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(Securities Code 7242)
June 10, 2021

To Shareholders with Voting Rights:

Masao Ono
Representative Director,
President Executive Officer
KYB Corporation
World Trade Center Bldg.,
2-4-1, Hamamatsu-cho,
Minato-ku, Tokyo

**NOTICE OF
THE 99TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

We would like to express our appreciation for your continued support and patronage.

We are pleased to inform you that the 99th Ordinary General Meeting of Shareholders of KYB Corporation (the “Company”) will be held for the purposes as described below.

With a view to preventing the spread of COVID-19, we kindly request shareholders to consider refraining from attending the meeting in person and choose instead to exercise their voting rights in advance in writing or via the Internet, etc. We appreciate your understanding and cooperation.

Please exercise your voting rights by 5:15 p.m. on Thursday, June 24, 2021 (Japan time), after taking the time to consult the attached reference documents for the General Meeting of Shareholders.

Moreover, video recording of the shareholder’s meeting will be uploaded via the Internet at a later date.

- 1. Date and Time:** Friday, June 25, 2021 at 10:00 a.m. (Reception starts at 9:00 a.m.) (Japan time)
- 2. Place:** Hamamatsucho Convention Hall, 5th Floor Main Hall
Nippon Life Hamamatsucho Crea Tower, 2-3-1, Hamamatsu-cho, Minato-ku,
Tokyo
- 3. Meeting Agenda:**
 - Matters to be reported:**
 1. The Business Report, Consolidated Financial Statements for the Company’s 99th Fiscal Year (April 1, 2020 - March 31, 2021) and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company’s 99th Fiscal Year (April 1, 2020 - March 31, 2021)

Proposals to be resolved:

- Proposal 1:** Approval for Absorption-Type Merger Agreement between the Company and Kayaba System Machinery Co., Ltd.
- Proposal 2:** Partial Amendments to the Articles of Incorporation
- Proposal 3:** Issuance of Class A Preferred Shares by Third-Party Allotment
- Proposal 4:** Reduction in Amount of Legal Capital Surplus
- Proposal 5:** Appropriation of Surplus
- Proposal 6:** Election of Seven (7) Members of the Board of Directors
- Proposal 7:** Election of One (1) Audit & Supervisory Board Member
- Proposal 8:** Election of One (1) Substitute Audit & Supervisory Board Member
- Proposal 9:** Payment of Performance-Linked Bonuses to Members of the Board of Directors

4. Exercise of voting rights:

If you vote both in writing on the Voting Rights Exercise Form and via the Internet, only your vote placed via the Internet will be counted.

If you vote multiple times via the Internet, only the last vote will be counted.

- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk. For the purpose of saving resources, please bring this NOTICE OF THE 99TH ORDINARY GENERAL MEETING OF SHAREHOLDERS to the meeting.

We do not prepare gifts for shareholders attending the meeting. We appreciate your understanding.

- The following items, which are available only in Japanese, have been posted on the Company's website (<https://www.kyb.co.jp/>) in accordance with laws and regulations and the provisions of Article 15 of the Articles of Incorporation of the Company and are accordingly not included in this NOTICE OF THE 99TH ORDINARY GENERAL MEETING OF SHAREHOLDERS.

- Of "Proposal 1: Approval for Absorption-Type Merger Agreement between the Company and Kayaba System Machinery Co., Ltd." in the Reference Documents for the General Meeting of Shareholders, the content of the Non-consolidated Financial Statements, etc., for the final fiscal year of the company dissolving in the absorption-type merger
- Systems for ensuring the properness of business activities
- Outline of operation of systems for ensuring the properness of business activities
- Basic policies regarding control of the company
- Consolidated Statements of Changes in Equity; Notes to the Consolidated Financial Statements
- Statements of Changes in Equity; Notes to the Non-consolidated Financial Statements

The Consolidated Financial Statements and the Non-consolidated Financial Statements included in this NOTICE OF THE 99TH ORDINARY GENERAL MEETING OF SHAREHOLDERS are part of the Consolidated Financial Statements and the Non-consolidated Financial Statements audited by the Accounting Auditor and the Audit & Supervisory Board Members for the preparation of the Accounting Audit Report and Audit & Supervisory Board's Report.

- Any revisions to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements, or the Non-consolidated Financial Statements will be posted on the Company's website (<https://www.kyb.co.jp/>).

- Please note that persons who are not shareholders, such as non-shareholder proxies or persons accompanying shareholders, are not allowed to attend the meeting.

Reference Documents for the General Meeting of Shareholders

Proposal 1: Approval for Absorption-Type Merger Agreement between the Company and Kayaba System Machinery Co., Ltd.

On May 20, 2021, the Company entered into an absorption-type merger agreement (the “Absorption-type Merger Agreement”) with Kayaba System Machinery Co., Ltd. (“KSM”), a wholly owned subsidiary of the Company, which states that an absorption-type merger (the “Absorption-type Merger”) will be conducted with the Company as the surviving company and KSM as the dissolving company, by the method of absorption-type merger as provided for in the Companies Act.

As KSM is in a state of insolvency, the Company is expected to record a so-called loss on merger in association with the Absorption-type Merger. Accordingly, the Company hereby requests shareholders’ approval for the Absorption-type Merger Agreement at this General Meeting of Shareholders.

1. Reasons for conducting an absorption-type merger

Given nonconforming acts in the inspection process, etc. for seismic isolation/mitigation oil dampers manufactured by the Company and KSM, the Company has been accelerating groupwide reorganization to prevent recurrences with an eye on establishing a compliance-oriented management style. In doing so, it is working to eliminate the lack of job rotation in human resource management and failure in the governance of group companies, namely, the factors considered as the causes of the nonconforming acts.

With good progress being made recently in the adaptation of seismic isolation/mitigation oil dampers, the Company has decided to conduct the Absorption-type Merger to finalize measures that have been taken to prevent recurrences, while simultaneously seeking to vitalize job rotation in the human resource management, strengthen its corporate governance system and reduce the risk of wrongdoing.

Furthermore, in addition to the Absorption-type Merger, at a meeting of the Board of Directors held on February 9, 2021, the Company passed a resolution concerning a basic policy to conduct an absorption-type merger with the Company as the surviving company and KYB Engineering and Service Co., Ltd. (“ES”), a wholly owned subsidiary of the Company that sells hydraulic equipment, as the dissolving company, and the Company is making preparations with the aim of this absorption-type merger becoming effective on January 1, 2022. In the absorption-type merger with ES, the Company aims to vitalize job rotation in the human resource management and strengthen corporate governance on a groupwide basis, as described above, while also strengthening its sales and marketing capabilities and reinforcing the Company’s financial base on a non-consolidated basis. The absorption-type merger with ES will be an absorption-type merger with a wholly owned subsidiary of the Company as the dissolving company, and the Company is not expected to record a loss on merger. Accordingly, the absorption-type merger is expected to satisfy the criteria for a simple merger, as stipulated in Article 796, Paragraph 2 of the Companies Act, and therefore the Company will not request approval at a General Meeting of Shareholders. As part of the Group’s series of restructuring measures, however, it is hereby reported along with the content of this proposal.

2. Outline of content of absorption-type merger agreement

The content of the Absorption-type Merger Agreement will be as follows.

Absorption-type Merger Agreement (Copy)

KYB CORPORATION (“KYB”) and KAYABA SYSTEM MACHINERY CO., LTD. (“KSM”) hereby enter into an absorption-type merger agreement (“this Agreement”), as follows.

Article 1 (Method of the Merger)

KYB and KSM will conduct a merger (the “Merger”), with KYB as the company surviving in the absorption-type merger and KSM as the company dissolving in the absorption-type merger, in accordance with the provisions of this Agreement.

Article 2 (Parties involved)

The trade names and addresses of KYB and KSM are as follows.

- (1) KYB (company surviving in the absorption-type merger)

Trade name: KYB Corporation

- Address: World Trade Center Bldg., 2-4-1, Hamamatsu-cho, Minato-ku, Tokyo, Japan
- (2) KSM (company dissolving in the absorption-type merger)
Trade name: Kayaba System Machinery Co., Ltd.
Address: 1129-11, Nagatsune-cho, Kumozu, Tsu-shi, Mie, Japan

Article 3 (Cash, etc. to be delivered upon the Merger)

When conducting the Merger, KYB will not deliver any cash, etc. to the shareholders of KSM in exchange for their shares held (including shares of the surviving company and cash). There will be no increase in the capital or legal capital surplus of KYB upon the Merger.

Article 4 (General Meeting of Shareholders to approve the Merger)

1. KYB will convene an Ordinary General Meeting of Shareholders to be held on June 25, 2021, where it will seek approval for this Agreement; provided, however, that the date of this General Meeting of Shareholders may be changed when there are unavoidable reasons for doing so.
2. KSM will conduct the Merger without obtaining approval for this Agreement at a General Meeting of Shareholders, in accordance with the provisions of Article 784, Paragraph 1 of the Companies Act.

Article 5 (Effective date)

1. The date the Merger takes effect (the "Effective Date") will be July 1, 2021; provided, however, that the effectiveness of the Merger will be subject to the condition precedent that an absorption-type split takes effect between KSM and KYB-CS Co., Ltd. in relation to the customer service businesses of KSM pertaining to isolation and mitigation devices, simulator devices, construction machinery, environmental and industrial machinery, etc. (however, this will exclude the customer service business pertaining to defense equipment), pursuant to the absorption-type company split agreement dated May 20, 2021.
2. The Effective Date of the Merger may be changed by consultation between KYB and KSM for reasons related to the progress of obtaining permissions, approvals, etc. from the relevant government agencies as provided for in laws and regulations, or other reasons.

Article 6 (Management of property)

1. From the conclusion of this Agreement to the Effective Date, KYB will execute its business operations as well as manage and operate its property with the due care of a prudent manager, and any actions that will significantly affect its property or related rights and obligations will only be conducted after advance consultation with KSM.
2. From the conclusion of this Agreement to the Effective Date, KSM will execute its business operations as well as manage and operate its property with the due care of a prudent manager, and any actions that will significantly affect its property or related rights and obligations will only be conducted after advance consultation with KYB (however, this will exclude the absorption-type split provided for in the proviso to Article 5, Paragraph 1).

Article 7 (Succession of rights and obligations)

On the Effective Date, KSM will transfer to KYB all of its assets, debts, employment contracts, and other rights and obligations (however, this will exclude those transferred to KYB-CS Co., Ltd. from KSM pursuant to the absorption-type merger described in the proviso to Article 5, Paragraph 1), based on the balance sheet of KSM as of March 31, 2021 and other calculations as of the same date, and KYB will succeed thereto.

Article 8 (Changes to terms, etc.)

From the conclusion of this Agreement to the Effective Date, the terms of the Merger may be changed, or this Agreement canceled, by consultation between KYB and KSM, in the event of significant changes to the property or business status of KYB or KSM owing to natural disaster or other reasons.

Article 9 (Effect of Agreement)

This Agreement will be null and void if approval is not obtained at a General Meeting of Shareholders of KYB, as provided for in Article 4, Paragraph 1, or if permissions, approvals, etc. are not obtained from the relevant government agencies as provided for in laws and regulations, by the day immediately preceding the Effective Date.

Article 10 (Consultation)

With regard to the Merger, any matters not provided for in this Agreement and any matters not agreed upon between the parties to this Agreement will be resolved by consultation in good faith between KYB and KSM, and the same will apply in cases where doubts arise concerning the interpretation of this Agreement or related agreements.

IN WITNESS WHEREOF, two originals of this Agreement are hereby executed and, upon the inscription and seal of KYB and KSM, each party will hold one original thereof.

May 20, 2021

(KYB) World Trade Center Bldg., 2-4-1, Hamamatsu-cho, Minato-ku,
Tokyo, Japan
KYB Corporation
Representative Director, President
Masao Ono [SEAL]

(KSM) 1129-11, Nagatsune-cho, Kumozu, Tsu-shi, Mie, Japan
Kayaba System Machinery Co., Ltd.
President and Representative Director
Shizuka Sakai [SEAL]

3. Outline of content of matters provided for in each item of Article 191 of the Ordinance for Enforcement of the Companies Act (excluding item (vi) and item (vii)) on the date matters listed in Article 298, Paragraph 1 of the Companies Act are decided

(1) Matters related to the appropriateness of the fact that there are no provisions for the matters provided for in items (ii) and (iii) of Article 749, Paragraph 1 of the Companies Act

The Company, which is the company surviving in the absorption-type merger, will not deliver any shares or other cash, etc. to the shareholders of KSM, which is the company dissolving in the absorption-type merger, upon the Merger, but the Company has judged that this is appropriate as the relationship between the Company and KSM is that of wholly owning parent company and wholly owned subsidiary company.

(2) Details of the financial statements, etc. of the company dissolving in the absorption-type merger for the most recent fiscal year

The details of the financial statements, etc. of KSM, which is the company dissolving in the absorption-type merger, for the most recent fiscal year are posted on the Company's website (<https://www.kyb.co.jp/>) pursuant to the provisions of laws and regulations and Article 15 of the Company's Articles of Incorporation, and therefore are not provided in the Reference Documents for the General Meeting of Shareholders.

(3) Disposal of material property, assumption of material debts, and other events materially affecting the status of the property of the company dissolving in the absorption-type merger after the final day of the most recent fiscal year

On May 20, 2021, KSM entered into an absorption-type company split agreement with KYB-CS Co., Ltd., a wholly owned subsidiary of KSM, to the effect that KSM will be the company splitting in the absorption-type split and KYB-CS Co., Ltd. will be the company succeeding in the absorption-type split, and KYB-CS Co., Ltd. will succeed to all rights and obligations related to the customer service businesses of KSM pertaining to isolation and mitigation devices, simulator devices, construction machinery, environmental and industrial machinery, etc. (however, this will exclude the customer service business pertaining to defense equipment). Furthermore, in this absorption-type split agreement, the effective date of the absorption-type split (the "Absorption-type Split") pursuant to the agreement is July 1, 2021, and the Effective Date of the Absorption-type Merger falls on the same date, but the Absorption-type Merger will be subject to the condition precedent that the Absorption-type Split becomes effective, and the Absorption-type Merger will become effective immediately thereafter.

(4) Disposal of material property, assumption of material debts, and other events materially affecting the status of the property of the Company after the final day of the most recent fiscal year
(Issuance of preferred shares by third-party allotment)

At a meeting of the Board of Directors of the Company held on May 13, 2021, the Company resolved to issue class A preferred shares by third-party allotment to the following parties (payment date: June 28, 2021, amount of funds to be raised: 12,500,000,000 yen), subject to receiving approval for the issuance of the class A preferred shares and approval for a proposal concerning partial changes to the Articles of Incorporation regarding the new establishment, etc. of provisions related to the class A preferred shares at this General Meeting of Shareholders: Mizuho Bank, Ltd., Development Bank of Japan Inc., Meiji Yasuda Life Insurance Company, Ogaki Kyoritsu Bank, Ltd., The 77 Bank, Ltd., Sompo Japan Insurance Inc., Fuyo General Lease Co., Ltd., and Mizuho Leasing Company, Limited. The Company also entered into a share underwriting agreement with each of the planned allottees on May 13, 2021.

(Decrease in amounts of capital and legal capital surplus)

The Company plans to record the distributable amount, and in order to return to stable financial foundations and facilitate agile and flexible capital policies in future, it will decrease the amount of capital (amount of decrease in capital: 6,250,000,000 yen), subject to receiving payment for the issuance of the class A preferred shares from the third-party allotment, in addition to decreasing the amount of legal capital surplus (amount of decrease in legal capital surplus: 19,583,920,000 yen), subject to obtaining the required approval at this General Meeting of Shareholders and receiving payment for the issuance of class A preferred shares in the third-party allotment. The Company then intends to transfer both amounts to other capital surplus.

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for amendments to the Articles of Incorporation

In order to enable the issuance of class A preferred shares, as described in Proposal 3 “Issuance of Class A Preferred Shares by Third-Party Allotment” to be resolved at this General Meeting of Shareholders, class A preferred shares will be added as a new class of shares, and provisions related to class A preferred shares will be established.

For details of the reasons for issuing class A preferred shares, please refer to Proposal 3 “Issuance of Class A Preferred Shares by Third-Party Allotment.”

Furthermore, the effectiveness of this proposal will be subject to the passing and approval of Proposal 3 “Issuance of Class A Preferred Shares by Third-Party Allotment” as originally proposed.

2. Content of amendments to the Articles of Incorporation

The content of the amendments is as follows:

(Underlined sections are amended.)

Current Articles of Incorporation	Proposed amendments
<p>(Total number of shares authorized to be issued by the Company) Article 6 The total number of shares authorized to be issued by the Company shall be fifty-seven million three hundred thousand (57,300,000) shares.</p>	<p><u>(Total number of shares authorized to be issued and total number of class shares authorized to be issued by the Company)</u> Article 6 The total number of shares authorized to be issued by the Company shall be fifty-seven million three hundred thousand (57,300,000) shares, <u>and the total number of shares of each class authorized to be issued by the Company shall be as follows:</u> <u>Common shares</u> <u>Fifty-seven million three hundred thousand (57,300,000) shares</u> <u>Class A preferred shares</u> <u>One hundred twenty five (125) shares</u></p>
<p>(Number of shares constituting one unit) Article 7 The number of shares constituting one unit of shares of the Company shall be 100 shares.</p>	<p>(Number of shares constituting one unit) Article 7 The number of shares constituting one unit of shares of <u>common stock</u> of the Company shall be 100 shares, <u>and the number of shares constituting one unit of class A preferred shares shall be one (1) share.</u></p>
<p>(Newly established)</p>	<p><u>Chapter II-II CLASS A PREFERRED SHARES</u></p>
<p>(Newly established)</p>	<p><u>(Dividends of surplus)</u> <u>Article 10-2 When paying dividends of surplus, the Company shall pay dividends of surplus in cash in the amount per class A preferred share set forth in Paragraph (2) (hereinafter, the cash paid as these dividends is referred to as “class A preferred dividends”) to shareholders holding class A preferred shares (“class A preferred share shareholders”) and registered pledgees of class A preferred shares (“class A preferred share registered pledgees”) listed or recorded in the final register of shareholders on the record date of the dividends of surplus (the “dividend record date”), ahead of shareholders holding common shares (“common share shareholders”) and registered pledgees of common shares (“common share registered pledgees”) listed or recorded in the final register of shareholders on the dividend record date.</u> <u>(2) The amount of class A preferred dividends per class A preferred share shall be the amount of cash calculated by multiplying the amount paid for the class A preferred shares by an annual rate of 7.5% when the dividend record date belongs to a fiscal year ending by no later than March 31, 2026, or an annual rate of 8.5% when the dividend record date belongs to a fiscal year ending on or after April 1, 2027, and the amount shall be calculated in proportion with the ratio of the actual number of days in the period from the first day of the fiscal year to which the dividend record date belongs (however, this shall be the payment date when the dividend record date belongs to the fiscal year ending March 31, 2022) (including this day) until the dividend record date.</u></p>

(including this day) to a year consisting of 365 days (however, this shall be 366 days when the relevant fiscal year includes a leap day). In addition, if the dividend record date belongs to the fiscal year ending March 31, 2027, when the dividend record date falls on a day between April 1, 2026 and June 28, 2026, the amount of class A preferred dividends per class A preferred share shall be the amount of cash calculated by multiplying the amount paid for the class A preferred shares by an annual rate of 7.5%, calculated in proportion with the ratio of the actual number of days in the period from April 1, 2026 (including this day) until the dividend record date (including this day), to a year consisting of 365 days, and when the dividend record date falls on a day between June 29, 2026 and March 31, 2027, the amount of class A preferred dividends per class A preferred share shall be the amount of cash calculated by multiplying the amount paid for the class A preferred shares by an annual rate of 8.5%, calculated in proportion with the ratio of the actual number of days in the period from June 29, 2026 (including this day) until the dividend record date (including this day) to a year consisting of 365 days, plus the amount of class A preferred dividends calculated assuming that June 28, 2026 is the dividend record date; provided, however, that when dividends of surplus have been paid to class A preferred share shareholders or class A preferred share registered pledgees with a record date prior to the dividend record date in the fiscal year to which the dividend record date belongs, the amount of class A preferred dividends per class A preferred share shall be the amount after subtracting the total amount of class A preferred dividends per class A preferred share in each dividend payment (class A preferred dividends shall be calculated to two (2) decimal places (hundredths of one yen), and the result shall be rounded to one (1) decimal place).

(3) If the total amount of dividends of surplus per share paid to class A preferred share shareholders or class A preferred share registered pledgees with a record date belonging to a given fiscal year (excluding any dividends equivalent to cumulative unpaid class A preferred dividends (as defined below) paid in accordance with the provisions of this paragraph as class A preferred dividends for any fiscal year prior to the relevant fiscal year) is less than the amount of class A preferred dividends for the relevant fiscal year (referring to the amount of class A preferred dividends calculated in accordance with the provisions of Paragraph (2), assuming that dividends of surplus shall be paid with a record date of the final day of the relevant fiscal year; provided, however, that the subtraction provided for in the proviso to Paragraph (2) shall not apply to this calculation), the shortfall shall accumulate from the fiscal year after the relevant fiscal year (hereinafter, referred to as the “unqualified fiscal year” in this paragraph). In this case, during the period from the first day of the fiscal year following the unqualified fiscal year (including this day) until the day the accumulated amount is actually paid to class A preferred share shareholders and class A preferred share registered pledgees (including this day), in each fiscal year from the fiscal year following the unqualified fiscal year, an amount shall be added to the accumulated amount, calculated as simple interest, at an annual rate of 7.5% when the relevant fiscal year ends on March 31, 2026 or earlier, an annual rate of 7.5% for the period from April 1, 2026 to June 28, 2026 and an annual rate of 8.5% for the period from June 29, 2026 to March 31, 2027 when the relevant fiscal year ends on March 31, 2027, and an annual rate of 8.5% when the relevant fiscal year begins on April 1, 2027 or later. Furthermore, this calculation shall be calculated on a prorated, daily basis, based on a year consisting of 365 days (however, this shall be 366 days when the relevant fiscal year includes a leap day), and the division shall be the final stage.

	<p>of the calculation. In addition, the calculation shall be performed to two (2) decimal places (hundredths of one yen), and the result shall be rounded to one (1) decimal place. When paying dividends of surplus, the Company shall pay any shortfall accumulated in accordance with the provisions of this paragraph (“cumulative unpaid class A preferred dividends”) as dividends to class A preferred share shareholders or class A preferred share registered pledgees ahead of class A preferred dividends and dividends of surplus for common share shareholders and common share registered pledgees in fiscal years from the following fiscal year onward.</p> <p>(4) The Company shall not pay dividends of surplus to class A preferred share shareholders or class A preferred share registered pledgees in excess of the class A preferred dividends; provided, however, that this may not apply to dividends of surplus paid while the Company is undergoing procedures for an absorption-type company split, as provided for in Article 758, item (viii), (b) of the Companies Act or Article 760, item (vii), (b) of the same, or while the Company is undergoing procedures for an incorporation-type company split, as provided for in Article 763, Paragraph 1, item (xii), (b) of the same or Article 765, Paragraph 1, item (viii), (b) of the same.</p>
(Newly established)	<p>(Distribution of residual assets)</p> <p>Article 10-3 When distributing residual assets, for each class A preferred share, the Company shall distribute 100,000,000 yen plus the amount of any cumulative unpaid class A preferred dividends, any class A unpaid dividends for the previous fiscal year (as defined below), and any class A unpaid dividends for the current fiscal year (as defined below) as cash to class A preferred share shareholders or class A preferred share registered pledgees, ahead of common share shareholders and common share registered pledgees. “Class A unpaid dividends for the previous fiscal year” refers to any shortfall in class A preferred dividends for the previous fiscal year, in the event that there are class A preferred dividends that have not actually been paid by the residual assets distribution date, for the fiscal year prior to the fiscal year to which the residual assets distribution date belongs, regardless of the record date thereof (however, this shall exclude any amounts included in cumulative unpaid class A preferred dividends). “Class A unpaid dividends for the current fiscal year” refers to the amount of preferred dividends calculated on a prorated daily basis in accordance with the provisions of Article 10-2, Paragraph (2) for the number of days from the first day of the fiscal year to which the residual assets distribution date belongs (however, this shall be the payment date when the residual assets distribution date belongs to the fiscal year ending March 31, 2022; hereinafter, the same applies in this paragraph) (including this day) until the residual assets distribution date (including this day), assuming that the record date of the dividends of surplus is the same as the residual assets distribution date, minus the total amount of any dividends that have actually been paid on or after the first day of the fiscal year to which the residual assets distribution date belongs (including this day) with a record date belonging to the relevant fiscal year (excluding any cumulative unpaid class A preferred dividends and any class A unpaid dividends for the previous fiscal year).</p> <p>(2) The Company shall not distribute any residual assets to class A preferred share shareholders or class A preferred share registered pledgees in excess of the amounts provided for in the foregoing.</p>

(Newly established)	<p><u>(Voting rights)</u> <u>Article 10-4 Class A preferred share shareholders shall not possess any voting rights at the general meeting of shareholders.</u></p>																				
(Newly established)	<p><u>(Put option (conversion rights) with common shares as consideration)</u> <u>Article 10-5 At any time on or after the payment date, class A preferred share shareholders may request that the Company acquires all or part of any class A preferred shares held, in exchange for the delivery of the number of common shares determined in Paragraph (4) (a “conversion request”), upon which the Company shall deliver the number of common shares determined in Paragraph (4), within the scope permitted by laws and regulations, in exchange for the acquisition of the class A preferred shares for which conversion was requested. Furthermore, in accordance with the provisions of Paragraph (6), the date the conversion request becomes effective is hereinafter referred to as the “conversion request effective date.”</u> <u>(2) The initial conversion price shall be 3,150 yen.</u> <u>(3) Conversion price adjustment</u> <u>(a) If any of the circumstances described below occur, the respective adjustment shall be made to the conversion price as follows.</u> <u>1) If a share split or gratis allotment of shares is conducted in regard to the Company’s common shares, the conversion price shall be adjusted with the following formula.</u> <u>Furthermore, in the case of a gratis allotment of shares, in the below formula, the “number of common shares outstanding prior to the split” shall be read as the “number of common shares outstanding prior to the gratis allotment (provided, however, that common shares held by the Company at that time shall be excluded).” and the “number of common shares outstanding after the split” shall be read as the “number of common shares outstanding after the gratis allotment (provided, however, that this shall exclude common shares held by the Company at that time).”</u></p> <table border="1" data-bbox="802 1220 1410 1317"> <tr> <td><u>Adjusted conversion price</u></td> <td><u>=</u></td> <td><u>Unadjusted conversion price</u></td> <td><u>×</u></td> <td><u>Number of common shares outstanding prior to the split</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td><u>Number of common shares outstanding after the split</u></td> </tr> </table> <p><u>The adjusted conversion price shall be applied from the day after the record date of the share split or the effective date of the gratis allotment of shares (or the day after the record date, if a record date for the gratis allotment of shares is determined).</u> <u>2) If a consolidation of common shares is conducted, the conversion price shall be adjusted with the following formula.</u></p> <table border="1" data-bbox="802 1541 1410 1682"> <tr> <td><u>Adjusted conversion price</u></td> <td><u>=</u></td> <td><u>Unadjusted conversion price</u></td> <td><u>×</u></td> <td><u>Number of common shares outstanding prior to the consolidation</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td><u>Number of common shares outstanding after the consolidation</u></td> </tr> </table> <p><u>The adjusted conversion price shall be applied from the effective date of the consolidation of shares.</u> <u>3) If the Company issues common shares or disposes of common shares held by the Company for a payment amount that is below the fair value per common share as determined in (d) below, the conversion price shall be adjusted with the following formula (the “conversion price adjustment formula”) (excluding gratis allotments of shares; the acquisition of shares or stock acquisition rights (including those attached to bonds with stock acquisition rights; hereinafter, the same applies in this paragraph) in exchange for the delivery of common shares; issuance or disposal owing to the exercise of stock acquisition rights with underlying common shares; and the delivery of common</u></p>	<u>Adjusted conversion price</u>	<u>=</u>	<u>Unadjusted conversion price</u>	<u>×</u>	<u>Number of common shares outstanding prior to the split</u>					<u>Number of common shares outstanding after the split</u>	<u>Adjusted conversion price</u>	<u>=</u>	<u>Unadjusted conversion price</u>	<u>×</u>	<u>Number of common shares outstanding prior to the consolidation</u>					<u>Number of common shares outstanding after the consolidation</u>
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<u>Adjusted conversion price</u>	<u>=</u>	<u>Unadjusted conversion price</u>	<u>×</u>	<u>Number of common shares outstanding prior to the consolidation</u>																	
				<u>Number of common shares outstanding after the consolidation</u>																	

shares owing to a merger, share exchange, or company split). If nonmonetary property is contributed, the “amount to be paid per share” in the conversion price adjustment formula shall be the appropriately appraised value of the respective property. The adjusted conversion price shall be applied from the day after the payment date (or the final day of the payment period, if a period for payment is determined) or the day after the record date, if a record date for the allotment to shareholders is determined (the “shareholder allotment date”). Furthermore, if the Company disposes of common shares held, in the below formula, the “number of shares newly issued” and “number of treasury shares” shall be read as the “number of shares to be disposed of” and “number of treasury shares prior to the disposal,” respectively.

$$\begin{array}{r}
 \text{Adjusted conversion price} \\
 \text{Unadjusted conversion price} \\
 \text{Number of treasury shares} \\
 \text{Number of shares newly issued} \\
 \text{Number of shares to be paid per share} \\
 \text{Fair value} \\
 \text{(Number of shares already issued - Number of treasury shares) + Number of shares newly issued}
 \end{array}
 \begin{array}{l}
 \times \\
 = \\
 - \\
 + \\
 \times \\
 = \\
 \div
 \end{array}
 \begin{array}{l}
 \text{(Number of common shares already issued)} \\
 \text{Number of treasury shares} \\
 \text{Number of shares newly issued} \\
 \text{Number of shares to be paid per share} \\
 \text{Fair value} \\
 \text{(Number of shares already issued - Number of treasury shares) + Number of shares newly issued}
 \end{array}$$

4) If the Company issues or disposes of shares that entitle the holder to receive delivery of common shares at a conversion price per common share below the fair value per common share determined in (d) below, through causing the shares to be acquired by the Company or otherwise having the shares acquired by the Company (including gratis allotments of shares), then on the payment date for these shares (or the final day of the payment period, if a period for payment is determined; hereinafter, the same applies in this item 4)), or the effective date in the case of a gratis allotment of shares (if a record date for the gratis allotment of shares is determined, this record date; hereinafter, the same applies in this item 4)), or the shareholder allotment date, if there is such a date, all shares to be issued or disposed of shall be deemed to have been acquired at the initial terms and common shares thus delivered, and the amount calculated using this amount as the “amount to be paid per share” in the conversion price adjustment formula shall be the adjusted conversion price. The adjusted conversion price shall be applied from the day after the payment date, or in the case of a gratis allotment of shares, the day after the effective date thereof, or if there is a shareholder allotment date, the day after that date.

Notwithstanding the provisions of the above, if the consideration for the common shares to be delivered upon acquisition has not been determined at the above time, then when calculating the adjusted conversion price, all shares to be issued or disposed of shall be deemed acquired under the terms applicable when the consideration is determined and the common shares thus delivered when the consideration is determined, and the adjusted conversion price shall be applied from the day after the consideration is determined.

5) If the Company issues stock acquisition rights that entitle the holder to receive delivery of common shares at a price at which the total of the payment amount for the stock acquisition rights per common share and the property to be contributed when exercising the stock acquisition rights (if nonmonetary property is contributed, the appropriately appraised value of the respective property; hereinafter, the same applies in this item 5)) is below the fair value per common share as set forth in (d) below, through the exercise of the stock acquisition rights or their acquisition by the Company (including a gratis allotment of stock acquisition rights), then on the allotment date of these stock acquisition rights, or the effective date in the case of a gratis allotment of stock acquisition rights (or the record date, if a record date for the gratis allotment of stock acquisition rights is determined; hereinafter, the same applies in this item 5)), or the shareholder allotment date if there is such a date, all stock

acquisition rights to be issued shall be deemed to have been exercised or acquired under the initial terms and common shares thus delivered, and the amount calculated using the total of the payment amount for the stock acquisition rights per common share and the value of property to be contributed per common share when exercising the stock acquisition rights as the “amount to be paid per share” in the conversion price adjustment formula shall be the adjusted conversion price. The adjusted conversion price shall be applied from the day after the allotment date of the stock acquisition rights, or in the case of a gratis allotment of stock acquisition rights, the day after the effective date thereof, or if there is a shareholder allotment date, the day after that date. Notwithstanding the provisions of the above, if the consideration for the common shares to be delivered upon acquisition or exercise has not been determined at the above time, then when calculating the adjusted conversion price, all stock acquisition rights to be issued shall be deemed exercised or acquired under the terms applicable when the consideration is determined and the common shares thus delivered when the consideration is determined, and the adjusted conversion price shall be applied from the day after the consideration is determined;

(b) In addition to the circumstances described in the above (a), the Company shall make appropriate adjustments to the conversion price in cases falling under any of the following items 1) through 3), after providing advance notice in writing to class A preferred share shareholders and class A preferred share registered pledgees to that effect, together with the reasons thereof, the adjusted conversion price, the date of application, and any other necessary information.

1) When it is necessary to adjust the conversion price owing to a merger, share exchange, acquisition of all outstanding shares of another stock company through a share exchange, share transfer, absorption-type company split, succession of all or part of the rights and obligations held by another company in relation to the businesses thereof through an absorption-type company split, or incorporation-type company split;

2) When two or more circumstances occur one after another in which the conversion price should be adjusted, and it is necessary to consider the effect of one set of circumstances on the fair value that should be used in the calculation of the adjusted conversion price based on the other set of circumstances;

3) When it is otherwise necessary to adjust the conversion price owing to the occurrence of circumstances under which there is a change or possibility of change in the number of common shares outstanding (however, this excludes the number of common shares held by the Company).

(c) If calculation is required when adjusting the conversion price, the calculation shall be performed to two (2) decimal places (hundredths of one yen), and the result shall be rounded to one (1) decimal place.

(d) The fair price per common share used in the conversion price adjustment formula shall be the average VWAP over the 30 consecutive trading days starting from the 45th trading day prior to the date the adjusted conversion price will be applied.

(e) If the adjustment to the conversion price is calculated and the difference between the adjusted conversion price and the unadjusted conversion price is less than 0.1 yen as a result, the conversion price will not be adjusted; provided, however, that any adjustments deemed unnecessary under the provisions of this item (e) shall be carried forward, and taken into consideration when calculating subsequent adjustments.

(4) Number of common shares to be delivered in exchange for acquisition

		(100,000,000 yen
Number of common shares to be delivered in exchange for acquisition	Number of class A preferred shares for which a conversion request was made	+ Cumulative unpaid class A preferred dividends + Class A unpaid dividends for the previous fiscal year + Class A unpaid dividends for the current fiscal year
		Conversion price

Furthermore, in this paragraph, the “residual assets distribution date” in the calculation of class A unpaid dividends for the previous fiscal year and class A unpaid dividends for the current fiscal year as provided for in Article 10-3, Paragraph (1) shall be read as the “conversion request effective date” when calculating class A unpaid dividends for the previous fiscal year and class A unpaid dividends for the current fiscal year.

(5) Place accepting conversion requests

Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd.

(6) Effectiveness of conversion requests

Conversion requests shall take effect when documents required for the conversion request arrive at the place accepting conversion requests, as set forth in Paragraph (5), or the intended effective date written in these documents, whichever is later.

(7) Restrictions on conversion

Notwithstanding the provisions of the above, class A preferred share shareholders shall not be able to make conversion requests where the cumulative total number of common shares to be delivered based on the conversion requests will exceed 2,574,843 shares (if a share split, gratis allotment, or consolidation of common shares is conducted, this number will be adjusted in accordance with the ratio of the share split, gratis allotment, or consolidation).

(8) Banking Holding Company Act of 1956 (US) (“BHC Act”)

Notwithstanding the other provisions of this article, if a class A preferred shareholder has provided written and non-withdrawable notification to the Company to the effect that the BHC Act applies and they will comply with the provisions of this paragraph and the following paragraph (hereinafter, class A preferred share shareholders who have submitted such notification are referred to as “BHC shareholders”) and the total number of common shares held by the BHC shareholder and its affiliates (referring to “affiliates” as provided for in Article 2 (k) of the BHC Act; hereinafter, the same applies in this paragraph) after a conversion request in relation to class A preferred shares held will exceed 4.99% (or, notwithstanding the provisions of Article 4 (k) of the BHC Act, if the proportion permitted by Article 4 (c) (6) of the BHC Act is changed to a higher or lower proportion as a result of amendments to the BHC Act, the relevant proportion) of the number of common shares outstanding (excluding common shares held by the Company), conversion requests may not be made for the excess portion. Furthermore, BHC shareholders must notify the Company in writing if they have any affiliates holding common shares of the Company or other securities or rights entitling them to receive delivery of common shares (including stock acquisition rights with underlying common shares and class A preferred shares).

	<p><u>(9) Persons to whom class A preferred shares are transferred from BHC shareholders</u> <u>Notwithstanding the provisions of this article, persons to whom class A preferred shares are transferred from BHC shareholders (“specified transferees”) may not make conversion requests in regard to class A preferred shares held; provided, however, that this may not apply in cases when a specified transferee has received class A preferred shares as a result of a transfer of class A preferred shares from a BHC shareholder defined in items (a) through (c) below.</u> <u>(a) Secondary distribution of class A preferred shares conducted broadly and publicly by a BHC shareholder</u> <u>(b) Transfers when no transferee, including the specified transferee, will receive class A preferred shares entitling them to acquire 2% or more of the number of common shares outstanding of the Company (excluding common shares held by the Company), either themselves or in concert with other parties</u> <u>(c) Transfers to persons holding a majority of the number of common shares outstanding of the Company (excluding common shares held by the Company) prior to receiving the shares from the BHC shareholder</u></p>
(Newly established)	<p><u>(Acquisition clause with cash as consideration)</u> <u>Article 10-6 Upon the arrival of a day separately determined by the Board of Directors of the Company (the “redemption date”), on or after June 28, 2026, the Company may acquire all or part of the class A preferred shares and deliver an amount of cash determined in Paragraph (2) to class A preferred share shareholders or class A preferred share registered pledgees in exchange, up to the limit of the distributable amount determined in Article 461, Paragraph 2 of the Companies Act on the redemption date of the class A preferred shares, after providing notice to the class A preferred share shareholders or class A preferred share registered pledgees by no later than two (2) weeks prior to the redemption date, regardless of the will of the class A preferred share shareholders or class A preferred share registered pledgees. Furthermore, if acquiring part of the class A preferred shares, the class A preferred shares to be acquired shall be determined by the method of proportional distribution in accordance with the number of class A preferred shares eligible for acquisition.</u> <u>(2) The redemption value of each class A preferred share shall be 100,000,000 yen, plus any cumulative unpaid class A preferred dividends, class A unpaid dividends for the previous fiscal year, and class A unpaid dividends for the current fiscal year. Furthermore, in this paragraph, the “residual assets distribution date” in the calculation of class A unpaid dividends for the previous fiscal year and class A unpaid dividends for the current fiscal year as provided for in Article 10-3, Paragraph (1) shall be read as the “redemption date” when calculating class A unpaid dividends for the previous fiscal year and class A unpaid dividends for the current fiscal year.</u></p>
(Newly established)	<p><u>(Transfer restrictions)</u> <u>Article 10-7 The approval of the Board of Directors of the Company must be obtained for the acquisition of class A preferred shares by transfer.</u></p>
(Newly established)	<p><u>(Consolidation or split of shares and gratis allotment of shares)</u> <u>Article 10-8 Unless otherwise provided for in laws and regulations, the Company shall not conduct a consolidation or split of shares in regard to the class A preferred shares. Class A preferred share shareholders shall not be granted the right to be allotted shares offered or stock acquisition rights offered, and no gratis allotment of shares or stock acquisition</u></p>

	<u>rights shall be conducted for these shareholders.</u>
(Newly established)	<p><u>(General meeting of class shareholders)</u> <u>Article 10-9 The provisions of Article 13 shall also apply to the general meeting of class shareholders in cases when matters to be resolved at the ordinary general meeting of shareholders require a resolution at a general meeting of class shareholders in addition to resolution at the ordinary general meeting of shareholders.</u></p> <p><u>(2) The provisions of Articles 12, 14, 15, and 17 shall also apply to the general meeting of class shareholders.</u></p> <p><u>(3) The provisions of Article 16, Paragraph (1) shall apply to resolutions at the general meeting of class shareholders, as provided for in Article 324, Paragraph 1 of the Companies Act.</u></p> <p><u>(4) The provisions of Article 16, Paragraph (2) shall apply to resolutions at the general meeting of class shareholders, as provided for in Article 324, Paragraph 2 of the Companies Act.</u></p>

Proposal 3: Issuance of Class A Preferred Shares by Third-Party Allotment

1. Reasons for proposal

The Company hereby requests shareholders' approval for the issuance of class A preferred shares by third-party allotment (the "Third-Party Allotment") as follows, pursuant to the provisions of Article 199 of the Companies Act, to the following parties: Mizuho Bank, Ltd. ("Mizuho Bank"), Development Bank of Japan Inc. ("DBJ"), Meiji Yasuda Life Insurance Company ("Meiji Yasuda Life"), Ogaki Kyoritsu Bank, Ltd. ("Ogaki Kyoritsu Bank"), The 77 Bank, Ltd. ("77 Bank"), Sompo Japan Insurance Inc. ("Sompo Japan"), Fuyo General Lease Co., Ltd. ("Fuyo General Lease"), and Mizuho Leasing Company, Limited ("Mizuho Leasing"; hereinafter referred to together with Mizuho Bank, DBJ, Meiji Yasuda Life, Ogaki Kyoritsu Bank, 77 Bank, Sompo Japan, Fuyo General Lease as the "planned allottee(s)," either individually or collectively).

Furthermore, the effectiveness of this proposal will be subject to the passing and approval of Proposal 2 "Partial Amendments to the Articles of Incorporation" as originally proposed at this General Meeting of Shareholders.

2. Outline of the offering of class A preferred shares

(1)	Payment date	June 28, 2021
(2)	Class and number of shares	Class A preferred shares 125 shares
(3)	Payment amount	100,000,000 yen per share
(4)	Amount of funds to be procured	12,500,000,000 yen
(5)	(Amount of increase in capital and legal capital surplus)	Capital 6,250,000,000 yen (50,000,000 yen per share) Legal capital surplus 6,250,000,000 yen (50,000,000 yen per share)
(6)	Method of offering or allotment (planned allottees)	To be allotted by the method of third-party allotment. Mizuho Bank 35 shares DBJ 25 shares Meiji Yasuda Life 15 shares Ogaki Kyoritsu Bank 10 shares 77 Bank 10 shares Sompo Japan 10 shares Fuyo General Lease 10 shares Mizuho Leasing 10 shares
(7)	Other	For details of the class A preferred shares, please refer to Proposal 2 "Partial Amendments to the Articles of Incorporation."

3. Reasons for issuing class A preferred shares by third-party allotment

(1) Background and objectives of the Third-Party Allotment

The Company has supplied products that "control vibrations" and "control power" across a broad range of industries and technology fields, based on our core technical expertise in hydraulics, which has been passed from generation to generation since the Company's founding in 1919. At present, the Company has established a solid position with a large share of the global market in its main products. The Company has two main businesses. In Automotive Components Operations ("AC Operations"), the Company primarily produces hydraulic shock absorbers for automobiles, hydraulic shock absorbers for motorcycles, and hydraulic equipment for automobiles, mainly vane pumps for power steering systems and CVT (continuously variable transmissions). In Hydraulic Components Operations ("HC Operations"), the Company primarily produces hydraulic equipment for industrial use, mainly for construction machinery, and hydraulic equipment for railroad cars. The Company also manufactures and sells a broad range of products in addition to these main businesses, including theater equipment, equipment for military vessels, devices for take-off and landing of aircrafts and steering components, and special-function vehicles. Despite fluctuations in market conditions in each sector where the Company operates, the Company believes it has limited the impact of these fluctuations and achieved steady growth with its ability to address the needs of a wide variety of industries, technology fields, and customer bases. In fact, the Company achieved its highest ever net sales in the fiscal year ended March 31, 2019, at 412.2 billion yen. In addition, the Company has also generated stable segment profit against the above backdrop.

On the other hand, between the fiscal year ended March 31, 2019 and the fiscal year ended March 31, 2020, the Company faced significant declines in its capital, owing primarily to three factors: 1) losses related to nonconforming acts in the inspection process, etc. for seismic isolation/mitigation oil dampers for buildings manufactured by the Company and a subsidiary of the Company, as announced on October 16, 2018; 2) refunds to the Ministry of Defense in relation to nonconforming acts, etc., as announced on January 24, 2020; and 3)

impairment losses and the reversal of deferred tax assets in the fiscal year ended March 31, 2020, triggered by the global spread of COVID-19. As a result, the ratio of equity attributable to owners of the parent (consolidated), which was 43.7% as of March 31, 2018, had fallen to 18.1% as of March 31, 2020, and the equity ratio (non-consolidated), which was 43.5% as of March 31, 2018, had fallen to 8.8% as of March 31, 2020.

It is the Company's understanding that its core AC Operations and HC Operations are facing periods of rapid change, of the type that could be said to occur only once in a century.

In the automotive industry, where stringent environmental regulations are being implemented at a fast pace, manufacturers must increasingly respond to the transition to xEVs (Note 1) as a means of reducing environmental impact, as well as further reduce environmental impact in manufacturing processes. Manufacturers also face the issue of responding to MaaS (Note 2) and CASE (Note 3), as the automotive industry itself goes through a complete transformation from an industry that "manufactures automobiles" to one that "provides mobility systems and mobility services," as a result of actions not just by existing finished auto manufacturers, but also as a result of participation by companies in the IT and electric machinery industries and other new entrants looking to develop new markets. Amid these changes in the surrounding environment, the Company's customers, finished auto manufacturers, are demanding an increasingly diversified range of products, with functions including not just lighter weight and vibration mitigation, but also the use of environmentally-friendly materials and better riding comfort in self-controlled and self-driving situations. In addition, the industry is expected to transition in future from development led by finished auto manufacturers to modular development. As a result of such changes in business structures, the demands placed on the Company's products and development are becoming increasingly varied and complex, and the Company believes that competition to secure earnings from AC Operations is intensifying.

(Note 1) xEVs is a collective term for electric vehicles that includes hybrid electric vehicles and fuel cell vehicles

(Note 2) MaaS is an abbreviation for Mobility as a Service, which is a general concept for thinking of all transportation methods as a single service

(Note 3) CASE is an acronym formed from the words Connected, Autonomous/Automated, Shared, and Electric, and it refers to trends in the automotive industry

In the industrial hydraulic equipment industry, which mainly provides equipment for construction machinery, demand is expected to increase for electronic controls and other high-performance controls, centered on developed countries. In construction machinery, the IoT and automation are making progress, and the importance of electronic controls is increasing. The Company believes that the growing importance of high-performance controls for systems as a whole will also bring about a greater shift from product-based sales to system-based sales in hydraulic products. On the other hand, in emerging markets, price competition with local manufacturers is becoming increasingly fierce amid continuing strong demand for low-cost products, and the Company's HC Operations must respond to multiple areas of market demand, namely advanced technology and low prices. In addition to the intensifying competitive environment, the spread of COVID-19 has resulted in a withdrawal of demand and a change in regions with heavy demand. As such, the Company believes that maintaining cost-competitiveness has become more important than ever before.

In order to ensure that the Company generates earnings as the business environment experiences this period of dramatic change, the Company's AC and HC Operations must address market needs and respond to complex changes in the business environment centered on the withdrawal of demand and a shift in the sources of demand. With this aim, the Company is in the midst of promoting strategies to develop the optimal base network, including consolidating and reorganizing mainstay bases. Still, in order to create stable business foundations that also have the potential for growth, the Company must execute more strategic capital expenditures and R&D investment on an ongoing basis, while at the same time carrying forward strategies targeting its base network and enhancing and systematizing product performance. As such, in order to execute strategic capital expenditures, etc. on an ongoing basis, the Company understands that it should prioritize the emergence from its difficult financial position as soon as possible, along with the building of stable fund-raising capabilities and the endurance to survive unexpected business risks.

As the first step toward these measures, since September 2019, the Company has repeatedly analyzed ways to recover stable financial foundations by increasing capital, methods of raising capital to contribute funds to capital expenditures and R&D that factor in the medium- to long-term business environment, specific designs for financial instruments, and other factors. After selecting investors able to support the Company over the medium to long term, based on an understanding of the business environment surrounding the Company, making requests to investors to consider opportunities for a third-party allotment, performing due diligence, and engaging in final deliberations on the design of financial instruments, etc., the Company has now decided to issue class shares via the Third-Party Allotment.

The planned allottees are primarily the main financial institutions used by the Company, and they have deep understanding of the Company's business objectives, management policies, business strengths, and other factors, as well as approving of the main intent of the Third-Party Allotment, namely to recover the Company's financial

foundations, which have temporarily worsened, to a stable level as soon as possible, and to secure funds for growth investment in business facilities and R&D that factor in the medium- to long-term business environment. Through the planned allottees' holding of the class A preferred shares over the medium to long term, the Company believes that it will be able to recover stable financial foundations and achieve further growth. In addition, based on the aforementioned intent of the Third-Party Allotment, the Company believes that its stakeholders will be able to understand that the holding of the class A preferred shares by the planned allottees will contribute to enhancing corporate value.

(2) Reasons for raising funds through the Third-Party Allotment

The Company believes that it is necessary and appropriate to increase capital by raising funds as equity, instead of raising funds as debt, based on the main intent of the Company's fundraising, namely recovering stable financial foundations by increasing capital, and achieving medium- to long-term growth by allocating funds raised to capital expenditures and R&D, as described in the above "(1) Background and objectives of the Third-Party Allotment."

In addition, the Company judged that raising funds as equity by issuing common shares could harm the interests of common share shareholders through the dilution of the Company's common shares, taking into consideration such factors as current economic trends, the status of capital markets, the management environment surrounding the Company, the financial position of the Company, and the Company's management results. Furthermore, the Company considered the possibility of a gratis allotment of stock acquisition rights (rights offering), in which stock acquisition rights are allotted to existing shareholders, and an equity commitment line, in which stock acquisition rights are allotted to one or more securities firms. With these methods, it cannot be guaranteed that all stock acquisition rights will be exercised, as it would rely on the judgment of the allottees based on trends in the share price, and, in addition, shareholders may not agree to an allotment to shareholders in the event of an allotment of shares to existing shareholders. Therefore it would not be clear to the Company how much funds will be raised ultimately, and as such, it judged that these methods would not be an appropriate choice at this time. The Company applies international accounting standards to its consolidated accounting, and as such, perpetual subordinated bonds and perpetual subordinated loans may increase capital on consolidated financial statements, without fail, when issued, depending on their merchantability. On the other hand, however, the Company uses Japanese accounting standards for its non-consolidated accounting, and funds raised through debt with an equity component would be classified as a liability, which would not increase capital on non-consolidated financial statements but rather result in an increase in interest-bearing debt. Hence the Company has judged that it would not be an appropriate choice at this time.

In contrast to above methods, by increasing capital through third-party allotment using class shares, the Company can reliably raise funds and at the same time achieve increased capital on both consolidated and non-consolidated financial statements, depending on the design of the instrument, while also avoiding sudden dilution and changes in the shareholder composition. Furthermore, this scheme enables the Company to select appropriate allottees to achieve the objectives of its fundraising, and as such, it has judged that this is the most effective choice for the Company. Accordingly, after selecting investors, making requests to investors to consider opportunities for a third-party allotment, performing due diligence, and engaging in final deliberations on the design of financial instruments, etc., the Company has now decided to issue class shares via the Third-Party Allotment as described in the above "(1) Background and objectives of the Third-Party Allotment."

In addition, the exercise conditions of the put options attached to the class A preferred shares with common shares as consideration have been agreed upon with the planned allottees, and these put options are designed such that they will not be exercised unless there is a violation of obligations or clauses related to representations and warranties under the Underwriting Agreement (referring to the share underwriting agreement concluded between the Company and the planned allottees; hereinafter, the same applies) (however, with regard to violations of obligations, this applies only to significant violations of obligations). Accordingly, unless these circumstances occur, there will be no dilution in the amount of equity per common share. Moreover, even if the put options with common shares as consideration are exercised when there is a violation of obligations or clauses related to representations and warranties under the Underwriting Agreement, the design is such that the number of common shares that will be issued as a result of the put options with common shares as consideration will be limited to 2,574,843 shares in total (a number equivalent to 10% of the number of common shares outstanding as of May 13, 2021; however, if a share split, gratis allotment of shares, or share consolidation of the Company's common shares is conducted, this number will be adjusted in line with the ratio of the split, gratis allotment, or consolidation of shares). This means the Company can limit any excessive dilution, and the design is such that there will be no immediate impact on shareholder composition immediately after issuance.

Adding to the above, the Company also intends to enhance its external creditworthiness with the issuance of the class A preferred shares. 50% of the amount paid for the class A preferred shares are to be recognized as the

aggregate equity credit amount, categorized under “Class 3, equity credit of 50” in Rating and Investment Information Inc.’s evaluation of equity credit. The acquisition clause of the class A preferred shares may not be exercised until five (5) years have passed since issuance, and a replacement clause has also been established, to the effect that when exercising the acquisition clause or acquiring the class A preferred shares by purchase (hereinafter, collectively referred to as “redemption, etc.”), refinancing must be conducted through the raising of funds, using equity instruments approved by rating institutions as having equity credit attributes equal to or greater than the preferred shares, in an amount equal to or greater than the aggregate equity credit amount of the preferred shares to be redeemed, etc.; provided, however, from June 28, 2026 onward, the class A preferred shares may be redeemed, etc. without refinancing in cases that satisfy both of the criteria in the below (i) and (ii). In addition, if the criteria in (i) are satisfied, the amount in (iii) may be subtracted from the aggregate equity credit amount.

- (i) The adjusted consolidated equity ratio (* 1)) at the end of the consolidated fiscal year or quarterly consolidated accounting period immediately prior to the redemption, etc. is at least equivalent to the combined total of equity attributable to owners of the parent as of March 31, 2021 and the amount paid for the class A preferred shares, divided by the combined total of liabilities and capital, plus the amount paid for the class A preferred shares.
- (ii) The amount of adjusted consolidated shareholders’ equity (* 2)) at the end of the consolidated fiscal year or quarterly consolidated accounting period immediately prior to the redemption, etc. is at least equivalent to the combined total of consolidated shareholders’ equity as of March 31, 2021, plus the amount paid for the class A preferred shares.
- (iii) If the amount of adjusted consolidated shareholders’ equity (* 2)) at the end of the consolidated fiscal year or quarterly consolidated accounting period immediately prior to the redemption, etc. exceeds this amount as of March 31, 2021, the higher of the two amounts multiplied by 50%.

* 1) Adjusted consolidated equity ratio

= (Total equity attributable to owners of the parent - amount paid for class A preferred shares) ÷ (total liabilities and capital - amount paid for class A preferred shares)

* 2) Adjusted consolidated shareholders’ equity

= Capital + other capital surplus + treasury shares + retained earnings - amount paid for class A preferred shares

The Company intends to raise funds of 12.5 billion yen through the Third-Party Allotment. The Company decided upon this amount after comprehensively considering factors including the strengthening of current capital, the achievement of stable financial foundations over the medium to long term, the uses of the funds, and the probability of the acquisition of the class A preferred shares with cash as consideration. Furthermore, as benchmarks for stable financial foundations for the time being, the Company will target a ratio of equity attributable to owners of the parent (consolidated) of at least 25% and an equity ratio (non-consolidated) of at least 20%, while also building greater resilience to risk by accumulating more capital over the medium to long term. On the other hand, after achieving a certain level of internal reserves, the Company’s policy for the full amount of 12.5 billion yen will be to acquire the class A preferred shares via the attached acquisition clause with cash as consideration, in order to limit the amount of dividends paid to class A preferred shares over the long term. As described above, the planned allottees will not be able to exercise the put options attached to the class A preferred shares with common shares as consideration unless there is a violation of obligations or clauses related to representations and warranties under the Underwriting Agreement (however, with regard to violations of obligations, this applies only to significant violations of obligations), and therefore the Company is able to secure time to accumulate capital and enhance corporate value. In order to acquire the class A preferred shares as soon as possible, the Company will implement various initiatives aimed at recovering stable financial foundations and achieving further growth.

(3) Reasons for selecting the planned allottees

As described in the above “(2) Reasons for raising funds through the Third-Party Allotment,” the Company believes that ensuring that the class A preferred shares are held by multiple financial institutions with whom it has a transactional relationship, primarily the main financial institutions used by the Company, will contribute to further stabilizing the financial foundations of the Company. In addition, the planned allottees sufficiently understand the business environment surrounding the Company, the status of management, and the Company’s approach to capital measures. Based on the above considerations, the Company judged that raising funds with the class A preferred shares will contribute to enhancing corporate value, and selected the planned allottees.

(4) Grounds for calculation of the payment amount and specific details thereof

The Company held earnest deliberations with the planned allottees concerning the investment method of the Third-Party Allotment and the details thereof, and as a result, decided upon a payment amount of 100,000,000 yen per class A preferred share. The Company believes that this payment may be deemed reasonable, based on the merchantability of the class A preferred shares, in addition to the above negotiations.

In order to ensure fairness when determining the issuance terms of the class A preferred shares, the Company requested a valuation of the class A preferred shares from Akasaka International Accounting Co., Ltd. (“Akasaka International Accounting”), a third-party valuation institution that is independent of the Company and the planned allottees, and obtained a class share valuation report (the “Class Share Report”).

After considering calculation methods for the pricing of the class A preferred shares, Akasaka International Accounting, the third-party valuation institution, used a valuation methodology based on a binomial lattice model, which is a generally-used valuation model, to calculate the fair value of the class A preferred shares. After considering the various terms set forth in the issuance requirements of the class A preferred shares, Akasaka International Accounting used certain assumptions in its calculation (including preferred dividends, residual assets, voting rights, acquisition clauses with cash or common shares as consideration, price of the Company’s common shares, volatility in the share price, the expected dividend amount for common shares, risk-free rate, and credit spreads). In the Class Share Report, the value of the class A preferred shares was given in a range of 96.2 million yen to 100.6 million yen per share.

The Company thus determined the amount to be paid per class A preferred share after taking into consideration the above results of the calculation in the Class Share Report by Akasaka International Accounting, a third-party valuation institution that is independent of the Company and the planned allottees, and earnestly engaging in negotiations and consultations with the planned allottees over many occasions. The payment amount for the class A preferred shares is within the share value range calculated by Akasaka International Accounting, and the Company believes that the amount to be paid per class A preferred share (100,000,000 yen per share) is not an amount that would be particularly advantageous to the planned allottees, as per the Companies Act. However, calculating the fair value of preferred shares without an objective market value requires extremely advanced and complex calculations, and various interpretations of their valuation are possible. As a result of these and other factors, the Company believes it appropriate to confirm the will of shareholders, and therefore, as a precautionary matter, the Company has decided to make the issuance of the class A preferred shares subject to obtaining approval at via special resolution at a General Meeting of Shareholders for a favorable issuance, pursuant to Article 199, Paragraph 2 of the Companies Act, at this General Meeting of Shareholders.

Proposal 4: Reduction in Amount of Legal Capital Surplus

1. Reasons for reduction in amount of legal capital surplus

The Company plans to record the distributable amount, and in order to return to stable financial foundations and facilitate agile and flexible capital policies in future, it will reduce the amount of legal capital surplus and transfer the amount to other capital surplus, pursuant to the provisions of Article 448, Paragraph 1 of the Companies Act.

Furthermore, the effectiveness of this proposal will be subject to the passing and approval of Proposal 2 “Partial Amendments to the Articles of Incorporation” and Proposal 3 “Issuance of Class A Preferred Shares by Third-Party Allotment” as originally proposed, as well as the completion of payment for the class A preferred shares.

2. Outline of reduction in legal capital surplus

Amount of reduction in legal capital surplus	19,583,920,000 yen
Amount of increase in other capital surplus	19,583,920,000 yen
Date the reduction in legal capital surplus will take effect	June 28, 2021

Proposal 5: Appropriation of Surplus

Appropriate shareholder return is an important management policy of the Company. In accordance with the Company’s basic policy and in consideration of business performance for the fiscal year ended March 31, 2021, future capital investment, and other factors, the Company proposes the payment of year-end dividends for the fiscal year under review as follows.

Matters concerning year-ended dividends:

1. Type of dividend property
Cash
2. Allocation of dividend property and total amount thereof
75 yen per share of common stock of the Company
Total amount of dividends: 1,915,691,925 yen
3. Effective date of appropriation of surplus
June 28, 2021

Proposal 6: Election of Seven (7) Members of the Board of Directors

The term of office of all the seven (7) Members of the Board of Directors will expire at the conclusion of this General Meeting of Shareholders. Therefore, we propose election of seven (7) Members of the Board of Directors.

The candidates for the Members of the Board of Directors are as follows:

List of candidates for Members of the Board of Directors

No.	Name	Attributes	Current positions in the Company	Attendance of the meetings of the Board of Directors	
1	Yasusuke Nakajima	(Reappointment)	Member of the Board of Directors, Chairman	100% (17/17)	
2	Masao Ono	(Reappointment)	Representative Director, President Executive Officer	100% (17/17)	
3	Takaaki Kato	(Reappointment)	Representative Director, Executive Vice President Executive Officer	100% (17/17)	
4	Keisuke Saito	(Reappointment)	Member of the Board of Directors, Executive Vice President Executive Officer	100% (17/17)	
5	Rokurou Tsuruta	(Reappointment)	(Candidate for Member of the Board of Directors (Outside)) (Independent Officer)	Member of the Board of Directors (Outside)	100% (17/17)
6	Shuhei Shiozawa	(Reappointment)	(Candidate for Member of the Board of Directors (Outside)) (Independent Officer)	Member of the Board of Directors (Outside)	100% (17/17)
7	Masakazu Sakata	(Reappointment)	(Candidate for Member of the Board of Directors (Outside)) (Independent Officer)	Member of the Board of Directors (Outside)	100% (14/14)

No.	Name (Date of birth)	Career summary, positions, and responsibilities at the Company	Number of shares of the Company held
1	<p data-bbox="191 817 406 907">Yasusuke Nakajima (November 2, 1955) (Reappointment)</p> <p data-bbox="191 940 406 1030">Term of office as a Member of the Board of Directors: 16 years</p> <p data-bbox="191 1064 406 1153">Attendance of the meetings of the Board of Directors: (17/17)</p>	<p data-bbox="422 268 1284 1265"> April 1979 Joined the Company April 2005 General Manager, Hydraulics Sales & Marketing Headquarters, Hydraulic Components Operations June 2005 Member of the Board of Directors, General Manager, Hydraulics Sales & Marketing Headquarters, Hydraulic Components Operations April 2007 Member of the Board of Directors, General Manager, Hydraulics Sales Headquarters, Hydraulic Components Operations June 2009 Managing Member of the Board of Directors, General Manager, Hydraulic Components Operations June 2010 Senior Managing Member of the Board of Directors, in charge of purchasing, general affairs and human resources June 2011 Member of the Board of Directors, Senior Managing Executive Officer, in charge of purchasing, general affairs and human resources April 2012 Member of the Board of Directors, Senior Managing Executive Officer, in charge of purchasing, General Manager, Hydraulic Components Operations April 2014 Member of the Board of Directors, Senior Managing Executive Officer, in charge of purchasing, General Manager, Corporate Planning Div. June 2015 Representative Director, President Executive Officer June 2018 Representative Director, Chairman, President Executive Officer January 2019 Representative Director, Chairman, President Executive Officer, General Manager in charge of Seismic Isolation/Mitigation Correspondence Operations April 2019 Representative Director, Chairman, in charge of Seismic Isolation/Mitigation Correspondence Operations June 2019 Member of the Board of Directors, Chairman, in charge of Seismic Isolation/Mitigation Correspondence (current position) </p> <p data-bbox="422 1299 1284 1579"> [Reasons for proposing him as a candidate for Member of the Board of Directors] He has deep knowledge and a wealth of experience in corporate management. He has steadily promoted management reforms such as reinforced corporate governance and quality management in the Group and structural reforms on the global level. He has endeavored for early settlement of the problem of seismic isolation/mitigation oil dampers for buildings. Moreover, he is also actively involved in various industry associations for addressing several challenges faced by the industry. We expect that he will continue to make efforts to restore public trust of the Group. Consequently, we reappoint him as a candidate for Member of the Board of Directors. </p> <p data-bbox="422 1601 1284 1668"> [Significant concurrent positions] None </p>	5,500

No.	Name (Date of birth)	Career summary, positions, and responsibilities at the Company	Number of shares of the Company held
2	<p data-bbox="193 757 406 846">Masao Ono (November 7, 1956) (Reappointment)</p> <p data-bbox="193 882 406 972">Term of office as a Member of the Board of Directors: 4 years</p> <p data-bbox="193 1008 406 1097">Attendance of the meetings of the Board of Directors: (17/17)</p>	<p data-bbox="426 271 1294 1153"> April 1979 Joined the Company January 2004 General Manager, Operations Planning Dept., Automotive Devices Business Div. April 2005 General Manager, Operations Planning Dept., Automotive Components Operations June 2006 General Manager, Purchasing Dept. June 2008 General Manager, Purchasing Div. April 2012 Executive Officer, General Manager, Purchasing Div. April 2014 Managing Executive Officer, General Manager, Purchasing Div. April 2016 Senior Managing Executive Officer, in charge of purchasing, in charge of CSR, General Manager, Corporate Planning Div. April 2017 Senior Managing Executive Officer, in charge of purchasing, in charge of audit, General Manager, Corporate Planning Div. June 2017 Member of the Board of Directors, Senior Managing Executive Officer, in charge of purchasing, in charge of audit, General Manager, Corporate Planning Div. April 2018 Member of the Board of Directors, Senior Managing Executive Officer, in charge of purchasing, General Manager, Corporate Planning Div. June 2018 Member of the Board of Directors, Executive Vice President Executive Officer, in charge of Special Purpose Vehicles Div., domestic affiliate companies and purchasing, General Manager, Corporate Planning Div. January 2019 Member of the Board of Directors, Executive Vice President Executive Officer, in charge of global business strategy, Aircraft Components Div., domestic affiliate companies and purchasing, General Manager, Corporate Planning Div. April 2019 Representative Director, President Executive Officer (current position) </p> <p data-bbox="426 1189 1294 1458"> [Reasons for proposing him as a candidate for Member of the Board of Directors] He has strongly promoted the accomplishment of important tasks of the Company, including reinforcement of the business base, thorough implementation of recurrence prevention measures for the incidents such as nonconforming of seismic isolation/mitigation oil dampers for buildings, and reform of the corporate culture, with a wealth of knowledge and experience in the business and operation of the Company. We expect that he will continue to be able to restore confidence and secure profits of the overall Group under his strong leadership. Consequently, we reappoint him as a candidate for Member of the Board of Directors. </p> <p data-bbox="426 1494 767 1552"> [Significant concurrent positions] None </p>	2,900

No.	Name (Date of birth)	Career summary, positions, and responsibilities at the Company	Number of shares of the Company held
3	<p>Takaaki Kato (June 12, 1957) (Reappointment)</p> <p>Term of office as a Member of the Board of Directors: 6 years</p> <p>Attendance of the meetings of the Board of Directors: (17/17)</p>	<p>April 1980 Joined The Fuji Bank, Limited (present Mizuho Bank, Ltd.)</p> <p>March 2005 General Manager, Hong Kong Branch, Mizuho Corporate Bank, Ltd. (present Mizuho Bank, Ltd.)</p> <p>April 2008 Executive Officer, Mizuho Securities Co., Ltd.</p> <p>April 2009 Managing Executive Officer, Mizuho Securities Co., Ltd.</p> <p>April 2011 Managing Executive Officer, Mizuho Securities Co., Ltd. and Chairman, Mizuho Securities Asia Limited</p> <p>April 2013 Joined the Company, Managing Executive Officer, Deputy General Manager, Finance & Accounting Div.</p> <p>June 2014 Managing Executive Officer, General Manager, Finance & Accounting Div.</p> <p>April 2015 Senior Managing Executive Officer, General Manager, Finance & Accounting Div.</p> <p>June 2015 Member of the Board of Directors, Senior Managing Executive Officer, in charge of audit, in charge of CSR, General Manager, Finance & Accounting Div., General Manager, Corporate Planning Div., and CFO</p> <p>April 2016 Member of the Board of Directors, Senior Managing Executive Officer, and CFO</p> <p>April 2017 Member of the Board of Directors, Senior Managing Executive Officer, and CFO</p> <p>June 2017 Representative Director, Executive Vice President Executive Officer, and CFO (current position)</p> <p>[Reasons for proposing him as a candidate for Member of the Board of Directors] He has deep knowledge of finance, accounting, and IR, and has actively addressed financial challenges due to the problem of seismic isolation/mitigation oil dampers for buildings, and contributed to the recovery of the Company's performance and improving corporate value based on a wealth of international experience and insight he has acquired and cultivated while working in financial institutions. Moreover, he has initiated repeated dialogue with investors through IR activities in an effort to restore public trust and we expect that he will be indispensable for increasing the corporate value for medium and long terms. Consequently, we reappoint him as a candidate for Member of the Board of Directors.</p> <p>[Significant concurrent positions] None</p>	2,500

No.	Name (Date of birth)	Career summary, positions, and responsibilities at the Company	Number of shares of the Company held
4	<p>Keisuke Saito (August 18, 1959) (Reappointment)</p> <p>Term of office as a Member of the Board of Directors: 10 years</p> <p>Attendance of the meetings of the Board of Directors: (17/17)</p>	<p>April 1983 Joined the Ministry of International Trade and Industry (present Ministry of Economy, Trade and Industry)</p> <p>August 2002 General Manager, Beijing Office, Japan-China Economic Association</p> <p>September 2005 Director, Industrial Revitalization Division, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry</p> <p>July 2007 Director, Industrial Science and Technology Policy Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry</p> <p>July 2008 Director, Finance Division, Minister's Secretariat, Ministry of Economy, Trade and Industry</p> <p>July 2009 Director-General for Energy Conservation and Renewable Energy Department, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry</p> <p>September 2010 Special Adviser of the Company</p> <p>June 2011 Member of the Board of Directors, Senior Managing Executive Officer, General Manager, Engineering Div. and General Manager, Corporate Planning Div.</p> <p>April 2014 Member of the Board of Directors, Senior Managing Executive Officer, in charge of legal affairs and information technology administration, General Manager, Engineering Div.</p> <p>January 2016 Member of the Board of Directors, Senior Managing Executive Officer, in charge of Information Technology Administration, in charge of Aircraft Components Div., General Manager, Engineering Div.</p> <p>April 2017 Member of the Board of Directors, Senior Managing Executive Officer, in charge of Aircraft Components Div., General Manager, Hydraulic Components Operations</p> <p>April 2018 Member of the Board of Directors, Senior Managing Executive Officer, General Manager, Hydraulic Components Operations and General Manager, Aircraft Components Div.</p> <p>January 2019 Member of the Board of Directors, Senior Managing Executive Officer, General Manager, Seismic Isolation/Mitigation Correspondence Operations</p> <p>June 2019 Member of the Board of Directors, Executive Vice President Executive Officer, General Manager, Seismic Isolation/Mitigation Correspondence Operations (current position)</p> <p>[Reasons for proposing him as a candidate for Member of the Board of Directors] He has diverse experience and a rich human network gained while working in the Ministry of Economy, Trade and Industry and deep knowledge cultivated in the Company in the areas of engineering, research and development. He has demonstrated strong leadership in carrying out conformation and made achievements based on his good judgment and ability to deliver as a person responsible for settling issues with seismic isolation/mitigation oil dampers for buildings. We expect that he is a qualified person to accomplish the conformation of the dampers and able to address management issues to fulfill the society's expectations Consequently, we reappoint him as a candidate for Member of the Board of Directors.</p> <p>[Significant concurrent positions] None</p>	3,500

No.	Name (Date of birth)	Career summary, positions, and responsibilities at the Company	Number of shares of the Company held
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5	<p>Rokurou Tsuruta (June 16, 1943) (Reappointment) (Candidate for Member of the Board of Directors (Outside)) (Candidate for Independent Officer)</p> <p>Term of office as a Member of the Board of Directors (Outside): 6 years</p> <p>Attendance of the meetings of the Board of Directors: (17/17)</p>	<p>April 1970 Prosecutor, Tokyo District Public Prosecutors Office April 2005 Superintending Prosecutor, Nagoya High Public Prosecutors Office July 2006 Registered as an attorney (Daini Tokyo Bar Association) June 2007 Outside Director, TEIKOKU PISTON RING CO., LTD. (present TPR Co., Ltd.) (current position) September 2007 Outside Audit & Supervisory Board Member, J. FRONT RETAILING Co., Ltd. June 2012 Outside Corporate Auditor, Sumitomo Mitsui Financial Group, Inc. June 2015 Member of the Board of Directors (Outside) of the Company (current position) May 2017 Outside Director, J. FRONT RETAILING Co., Ltd. June 2017 Outside Corporate Auditor, Sumitomo Mitsui Banking Corporation</p> <p>[Reasons for proposing him as a candidate for Member of the Board of Directors (Outside) and overview of expected roles] Since assuming office as Member of the Board of Directors (Outside) in 2015, he has properly performed supervisory functions for business execution in regard to strengthening of the internal control, compliance, etc. of the Company based on his expertise and experience as an attorney, on various occasions such as the Board of Directors' meetings. We expect him to continue giving us useful advice. Consequently, we reappoint him as a candidate for Member of the Board of Directors (Outside). Although he has not participated in corporate management other than as an outside director or outside audit & supervisory board member, we judge that he will duly perform his duties as a Member of the Board of Directors (Outside) for the above-mentioned reasons.</p> <p>[Significant concurrent positions] Attorney and representative, Tsuruta Rokurou Law Office Outside Director, TPR Co., Ltd.</p>	900
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No.	Name (Date of birth)	Career summary, positions, and responsibilities at the Company	Number of shares of the Company held
6	<p>Shuhei Shiozawa (September 19, 1955) (Reappointment) (Candidate for Member of the Board of Directors (Outside)) (Candidate for Independent Officer)</p> <p>Term of office as a Member of the Board of Directors (Outside): 5 years</p> <p>Attendance of the meetings of the Board of Directors: (17/17)</p>	<p>April 1981 Assistant, Faculty of Economics, Keio University April 1987 Associate Professor, Faculty of Economics, Keio University April 1991 Visiting researcher, Institut d'Etudes Politiques de Paris April 1994 Professor, Faculty of Economics, Keio University January 2001 Director for International Economic Affairs, Cabinet Office October 2005 Dean, Faculty of Economics, Keio University March 2012 Member of the Board of Directors (Outside), Kenedix, Inc. June 2016 Member of the Board of Directors (Outside) of the Company (current position) June 2017 Independent Director (Audit & Supervisory Committee member), Ahresty Corporation (current position) April 2019 Professor Emeritus, Keio University (current position) April 2019 President, Tokyo International University (current position)</p> <p>[Reasons for proposing him as a candidate for Member of the Board of Directors (Outside) and overview of expected roles] Since assuming office as Member of the Board of Directors (Outside) in 2016, he has properly performed supervisory function in regard to business execution on various occasions such as the Board of Directors' meetings, such as giving us useful opinions and recommendations on finance and CSR of the Company based on a wealth of knowledge and insight as a specialist in economics. We expect him to continue giving us useful advice. Consequently, we reappoint him as a candidate for Member of the Board of Directors (Outside). Although he has not participated in corporate management other than as an outside director, we judge that he will duly perform his duties as a Member of the Board of Directors (Outside) for the above-mentioned reasons.</p> <p>[Significant concurrent positions] President, Tokyo International University Professor Emeritus, Keio University Independent Director (Audit & Supervisory Committee member), Ahresty Corporation</p>	700

No.	Name (Date of birth)	Career summary, positions, and responsibilities at the Company	Number of shares of the Company held
7	Masakazu Sakata (August 2, 1959) (Reappointment) (Candidate for Member of the Board of Directors (Outside)) (Candidate for Independent Officer) Term of office as a Member of the Board of Directors (Outside): 1 years Attendance of the meetings of the Board of Directors: (14/14)	<p>April 1983 Joined Fuji Xerox Co., Ltd.</p> <p>April 2007 General Manager, Public Relations and Advertisement Dept., Fuji Xerox Co., Ltd.</p> <p>April 2010 Senior Vice President, Fuji Xerox Advanced Technology Co., Ltd.</p> <p>June 2011 Senior Vice President and Director, Fuji Xerox Advanced Technology Co., Ltd.</p> <p>June 2015 Executive Vice President, Fuji Xerox Information Systems Co., Ltd.</p> <p>June 2017 President and Representative Director, Fuji Xerox Advanced Technology Co., Ltd.</p> <p>April 2019 Senior Adviser, Fuji Xerox Co., Ltd.</p> <p>June 2020 Member of the Board of Directors (Outside) of the Company (current position)</p> <p>June 2020 Outside Audit & Supervisory Board Member, ULS Group, Inc. (current position)</p> <p>October 2020 Outside Director, PLANET, INC. (current position)</p> <p>[Reasons for proposing him as a candidate for Member of the Board of Directors (Outside) and overview of expected roles] Since assuming office as Member of the Board of Directors (Outside) in 2020, he has properly performed supervisory functions in regard to business execution in areas of business renovation such as work style reforms that prioritize diversity in the Company, the promotion of IT efficiency, and productivity improvements in back- office operations based on broad knowledge and experience cultivated at Fuji Xerox Co., Ltd. We expect him to continue to give us useful advice and guidance. Consequently, we appoint him as a candidate for Member of the Board of Directors (Outside).</p> <p>[Significant concurrent positions] Outside Audit & Supervisory Board Member, ULS Group, Inc. Outside Director, PLANET, INC.</p>	100

(Note 1) No conflict of interests exists between any of the above candidates and the Company.

(Note 2) The Company has designated Mr. Rokuro Tsuruta, Mr. Shuhei Shiozawa and Mr. Masakazu Sakata, candidates, as independent officers under the rules of the Tokyo Stock Exchange and filed the designations with the Tokyo Stock Exchange. If the reappointment of Mr. Rokuro Tsuruta, Mr. Shuhei Shiozawa and Mr. Masakazu Sakata is approved, the Company will continue to designate them as independent officers.

(Note 3) Liability limitation agreement with Members of the Board of Directors (Outside):

Mr. Rokuro Tsuruta, Mr. Shuhei Shiozawa and Mr. Masakazu Sakata, candidates, have each entered into an agreement with the Company to limit their liabilities. If the reappointment of Mr. Rokuro Tsuruta, Mr. Shuhei Shiozawa and Mr. Masakazu Sakata is approved, the Company shall continue the agreement with each of them. The outline of the agreement is as follows:

If Mr. Rokuro Tsuruta/Mr. Shuhei Shiozawa/Mr. Masakazu Sakata becomes liable to the Company for failure to perform his duties as a Member of the Board of Directors (Outside) after the conclusion of this agreement, the maximum amount of his liability shall be twice the value of the annual property benefits that he has received or should receive from the Company as consideration for the execution of his duties during his term of office as calculated by the method provided in Article 113 of the Ordinance for Enforcement of the Companies Act, and any amount in excess of the maximum amount shall be exempted from the liability, provided that he has conducted his duties in good faith and without gross negligence.

(Note 4) The Company has entered into a directors and officers liability insurance contract to insure its Members of the Board of Directors (including Members of the Board of Directors (Outside)), Audit & Supervisory Board Members (including Audit & Supervisory Board Members (Outside)), and Executive Officers. The insurance contract covers liability of insured arising in the performance of their duties and damage claims received pertaining to the pursuit of said liability. However, there are certain exclusions, such as no coverage for liability arising from actions taken with the knowledge that they were in violation of laws and regulations. The Company bears the entire premium for all the insured parties. If the candidates assume office, they will become insured persons under said insurance policy.

Proposal 7: Election of One (1) Audit & Supervisory Board Member

Mr. Tomoo Akai will resign from his position as an Audit & Supervisory Board Member at the conclusion of this General Meeting of Shareholders. We propose election of one (1) Audit & Supervisory Board Member.

The Audit & Supervisory Board has given its consent to this proposal in advance.

The candidate for Audit & Supervisory Board Member is as follows.

In accordance with the provisions of the Articles of Incorporation of the Company, the term of office for the Audit & Supervisory Board Member elected by this General Meeting of Shareholders will expire on the expiration date of the Audit & Supervisory Board Member who will resign.

Name (Date of birth)	Career summary and positions at the Company	Number of shares of the Company held
Hideki Nonoyama (February 28, 1957) (New appointment)	April 1980 Joined the Company	2,200
	January 2004 General Manager, Operations Planning Dept., Automotive Devices Business Div.	
	April 2012 Executive Officer, General Manager, Corporate Planning Dept., Corporate Planning Div.	
	January 2014 Executive Officer; President, KYB Americas Corporation	
	April 2016 Managing Executive Officer; President, KYB Americas Corporation	
	April 2018 Managing Executive Officer, Deputy General Manager, Finance & Accounting Div.	
	January 2019 Managing Executive Officer, in charge of CSR and safety control	
	April 2019 Managing Executive Officer, in charge of purchasing, and in charge of CSR and safety control	
	June 2019 Managing Executive Officer, in charge of purchasing, Deputy General Manager, Seismic Isolation/Mitigation Correspondence Operations	
	April 2020 Managing Executive Officer, in charge of purchasing, Deputy General Manager, Seismic Isolation/Mitigation Correspondence Operations and General Manager, Promotion Headquarters	
January 2021 Managing Executive Officer, in charge of purchasing and logistics, Deputy General Manager, Seismic Isolation/Mitigation Correspondence Operations and General Manager, Promotion Headquarters (current position)		
[Reasons for proposing him as a candidate for Audit & Supervisory Board Member] He has considerable knowledge of auditing based on his experience in corporate planning, finance and accounting, and management of overseas group companies. We expect that he will give us useful opinions and recommendations. Consequently, we appoint him as a candidate for Audit & Supervisory Board Member.		
[Significant concurrent positions] None		

(Note 1) No conflict of interests exists between Mr. Hideki Nonoyama, a candidate, and the Company.

(Note 2) Liability limitation agreement with a candidate for Audit & Supervisory Board Member:

If the appointment of Mr. Hideki Nonoyama, a candidate, is approved, the Company will enter into an agreement with him to limit his liabilities. The outline of the agreement is as follows:

If Mr. Hideki Nonoyama becomes liable to the Company for failure to perform his duties as an Audit & Supervisory Board Member after the conclusion of this agreement, the maximum amount of his liability shall be twice the total value of the annual property benefits that he has received or should receive from the Company as consideration for the execution of his duties during his term of office as calculated by the method provided in Article 113 of the Ordinance for Enforcement of the Companies Act, and any amount in excess of the maximum amount shall be exempted from the liability, provided that he has conducted his duties in good faith and without gross negligence.

(Note 3) The Company has entered into a directors and officers liability insurance contract to insure its Members of the Board of Directors (including Members of the Board of Directors (Outside)), Audit & Supervisory Board Members (including Audit & Supervisory Board Members (Outside)), and Executive Officers. The insurance contract covers liability of insured arising in the performance of their duties and damage claims received pertaining to the pursuit of said liability.

However, there are certain exclusions, such as no coverage for liability arising from actions taken with the knowledge that they were in violation of laws and regulations. The Company bears the entire premium for all the insured parties. If Mr. Hideki Nonoyama, a candidate, is appointed as Audit & Supervisory Board Member, he will become an insured person under said insurance policy.

Proposal 8: Election of One (1) Substitute Audit & Supervisory Board Member

Mr. Atsushi Shigeta was elected as a Substitute Audit & Supervisory Board Member at the 98th Ordinary General Meeting of Shareholders held on June 25, 2020 by its resolution effective until the commencement of this General Meeting of Shareholders. To prepare for any case where the number of Outside Audit & Supervisory Board Members becomes less than the number required by laws and regulations, we propose to elect one (1) Substitute Audit & Supervisory Board Member.

Such Substitute Audit & Supervisory Board Member will assume the office of Audit & Supervisory Board Member only if the number of Outside Audit & Supervisory Board Members becomes less than the number required by laws and regulations. Her term of office shall be equal to the remaining term of office of her predecessor.

The Audit & Supervisory Board has given its consent to this proposal in advance.

The candidate for Substitute Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Career summary	Number of shares of the Company held
<p>Junko Watanabe (May 26, 1957)</p> <p>(Candidate for Substitute Audit & Supervisory Board Member (Outside))</p>	April 1980	0
	April 1999	
	November 2000	
	March 2003	
	March 2006	
	April 2008	
	May 2010	
	May 2011	
	April 2014	
	July 2015	
	July 2018	
	July 2019	
	March 2020	
July 2020		
<p>[Reasons for proposing her as a candidate for Substitute Audit & Supervisory Board Member (Outside)] We expect that she will give us useful opinions and recommendations to secure soundness of the auditing and corporate management of the Company based on her experiences not only in financial institutions, but also in sales and business strategy. Consequently, we appoint her as a candidate for Substitute Audit & Supervisory Board Member (Outside).</p> <p>[Significant concurrent positions] Managing Director, Joban Kosan Co., Ltd. Audit & Supervisory Board Member (Outside), JUKI CORPORATION</p>		

(Note 1) No conflict of interests exists between Ms. Junko Watanabe, a candidate, and the Company.

(Note 2) Ms. Junko Watanabe, a candidate, once served as an Executive of Mizuho Bank, Ltd., a Specified Associated Service Provider of the Company. However, it has been ten years since she retired Mizuho Bank, Ltd.

(Note 3) Liability limitation agreement with a candidate for Substitute Audit & Supervisory Board Member:

If Ms. Junko Watanabe, a candidate, is elected, the Company will enter into an agreement with Ms. Junko Watanabe to limit her liability on condition that she assumes office as Audit & Supervisory Board Member.

The outline of the agreement is as follows:

- If Ms. Junko Watanabe becomes liable to the Company for failure to perform her duties as an Audit & Supervisory Board Member after the conclusion of this agreement, the maximum amount of her liability shall be twice the total value of the annual property benefits that she has received or should receive from the Company as consideration for the execution of her duties during her term of office as calculated by the method provided in Article 113 of the Ordinance for Enforcement of the Companies Act, and any amount in excess of the maximum amount shall be exempted from the liability, provided that she has conducted her duties in good faith and without gross negligence.

(Note 4) The Company has entered into a directors and officers liability insurance contract to insure its Members of the Board of Directors (including Members of the Board of Directors (Outside)), Audit & Supervisory Board Members (including Audit & Supervisory Board Members (Outside)), and Executive Officers. The insurance contract covers liability of insured arising in the performance of their duties and damage claims received pertaining to the pursuit of said liability. However, there are certain exclusions, such as no coverage for liability arising from actions taken with the knowledge that they were in violation of laws and regulations. The Company bears the entire premium for all the insured parties.

If Ms. Junko Watanabe, a candidate, assumes office as Audit & Supervisory Board Member, she will become an insured person under said insurance policy.

Proposal 9: Payment of Performance-Linked Bonuses to Members of the Board of Directors

We propose the payment of bonuses in the total amount of 110.2 million yen to four (4) Members of the Board of Directors in office as of the end of the fiscal year under review (excluding three (3) Members of the Board of the Directors (Outside) out of the seven (7) Members of the Board of the Directors) in consideration of various factors, including the business performance of the fiscal year under review.

We kindly ask that the amount to be paid to each Member of the Board of Directors be left to the discretion of the Board of Directors.

(Reasons the payment is appropriate)

Increasing the correlation between the remuneration of each Member of the Board of Directors and business performance will lead to increased motivation to improve business performance via appropriate corporate management, and also with the objective of further promoting value-sharing with our shareholders, the Company has adopted a performance-linked bonus system for bonuses to Members of the Board of Directors (excluding Members of the Board of Directors (Outside)).

(Policy for performance-linked bonus system)

The total amount of bonuses payable to Members of the Board of Directors (excluding Members of the Board of Directors (Outside)) under the performance-linked bonus system, which is a variable remuneration linked to the performance of the Company, shall be calculated in accordance with the degree of actual achievement of the performance forecast stated in the *kessan tanshin* (financial results report) on the settlement of accounts for the end of the previous fiscal year. The amount payable to each Member of the Board of Directors shall be decided on the allotment ratio preliminarily determined according to the position of each Member of the Board of Directors. However, the maximum amount of bonus will be set in accordance with related laws and regulations. The total amount for payment shall be decided by a resolution of the Board of Directors upon consultation with the Remuneration Committee, a body consisting of the Representative Directors and the Members of the Board of Directors (Outside), and thereupon shall be submitted to the ordinary general meeting of shareholders every year for approval.

Moreover, the Company has established a policy for determining the remuneration of each Member of the Board of Directors and determined that the content of this proposal is consistent with the policy and therefore it is appropriate.

END