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Securities code: 1975
June 7, 2023

To our shareholders:

1-25-7 Hamamatsucho, Minato-ku, Tokyo
ASAHI KOGYOSHA CO., LTD.
Yasutomo Takasu,
President and Representative Director

Notice of the 94th Annual General Meeting of Shareholders

Dear Shareholders:

We send greetings and our gratitude for your continuing support.

Provided below is information for the 94th Annual General Meeting of Shareholders.

Information and detailed references for the Annual General Meeting of Shareholders (information to be provided electronically) is posted to the Company website. Please go to the website indicated below to review this information.

Company website: <https://www.asahikogyosha.co.jp/ir/library/meeting/>



In addition to this website, information provided electronically is also posted to the website of the Tokyo Stock Exchange. To view this information via the TSE listed-company information service, go to the following page of the Tokyo Stock Exchange website, search by company name (“Asahi Kogyosha”) or code (“1975”), and choose basic information and available documents / PR information.

Tokyo Stock Exchange website (TSE listed firms information service)

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>



If you are unable to attend the meeting in person, you have the right to exercise your voting rights in advance via the Internet or in writing. Please review the reference materials for the Annual General Meeting of Shareholders and exercise your voting rights by 5:00 p.m. of Wednesday, June 28, 2023.

[Exercising your voting rights via the Internet]

Review “Instructions for Exercising Voting Rights via the Internet” on page 4, then go to the website designated for voting by Internet (<https://soukai.mizuho-tb.co.jp/>). Use the voting rights code and password indicated on the Voting Rights Exercise Form to log in. Follow the instructions provided on screen to indicate your approval or disapproval of each resolution. You must vote before the deadline indicated above.

[Exercising voting rights in writing]

Indicate your approval or disapproval of each resolution on the Voting Rights Exercise Form and return by the deadline indicated above.

Sincerely,
Yasutomo Takasu
President and Representative Director

- 1. Date and time** 10 a.m., Thursday, June 29, 2023
- 2. Venue** Tenpyo, 14th floor of Azur Takeshiba
1-11-2 Kaigan, Minato-ku, Tokyo
Note: This year's Annual Meeting of Shareholders will be held on a floor different from last year's meeting. Refer to Guide to Venue Information Map at the end of this notice to confirm the correct venue.
- 3. Purpose of the meeting**
- Matters to be reported:**
1. Business Report, Consolidated Financial Statements, and reports on audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements for the Company's 94th Fiscal Year (April 1, 2022 through March 31, 2023)
 2. Non-consolidated Financial Statements for the Company's 94th Fiscal Year (April 1, 2022 through March 31, 2023)
- Matters to be resolved:**
- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Appointment of Nine Directors
- Proposal No. 3:** Appointment of Two Corporate Auditors
- Proposal No. 4:** Updating the Company's policy on responding to large-scale purchases of stock (takeover defense measures) and delegation to the Board of Directors of authority related to the *gratis* allocation of stock options (the defensive measure identified under this policy)
- 4. Decisions related to the convocation of this meeting (exercise of voting rights)**
- (1) With regard to voting rights to be exercised in writing (by post), the absence of an indication of approval or disapproval on the Voting Rights Exercise Form will be deemed to indicate approval.
 - (2) In cases of the duplicate exercise of the same voting rights via the Internet and in writing (by post), the vote cast via the Internet will be granted precedence and regarded as valid. This applies regardless of date and time.
 - (3) For cases involving multiple votes via the Internet, the most recent vote will be regarded as valid.
 - (4) You may exercise your voting rights through a proxy attending the General Meeting of Shareholders. The proxy must be another shareholder who holds voting rights. Note that the proxy shareholder must submit a letter of proxy.

- ⊙ On the day of the meeting, those attending should submit the Voting Rights Exercise Form at the reception desk. To help minimize waste, please bring this Notice with you to the meeting.
- ⊙ Any revisions of information provided electronically will be posted, with the items before and after the revision clearly indicated, on the websites specified above for the Company and the Tokyo Stock Exchange.
- ⊙ Under the amended Companies Act, shareholders are expected to review information provided electronically on the Company or Tokyo Stock Exchange website; in general, printed materials are sent only to shareholders who request them. However, for this General Meeting of Shareholders, printed copies of the information provided electronically on the Internet will be sent to all shareholders, whether or not requested.
- ⊙ Please note that Company executives and staff will wear business casual attire to the meeting to help conserve resources. We ask that shareholders attend in business casual clothing.

Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Appropriation of Surplus

The Company proposes the following appropriation of surplus:

Year-end dividends

The Company proposes the following year-end dividend for the fiscal year under review to maintain stable dividends to shareholders and to reward their continuing support.

(i) Dividend assets

Cash

(ii) Allotment of dividend assets and total amount thereof

55 yen per share of common Company stock (reflecting an ordinary dividend of 25 yen plus a special dividend of 30 yen), constituting a total of 706,740,430 yen

(iii) Effective date of dividends of surplus

June 30, 2023

Proposal No. 2: Appointment of Nine Directors

The terms of office of all nine Directors will expire upon the conclusion of this General Meeting of Shareholders. Accordingly, the Company proposes to appoint the following nine Directors, including three Outside Directors.

Candidates to serve as Directors are nominated based on deliberations in the voluntary Nomination and Remuneration Advisory Committee, a majority of whose membership consists of independent Outside Directors.

The candidates for Director are presented below.

| Candidate No. | Name (Date of birth) | Career summary, positions and responsibilities in the Company (Significant concurrent positions) | Number of the Company shares held |
|--|--|---|-----------------------------------|
| 1 | Yasutomo Takasu (December 23, 1953) | Apr. 1976 Joined the Company Dec. 1982 Director Feb. 1986 Managing Director Sep. 1986 President and Representative Director June 2006 President and Representative Director, and President and Executive Officer (current position) | 407,600 |
| <p>[Reasons for nomination as candidate for Director] Since taking office as the Company's President and Representative Director in September 1986, Yasutomo Takasu has led the Group and demonstrated strong leadership as a senior executive. He offers a track record and skills appropriate for a Company Director in the areas of marketing, sustainability, and corporate governance. We believe he will continue to contribute to the Company's sustained growth and to increased corporate value over the medium to long term. In light of these considerations, the Company requests his reappointment as Director.</p> | | | |
| 2 | Michiya Kameda (December 25, 1955) | Nov. 1983 Joined the Company Oct. 2008 General Manager of Finance Dept. of General Affairs Division May 2012 Supervisor of ASIA PACIFIC ASAHI CO., LTD. June 2015 Executive Officer and General Manager of Finance Dept. of General Affairs Division June 2016 Director, Executive Officer and General Manager of Finance Dept. of General Affairs Division June 2017 Director, Senior Executive Officer and General Manager of Finance Dept. of General Affairs Division May 2019 Director of ASAHI ENGINEERING (MALAYSIA) SDN.BHD. (current position) June 2019 Director, Managing Executive Officer, Deputy General Manager of General Affairs Division, and General Manager of Finance Dept. of General Affairs Division June 2020 Director, Senior Managing Executive Officer, and General Manager of General Affairs Division May 2021 Director of ASIA PACIFIC ASAHI CO., LTD. (current position) June 2021 Director and Vice President, Vice President and Executive Officer, and General Manager of General Affairs Division (current position) [Significant concurrent positions] Director of ASIA PACIFIC ASAHI CO., LTD. Director of ASAHI ENGINEERING (MALAYSIA) SDN.BHD. | 13,400 |
| <p>[Reasons for nomination as candidate for Director] After many years at the Company headquarters Accounting Unit, Michiya Kameda assumed the position of a Company Director in June 2016. Since then, drawing on his extensive experience and insight, he has played a key role in Group management. He offers knowledge and skills befitting a Company Director in the areas of digital transformation (DX), risk management, and human resource management. We believe he will continue to contribute to the Company's sustained growth and to increased corporate value over the medium to long term. In light of these considerations, the Company requests his reappointment as Director.</p> | | | |

| Candidate No. | Name (Date of birth) | Career summary, positions and responsibilities in the Company (Significant concurrent positions) | Number of the Company shares held |
|--|--------------------------------------|--|--------------------------------------|
| 3 | Ken Nakamura (September 22, 1958) | <p>Apr. 2009 Executive Officer and General Manager of Kyobashi Branch, Mizuho Bank, Ltd.</p> <p>May 2012 Director and Vice President of Data Keeping Service Co., Ltd.</p> <p>Apr. 2014 Joined the Company, Advisor of Sales Division</p> <p>June 2014 Director, Managing Executive Officer and Deputy General Manager of Sales Division</p> <p>Apr. 2015 Director of ASAHI ENGINEERING (MALAYSIA) SDN.BHD. (current position)</p> <p>May 2015 Director of ASIA PACIFIC ASAHI CO., LTD. (current position)</p> <p>June 2015 Director, Managing Executive Officer and Deputy General Manager of Sales Division, in charge of Overseas Sales of Sales Division (current position)</p> <p>[Significant concurrent positions] Director of ASIA PACIFIC ASAHI CO., LTD. Director of ASAHI ENGINEERING (MALAYSIA) SDB.BHD.</p> | 11,900 |
| <p>[Reasons for nomination as candidate for Director] After serving in key positions with a major financial institution and other organizations, Ken Nakamura was named a Company Director in June 2014. Since then, drawing on his extensive experience and insight, he has played a key role in Group management. He offers knowledge and skills befitting a Company Director in the areas of marketing, global business, and finance. We believe he will continue to contribute to the Company's sustained growth and to increased corporate value over the medium to long term. In light of these considerations, the Company requests his reappointment as Director.</p> | | | |
| 4 | Shinji Kikuchi (January 30, 1959) | <p>Apr. 1981 Joined the Company</p> <p>Oct. 2010 General Manager of Design Dept. 1 of Central Branch</p> <p>Oct. 2012 General Manager of Design Supervision Dept. of Central Branch, and General Manager of Design Dept. 1 of Central Branch</p> <p>June 2017 Executive Officer, Deputy General Manager of Central Branch, and General Manager of Design Supervision Dept. of Central Branch</p> <p>June 2020 Senior Executive Officer and General Manager of Central Branch</p> <p>June 2021 Director, Senior Executive Officer, and General Manager of Central Branch</p> <p>June 2022 Director, Managing Executive Officer, and General Manager of Central Branch (current position)</p> | 9,900 |
| <p>[Reasons for nomination as candidate for Director] After serving in the Design Unit of the Installation Work Division for many years, Shinji Kikuchi was named Company Director in June 2021. Since then, drawing on his extensive experience and insight, he has played a key role in Group management. He offers knowledge and skills befitting a Company Director in the areas of business strategy, marketing, and human resource development. We believe he will continue to contribute to the Company's sustained growth and to increased corporate value over the medium to long term. In light of these considerations, the Company requests his reappointment as Director.</p> | | | |

| Candidate No. | Name (Date of birth) | Career summary, positions and responsibilities in the Company (Significant concurrent positions) | Number of the Company shares held |
|--|-------------------------------------|---|-----------------------------------|
| 5 | Mitsuru Hattori (November 30, 1959) | <p>Apr. 1984 Joined the Company</p> <p>Apr. 2009 General Manager of Construction Dept. 3 of Osaka Branch Office</p> <p>Apr. 2013 General Manager of Safety and Health Management Dept. of Technology Division</p> <p>Apr. 2014 General Manager of Construction Management Dept. of Technology Division</p> <p>July 2016 Deputy General Manager of Technology Division, and General Manager of Construction Management Dept. of Technology Division</p> <p>June 2017 Executive Officer, Deputy General Manager of Technology Division, and General Manager of Construction Management Dept. of Technology Division</p> <p>Apr. 2018 Executive Officer and Deputy General Manager of Technology Division</p> <p>June 2019 Director, Executive Officer, and Deputy General Manager of Technology Division</p> <p>Apr. 2020 Director, Executive Officer, and General Manager of Technology Division</p> <p>June 2020 Director, Senior Executive Officer, and General Manager of Technology Division</p> <p>May 2021 Director of ASAHI ENGINEERING (MALAYSIA) SDN.BHD. (current position)</p> <p>June 2022 Director, Managing Executive Officer, and General Manager of Technology Division (current position)</p> <p>[Significant concurrent positions] Director of ASAHI ENGINEERING (MALAYSIA) SDN.BHD.</p> | 6,700 |
| <p>[Reasons for nomination as candidate for Director]</p> <p>After working in construction management in the Installation Work Division for many years, Mitsuru Hattori was named Company Director in June 2019. Since then, drawing on his extensive experience and insight, he has played a key role in Group management. He offers knowledge and skills befitting a Company Director in the areas of technology, business strategy, and global business. We believe he will continue to contribute to the Company's sustained growth and to increased corporate value over the medium to long term. In light of these considerations, the Company requests his reappointment as Director.</p> | | | |
| 6 | Shoji Tamura (July 27, 1948) | <p>June 1998 Director of Fujitsu Business System Co., Ltd. (currently Fujitsu Japan Limited)</p> <p>June 2007 Senior Managing Director of Fujitsu Business System Co., Ltd.</p> <p>June 2009 Representative Director and Vice President of Fujitsu Marketing Limited (currently Fujitsu Japan Limited)</p> <p>May 2012 Representative Director of NIHON ASI CO., LTD. (current position)</p> <p>Dec. 2012 Director of NIPPON CLOUD CO., LTD. (current position)</p> <p>June 2020 Outside Director of the Company (current position)</p> <p>[Significant concurrent positions] Representative Director of NIHON ASI CO., LTD. Director of NIPPON CLOUD CO., LTD.</p> | 0 |
| <p>[Reasons for nomination as candidate for Outside Director and outline of expected roles]</p> <p>Since assuming the position of an Outside Director of the Company in June 2020, drawing on his experience managing a major publicly traded group of companies, Shoji Tamura has made appropriate recommendations and other contributions to Company management from an impartial perspective. In particular, he offers advice on Company management based on expert perspectives on corporate management and business operations. As a member of the Nomination and Remuneration Advisory Committee, he also offers advice and guidance on the nomination of candidates to serve as Company Directors and decisions on matters such as Director remuneration from an impartial perspective. He offers knowledge and skills befitting a Company Director in the areas of organizational management, marketing, and DX. As such, we believe he will perform his duties as an Outside Director effectively and contribute to the Company's sustained growth and to increased corporate value over the medium to long term. In light of these considerations, the Company requests his reappointment as Outside Director. At the conclusion of this General Meeting of Shareholders, Mr. Tamura will have served three years as an Outside Director of the Company.</p> | | | |

| Candidate No. | Name (Date of birth) | Career summary, positions and responsibilities in the Company (Significant concurrent positions) | Number of the Company shares held |
|---|-------------------------------------|--|-----------------------------------|
| *7 | Kazuhiro Nakagawa (August 31, 1962) | <p>Apr. 1983 Joined the Company</p> <p>Apr. 2013 General Manager of Sales Dept. of Nagoya Branch</p> <p>Apr. 2017 General Manager of Sales Coordination Dept., and General Manager of Sales Dept. 1 of Nagoya Branch</p> <p>Apr. 2020 Deputy General Manager of Nagoya Branch and General Manager of Sales Coordination Dept. of Nagoya Branch</p> <p>Apr. 2021 Strategy Manager, Sales Division</p> <p>June 2021 Executive Officer in charge of Strategy for Sales Division</p> <p>Apr. 2022 Executive Officer, Deputy General Manager of Sales Division, in charge of Strategy</p> <p>Apr. 2023 Executive Officer and General Manager of Sales Division (current position)</p> | 2,900 |
| <p>[Reasons for nomination as candidate for Director]</p> <p>After working in sales in the Installation Work Division for many years, Kazuhiro Nakagawa served as Executive Officer in charge of strategy within the Sales Division from June 2021 until his appointment as Executive Officer / General Manager in the same division in April of this year. He offers knowledge and skills befitting a Company Director in the areas of sales, business strategy, and human resource development. We believe he will contribute to the Company's sustained growth and to increased corporate value over the medium to long term. In light of these considerations, the Company requests his appointment as Director.</p> | | | |
| *8 | Kyoko Okumiya (June 2, 1956) | <p>Apr. 1984 Registered as attorney at law (Dai-Ichi Tokyo Bar Association)</p> <p>Sep. 2000 Partner, Tanabe & Partners (current position)</p> <p>Aug. 2003 Audit Committee Member, City of Kawasaki (current position)</p> <p>Jan. 2009 Member, Committee of Experts, Tokyo District Court (current position)</p> <p>June 2014 Outside Auditor, NEC Corporation</p> <p>June 2017 Chair, Employment Environment / Equality Subcommittee, Labour Policy Council, Ministry of Health, Labour and Welfare (current position)</p> <p>Apr. 2018 Member, Management Advisory Council, Graduate School of Law and Politics, University of Tokyo (current position)</p> <p>June 2018 Outside Director, Bank of Yokohama, Ltd. Outside Director, Toshiba Tec Corporation</p> <p>[Significant concurrent positions]</p> <p>Partner, Tanabe & Partners</p> <p>Member, Committee of Experts, Tokyo District Court</p> <p>Chair, Employment Environment / Equality Subcommittee, Labour Policy Council, Ministry of Health, Labour and Welfare</p> <p>Member, Management Advisory Council, Graduate School of Law and Politics, University of Tokyo</p> | 0 |
| <p>[Reasons for nomination as candidate for Outside Director and outline of expected roles]</p> <p>Kyoko Okumiya has amassed a wealth of insight as an attorney at law. We believe she will take an active role in offering appropriate recommendations regarding Company management from an impartial perspective and in advising Company management, drawing in particular on her expert perspectives as an attorney. For these reasons, we request her appointment as a new Outside Director. If she is appointed, we plan to name her to the Nomination and Remuneration Advisory Committee to participate in nominating candidates to serve as Company Directors and in deciding matters such as Director remuneration from an impartial perspective.</p> <p>While Ms. Okumiya has no past experience participating in company management except as an outside director, she offers knowledge and skills befitting a Company Director in the areas of sustainability, law, and risk management. We believe she will perform her duties as an Outside Director effectively and contribute to the Company's sustained growth and increased corporate value over the medium to long term.</p> | | | |

| Candidate No. | Name (Date of birth) | Career summary, positions and responsibilities in the Company (Significant concurrent positions) | Number of the Company shares held |
|---|------------------------------|---|-----------------------------------|
| *9 | Yuji Fujiyama (July 9, 1959) | Apr. 1983 Joined the National Police Agency Sep. 2007 Director, Kagoshima Prefectural Police Dept. Mar. 2009 General Manager, Organized Crime Division, Metropolitan Police Dept. Mar. 2012 General Manager, Security Bureau, Metropolitan Police Dept. Aug. 2013 Crisis Management Councilor, Cabinet Office Aug. 2015 Director, Imperial Guard Headquarters Jan. 2018 Advisor, General Affairs Dept., Business Administration Division, Taisei Corporation June 2022 Outside Director, Colowide Co., Ltd. (current position) [Important concurrent positions] Outside Director, Colowide Co., Ltd. | 0 |
| [Reasons for nomination as candidate for Outside Director and outline of expected roles] Yuji Fujiyama offers a wealth of experience and insight gained in a long career in key posts in police organizations. We believe he will offer appropriate recommendations regarding Company management from an impartial perspective and, in particular, advise Company management based on expert crisis management perspectives. For these reasons, we request his appointment as a new Outside Director. If appointed, we plan to name him to the Nomination and Remuneration Advisory Committee to participate in nominating candidates to serve as Company Directors and in deciding matters such as Director remuneration from an impartial perspective. While Mr. Fujiyama has no past experience participating in company management except as an outside director, he offers knowledge and skills befitting a Company Director in the areas of risk management, governance, and human resource development. We believe he will perform his duties as an Outside Director effectively and contribute to the Company's sustained growth and to increased corporate value over the medium to long term. | | | |

- Notes: 1. No issues regarding hidden interests or conflicts of interest exist between any of the above candidates and the Company.
2. Shoji Tamura, Kyoko Okumiya, and Yuji Fujiyama are candidates for Outside Director.
3. Shoji Tamura meets the independent officer requirements established by the Tokyo Stock Exchange and the Independence Criteria for Outside Officers established by the Company (see page 13). We have notified the Tokyo Stock Exchange that he serves as an independent officer. If this resolution is approved as proposed, we plan to ask him to continue to serve as independent officer.
Both Kyoko Okumiya and Yuji Fujiyama also meet the independent officer requirements established by the Tokyo Stock Exchange and the Independence Criteria for Outside Officers established by the Company (see page 13). If they are appointed as Directors, we plan to ask them to serve as independent officers.
4. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has concluded a contract with Shoji Tamura limiting his liability for damages under Article 423, Paragraph 1 of that act to the minimum liability provided for by laws and regulations. If this resolution is approved as proposed, we plan to renew this contract with Mr. Tamura.
If Kyoko Okumiya and Yuji Fujiyama are appointed as Directors, we plan to conclude similar contracts with both concerning liability limitations.
5. The Company has concluded an officer liability insurance policy with an insurer as stipulated in Article 430-3, Paragraph 1, of the Companies Act. See “3. (3) Overview of Officer Liability Insurance Policies” in the Business Report for an overview of the terms and conditions of this insurance policy. If this resolution is approved as proposed, all Directors, including those newly appointed, will be among the named insured under this policy. We plan to renew this insurance policy in the next fiscal year and beyond under the same terms and provisions. However, these terms and provisions may be revised.
6. An asterisk (*) above indicates a candidate for a new Director.

Reference: Board Skills Matrix

The Company has defined 10 skills (i.e., factors related to knowledge and experience) it deems important for those serving on the Board of Directors. Candidates for Director are assumed to offer an appropriate balance of these skills. Assuming approval of Proposal No. 2 and the election of all nominees, the key skills of the candidates for Director and the composition and roles of the Directors would be as indicated below.

| Name | Post | Corporate Management and Organizational Management | Business Strategy | Technology and R&D | Sales and Marketing | Sustainability | DX/IT and Innovation | Global Business | Legal Affairs, Risk Management, Governance | Finance and Accounting | Personnel Management and Human Resource Development |
|-------------------|---|--|-------------------|--------------------|---------------------|----------------|----------------------|-----------------|--|------------------------|---|
| Yasutomo Takasu | President and Representative Director, and President and Executive Officer (Chairman of the Nomination and Remuneration Advisory Committee) | ○ | | | ○ | ○ | | | ○ | | |
| Michiya Kameda | Director and Vice President, and Vice President and Executive Officer | | | | | | ○ | | ○ | ○ | ○ |
| Ken Nakamura | Director and Managing Executive Officer | | | | ○ | | | ○ | ○ | ○ | |
| Shinji Kikuchi | Director and Managing Executive Officer | | ○ | ○ | ○ | | | | | | ○ |
| Mitsuru Hattori | Director and Managing Executive Officer | | ○ | ○ | | | ○ | ○ | | | |
| Kazuhiro Nakagawa | Director and Executive Officer | | ○ | ○ | ○ | | | | | | ○ |
| Shoji Tamura | Independent Outside Director (Member of the Nomination and Remuneration Advisory Committee) | ○ | | | ○ | | ○ | | ○ | | |
| Kyoko Okumiya | Independent Outside Director (Member of the Nomination and Remuneration Advisory Committee) | | | | | ○ | | | ○ | | |
| Yuji Fujiyama | Independent Outside Director (Member of the Nomination and Remuneration Advisory Committee) | | | | | | | | ○ | | ○ |

- Notes: 1. The above list is not intended to be an exhaustive list of the candidate's skills.
2. Plans call for the formal assignment of posts for each Director and appointment of the chair and membership of the Nomination and Remuneration Advisory Committee in a meeting of the Board of Directors to be held after this General Meeting of Shareholders.

Details of each skill:

| | |
|---|---|
| Corporate Management and Organizational Management | Capable of leading the Company's management and directing its organizations based on experience as representative director or representative of a publicly traded company or similar organizations |
| Business Strategy | Sufficiently experienced and knowledgeable in the management of the Company business units; capable of formulating and implementing business strategies |
| Technology and R&D | Sufficiently experienced and knowledgeable regarding construction, manufacturing, R&D, and procurement; capable of enhancing technological capabilities and supervising technological units |
| Sales and Marketing | Sufficiently experienced and knowledgeable regarding sales and marketing; capable of enhancing sales capabilities and supervising sales units |
| Sustainability | Sufficiently experienced and knowledgeable regarding ESG and the Sustainable Development Goals (SDGs); capable of promoting sustainability management |
| DX/IT and Innovation | Sufficiently experienced and knowledgeable regarding DX and IT and capable of promoting DX and IT Offers the knowledge and experience needed to create new value through innovative products, services, and systems |
| Global Business | Sufficiently experienced and knowledgeable regarding international business; capable of enhancing and promoting global business |
| Legal Affairs, Risk Management, Governance | Sufficiently experienced and knowledgeable regarding legal affairs and compliance, IR, PR, and related matters; capable of carrying out activities such as enhancements of risk management, legal and regulatory compliance, and corporate governance |
| Finance and Accounting | Sufficiently experienced and knowledgeable regarding finance and accounting; capable of formulating and promoting financial strategies and to oversee finance and accounting appropriately |
| Personnel Management and Human Resource Development | Sufficiently experienced and knowledgeable regarding human resources, labor management, and employee training and education; capable of formulating and promoting human resource strategies and developing human resources |

Proposal No. 3: Appointment of Two Corporate Auditors

The terms of office of both Corporate Auditors—Takashi Tsuku and Noboru Ushijima—will expire upon the conclusion of this General Meeting of Shareholders. Accordingly, the Company proposes the appointment of the following two Corporate Auditors.

The Board of Corporate Auditors has approved this proposal.

The candidates for Corporate Auditor are indicated below.

| Candidate No. | Name (Date of birth) | Career summary, positions and responsibilities in the Company (Significant concurrent positions) | Number of the Company's shares held |
|---|---------------------------------------|--|-------------------------------------|
| 1 | Takashi Tsuku (February 27, 1960) | Apr. 1982 Joined the Company Oct. 2010 General Manager of Design Dept. 1 of Central Branch Jan. 2011 General Manager of Design Dept. 2 of Central Branch Apr. 2017 General Manager of Design Dept. 1 of Central Branch Nov. 2017 General Manager of Design Supervision Dept. of Central Branch, and General Manager of Design Dept. 1 of Central Branch June 2019 Full-time Corporate Auditor (Standing Corporate Auditor) (current position) | 5,600 |
| [Reasons for nomination as candidate for Corporate Auditor] Among many other qualities, Takashi Tsuku offers, above all, outstanding character and insight. We believe he will continue to carry out effective audits of Company businesses, play an active role in his advisory duties, and contribute to the soundness of Company management, drawing on years of experience in the Design Unit of the Installation Work Division. In light of these considerations, the Company requests his reappointment as a Corporate Auditor. | | | |
| *2 | Hiroyuki Itatani (January 5, 1960) | Oct. 1985 Joined Aoyama Audit Corporation (currently PricewaterhouseCoopers Aarata LLC) Aug 1995 Joined Tohmatsu Audit Corporation (currently Deloitte Touche Tohmatsu LLC) June 2002 Partner, Deloitte Touche Tohmatsu LLC July 2020 Representative, Hiroyuki Itatani Certified Public Accountants (current position) Aug. 2020 Advisor, Sakurai & Kobayashi Certified Public Accountants (current position) Mar. 2022 Outside Partner (Examiner), Marunouchi Audit Corporation (current position) Apr. 2023 Visiting Professor, Hiroshima University (current position) | 0 |
| [Reasons for nomination as candidate for Corporate Auditor] Among many other qualities, Hiroyuki Itatani offers, above all, outstanding character and insight. We believe he will reflect in the Company's audit structure his extensive expertise gained as a certified public accountant. For these reasons, we request his appointment as a new Outside Corporate Auditor. While Mr. Itatani has no past experience participating in company management except as an outside director, we believe he will effectively fulfill his duties as Outside Corporate Auditor for the reasons given above. | | | |

Notes: 1. No issues regarding hidden interests or conflicts of interest exist between any of the above candidates and the Company.

2. Hiroyuki Itatani is a candidate for Outside Corporate Auditor. He meets the independent officer requirements established by the Tokyo Stock Exchange and the Independence Criteria for Outside Officers established by the Company (see page 13). Assuming he is appointed as Corporate Auditor, we plan to ask him to serve as independent officer.

3. Pursuant to the provisions of Article 427, Paragraph 1, of the Companies Act, the Company has concluded a contract with Takashi Tsuku limiting his liability for damages under Article 423, Paragraph 1, of that act to the minimum liability provided for by laws and regulations. If this resolution is approved as proposed, we plan to renew this contract with Mr. Tsuku.

If Hiroyuki Itatani is appointed as a Corporate Auditor, we plan to conclude a similar contract limiting his liability.

4. The Company has concluded an officer liability insurance policy with an insurer as stipulated in Article 430-3, Paragraph 1, of the Companies Act. See “3. (3) Overview of Officer Liability Insurance Policies” in the Business Report for an overview of the terms and conditions of this insurance policy. If this resolution is approved as proposed, all Corporate Auditors, including that newly appointed, will be included among the named insured under this policy. We plan to renew this insurance policy in the next fiscal year and beyond under the same terms and provisions. However, these terms and provisions may be revised.
5. An asterisk (*) above indicates a candidate for a new Corporate Auditor.

Reference: Independence Criteria for Outside Officers

The Company has established the following Independence Criteria for Outside Officers to ensure their independence and objectivity. An officer to whom none of the following under (i)-(ix) applies is considered independent.

- (i) A party who within the past 10 years was a Director (excluding an Outside Director), Corporate Auditor (excluding Outside Corporate Auditors), executive officer, or other employee of the Group
- (ii) A party^{*1} for whom the Company or a Company subsidiary (“Group” hereinafter) was an important trading partner or a party executing the business of such party^{*2} within the past three years
- (iii) A party who was an important trading partner^{*3} of the Group or a party executing the business of such a party within the past three years
- (iv) An officer or employee^{*4} of a foundation^{*5} receiving, within the past three years, a large donation or subsidy from the Group
- (v) A party who within the past five years was a major shareholder^{*6} in the Company or an officer or employee of such a party
- (vi) A Group accounting auditor or an officer or employee of an accounting firm serving the Group who is actually involved in audits of the Group within the past three years
- (vii) A party qualifying as an attorney, certified public accountant, licensed tax accountant, or other consultant who received from the Group, within the past three years, significant sums of money or other financial benefits^{*7} beyond executive remuneration; or, if the recipient of such interests is a corporation or other organization, a person affiliated with such recipient organization
- (viii) A spouse or relative within two degrees of consanguinity of any of the parties listed under (i)-(vii) above
- (ix) A party who has served as an outside officer of the Company for a total of eight years or longer

Even those to whom any of the descriptions under (i)-(ix) above applies may be judged independent if he or she meets the independence requirements stipulated in the Companies Act and the independence criteria established by the Tokyo Stock Exchange. Such matters are subject to resolutions by the Board of Directors for Outside Directors or the consent of the Board of Corporate Auditors for Outside Corporate Auditors.

- *1 *A party for whom the Group is an important trading partner* is a party who receives payments from the Group equal to 2% or more of the party’s annual consolidated gross sales in the business year.
- *2 *A party executing business* is an executive director, executive, executive officer, or other employee.
- *3 *An important trading partner of the Group* is a party making payments to the Group equal to 2% or more of the Group’s annual consolidated gross sales over the course of the business year.
- *4 *An officer or employee* is a Director, Corporate Auditor, Accounting Counselor, executive, executive officer, other officer or employee.
- *5 *A foundation receiving large donations or subsidies* from the Group is a public interest incorporated foundation, public service corporation, nonprofit corporation, or similar organization receiving donations or subsidies from the Group beyond 10 million yen/year on average or 30% of the organization’s average annual total expenses over a period of three business years.
- *6 *A major shareholder* is a party holding, directly or indirectly, 10% or more of all voting rights.
- *7 *Large sums of money or other financial benefits* refers to payments of 10 million yen/year on average over a period of three business years of the Group (if the recipient is an individual) or to payments of 2% or more of consolidated gross sales per year on average over a period of three business years of the organization (if the recipient is an organization).

Proposal No. 4: Updating the Company’s policy on responding to large-scale purchases of stock (takeover defense measures) and delegation to the Board of Directors of authority related to the *gratis* allocation of stock options (the defensive measure identified under this policy)

At its meeting held May 15, 2008, the Board of Directors resolved to adopt a policy on responding to large-scale purchases of stock in order to maintain and improve the Company’s corporate value and, by extension, its shared interests with shareholders. This policy was approved by shareholders at the 79th Annual General Meeting of Shareholders held June 27, 2008. Since then, its renewal, with effectively the same provisions, was approved at the Company’s 82nd Annual General Meeting of Shareholders held June 29, 2011, the 85th Annual General Meeting of Shareholders held June 27, 2014, and the 88th Annual General Meeting of Shareholders held June 29, 2017; and with partial amendments at the 91st Annual General Meeting of Shareholders held June 26, 2020. (The most recent version of the policy on responding to large-scale purchases of stock will be referred to as the “former Response Policy” hereinafter.)

The former Response Policy will remain in effect until the end of the Company’s Annual General Meeting of Shareholders scheduled to be held in June 2023 (“upcoming Annual General Meeting” hereinafter).

Before the period of validity of the former Response Policy expired, at a meeting held May 12, 2023 the Board of Directors resolved to renew the former Response Policy with effectively the same provisions, as an effort to block control of decision-making on Company financial and business policies by parties deemed inappropriate in light of the Basic Policy on Parties Controlling Decision-Making on Company Financial and Business Policies (established pursuant to Article 118, Paragraph 3 of the Enforcement Regulations to the Companies Act; “Basic Policy” hereinafter), conditional on approval by shareholders at the upcoming Annual General Meeting. This is intended to avoid damage to the Company’s corporate value and, by extension, its shared interests with shareholders (Article 118, Paragraph 3, B (2) of the Enforcement Regulations to the Companies Act). (The Response Policy as it stands after the renewal will be referred to as the “Response Policy” hereinafter.)

This proposal seeks shareholder approval of the following: (i) Pursuant to Article 20, Paragraph 1 of the Company’s Articles of Incorporation, renewal of the former Response Policy to the Response Policy under effectively the same provisions as before, as described under III below to block control of decision-making on Company financial and business policies by parties deemed inappropriate in light of the Basic Policy and to prevent damage to the Company’s corporate value and, by extension, its shared interests with shareholders; and, (ii) Pursuant to Article 13, Paragraph 1 of the Company’s Articles of Incorporation, delegation on the Board of Directors of authority related to the *gratis* allocation of stock options as a defensive measure under the Response Policy as described under III. 2 (3) below.

Details

I. Summary of the Basic Policy on Parties Controlling Decision-Making on Company Financial and Business Policies

The Company believes that parties controlling decision-making on Company financial and business policies should be parties who understand the sources of the Company’s corporate value and are capable of continually maintaining and improving the Company’s corporate value and, by extension, its shared interests with shareholders. The Company is a publicly traded company; shareholders and investors are permitted to trade freely in its stock. The Board of Directors believes that decisions concerning the parties who control decision-making on Company financial and business policies should ultimately be based on the intentions of shareholders as an overall body and that in the event of a large-scale purchase of stock, decisions on whether to sell Company stock should be made by its shareholders, who hold the stock. The Company would not reject a large-scale purchase of stock if the purchase would contribute to the Company’s corporate value and, by extension, its shared interests with shareholders.

Nevertheless, in recent years, large-scale purchases of stock in Japan have included purchases that, in light of their objectives and other factors, would clearly be detrimental to the corporate value of the target company and, by extension, its shared interests with shareholders; purchases that could involve effective forceful demands that shareholders sell their stock holdings; ones that do not provide sufficient time or information to allow the target company's board of directors and shareholders to consider the details of the stock purchase and other matters or for the target company's board of directors to propose alternatives; purchases in which the target company requires discussions and negotiations with the purchaser to secure conditions more advantageous than those proposed by the purchaser; and other purchases that would not contribute to the target company's corporate value and, by extension, its shared interests with shareholders.

To maintain and improve the Company's corporate value and, by extension, its shared interests with shareholders, it is essential to do business based on medium- to long-term perspectives, including perspectives that emphasize the importance of the following missions: maintaining the relationships of trust built up over the years with customers and partner companies; improving competitive strengths by building on technological and construction capabilities; cultivating new business fields by applying technologies derived from air conditioning and sanitation facilities; and making comprehensive improvements to its corporate makeup, including its finances, earning capacity, and employee compensation. Failure of a party launching a large-scale purchase of stock to secure and improve these conditions would be detrimental to the Company's corporate value and, by extension, its shared interests with shareholders. In addition, when an outside purchaser launches a large-scale purchase of stock, to allow shareholders to make the best choice, it is essential to determine the impact of the large-scale purchases of stock on the Company's corporate value and, by extension, its shared interests with shareholders by assessing the information on various topics. These include the Company's tangible and intangible business resources; the potential effects of forward-looking measures; and other components of the Company's corporate value. A large-scale purchase of stock implemented by force in which such information is not made clear could be detrimental to the Company's corporate value and, by extension, its shared interests with shareholders.

The Company believes that a party launching such a large-scale purchase of stock that would not contribute to the Company's corporate value and, by extension, its shared interests with shareholders would serve as an inappropriate decision-maker regarding the Company's financial and business policies. Against such efforts, the Company believes it is essential to protect the Company's corporate value and, by extension, its shared interests with shareholders through appropriate defensive measures.

II. Summary of the Details of Special Measures to Implement the Basic Policy

1. Efforts to maintain and improve the Company's corporate value and, by extension, its shared interests with shareholders

(1) Sources of the Company's corporate value

The Company was founded in 1925 to carry out construction related to temperature and humidity control, spraying and moisture absorption, and dust control equipment for cotton spinning companies. Today, it designs air conditioning, water supply and drainage, clean room, and other environmental facilities; performs construction work, including facility installation and management; and manufactures and sells precision environmental control devices for the manufacture of semiconductors and liquid-crystal products. One of the Company's distinctive traits is that it engages in both the manufacture and sale of machinery and facility construction work.

Given the public nature of the facility construction business and the unique nature of its machinery manufacturing and sale business, the sources of the Company's corporate value consist of the following: (i) the relationships of trust established with stakeholders, including customers, partner companies, and shareholders, over its 98-year history; (ii) its extensive track record and reliable technological capabilities backed by its long history; and (iii) its employees, who are highly skilled and knowledgeable regarding the nature and specific characteristics of the Company's facility construction and machinery manufacturing and sale businesses.

The Company's acknowledged mission is “to create optimal spatial environments and contribute to the development of human culture through sophisticated technology based on the sciences of air, water, and heat, while taking good care of the earth's environment and our natural resources.” As an engineering constructor, we actively strive to develop our business and endeavor to develop technology with a constant eye toward the future, deftly responding to the changing times based on three management themes; respect for people, creating rewarding workplaces, and promoting self-improvement while seeking out new challenges.

(2) Medium-term Management Plan

The Group formulates three-year Medium-term Management Plans to serve as roadmaps for management over the medium term. The 18th Medium-term Management Plan period (April 2023–March 2026), representing the final stage toward the long-term vision ASAHI-VISION 100, kicked off in April of this year. April 2025, which will mark the 100th anniversary of the Company's founding, falls in the period covered by this Medium-term Management Plan. Regarding this milestone as a new starting point, the plan identifies strategies in three areas—business strategies, human resource strategies, and innovation strategies—and proposes as its Basic Policy efforts to strengthen our foundations for sustainability and for digital transformation (DX) as we move into our second century. Having set the goal of becoming a one-of-a-kind company that creates new value for society, we will devote every effort to achieving the goals of the Medium-term Management Plan.

See our website for more information on the 18th Medium-term Management Plan.

(<https://www.asahikogyosha.co.jp>)

2. Enhancement of corporate governance

To fulfill its corporate responsibilities to society and further increase corporate value while respecting the interests of shareholders and other stakeholders, the Company regards as a management topic of the utmost importance efforts to enhance corporate governance by improving management organizations and systems.

Since adopting an executive officer system in June 2006, the Company has improved management efficiency, accelerated decision-making, and clearly differentiated decision-making, oversight, and business execution functions.

At this time, the Board of Directors consists of nine Directors, including three Outside Directors. The Board of Directors meets once every other month and as needed to make decisions concerning important matters and to oversee the status of business execution by Directors and executive officers. The executive committee, whose membership consists of full-time Directors, meets monthly to discuss matters to be submitted to the Board of Directors and other important matters. To clarify the management responsibilities of the Directors and to establish a management structure capable of rapidly adapting to changing business conditions, the term of office of each Director expires at the end of the Annual General Meeting of Shareholders for the fiscal year ending within one calendar year after the Director takes office. In addition, to make the Board of Directors even more effective and to improve its overall functions, the efficacy of the Board is assessed annually (via self-evaluations). The results of these evaluations are announced publicly. These assessments are undertaken by distributing to attendees at Board of Directors meetings self-evaluation questionnaires on the efficacy of the Board of Directors. The Board then discusses, analyzes, and evaluates the results.

The Board of Corporate Auditors is composed of four members, including three Outside Corporate Auditors. The Board of Corporate Auditors meets at least once every two months and as needed to receive reports, deliberate, and make decisions concerning important matters related to audits. Based on laws, regulations, and audit policies and plans established by the Board of Corporate Auditors, the Corporate Auditors review the business and financial status of the Company, attend meetings of the Board of Directors and other important bodies, check on the processes of making important decisions and on the status of business execution by Directors and other officers, and offer their opinions, as necessary.

The Internal Audit Office has been established as an internal audit section under the direct supervision of the President and is independent of business execution sections. In cooperation with the Corporate Auditors and the accounting audit firm, to promote business improvements in individual sections, the Internal Audit Office carries out business audits, accounting audits, and evaluation of internal controls based on its audit plans and evaluates and advises management from a fair and impartial perspective.

The accounting audit firm Seiyo Audit Corporation implements audits from an independent perspective.

Outside officers include Outside Directors who participate in decision-making by the Board of Directors from perspectives independent of the Company and monitor and oversee the status of business execution by Directors and executive officers. Outside Corporate Auditors audit the decisions of the Board of Directors and the status of business execution by Directors and other officers from independent perspectives, drawing on a wealth of business and management experience and wide-ranging insights. All outside officers meet the requirements for independent officers. The Company notifies the Tokyo Stock Exchange that all outside officers serve as independent officers. Since newly appointed outside officers also meet the requirements for independent officers, the Company plans to designate them as independent officers as well.

In March 2019, the Nomination and Remuneration Advisory Committee was established as an advisory body to the Board of Directors to enhance the independence, objectivity, and accountability of the Board's functions related to matters such as executive nomination and remuneration. The Advisory Committee's

membership (of at least three persons) consists of a majority of independent Outside Directors; its chairperson is chosen from the membership by a resolution of the Nomination and Remuneration Advisory Committee itself. The Nomination and Remuneration Advisory Committee provides advice as requested by the Board of Directors concerning the appointment of core management figures, the nomination of candidates to serve as Directors, and the remuneration of executives, including core management.

The Company will continue to improve management transparency by improving management organizations and systems and by enhancing the functions of the Director and Corporate Auditor systems, in order both to improve corporate governance and to consistently ensure the fair, timely, and accurate disclosure of corporate information based on the perspectives of the shareholders and investors alike.

III. Efforts to Prevent Control of Decision-Making on Company Financial and Business Policies by Parties Considered Inappropriate in Light of the Basic Policy

1. Reasons for updating the Response Policy

As described below, we propose to renew the Response Policy with effectively the same provisions as the former Response Policy, in accordance with the Basic Policy described under I above, to maintain and improve the Company's corporate value and, by extension, its shared interests with shareholders. As described in the Basic Policy, the Board of Directors considers a party launching a large-scale purchase of stock that would not contribute to the Company's corporate value and, by extension, its shared interests with shareholders to be inappropriate as a party controlling decision-making on Company financial and business policies. While closely monitoring developments such as amendments of the Financial Instruments and Exchange Act and applicable ministerial ordinances and reflecting matters such as recent discussions concerning takeover defense measures, the Board of Directors and the Company have determined that to prevent control of decision-making on Company financial and business policies by parties considered inappropriate under the Basic Policy, and thus to prevent harm to the Company's corporate value and, by extension, its shared interests with shareholders, it remains essential to maintain frameworks that ensure that, in the event of an attempt at such a large-scale purchase of stock, sufficient information and time are provided to allow the Board of Directors to propose alternatives to shareholders, for shareholders to consider whether to accept the large-scale purchases of stock, and to allow negotiations on behalf of all shareholders.

For the above reasons, the Board of Directors has decided to renew the Response Policy conditional on its approval by shareholders in the upcoming Annual General Meeting.

2. Details of the Response Policy

The details of the Response Policy are reviewed below. Additionally, refer to Annex 1. Overview of the Response Policy (Flowchart for Responding to the Launch of a Large-Scale Purchase of Stock), for a graphical summary of the Response Policy.

(1) Overview of the Response Policy

(i) Procedures related to the Response Policy

The Response Policy establishes procedures for demanding the advance provision of information from any party attempting or carrying out a large-scale purchase of stock as defined under (2) (i) below (“purchaser” hereinafter) concerning large-scale purchases of stock, and also establishes procedures to ensure that sufficient time is secured for activities such as the gathering of information and analysis of the proposed purchase and for presenting proposals to shareholders concerning plans or alternatives devised by Company management and undertaking negotiations with the purchaser in the event that a party plans, or has already launched, such a large-scale purchase of stock. (See (2) Procedures Related to the Response Policy below.) The purchaser must comply with the procedures related to the Response Policy and may not execute the large-scale purchases of stock during either of the following periods after procedures related to the Response Policy are underway: (i) the period until the end of the period for study by the independent committee due to enactment of defensive measures (the *gratis* allocation of stock options) by the independent committee or announcement that no such measures will be enacted; (ii) the period until a General Meeting of Shareholders convened to determine whether to enact defensive measures has made a decision concerning the enactment of defensive measures, even if this post-dates the end of the period for study by the independent committee.

(ii) Enactment of defensive measures through the *gratis* allocation of stock options

If the purchaser launches a large-scale purchase of stock without complying with the procedures described in the Response Policy or if the large-scale purchases of stock by the purchaser may prove detrimental to the Company’s corporate value and, by extension, its shared interests with shareholders (for more information, see Annex 2. Types of Purchase that would be Detrimental to the Company’s Corporate Value and Shared Interests with Shareholders), the Company may allocate to all Company shareholders at the time, not including the Company itself, stock options with conditions on exercise stating that they may not be exercised by the purchaser and certain other parties and that the Company may acquire the stock options from parties other than such certain other parties in exchange for shares of Company stock. (See Annex 3. Overview of Stock Options for more information on these stock options.) Such stock options shall be allocated *gratis*, pursuant to Articles 277 and later of the Companies Act.

(iii) Use of independent committee and General Meeting of Shareholders to eliminate arbitrary decisions by Directors

To eliminate arbitrary decisions by the Board of Directors and ensure the fair and reasonable nature of decisions, regarding matters such as use of the Response Policy and enactment of defensive measures, the Response Policy calls for objective decisions to be made by an independent committee whose membership consists only of persons independent of Company management, in accordance with the Independent Committee Rules (for a summary of these rules, see Annex 4. Overview of the Independent Committee Rules). The independent committee shall consist of (i) Company Outside Directors, (ii) Company Outside Corporate Auditors, or (iii) outside experts (e.g., accomplished managers, persons with regulatory backgrounds, persons highly familiar with the investment banking business, attorneys, certified public accountants, and academic experts). If the independent committee recommends holding a General Meeting of Shareholders, the Response

Policy provides for confirming the wishes of shareholders by submitting to the General Meeting of Shareholders a proposal on enactment of defensive measures (see “(2) (v) Independent Committee Recommendations, etc.” for the key details thereof). Furthermore, it calls for ensuring transparency through timely disclosure to all shareholders of information on the process of these procedures.

The names and brief career histories of members of the independent committee as of the time of renewal of the Response Policy are provided in Annex 5. Brief Career Histories of Independent Committee Members. (See Annex 4. Overview of the Independent Committee Rules concerning selection criteria for independent committee members, decision requirements, and agenda items.)

(iv) Exercise and acquisition of stock options by the Company

In the event that this *gratis* allocation of stock options takes place under the Response Policy, upon the issue of shares of Company stock to shareholders other than the purchaser and certain other parties through the exercise of the stock options by holders other than the purchaser and certain other parties or their acquisition by the Company in exchange for shares of Company stock, the percentage of voting rights on Company stock held by the purchaser and the certain other parties may be diluted up to approximately 50%.

(2) Procedures related to the Response Policy

(i) Subject large-scale purchases of stock

The Response Policy provides for the enactment of certain defensive measures in the event that either of the actions described under (a) and (b) below, or similar action, is attempted or carried out (this excludes those approved in advance by the Board of Directors; “large-scale purchases of stock” hereinafter).

- (a) Acquisition of stock issued by the Company^{*1} that would result in the holder’s^{*2} shareholding percentage^{*3} reaching 20% or more
- (b) Purchase of stock issued by the Company^{*4} on the open market^{*5} that would result in the total of the shareholding percentage^{*6} and that of specific related parties^{*7} reaching 20% or more

(ii) Prior submission to the Company of declaration of intent for large-scale purchases of stock

Before attempting a large-scale purchase of stock, the purchaser must submit to the Board of Directors, in the Company's designated format, a declaration of intent for large-scale purchases of stock. This must indicate, in the Japanese language, matters such as a pledge to adhere to the procedures specified in the Response Policy ("rules on large-scale purchases of stock" hereinafter).

The declaration of intent for large-scale purchases of stock must include the following specific information:

(a) An overview of the purchaser

- Name and address
- Name of representative
- Purpose of company or other organization and lines of business
- Overview of major shareholders or major investors (top 10 in terms of numbers of shares held or percentages of investment)
- Domestic contact information
- Governing law under which it was established

(b) Number of shares of Company stock currently owned by the purchaser and status of the purchaser's trades in Company stock over the 60-day period leading up to the date of submission of the declaration of intent for large-scale purchases of stock

(c) An overview of the large-scale purchases of stock proposed by the purchaser (including the classes and numbers of shares of Company stock that the purchaser plans to acquire through the large-scale purchases of stock and a summary of the objectives of the large-scale purchases of stock [e.g., to secure control of the Company or involvement in its management, for purposes of pure investment or long-term investment, or for the sale of Company stock to a third party after the large-scale purchases of stock; if the objective is for a material proposal*⁸ or other purpose, that fact and a summary thereof; if there are multiple purposes, all must be indicated])

(d) A pledge to abide by the rules on large-scale purchases of stock

When submitting a declaration of intent for large-scale purchases of stock, attach a certified copy of the commercial register, a copy of the articles of association, or other documentation of the purchaser.

(iii) Provision of information on the large-scale purchases of stock

When the declaration of intent for large-scale purchases of stock described under (ii) above has been submitted, the purchaser shall, abiding by the procedures described below, provide to the Board of Directors information in the Japanese language that is necessary and sufficient for purposes such as decisions by shareholders and evaluation and study by the independent committee concerning the large-scale purchases of stock ("information on the large-scale purchases of stock" hereinafter).

First, within 10 business days*⁹ after submitting the declaration of intent for large-scale purchases of stock (excluding the submission date of), the Company will issue to the domestic contact under (ii) (a) above a list of information on the large-scale purchases of stock presenting the initial information to be submitted. The purchaser shall provide the Board of Directors with sufficient information in accordance with this list of information on the large-scale purchases of stock.

Promptly after receiving the above information on the large-scale purchases of stock, the Board of Directors shall submit it to the independent committee.

If the independent committee has determined, in light of the details, terms, or other aspects of the large-scale purchases of stock, that the details described in the information on the large-scale purchases of stock are insufficient for decision-making by shareholders and evaluation, study, etc. by the independent committee, then it may demand that the purchaser submit additional information on the large-scale purchases of stock, whether itself or through the Board of Directors or other intermediaries, by a deadline that provides sufficient time for adequate response. In such cases, the purchaser must provide additional information on the large-scale purchases of stock by the deadline.

To accelerate information provision from the purchaser, the period for the Board of Directors and the independent committee to demand provision of information from the purchaser and the purchaser's response to such demand ("information-provision period" hereinafter) shall not exceed 60 days from the day after the date on which the Board of Directors issued the initial list of information on the large-scale purchases of stock to the purchaser. Even if sufficient information on the large-scale purchases of stock has not yet been provided, upon the end of the maximum information-provision period, interaction with the purchaser concerning provision of information will terminate and the period for study by the independent committee (described under (iv) below) will be established immediately based on the information provided as of that time.

In principle, the list of information on the large-scale purchases of stock must include information on each of the following items, regardless of the details, terms, or other aspects of the large-scale purchases of stock. However, the specifics of the information to be included in the list of information on the large-scale purchases of stock shall be determined by the Board of Directors as reasonable in light of the details, term, and other aspects of the large-scale purchases of stock, taking into consideration advice from financial advisors, attorneys, tax accountants, certified public accountants, and other outside experts and similar parties. If the purchaser is unable to provide part of the information concerning the items shown on the list of information on the large-scale purchases of stock, the Company shall ask the purchaser to indicate the specific reason why it is unable to provide such information.

- (a) Details of the purchaser and its group of companies (including name; history; amount of capital or investment; total shares issued and outstanding; names, career histories, and shareholdings of the representative, executives, employees, and other members of the organization; relations to other companies; financial standing, business results, and accounting thereof for the most recent two business years; and a summary of relationships of the purchaser's group of companies [including but not limited to capital relationships, transaction relationships, concurrent posts of executives, employees, and other personnel; contractual relationships; and the histories of these relationships])
- (b) The objective of the large-scale purchases of stock (the specifics of the objective disclosed in the declaration of intent for large-scale purchases of stock), its method, and its contents (including opinions on the legality of the large-scale purchases of stock)
- (c) Type and amount of the purchase price related to the large-scale purchases of stock (when purchasing in securities, indicate the type and conversion rate of such securities; when purchasing in securities and cash, indicate the type and conversion rate of the securities and the amount of cash), and the basis and process of calculation of this amount. (For the basis of calculation, provided the specifics on which the calculations are based and details of differences in amounts, if any, between the price and the current market value or the purchaser's most recent trading price. For any differences in amounts of the purchase price depending on type of security, describe the details of matters—for example, thinking regarding the conversion thereof. For the

calculation process, if the opinions of any third parties were sought during calculation indicate the names of such third parties, summaries of their opinions, and the specific process through decisions on the amount based on such opinions.)

- (d) The status of fundraising needed for the large-scale purchases of stock and an overview of the sources from which such funds will be raised (including the type and balance of deposits if raising the funds from deposits, loan amounts, lender industry and other lender information, and details of loan agreements if raising funds by borrowing; and the details, amounts raised, and industry of the sources from which the funds are to be raised if raising funds by other means)
- (e) The timing of all past acquisitions of Company stock by the purchaser's group of companies and the number of shares and purchase price at each such time; the timing of all past sales of Company stock by the purchaser's group of companies and the number of shares and sale price for each such event
- (f) If any loan agreements, security agreements, repurchase agreements, planned trade contracts, or other important contracts or arrangements ("security agreements, etc." hereinafter) pertain to shares of Company stock already owned by the purchaser, the specifics of such security agreements, etc., including their types, contractual counterparties, and numbers of shares subject to them
- (g) If the purchaser plans to conclude security agreements, etc. with third parties regarding shares of Company stock scheduled to be acquired through the large-scale purchases of stock, the specifics of such planned security agreements, etc. with third parties, including their type, contractual counterparties, and numbers of shares subject to them
- (h) If the large-scale purchases of stock is intended to secure control of the Company or involvement in its management, the methods planned for securing control of the Company and the Group or involvement in their management after completion of the large-scale purchases of stock and management policies for after securing control or plans and voting-right exercise policies for after securing involvement in management; whether or not the purchaser has any past experience in investment, management, or business participation in companies or other corporations involved in businesses similar to those of the Company (including in countries other than Japan), and the details, performance, etc. thereof; if any reorganization, group restructuring, breakup, sale, or acquisition of important assets, large-scale borrowing, appointment or dismissal of representative directors, etc., changes in the executive structure, material changes in dividend or capital policies, or other material changes in the management policies of the Company and the Group or actions that could have a material impact on them are planned, the details and necessity thereof
- (i) If the large-scale purchases of stock is intended for purposes of pure investment or long-term investment, policies on holding of stock after the large-scale purchases of stock, trading policies and policies on exercise of voting rights, and the reasons for these policies. If the large-scale purchases of stock will be a cross-investment for purposes of a long-term capital tie-up, the necessity thereof
- (j) If the large-scale purchases of stock is intended for purposes such as an important proposal or there is a possibility that an important proposal or similar act could take place after the large-scale purchases of stock, the purpose, details, necessity, and timing of the important proposal, and information on whether such an important proposal or similar act would be made in any case
- (k) If there are plans to purchase further shares of Company stock after the large-scale purchases of stock, the reason why and details of such purchase

- (l) If the Company's stock is expected to be delisted after the large-scale purchases of stock, such fact and the reason why
- (m) If the large-scale purchases of stock involves any communication of intent with a third party, the purpose and details thereof and an overview of the third party
- (n) Specific details of planned changes, if any, in relationships with Company employees, partner companies, customers, local communications, or other stakeholders of the Company after completion of the large-scale purchases of stock

In addition, once the Board of Directors has determined reasonably that provision by the purchaser of information on the large-scale purchases of stock is complete, the Company promptly shall notify the purchaser of and disclose such fact.

- (iv) Consideration of the details of the large-scale purchases of stock, provision of information and materials by the Board of Directors, and negotiation and discussion with the purchaser
 - (a) Requests for provision of information to the Board of Directors

When the purchaser has submitted the declaration of intent for large-scale purchases of stock and information on the large-scale purchases of stock (including additional submissions if so requested by the independent committee), the independent committee may request that the Board of Directors swiftly provide its opinion (hereinafter, this includes opinions to withhold judgment) on the details of the large-scale purchases of stock by the purchaser, information on which such opinion is based, alternative proposals (if any), and other information and materials deemed necessary by the independent committee, within a reasonable period of time to be determined by the independent committee (not to exceed 60 days in principle).

- (b) Consideration, etc. by the independent committee

Beginning on the date on which the independent committee determines that information, materials, etc. (including additional information, materials, etc. demanded) provided by the purchaser and (if the Board of Directors is demanded to provide information, materials, etc. as described under (a) above) the Board of Directors is sufficient or on the date on which the information provision period ended, whichever comes first, the independent committee shall establish a period not to exceed 60 days in cases involving a purchase of all shares of Company stock on the open market through payment of cash (in Japanese yen) only or 90 days in other cases of large-scale purchases of stock (however, this period may be extended by the decision of an independent committee as described under (v) (d) below, "period for study by the independent committee" hereinafter).

During the period for study by the independent committee, the independent committee shall, based on information, materials, etc. provided by the purchaser and the Board of Directors, consider the details of the large-scale purchases of stock by the purchaser; consider alternatives proposed by the Board of Directors; and gather information on and compare matters such as the business plans of the purchaser and the Board of Directors, from the perspective of maintaining and improving the Company's corporate value and, by extension, its shared interests with shareholders. As necessary, the independent committee may engage in discussions and negotiations with the purchaser, whether on its own or through the Board of Directors or other intermediary, to amend the details of the large-scale purchases of stock from the perspective of maintaining and improving the Company's corporate value and, by extension, its shared interests with shareholders.

During the period for study by the independent committee, if the independent committee itself or through the Board of Directors or other intermediary demands information,

materials, etc. or participation in negotiations or other discussions, the purchaser shall respond promptly. The purchaser shall not execute a large-scale purchase of stock before the end of the period for study by the independent committee.

To ensure that the judgment of the independent committee contributes to the Company's corporate value and, by extension, its shared interests with shareholders, the independent committee may, at the Company's expense, seek out advice from independent third parties (including financial advisors, certified public accountants, attorneys, consultants, and other specialists).

(c) Disclosure

The Company shall promptly disclose the fact that a declaration of intent for large-scale purchases of stock has been submitted by the purchaser or a period for study by the independent committee has been established. The Company shall also disclose information on the large-scale purchases of stock and other information and materials concerning the large-scale purchases of stock as deemed appropriate by the independent committee at the timing as deemed appropriate by the independent committee.

(v) Independent Committee Recommendations, etc.

When a purchaser emerges, the independent committee shall issue recommendations or decisions to the Board of Directors as specified below. When the independent committee has made a recommendation as described under (a) through (c) below, the period for study by the independent committee shall terminate. When the independent committee has issued a recommendation or decision to the Board of Directors as described under (a) through (d) below, and at other times as deemed appropriate by the independent committee, the independent committee shall promptly disclose through the Board of Directors the fact that it has made such a recommendation or decision and other items as deemed appropriate by the independent committee (including the fact that it has decided to extend the period for study by the independent committee under (d) below and a summary of the reasons for such extension).

- (a) If the independent committee recommends the enactment of defensive measures

If the independent committee determines that the purchaser is undertaking or plans to undertake a large-scale purchase of stock without abiding by the rules on large-scale purchases of stock; that the large-scale purchases of stock falls under any of the types listed in the “Annex 2. Types of Purchase that would be Detrimental to the Company’s Corporate Value and Shared Interests with Shareholders”; or that grounds for reasonable suspicion exist that it should be regarded as any of such types, it shall issue to the Board of Directors a recommendation to enact defensive measures based on the Response Policy. However, as necessary, the independent committee may append conditions concerning matters such as the timing of enacting defensive measures.

However, even after recommending defensive measures, the independent committee may, if it determines that any of the grounds below apply, make separate decisions on various matters, including suspending the defensive measures, and issue recommendations to the Board of Directors accordingly.

- (i) When, after such recommendation, the purchaser revokes the large-scale purchases of stock and no other large-scale purchases of stock is pending
- (ii) When, due to a change in the facts or other matters on which the decision on such recommendation was based, the large-scale purchases of stock by the purchaser no longer falls into any of the categories listed in the “Annex 2. Types of Purchase that would be Detrimental to the Company’s Corporate Value and Shared Interests with Shareholders”

In doing so, the Board of Directors shall promptly disclose information such as the declaration of intent for large-scale purchases of stock, the Board’s opinions concerning the information on the large-scale purchases of stock, details of the independent committee’s recommendations, and other matters that the Board deems appropriate.

- (b) If the independent committee recommends against enacting defensive measures

If, as a result of study of the details of the large-scale purchases of stock by the purchaser and discussions and negotiations with the purchaser, the independent committee determines that the large-scale purchases of stock by the purchaser does not fall into any of the categories listed in the “Annex 2. Types of Purchase that would be Detrimental to the Company’s Corporate Value and Shared Interests with Shareholders,” or the Board of Directors has not submitted by the deadline the opinions described under (iv) (a) above although it was demanded by the independent committee, or the information or materials demanded by the independent committee, the committee shall recommend against enacting defensive measures to the Board of Directors, whether or not the period for study by the independent committee has concluded.

However, even after recommending against enacting defensive measures, the independent committee may, if it determines that due to a change in the facts or other matters on which the decision on such recommendation was based the large-scale purchases of stock by the purchaser does fall into any of the categories listed in the “Annex 2. Types of Purchase that would be Detrimental to the Company’s Corporate Value and Shared Interests with Shareholders,” or that reasonable grounds exist to suspect that it might do so, make separate decision on matters including the enactment of defensive measures and issue recommendations to the Board of Directors accordingly.

- (c) If the independent committee recommends the convocation of a General Meeting of Shareholders

If the independent committee determines that the large-scale purchases of stock calls for submitting to the General Meeting of Shareholders a proposal to enact practical defensive measures due to reasonable doubts that the purchase would contribute to maintaining and improving the Company's corporate value and, by extension, its shared interests with shareholders, it may recommend to the Board of Directors the convocation of a General Meeting of Shareholders and the submission to the General Meeting of a proposal concerning the enactment of defensive measures.

- (d) If the independent committee extends the period for study by the independent committee

If the independent committee fails to issue any of the recommendations under (a) through (c) above by the end of the initial period for study by the independent committee, it may decide to extend the period for study by the independent committee by up to 30 days, within the extent reasonably necessary to consider the details of the large-scale purchases of stock by the purchaser, to consider alternatives proposed by the Board of Directors, and to engage in discussions and negotiations with the purchaser.

If the period for study by the independent committee is extended via the above decision, the independent committee shall disclose information on the reasons for and period of the extension through the Board of Directors and continue to gather information and study the matter, making every effort to issue one of the recommendations under (a) through (c) above during the extended period.

- (vi) Board of Directors resolutions

If the Board of Directors receives from the independent committee a recommendation to enact or not to enact defensive measures as described under (v) above (including suspension of enactment of defensive measures) or to convene a General Meeting of Shareholders, it shall respect such recommendation to the extent possible, and swiftly make a decision, as the organization specified under the Companies Act to do so, regarding enactment or non-enactment of defensive measures or the convocation of a General Meeting of Shareholders. (However, when convening a General Meeting of Shareholders, it shall follow the decisions of that General Meeting of Shareholders regarding whether to enact defensive measures.)

Once it has made a decision as described above, the Board of Directors shall promptly disclose information concerning a summary of the decision and other matters that the Board judges to be appropriate.

- (3) Details of defensive measures

Plans call for undertaking the *gratis* allocation of the stock options described in "Annex 3. Overview of Stock Options" based on a resolution of the Board of Directors as entrusted to it by a resolution of the upcoming General Meeting of Shareholders as defensive measures under the Response Policy. However, as described under (2) (vi) above, the Board of Directors may propose the *gratis* allocation of stock options to the General Meeting of Shareholders. In such cases, if the General Meeting of Shareholders passes a resolution concerning the *gratis* allocation of stock options (i.e., a resolution based on Article 13, Paragraph 1 of the Company's Articles of Incorporation), the Board of Directors shall carry out the procedures necessary for the *gratis* allocation of stock options in accordance with the provisions of the resolution of the General Meeting of Shareholders. When the above General Meeting of Shareholders has been held, the purchaser shall refrain from executing large-scale purchases of stock until the General Meeting of Shareholders has passed a resolution concerning the

gratis allocation of stock options, and refrain from exchanging money or other economic benefits with any other party by any name.

In addition, when it has decided to convene the General Meeting of Shareholders or the General Meeting of Shareholders has passed a resolution concerning the *gratis* allocation of stock options, the Board of Directors shall promptly disclose information concerning a summary of the resolution and other matters that the Board judges to be necessary.

If it has been determined that it would be appropriate to enact other defensive measures permitted under the Companies Act or other applicable laws and regulations and the Company Articles of Incorporation, such other defensive measures may be employed.

(4) Systems for ensuring the reasonability and fairness of the Response Policy

(i) Assessing shareholders' intentions on matters such as updates to the Response Policy

Pursuant to the provisions of Article 20, Paragraph 1 of the Company Articles of Incorporation, updates to the Response Policy shall take effect conditional on their approval by shareholders in the upcoming Company Annual General Meeting of Shareholders. A resolution of the upcoming Annual General Meeting of Shareholders approving updates to the Response Policy under the above provisions also refers to resolutions under Article 13, Paragraph 1 of the Company Articles of Incorporation, delegation to the Board of Directors of authority related to the *gratis* allocation of stock options in accordance with the Response Policy.

If such a proposal is not approved, no updates to the Response Policy shall be made. The period of validity of the former Response Policy shall terminate upon the end of the upcoming Annual General Meeting of Shareholders.

(ii) Period of validity, abolition, and amendment of the Response Policy

If updates to the Response Policy are approved by shareholders in the upcoming Annual General Meeting of Shareholders, the period of validity of the Response Policy shall last until the end of the 97th Annual General Meeting of Shareholders to be held in June 2026.

If, even before the end of the period of validity of the Response Policy, (i) a Company General Meeting of Shareholders approves a resolution on abolition or amendment of the Response Policy, or (ii) a Board of Directors, consisting of Directors appointed by a Company General Meeting of Shareholders, resolves to abolish the Response Policy, the Response Policy shall be abolished or amended as of that point in time.

In addition, even during the period of validity of the Response Policy, the Board of Directors may amend the Response Policy in accordance with the recommendations of the independent committee, as long as such amendments are not counter to the intentions of the resolution of the upcoming Annual General Meeting of Shareholders (including cases in which it would be appropriate to reflect in the Response Policy the establishment, amendment, or abolition of applicable laws, regulations, rules of the financial instruments exchange, or similar provisions; in which it would be appropriate to correct the wording of the policy due to typos, omissions, etc.; and in which such amendment would not be detrimental to the interests of Company shareholders).

In the event of the abolition or amendment of the Response Policy, the Company shall promptly disclose, in accordance with applicable laws, regulations, or rules of the financial instruments exchange, the fact of such abolition or amendment and other information deemed appropriate by the Board of Directors.

- *1 Hereinafter, except as specified otherwise this refers to stock certificates, etc. as stipulated in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act. In the event of amendment of laws or regulations cited in the Response Policy (including renaming of laws or regulations or establishment of new ones succeeding to the role of previous ones), the provisions and terms of laws, regulations, etc. cited in the Response Policy shall be replaced by the provisions and terms of the amended laws, regulations, etc. or those of laws or regulations effectively succeeding to the role of previous ones, except as otherwise specified by the Board of Directors.
- *2 This refers to shareholders as stipulated in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act. Hereinafter, this includes the parties included among shareholders under the provisions of Paragraph 3 of that Article.
- *3 Hereinafter, this refers to percentages of stock certificates, etc. held as stipulated in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act.
- *4 Here and under (b) below, this refers to stock certificates, etc. as stipulated in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act.
- *5 Hereinafter, this refers to purchase on the open market as stipulated in Article 27-2, Paragraph 6 of the Financial Instruments and Exchange Act.
- *6 Hereinafter, this refers to percentages of stock certificates, etc. held as stipulated in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act.
- *7 This refers to specific related parties as stipulated in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act. However, hereinafter, the parties listed under Subparagraph 1 of that Paragraph shall not include the parties stipulated in Article 3, Paragraph 2 of the Cabinet Order on the disclosure of open-market purchases of stock etc. by parties other than the issuers.
- *8 Hereinafter, this refers to a material proposal as stipulated in Article 27-26, Paragraph 1 of the Financial Instruments and Exchange Act, Article 14-8-2, Paragraph 1 of the Enforcement Regulations to the Financial Instruments and Exchange Act, and Article 16 of the Cabinet Order on disclosure of large holdings of stock.
- *9 Business days refers to days other than the days enumerated in the subparagraphs to Article 1, Paragraph 1 of the Act on Holidays of Administrative Organs.

(References)

1. Reasonability and fairness of the Response Policy

(1) Emphasis on shareholders' intentions

In its meeting held May 12 of this year, the Board of Directors passed a resolution on updating of the Response Policy. However, as described under III. 2. (4) (i) above, the validity of the updated Response Policy is conditional on the approval by the upcoming General Meeting of Shareholders of a proposal on updating the Response Policy. This is intended to confirm shareholders' intentions regarding updating the policy. Accordingly, if this proposal is not approved, then the updates to the Response Policy shall not be made and the period of validity of the former Response Policy shall terminate upon the end of the upcoming Annual General Meeting of Shareholders.

In addition, as described under III. 2. (4) (ii) above, in the event that (i) a Company General Meeting of Shareholders has approved a resolution on abolition or amendment of the Response Policy, or (ii) a Board of Directors, consisting of Directors appointed by a Company General Meeting of Shareholders, has resolved to abolish or amend the Response Policy, the Response Policy shall be abolished or amended as of that point in time. In this sense, updates to or the abolition of the Response Policy must be based on shareholders' intentions.

Furthermore, the Board of Directors, respecting to the maximum extent the recommendations of the independent committee, may, pursuant to Article 13, Paragraph 1 of the Company Articles of Incorporation, submit to a Company General Meeting of Shareholders a resolution on the *gratis* allocation of stock options. This makes it possible to assess shareholders' intentions directly.

(2) Full satisfaction of the requirements of the guidelines on takeover defense measures, etc.

The Response Policy fully satisfies the three principles called for in the Guidelines Regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholders' Common Interests published by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005: (i) the principles of protecting and enhancing corporate value and shareholders' common interests; (ii) the principles of prior disclosure and shareholders' will; and (iii) the principles of ensuring the necessity and reasonableness. Its content also reflects matters such as the Takeover Defense Measures in Light of Recent Environmental Changes, released by the Corporate Value Study Group on June 30, 2008, and other discussions through now on defensive measures against takeover. Furthermore, the Response Policy conforms to various rules on takeover defensive measures established by the Tokyo Stock Exchange and the intentions of the Corporate Governance Code.

(3) It is kept up to date to maintain and improve the Company's corporate value and, by extension, its share interests with shareholders

As described under III. 1. above, to maintain and improve the Company's corporate value and, by extension, its shared interests with shareholders, the Response Policy has been updated from the former Response Policy to secure the time needed for the purchaser to submit necessary information in advance concerning its intended large-scale purchases of stock and for activities such as evaluation and study of the details thereof.

(4) Establishment of reasonable and objective requirements for enactment of defensive measures

As described under III. 2. (2) (v) (a) and (c) above and elsewhere, the Response Policy calls for defensive measures not to be enacted unless reasonable and objective requirements are satisfied, in order to safeguard against the arbitrary enactment of such measures by the Board of Directors.

(5) Establishment of the independent committee

As described under III. 2. (1) (iii) above, the Response Policy the Company establishes an independent committee independent of the Board of Directors to ensure the reasonability and fairness of decisions of the Board of Directors on whether the series of procedures under the rules on large-scale purchases of stock has been carried out and, if the rules on large-scale purchases of stock are followed, whether to enact certain defensive measures deemed necessary and appropriate to maintain or improve the Company's corporate value and, by extension, its shared interests with shareholders, as well as ensuring the reasonability and fairness of other decisions of the Board concerning matters such as management of the Response Policy and enactment of defensive measures.

Thus, a structure is in place to prevent arbitrary use of the Response Policy or enactment of defensive measures by the Board of Directors through the board making decisions while respecting the recommendations of the independent committee to the maximum extent.

(6) A term of office of one year for Company Directors

The term of office of each Company Director expires at the end of the Annual General Meeting of Shareholders for the final fiscal year ending within one calendar year after the Director takes office. This makes it possible to reflect shareholders' intentions in the Response Policy through the annual appointment of Directors.

(7) Takeover defensive measures are neither dead-hand nor slow-hand takeover defensive measures

As described under III. 2. (4) (ii) above, even before the end of the period of validity of the Response Policy, a Board of Directors consisting of Directors appointed by a Company General Meeting of Shareholders may choose to abolish the Response Policy at any time. Accordingly, the Response Policy does not qualify as dead-hand takeover defensive measures (i.e., takeover defensive measures whose enactment cannot be prevented even by a change in the majority of members of the Board of Directors).

In addition, as described under (6) above, the term of office of each Company Director expires at the end of the Annual General Meeting of Shareholders for the final fiscal year ending within one calendar year after the Director takes office. Accordingly, each Annual General Meeting of Shareholders deliberates on a proposal for appointment of Directors. For this reason, the Response Policy does not qualify as slow-hand takeover defensive measures (i.e., takeover defensive measures for which prevention of enactment through a change in membership of the Board of Directors would take some time).

2. Impact on shareholders and investors

(1) Impact on shareholders and investors at the time the Response Policy is updated

When the Response Policy is updated, no *gratis* allocation of stock options itself takes place. Accordingly, the Response Policy has no direct and specific impact on the legal rights and economic interests associated with Company stock held by shareholders and investors at the time of the update.

(2) Impact on shareholders and investors at the time of the *gratis* allocation of stock options

If the Board of Directors decides to enact defensive measures and the Board of Directors or a General Meeting of Shareholders resolves to implement a *gratis* allocation of stock options, shareholders appearing on the final shareholder registry as of the basis date specified separately will be issued, *gratis*, one stock option for each share of stock owned, on the effective date specified separately. Due to the nature of these defensive measures, while the economic value of each share of Company stock held by shareholders and investors would be diluted at the time of the *gratis* allocation of stock options, the economic value of all Company stock held by shareholders and investors would not be diluted; neither would voting rights per share of Company stock. Accordingly, no direct and specific impact on the legal rights and economic interests associated with Company stock held by shareholders and investors as a whole should occur.

Even if the Board of Directors or a General Meeting of Shareholders decides to allocate stock options *gratis*, as described under III. 2. (2) (v) (a) above in a case such as revocation of the large-scale purchases of stock by the purchaser, the Company, respecting the recommendations of the independent committee to the maximum extent, may suspend the *gratis* allocation of stock options by the day before its effective date or, after the effective date of the *gratis* allocation of stock options, acquire the stock options *gratis* by the day before the starting date of the exercise period of the stock options. Note that since in these cases the economic value of a share of Company stock would not be diluted, investors who have traded in Company stock after finalization of the shareholders eligible for the *gratis* allocation of the stock options may suffer losses due to fluctuations in the share price.

(3) Impact on shareholders and investors of exercise or acquisition of stock options after *gratis* allocation

Since it is planned that discriminatory conditions would apply to the exercise or acquisition of stock options, it is anticipated that the legal rights and other interests of the purchaser and certain other parties would be diluted upon such exercise or acquisition. However, even in such cases, no direct and specific effect is expected for legal rights and economic benefits associated with shares of Company stock held by shareholders and investors other than the purchaser and certain other parties. Note that to restrict transfer of stock options themselves, in the event of issue of shares to shareholders as the result of exercise or acquisition of stock options on or after the basis date of the *gratis* allocation of the stock options, recovery of invested capital corresponding to the portion of the value of Company stock held by shareholders and attributable to the stock options may be subject to restrictions until shares are issued to all shareholders.

3. Procedures required of shareholders in connection with the *gratis* allocation of stock options

(1) Procedures related to the effective date of the *gratis* allocation of stock options

When the Board of Directors or a General Meeting of Shareholders has decided to enact defensive measures and resolved to issue stock options *gratis* in accordance with the principles, the Company will decide on and announce a basis date. Stock options will be allocated to shareholders appearing on the final shareholder registry as of the basis date, in accordance with the number of shares each owns.

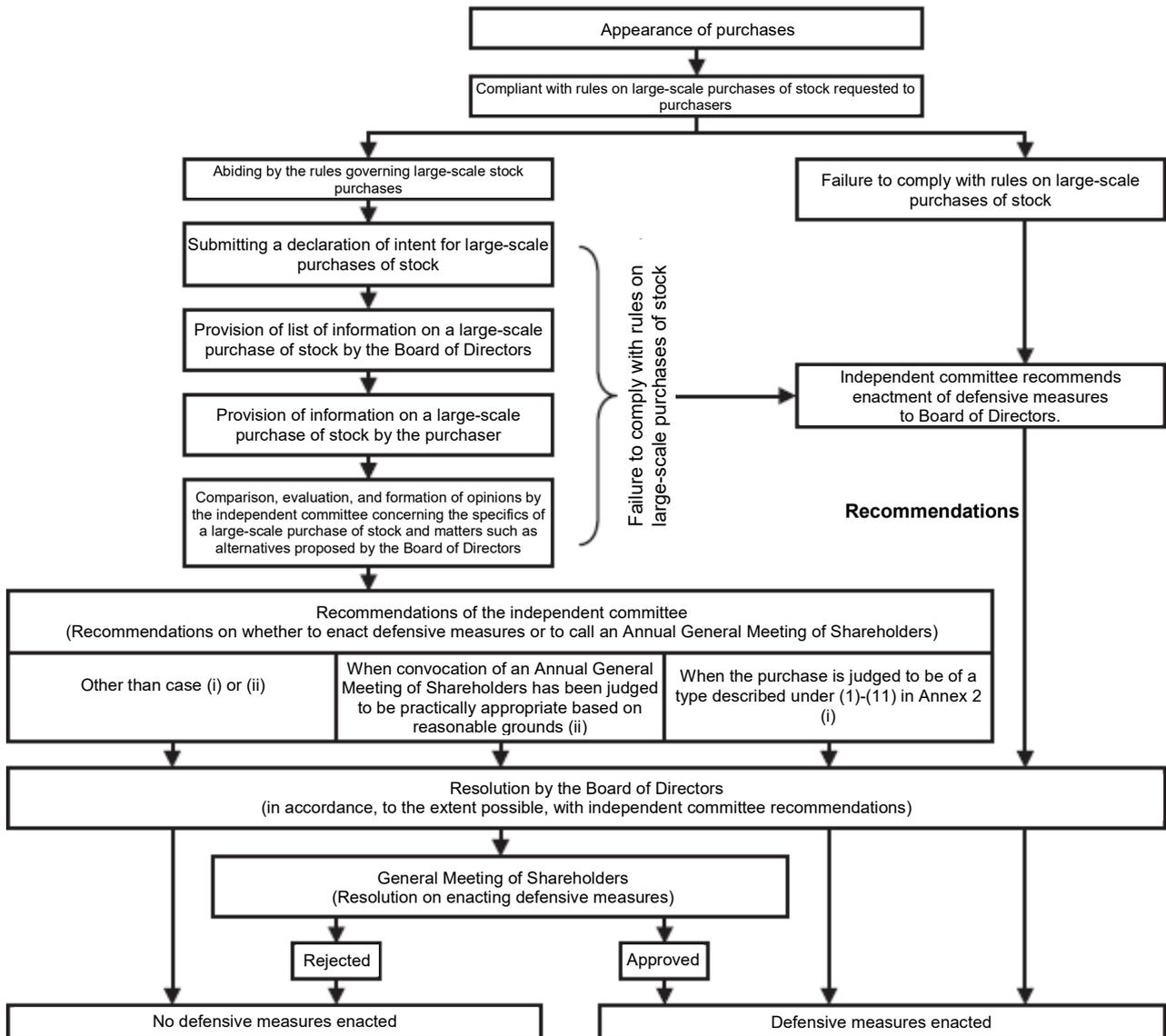
Shareholders appearing on the final shareholder registry as of the basis date would not need to complete application or any other procedures to be issued the stock options on the effective date of the *gratis* allocation of stock options.

(2) Procedures required of shareholders when exercising or acquiring stock options after the *gratis* allocation of stock options

If the Company acquires stock options based on the provisions for their acquisition, it shall do so after the Board of Directors or a General Meeting of Shareholders passes a relevant resolution in accordance with procedures established by the Companies Act (Articles 273 and 274 of that Act) and after announcing the acquisition to all holders of the stock options. In addition, upon the exercise of stock options by shareholders other than the purchaser and certain other parties during the exercise period, the Company will, in accordance with the procedures established by the Companies Act (Article 279, Paragraph 2 of that Act), issue notification of allocation to holders of the stock options. Accordingly, shareholders are requested to exercise their stock options during the exercise period. (Certain monetary payments will be required upon such exercise.)

Whichever procedures apply, the Company will provide timely and appropriate disclosure of the details of such procedures, pursuant to applicable laws and regulations and the rules of the financial instruments exchange. Accordingly, shareholders are requested to pay attention to Company disclosures upon the enhancement of defensive measures.

Overview of Response Policy
 (Flowchart for Responding to the Launch of a Large-Scale Purchase of Stock)



This chart was prepared merely as a reference for understanding the details of this response policy.

(Annex 2)

Annex 2. Types of Purchase that would be Detrimental to the Company's Corporate Value and Shared Interests with Shareholders

- (1) Purchase in which the purchaser is deemed to be a so-called greenmailer who acquires or attempts to acquire shares of Company stock simply to sell them to the Company or related parties at inflated prices, with no intention of truly participating in Company management
- (2) Purchase in which the purchaser is deemed to be acquiring shares of Company stock to transfer to itself or its group companies property essential to the business operations of the Company or Group companies, such as intellectual property rights, knowhow, trade secrets, major trading partners, or customers, as well as property of the Group companies
- (3) Purchase in which the purchaser is deemed to be acquiring shares of Company stock to use property of the Company or Group companies as security for or sources of funding for repayment of its debts or those of its group companies
- (4) Purchase in which the purchaser is deemed to be acquiring shares of Company stock to secure temporary control of Company management, dispose of real estate, securities, and other valuable property not directly related to business operations of the Company or Group companies through selling it off or other means, thus forcing the Company to pay temporarily high dividends or seeking to inflate its share prices based on such high dividends before selling off Company stock at inflated prices
- (5) Purchase deemed to be one that could effectively constitute a coercive demand to shareholders to sell shares of Company stock by restricting their opportunities or freedom to judge the merits of the purchase, such as one in which the method of purchasing shares of Company stock proposed by the purchaser qualifies as a so-called coercive two-step takeover (i.e., one in which, instead of soliciting to acquire all shares of Company stock in the initial purchase, the purchaser sets disadvantageous terms on the second step of the acquisition or purchase of shares on the open market without making its intentions clear)
- (6) Purchase in which the purchaser is deemed to be acquiring shares of Company stock without providing the Company with the time reasonably needed to propose an alternative to the large-scale purchases of stock
- (7) Purchase in which the purchaser is deemed to be acquiring shares of Company stock without providing Company shareholders with sufficient information on the large-scale purchases of stock or other information reasonably necessary to make a judgment on the details of the large-scale purchases of stock

- (8) Purchase in which conditions on the purchase of Company stock proposed by the purchaser (including type and amount of purchase price; how this amount was calculated; the time of the purchase; method of the purchase, and other specifics; legal status; and feasibility) are deemed clearly inadequate or inappropriate in light of the Company's corporate value
- (9) Purchase deemed counter to the Company's corporate value and, by extension, its shared interests with shareholders, because the management policies or business plans envisioned by the purchaser after the large-scale purchases of stock are likely to impair the trust of customers, suppliers, and/or communities
- (10) Purchase deemed likely to damage the Company's brand value or prove counter to the Company's corporate value and, by extension, its shared interests with shareholders by damaging relations with the Company's employees, trading partners, customers, or others essential to the Company's capacity to generate corporate value
- (11) Purchase deemed counter to the Company's corporate value and, by extension, its shared interests with shareholders because, based on the management policies or business plans apparently envisioned by the purchaser after the large-scale purchases of stock, the purchase is highly likely to impair aspects of safety or the public benefits of facility construction work or the interests of users of its machinery manufacturing products

Overview of Stock Options

1. Number of stock options to be allocated

The number of stock options to be allocated shall be the same as the final total number of shares of Company common stock issued and outstanding (excluding shares of Company common stock owned by the Company at that time) as of a certain date (“allocation date” hereinafter) to be specified separately by resolution of the Board of Directors or General Meeting of Shareholders or by resolution of the Board of Directors based on the authority delegated by a General Meeting of Shareholders on the *gratis* allocation of stock options (“resolution on the the *gratis* allocation of stock options” hereinafter).

2. Shareholders eligible for allocation

Shareholders appearing on the final shareholder registry as of the allocation date will be issued, *gratis*, one stock option for each share of Company stock owned (excluding shares of Company common stock owned by the Company at that time).

3. Effective date of the *gratis* allocation of stock options

The date specified separately as part of the resolution on the *gratis* allocation of stock options

4. Class and number of shares subject to stock options

The class of shares subject to the stock options shall be Company common stock. The number of shares subject to each stock option (“subject number of shares” hereinafter) shall be one share. However, in the event of a stock split, reverse stock split, or similar action by the Company, this number shall be adjusted as appropriate.

5. Details and amounts of assets invested on exercise of assets stock options

Investments on the exercise of stock options shall be made in cash, in an amount of at least one yen per share of Company common stock to be specified separately as part of the resolution on the *gratis* allocation of stock options.

6. Restrictions on transfer of stock options

The approval of the Board of Directors shall be required to transfer the stock options.

7. Conditions on exercise of stock options

The following parties are ineligible to exercise stock options: (i) specified large shareholders ^{*10}; (ii) joint shareholders of specified large shareholders ^{*11}; (iii) purchaser(s) of large holdings of stock ^{*12}; (iv) special related parties of a purchaser of large holdings of stock; (v) parties who have received or succeeded to stock options from any of the parties named under (i)-(iv) without the permission of the Board of Directors; (vi) parties related to any of the parties named under (i)-(v) ^{*13} (referred to collectively as “ineligible parties” hereinafter). Details of conditions governing the exercise of stock options shall be established separately as part of the resolution on the *gratis* allocation of stock options.

8. Acquisition of stock options by the Company

The Company may acquire stock options held by parties other than ineligible parties as of the date to be specified separately by the Board of Directors in exchange for the issue of shares of Company common stock in the subject number of shares specified as of the date and time of such acquisition for each stock option. Other instances in which the Company may acquire stock options and the attendant conditions etc. thereof shall be established separately as part of the resolution on the *gratis* allocation of stock options.

No cash payments or other exchanges of economic value shall take place when acquiring stock options held by ineligible parties.

9. *Gratis* acquisition in cases such as the suspension of enactment of defensive measures

If the Board of Directors resolves to suspend or withdraw defensive measures already enacted or, as specified separately as part of the resolution on the *gratis* allocation of stock options, the Company acquires all stock options *gratis*.

10. Issue of stock options

No stock option certificates shall be issued for the stock options.

11. Other matters

In addition to the above, the exercise period and other necessary matters concerning the stock options shall be established separately as part of the resolution on the *gratis* allocation of stock options.

- *10 A *specified large shareholder* is a holder of stock issued by the Company accounting for 20% or more of such stock or a party recognized by the Board of Directors to qualify as such. This excludes parties whose acquisition or ownership of Company stock is deemed by the Board of Directors not to be counter to the Company's corporate value and, by extension, its shared interests with shareholders or other parties as specified separately by the Board of Directors as part of the resolution on the *gratis* allocation of stock options.
- *11 A *joint shareholder* is a joint shareholder as described in Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Act, including parties deemed to be a joint shareholder under Paragraph 6 of that Article.
- *12 A *purchaser of large holdings of stock* is a party that has announced its intentions to purchase on the open market shares of stock issued by the Company (this refers hereinafter to stock certificates as stipulated in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act) and who, after such purchase, would possess holdings (including the equivalent items stipulated in Article 7, Paragraph 1 of the Enforcement Regulations to the Financial Instruments and Exchange Act) of at least 20% when combined with the shareholdings of its special related parties. This shall not apply to parties whose acquisition or ownership of Company stock is deemed by the Board of Directors not to be counter to the Company's corporate value and, by extension, its shared interests with shareholders or other parties as specified separately by the Board of Directors as part of the resolution on the *gratis* allocation of stock options.
- *13 A *related party of another party* refers to a party that effectively controls, is controlled by, or is under the joint control of the other party (including parties recognized as such by the Board of Directors) or a party recognized by the Board of Directors to be acting in cooperation with the other party. As used here, *control* refers to control of decisions on financial and business policies of another company or organization (as stipulated in Article 3, Paragraph 3 of the Enforcement Regulations to the Companies Act).

Overview of the Independent Committee Rules

1. The independent committee shall be established by resolution of the Board of Directors as an advisory body to the Board, to eliminate arbitrariness in decisions of the Board concerning management of the Response Policy and enactment of defensive measures and ensure the reasonability and fairness of related decisions.
2. Membership of the independent committee shall consist of three or more persons chosen by resolution of the Board of Directors from among the following persons independent of members of management tasked with execution of Company business: (i) Outside Directors; (ii) Outside Corporate Auditors; (iii) outside experts (e.g., accomplished managers, persons with regulatory backgrounds, persons highly familiar with the investment banking business, attorneys, certified public accountants, and academic experts). The Company shall conclude with each independent committee member contracts, including provisions on the due care of a good manager and nondisclosure obligations vis-a-vis the Company.
3. The term of office of an independent committee member shall expire at the end of the Annual General Meeting of Shareholders for the fiscal year ending within one calendar year after the member is appointed or on another date agreed to separately by the member and the Company; unless the relevant resolution of the Board of Directors establishes other provisions on terms of office.
4. The independent committee shall be convened by the Company Representative Director of an independent committee member.
5. The chairperson of the independent committee shall be chosen by the independent committee members from among their membership.
6. In principle, a resolution of the independent committee shall be approved by majority vote in a meeting attended by all independent committee members. However, it may be approved by a majority of attendees in a meeting attended by the majority of independent committee members if a member is incapacitated or in other special circumstances.
7. The independent committee shall make decisions by evaluating and studying the following matters, based on matters submitted by the Board of Directors. It issues recommendations to the Board of Directors on its decisions, attaching the justification for such decisions.
 - (1) Whether to enact defensive measures related to the Response Policy (including deciding on subjects such as whether to submit such matters to a General Meeting of Shareholders)
 - (2) Suspension or withdrawal of defensive measures related to the Response Policy
 - (3) Abolition and amendment of the Response Policy

- (4) Other matters related to the Response Policy submitted to the independent committee by the Board of Directors at its discretion

Each committee member shall participate in the deliberations and decisions of the independent committee with the sole purpose of contributing to the Company's corporate value and, by extension, its shared interests with shareholders. Committee members shall not seek to further their own interests or the interests of other members of Company management.

8. As necessary, the independent committee may ask Company Directors, Auditors, employees, or others as it deems necessary to provide explanations of matters deemed important to the independent committee.
9. In performing its duties, at Company expense, the independent committee may seek out advice from independent third parties (including financial advisors, certified public accountants, attorneys, consultants, and other specialists).

Brief Career Histories of Independent Committee Members

Shoji Tamura

Born 1948

June 1998 Director of Fujitsu Business System Co., Ltd. (currently Fujitsu Japan Limited)

June 2007 Senior Managing Director of Fujitsu Business System Co., Ltd.

June 2009 Representative Director and Vice President of Fujitsu Marketing Limited (currently Fujitsu Japan Limited)

May 2012 Representative Director of NIHON ASI CO., LTD. (current position)

Dec. 2012 Director of NIPPON CLOUD CO., LTD. (current position)

June 2020 Outside Director of the Company (current position)

Pursuant to the Tokyo Stock Exchange's rules on listing of securities, the Company has designated Shoji Tamura as an independent officer and as an Outside Director who poses no conflict of interest risks with regard to general shareholders.

Kyoko Okumiya

Born 1956

Apr. 1984 Registered as attorney at law (Dai-Ichi Tokyo Bar Association)

Sep. 2000 Partner, Tanabe & Partners (current position)

Aug. 2003 Audit Committee Member, City of Kawasaki (current position)

Jan. 2009 Member, Committee of Experts, Tokyo District Court (current position)

June 2014 Outside Auditor, NEC Corporation
Outside Director, Morinaga Milk Industry Co., Ltd.

June 2017 Chair, Employment Environment / Equality Subcommittee, Labour Policy Council, Ministry of Health, Labour and Welfare (current position)

Apr. 2018 Member, Management Advisory Council, Graduate School of Law and Politics, University of Tokyo (current position)

June 2018 Outside Director, Bank of Yokohama, Ltd.
Outside Director, Toshiba Tec Corporation

Pursuant to the Tokyo Stock Exchange's rules on listing of securities, the Company has designated Kyoko Okumiya as an independent officer and as an Outside Director who poses no conflict of interest risks with regard to general shareholders.

Yuji Fujiyama

Born 1959

Apr. 1983 Joined the National Police Agency

Sep. 2007 Director, Kagoshima Prefectural Police Dept.

Mar. 2009 General Manager, Organized Crime Division, Metropolitan Police Dept.

Mar. 2012 General Manager, Security Bureau, Metropolitan Police Dept.

Aug. 2013 Crisis Management Councilor, Cabinet Office

Aug. 2015 Director, Imperial Guard Headquarters

Jan. 2018 Advisor, General Affairs Dept., Business Administration Division, Taisei Corporation

June 2022 Outside Director, Colowide Co., Ltd. (current position)

Pursuant to the Tokyo Stock Exchange's rules on listing of securities, the Company has designated Yuji Fujiyama as an independent officer and as an Outside Director who poses no conflict of interest risks with regard to general shareholders.

Yukimasa Ozaki

Born 1959

Apr. 1989 Registered as an attorney at law (Dai-Ichi Tokyo Bar Association)
Joined Ozaki Law Office

July 1991 Studied abroad at the University of Wisconsin School of Law in the United States

Jan. 1993 Employed at law offices in Milwaukee, Wisconsin and New York, N.Y., U.S.A.

Aug. 1993 Returned to Japan; named a partner, Harada, Ozaki, and Hattori Law Office

Dec. 2006 Representative, Ozaki Law Office (current position)

Mar. 2015 Outside Director, Oenon Holdings, Inc. (current position)

Apr. 2017 Deputy Chair, Dai-Ichi Tokyo Bar Association

Aug. 2019 Outside Director, Sakata Seed Corp. (current position)

Feb. 2021 Chair, Nomination and Remuneration Committee, Oenon Holdings, Inc. (current position)