shall be allocated by one or more in relation to one share of common stock of the Company held by them

(d) Record date for gratis allocation of the stock acquisition right and the effective date

(1) Record date

Record date shall be the day separately specified by the Board of Directors of the Company, which comes after the day the Board of Directors of the Company determines implementation of the Plan.

(2) Effective date

Effective date shall be the day separately specified by the Board of Directors of the Company, which comes after the record date.

(e) Conditions for the exercise of the stock acquisition right

(1) [1] "Specified large-scale holders," [2] "Their joint holders," [3] "Specified large-scale purchasers," [4] "Persons with whom they have special relationships," [5] Persons to whom the Stock Acquisition Rights were transferred or succeeded from the persons described in [1] to [4] above without the approval of the Board of Directors of the Company," or [6] "Related party regarding [1] to [5] (hereinafter, the persons corresponding to [1] to [6] are collectively referred to as the "Non-Qualified Persons"). Only persons who do not fall under any of [1] to [6] may exercise the Stock Acquisition Rights.

In this connection, the terms used in above shall be defined as follows:

1) "Specified large shareholder" means a party which holds at least 20% (defined in Article 27-23-4 of the Financial Instruments and Exchange Law) of all stock certificates, etc. issued by the Company

- (defined in Article 27-23-1 of that Law. This shall hereinafter apply unless otherwise provided.) or is recognized by the Board of Directors of the Company to hold at least 20% of such stock certificates.
- 2) "Their joint holders" means a party defined in Article 27-23-5 of the Financial Instruments and Exchange Law (including those recognized by the Board of Directors of the Company to be classified into this category). This also includes a party deemed to be a joint shareholder in accordance with Item 6 of that Article.
  - 3) "Specified large-scale purchasers" means a party which gives public notice of purchase, etc. (defined in Article 27-2-1 of the Financial Instruments and Exchange Law. This shall hereinafter apply.) of stock certificates, etc. (defined in Article 27-2-1 of that Law) issued by the Company through takeover bid (defined in Article 27-2-6 of that Law), and is to have at least 20% of all stock certificates by combining the ratio of his stockholdings, etc. (defined in Article 27-2-8 of that Law. This shall hereinafter apply.) after such purchase (including cases designated in Article 7-1 of the enforcement regulations of the Financial Instruments and Exchange Law as those similar to this) with the ratio of stockholdings, etc. of his special interested party.
  - 4) "Persons with whom they have special relationships" means those defined in Article 27-2-7 of the Financial Instruments and Exchange Law (including those recognized by the Board of Directors of the Company as are classified into this category). However, for those indicated in Paragraph 1 of Item 7, those designated in Article 3-2 of the Cabinet Office Order concerning disclosure of takeover bid by those other than the issuer shall be excluded.
  - 5) "Related party" to someone means a party which is recognized by the Board of Directors of the Company as one who actually controls him, is controlled by him, or is under common control with him, or as one who acts in cooperation with him.
- (2) The provision of (1) above notwithstanding, those entered in each of the following paragraphs [1] and [4] shall not be classified as Specified large-scale holders or Specified large-scale purchasers:
- [1] The Company, and its subsidiary or affiliate;
  - [2] Party which is recognized by the Board of Directors of the Company to become a specified large shareholder with no intention to control the Company, and which is no longer a specified large shareholder by selling stock certificates, etc. of the Company held by him within ten days after he became a specified large shareholder (however, the Company may extend such period);
  - [3] Party which is recognized by the Board of Directors of the Company to become a specified large shareholder although he has no such intention for such reasons as the Company's acquisition of treasury stock (however, a case where he intentionally acquires new stock certificates, etc. after that is excluded);
  - [4] Party whose acquisition or holding of stock certificates, etc. of the Company is recognized by the Board of Directors of the Company not to conflict with the corporate value of the Company or common interest of shareholders (the Board of Directors of the Company may at any time recognize this. In addition, if the Board of Directors of the Company recognizes that the corporate value of the Company or common interest of shareholders is not violated under a certain condition, this may be allowed only if such condition is met.);
- (3) If it is required by the applicable law of a foreign country that a party existing in the jurisdiction under that law 1) perform designated procedures, 2) meet designated conditions (including prohibition of exercise for a specific period and submission of designated documents), or 3) meet both conditions to exercise the stock acquisition right (hereinafter collectively referred to as the "Exercise Procedures/

Conditions under Applicable Law”), the party existing in that jurisdiction may exercise the stock acquisition right only if all the Exercise Procedures/ Conditions under Applicable Law are performed or met. However, regarding the Exercise Procedures/ Conditions under Applicable Law necessary to be performed or met by the Company in order that the party existing in the jurisdiction can exercise the stock acquisition right, the Company shall not liable to perform or meet such Conditions. In addition, if it is not approved under the said law that the party existing in the jurisdiction exercises the stock acquisition right (hereinafter referred to as the “Event of Prohibition of Exercise under Applicable Law”), the party existing in the jurisdiction cannot exercise the stock acquisition right.

- (4) The provision of (3) above notwithstanding, only if a party existing in the U.S. promises the Company to exercise the stock acquisition right 1) by representing and guaranteeing that the party is an accredited investor defined in 501 (a) of the U.S. Securities Act of 1933, and 2) by reselling common shares of the Company acquired as a result of the exercise of the stock acquisition right only in a regular transaction at the Tokyo Stock Exchange (however, such resale shall not be under prior arrangement, and prior solicitation shall not be conducted), the party may exercise the stock acquisition right. Only in this case, shall the Company perform or meet the regulation D of U.S. Securities Act of 1933 and Exercise Procedures/ Conditions under Applicable Law involving U.S. state law in order for the party existing in the U.S. to exercise the stock acquisition right. If the Board of Directors of the Company recognizes that even if the party existing in the U.S. satisfies the conditions in 1) and 2) above, it cannot lawfully exercise the stock acquisition right under the U.S. Securities Act, the party may not exercise the stock acquisition right.
- (5) Even in a case where a party holding the stock acquisition right cannot exercise the stock acquisition right in accordance with the provision of (1) or (4) above, the Company shall not have any liabilities to that party, including liability for damages.

(f) Method of exercise of stock acquisition right

- (1) Method of exercise of stock acquisition right and place of claim for exercise

To exercise the stock acquisition right, it is required to enter necessary matters, including the number of stock acquisition rights to be exercised, the number of subject shares, and address, in the claim form for exercise of stock acquisition right designated by the Company (including representation/ guarantee clause and compensation clause stipulating that the party eligible for the stock acquisition right shall not be classified as Non-Qualified Persons and shall not exercise for any Non-Qualified Persons), with signature and seal being affixed to it, submit it together with necessary documents separately designated, as necessary, for the exercise of the stock acquisition right, as well as other documents required by the Financial Instruments and Exchange Law and other laws and related regulations (including rules established by the Japan Securities Dealers Association and Japanese securities exchanges) from time to time, to the place of receipt of payment, and pay cash equivalent to the entire amount of exercise price of shares subject to the stock acquisition right involving such exercise to the place of receipt of payment. In this connection, the party eligible for the stock acquisition right may individually exercise each stock acquisition right held by it, and if there are remaining stock acquisition rights in such individual exercise, the Company shall enter or record the date of such individual exercise by the party eligible for the stock acquisition right and the number of remaining stock acquisition rights in the original register of stock acquisition rights.

- (2) Time of occurrence of effect of claim for exercise of Stock acquisition right

Time of occurrence of effect of claim for exercise of Stock acquisition right shall be the time the claim



form for exercise of the Stock acquisition right involving the exercise and attached documents arrive at the place of receipt of payment in accordance with the provision of (1) above. Effect of the Stock acquisition right shall occur at the time when the claim for exercise of the Stock acquisition right is effective, and cash equivalent to the entire amount of exercise price of shares subject to the stock acquisition right involving such exercise is paid at the place of receipt of payment.

(g) Notice to the party eligible for the stock acquisition right

- (1) Notice to the party eligible for the stock acquisition right shall be given in writing to the address of the party eligible for the stock acquisition right entered in the original register of stock acquisition rights, and such notice shall be deemed to be received at the time it should normally be received.
- (2) For approval, the Company may deem that the party eligible for the stock acquisition right approves the notice requesting his approval unless he has otherwise notified to the Company in writing within 14 days from the day that notice is deemed to be received.

(h) Notification under the Financial Instruments and Exchange Law

If it is necessary to give notification for each item above under the Financial Instruments and Exchange Law, occurrence of the effect of such notification shall be a condition to be met.

(i) Amendment following revision of law

If it becomes necessary to amend the provisions established in the above clauses or meanings of terms due to establishment of a new law or changes in laws, considering the purpose of such establishment or changes, the provisions established in the above clauses or meanings of terms shall read in response to the purpose to the reasonable extent.