

Please note that the following is an unofficial English translation of Japanese Notice of Convocation of the 157th Ordinary General Meeting of Shareholders of Kyosan Electric Manufacturing Co., Ltd. Kyosan provides this translation for your reference purposes only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

(Code No. 6742)  
June 3, 2022

To Our Shareholders:

Ryoji Kunisawa  
Representative Director, President  
**Kyosan Electric Manufacturing Co., Ltd.**  
2-29-1 Heian-cho, Tsurumi-ku, Yokohama

### Notice of Convocation of the 157th Ordinary General Meeting of Shareholders

Notice is hereby given that the 157th Ordinary General Meeting of Shareholders of Kyosan Electric Manufacturing Co., Ltd. (“Kyosan” or the “Company”) will be held as described below.

**In lieu of attending the meeting in person, you may otherwise exercise your voting rights in writing or via the Internet. Please read the attached Reference Documents for the Ordinary General Meeting of Shareholders provided below, and exercise your voting rights by following the instructions on pages 2 to 3 of the Japanese version of this document by 5:00 p.m. Thursday, June 23, 2022.**

- 1. Date and Time:** 10:00 a.m. Friday, June 24, 2022
- 2. Place:** Kyosan Conference Room  
2-29-1 Heian-cho, Tsurumi-ku, Yokohama
- 3. Purposes of the Meeting:**
- Matters to be Reported:**
1. Business Report, Consolidated Financial Statements for the 157th Term (from April 1, 2021 to March 31, 2022) and Reports of Audit of the Consolidated Financial Statements by the Accounting Auditors and Audit & Supervisory Board
  2. Report on the Financial Statements for the 157th Term (from April 1, 2021 to March 31, 2022)
- Matters to be Resolved:**
- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Partial Amendments to the Articles of Incorporation
- Proposal No. 3:** Election of Eight (8) Directors
- Proposal No. 4:** Election of One (1) Substitute Audit & Supervisory Board Member
- Proposal No. 5:** Continuation of Countermeasures to Large-Scale Purchases of Kyosan Shares (Defensive Measures against Takeovers)

- \* If you are attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk. To save resource, please bring this “Notice of Convocation” with you.
- \* Among the documents to be appended to this Notice of Convocation, “Notes to Consolidated Financial Statements” and “Notes to Non-consolidated Financial Statements” are published on our website (<https://www.kyosan.co.jp/english/>) based on stipulations of the law and Article 16 of our Articles of Incorporation, so they are not recorded in this Notice of Convocation. In addition, the documents published on the above website have also been audited by the Audit & Supervisory Board Members and Accounting Auditors.
- \* Any amendments to the Reference Documents for the Ordinary General Meeting of Shareholders, Business Report, Consolidated Financial Statements and Financial Statements will be posted on Kyosan’s website (<https://www.kyosan.co.jp/english/>).

## Proposals and Reference Information

### **Proposal No. 1:** Appropriation of Surplus

Dividends are proposed with the intent of providing stable distribution of profits according to medium to long term profit standards that comprehensively consider factors such as consolidated business performance for the current fiscal year and research and development required for the future and capital investments.

Comprehensively taking into consideration recovery from the damage from fire and the future prospects of consolidated business performance for the current fiscal year based on the above policy, the Company proposes to pay a year-end dividend of 13 yen per share as disclosed in the “Notice of Dividend Projections for the Fiscal Year Ending March 31, 2022” on March 25, 2022.

Additionally, this will result in an annual dividend of 18 yen per share when combined with the interim dividend of 5 yen that has already been paid.

### **Information on the year-end dividend**

#### **(1) Type of dividend assets**

Cash

#### **(2) Appropriation of dividend assets to shareholders and amount of appropriation**

13 yen per share of Kyosan’s common stock                      total amount 815,676,420 yen

#### **(3) Surplus dividend effective date**

June 27, 2022

**[Translation for Reference Purposes Only]**

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

1. Reasons for the Amendments

To amend the Company’s Articles of Incorporation as follows in order to respond to the system for electronic provision of materials for general meetings of shareholders to be enforced on September 1, 2022 in response to the partial amendment of the Companies Act in 2019.

- (1) To stipulate that information that is the content of Reference Documents for the Ordinary General Meeting of Shareholders, etc., shall be provided electronically.
- (2) To establish stipulations to limits on the scope of matters to be recorded in physical documents that are provided to shareholders who request provision of physical documents.
- (3) To delete the stipulations concerning Internet disclosure and deemed provision of Reference Documents for the Ordinary General Meeting of Shareholders (Article 16 of the current Articles of Incorporation), as these stipulations will no longer be necessary.
- (4) To establish supplementary provisions concerning the effective date, etc., in line with the new establishments and deletions above.

2. Details of the Amendments

The details of the amendments are as follows.

(Underlined parts are to be amended)

Current Articles of Incorporation	Proposed Amendments
<p><u>Article 16 (Deemed Provision of Reference Documents and other document for the Ordinary General Meeting of Shareholders Through Disclosure on the Internet)</u></p> <p><u>If the Company discloses information relating to matters to be stated or indicated in the Reference Documents, Business Report, Non-consolidated Financial Statements and Consolidated Financial Statements in connection with the convening of the Ordinary General Meeting of Shareholders through the Internet in accordance with the Ordinance of the Ministry of Justice, the Company may deem that it has provided the same to shareholders.</u></p> <p>(Newly established)</p>	<p>(Deleted)</p> <p><u>Article 16 (Measures for electronic provision, etc.)</u></p> <p><u>In the convening of the Ordinary General Meeting of Shareholders, the Company shall provide electronically information that is the content of Reference Documents for the Ordinary General Meeting of Shareholders, etc.</u></p>

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Current Articles of Incorporation	Proposed Amendments
	<p><u>2. Of the matters to which electronic provision measures apply, the Company may choose not to record all or part of matters stipulated in the Ordinance of the Ministry of Justice in the physical documents provided to shareholders who made requests for provision of physical documents by the record date for voting rights.</u></p>
(Newly established)	<p><u>(Supplementary provisions)</u></p> <p><u>1. The amendments to Article 16 of the Articles of Incorporation shall take effect from the date of enforcement of the revised stipulations stipulated in the proviso of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019; the “Enforcement Date”).</u></p> <p><u>2. Notwithstanding the provisions of the previous paragraph, Article 16 (Deemed Provision of Reference Documents and other document for the Ordinary General Meeting of Shareholders Through Disclosure on the Internet) of the Articles of Incorporation shall remain valid for general meetings of shareholders held on a day that is within six months of the Enforcement Date.</u></p> <p><u>3. These supplementary provisions shall be deleted on the day after which six months have elapsed since the Enforcement Date or the day after which three months have elapsed since the day of the General Meeting of Shareholders in the previous paragraph, whichever is later.</u></p>

**[Translation for Reference Purposes Only]**

**Proposal No. 3: Election of Eight (8) Directors**

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


**Candidates for the Directors (8)**

No.	Name	Current Positions and Assignments in the Company	Nomination and Remuneration Committee	Specialization				
				Corporate management	Global experience	Technology and development	Financial accounting	Legal
1	Ryoji Kunisawa <u>Reappointment</u>	Representative Director (Assigned to be in charge of Internal Auditing Office), President (In charge of R&D Center)	●	●	●	●		
2	Toru Onodera <u>Reappointment</u>	Representative Director, Senior Managing Executive Officer (General Manager, Group Management Headquarters; General Manager, Corporate Strategy Office; in charge of ERP Project Office)	●	●			●	
3	Tsutomu Tokodai <u>Reappointment</u>	Director, Chairman		●	●			
4	Kenjiro Kanzawa <u>Reappointment</u>	Director, Managing Executive Officer (In charge of Finance & Accounting Dept.)		●			●	
5	Ryu Hihara <u>Reappointment</u>	Director, Executive Officer (Deputy General Manager, Power Electronics Division; in charge of Legal Dept. and Intellectual Property Dept.)		●	●		●	
6	Hiroshi Sumitani <u>Reappointment</u> <u>Outside</u> <u>Independent</u>	Director Chairman of the Board of Directors	●	●	●			
7	Mihoko Kitamura <u>Reappointment</u> <u>Outside</u> <u>Independent</u>	Director	●		●			●
8	Hiroyuki Sasa <u>Reappointment</u> <u>Outside</u> <u>Independent</u>	Director Chairman of the Nomination and Remuneration Committee	●	●	●	●		


[Translation for Reference Purposes Only]

No.	Name (Date of Birth)	Positions and Assignments in the Company	Biography and Status of Important Concurrent Positions	Number of the Company's Shares Held
1	 Ryoji Kunisawa (December 5, 1961) [Reappointment]	Representative Director (Assigned to be in charge of Internal Auditing Office), President (In charge of R&D Center)	April 1984 October 2011 April 2014 April 2019 June 2019 December 2020 April 2022 Joined Kyosan General Manager, Railway Signal 4th Engineering Dept., Kyosan Executive Officer, Kyosan Managing Executive Officer, Kyosan General Manager, Railway Signal Division, Kyosan Director, Kyosan Representative Director and President, Kyosansystem Co., Ltd. Representative Director, President, Kyosan (current position)	90,100 shares
<p>Reason for nomination as a candidate for Director</p> <p>Having abundantly experienced operations primarily at Railway Signal Division, Mr. Ryoji Kunisawa had led the Division as General Manager of the Division, was appointed to Director of the Company in 2019, and has participated in the Group management.</p> <p>He was appointed to Representative Director and President in April 2022. He has led the Group management including the promotion of globalization by utilizing his abundant experience and knowledge in management. Based on these, the Company believes that he will contribute to the enhancement of the Company's corporate value, and therefore nominated him again as a candidate for Director.</p>				

[Translation for Reference Purposes Only]


No.	Name (Date of Birth)	Positions and Assignments in the Company	Biography and Status of Important Concurrent Positions		Number of the Company's Shares Held
2	 Toru Onodera (June 28, 1955) [Reappointment]	Representative Director, Senior Managing Executive Officer (General Manager, Group Management Headquarters; General Manager, Corporate Strategy Office; in charge of ERP Project Office)	May 1979 October 2000  April 2007  April 2009  April 2012 June 2012 April 2015  June 2018  April 2019	Joined Kyosan General Manager, Management Dept., Power Converter Division (currently Power Electronics Division), Kyosan Executive Officer, Kyosan General Manager, General Affairs Dept., Kyosan General Manager, Personnel Dept., Kyosan Managing Executive Officer, Kyosan Director, Kyosan Senior Managing Executive Officer, Kyosan (current position) Representative Director, Kyosan (current position) General Manager, Group Management Headquarters, Kyosan (current position)	206,900 shares
<p>Reason for nomination as a candidate for Director            Having experienced operations primarily at Power Converter Division (currently Power Electronics Division), General Affairs Dept. and Personnel Dept., Mr. Toru Onodera was appointed to Director of the Company in 2012 and to Representative Director in 2018. Thereafter, he has promoted globalization and led the Group management as General Manager of Group Management Headquarters and, since April 2022, as General Manager of Corporate Strategy Office. The Company believes that his abundant experience and knowledge in management will contribute to the enhancement of the Company's corporate value, and therefore nominated him again as a candidate for Director.</p>					

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No.	Name (Date of Birth)	Positions and Assignments in the Company	Biography and Status of Important Concurrent Positions	Number of the Company's Shares Held
3	 Tsutomu Tokodai (January 21, 1951) [Reappointment]	Director, Chairman	August 1974 April 2003  April 2006  June 2006 April 2009  April 2010  April 2012  April 2015 June 2015  April 2022 <p>Joined Kyosan General Manager, Manufacturing Control Dept., Power Converter Division (currently Power Electronics Division), Kyosan Executive Officer, Kyosan General Manager, Power Converter Division (currently General Manager, Power Electronics Division), Kyosan Director, Kyosan Managing Executive Officer, Kyosan Deputy General Manager, Planning and Control Headquarters, Kyosan Chief Managing Executive Officer, Kyosan General Manager, Planning and Control Headquarters, Kyosan Representative Director and President, Kyosan President and Executive Officer, Kyosan President, Kyosan Representative Director, Kyosan Director, Chairman, Kyosan (current position)</p>	386,000 shares
<p>Reason for nomination as a candidate for Director            Having experienced operations primarily at Power Converter Division (currently Power Electronics Division), Mr. Tsutomu Tokodai was appointed to Director of the Company in 2006. Thereafter, he had promoted globalization, etc., and drove the Group management as Representative Director and President since 2012. The Company believes that this abundant knowledge in management will contribute to the enhancement of the Company's corporate value, and therefore nominated him again as a candidate for Director.</p>				




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No.	Name (Date of Birth)	Positions and Assignments in the Company	Biography and Status of Important Concurrent Positions		Number of the Company's Shares Held
4	 Kenjiro Kanzawa (March 24, 1963) [Reappointment]	Director, Managing Executive Officer (In charge of Finance & Accounting Dept.)	April 1986  April 2013  April 2014  April 2017  April 2018  June 2018  May 2020 July 2020  June 2021  July 2021	Joined The Bank of Yokohama, Ltd. General Manager, Sales Dept., The Bank of Yokohama, Ltd. Executive Officer and General Manager, Corporate Planning Dept., The Bank of Yokohama, Ltd. Executive Officer and General Manager, Corporate Planning Dept., Concordia Financial Group, Ltd. Managing Executive Officer, Concordia Financial Group, Ltd. Director and Executive Officer, The Bank of Yokohama, Ltd. Joined Kyosan Executive Officer and General Manager, Finance & Accounting Dept., Kyosan Director, Kyosan (current position) Managing Executive Officer, Kyosan (current position)	22,100 shares
<p>Reason for nomination as a candidate for Director</p> <p>Mr. Kenjiro Kanzawa has abundant experience and knowledge in finance and management accumulated through his service at The Bank of Yokohama, Ltd. and Concordia Financial Group, Ltd. He was appointed to Director of the Company in June 2021 and has been in charge of Finance &amp; Accounting Dept. The Company believes that his experience and knowledge will contribute to the enhancement of the Company's corporate value, and therefore nominated him again as a candidate for Director.</p>					


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No.	Name (Date of Birth)	Positions and Assignments in the Company	Biography and Status of Important Concurrent Positions	Number of the Company's Shares Held
5	 Ryu Hihara (December 6, 1967) [Reappointment]	Director, Executive Officer (Deputy General Manager, Power Electronics Division; in charge of Legal Dept. and Intellectual Property Dept.)	April 1990      Joined Nippon Life Insurance Company April 1998      Registered as a certified public accountant March 2005      Vice President, Nippon Life Insurance Company of America March 2008      Executive Vice President, Nippon Life Insurance International, Inc. (currently Nippon Life Global Investors Americas, Inc.) April 2014      General Manager, Fund Management Section, Market Management Dept., JAPAN POST BANK Co., Ltd. March 2015      General Manager, Securities Operations Dept., Nippon Life Insurance Company March 2017      General Manager, Credit Investment Dept., Nippon Life Insurance Company April 2021      Joined Kyosan June 2021      Director, Kyosan (current position) July 2021      Executive Officer, Kyosan (current position) Deputy General Manager, Power Electronics Division, Kyosan (current position)	5,200 shares
<p>Reason for nomination as a candidate for Director</p> <p>Mr. Ryu Hihara has abundant experience in finance and broad knowledge from an international perspective accumulated through his service at Nippon Life Insurance Company. He was appointed to Director of the Company in June 2021. He has served as Deputy General Manager of Power Electronics Division and been in charge of Legal Dept. and Intellectual Property Dept. The Company believes that his experience and knowledge will contribute to the enhancement of the Company's corporate value, and therefore nominated him as a candidate for Director.</p>				

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No.	Name (Date of Birth)	Positions and Assignments in the Company	Biography and Status of Important Concurrent Positions	Number of the Company's Shares Held
6	 Hiroshi Sumitani (January 19, 1950) [Outside] [Independent] [Reappointment]	Director, Chairman of the Board of Directors	April 1974      Joined Tokyo Buhin Kogyo Co., Ltd. (currently TBK Co., Ltd.) July 2001      General Manager, Finance Dept., Tokyo Buhin Kogyo Co., Ltd. June 2003      Director, General Manager, Corporate Planning Dept., Tokyo Buhin Kogyo Co., Ltd. June 2006      Senior Executive Officer, General Manager, Finance Dept., TBK Co., Ltd. June 2007      Representative Director and President, TBK Co., Ltd. April 2014      Representative Director and Chairman, TBK Co., Ltd. June 2015      Senior Advisor, TBK Co., Ltd. June 2016      Advisor, TBK Co., Ltd. June 2019      Director, Kyosan (current position)	0 shares
Reason for nomination as a candidate for Outside Director and expected role Mr. Hiroshi Sumitani has abundant experience in corporate management and broad knowledge from an international perspective accumulated through his service at TBK Co., Ltd. The Company believes that he will improve transparency of the Board of Directors and strengthen its supervisory function by utilizing such experience and making proposals on the Company's overall management, and therefore nominated him again as a candidate for Outside Director. The term of his office will have been 3 years at the conclusion of this Ordinary General Meeting of Shareholders since he became Outside Director of Kyosan. The Company has designated him as an independent officer stipulated by the Tokyo Stock Exchange, and has notified the Exchange to that effect.				

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No.	Name (Date of Birth)	Positions and Assignments in the Company	Biography and Status of Important Concurrent Positions	Number of the Company's Shares Held
7	 Mihoko Kitamura (June 3, 1971) [Outside] [Independent] [Reappointment]	Director	October 1997    Passed the bar exam April 2000    Registered as a lawyer (Daini Tokyo Bar Association) Joined MARITAX LAW OFFICE March 2011    Admitted to practice as a lawyer in the State of New York April 2012    Conciliation Commissioner, Tokyo Summary Court (current position) June 2014    Bar Exam Committee Member (Administrative law) March 2015    Lawyer, SAKAMOTO TESHIMA & KITAMURA Law and Accounting Office (current position) June 2019    Director, Kyosan (current position)	0 shares

Reason for nomination as a candidate for Outside Director and expected role  
 Ms. Mihoko Kitamura has highly technical knowledge and broad insight from an international perspective accumulated in her career as a lawyer. The Company believes that she will improve transparency of the Board of Directors and strengthen its supervisory function by utilizing such experience and making proposals on the Company's overall management, and therefore nominated her again as a candidate for Outside Director. The term of her office will have been 3 years at the conclusion of this Ordinary General Meeting of Shareholders since she became Outside Director of Kyosan. The Company has designated her as an independent officer stipulated by the Tokyo Stock Exchange, and has notified the Exchange to that effect.

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No.	Name (Date of Birth)	Positions and Assignments in the Company	Biography and Status of Important Concurrent Positions	Number of the Company's Shares Held
8	 Hiroyuki Sasa (September 14, 1955) [Outside] [Independent] [Reappointment]	Director, Chairman of the Nomination and Remuneration Committee	April 1982      Joined Olympus Optical Co., Ltd. (currently Olympus Corporation) April 2001      General Manager, Endoscope Business Planning Dept., Olympus Optical Co., Ltd. April 2005      Division Manager, First Development Division, Olympus Medical Systems Corp. June 2007      Corporate Officer, Olympus Corporation; Director, Olympus Medical Systems Corp. April 2012      Representative Director, Olympus Corporation; President, Olympus Corporation April 2019      Director, Olympus Corporation June 2020      Director, Kyosan (current position) Independent Committee member, Kyosan (current position) June 2022      Director, Kanematsu Corporation (scheduled to be appointed)	0 shares

Reason for nomination as a candidate for Outside Director and expected role  
 Mr. Hiroyuki Sasa has abundant experience in corporate management and technology and development, and broad knowledge from an international perspective accumulated through his service at Olympus Corporation. The Company believes that he will improve transparency of the Board of Directors and strengthen its supervisory function by utilizing such experience and making proposals on the Company's overall management, and therefore nominated him again as a candidate for Outside Director. The term of his office will have been 2 years at the conclusion of this Ordinary General Meeting of Shareholders since he became Outside Director of Kyosan. The Company has designated him as an independent officer stipulated by the Tokyo Stock Exchange, and has notified the Exchange to that effect.

(Notes)

1. Each candidate has no specific interest with Kyosan.
2. Mr. Hiroshi Sumitani, Ms. Mihoko Kitamura and Mr. Hiroyuki Sasa are candidates for Outside Director.
3. The Company has entered into an agreement with Mr. Hiroshi Sumitani, Ms. Mihoko Kitamura, and Mr. Hiroyuki Sasa limiting their liability for damages in accordance with Article 423, Paragraph 1 of the Companies Act; provided, however, that such limit of liability amount is the amount stipulated by laws and regulations. If Mr. Hiroshi Sumitani, Ms. Mihoko Kitamura, and Mr. Hiroyuki Sasa are reelected, the Company intends to enter into the same agreement with each of them.
4. The Company has entered into a corporate directors and officers liability insurance agreement with an

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insurance company in accordance with Article 430-3, Paragraph 1 of the Companies Act, and damages for legal liabilities and litigation expenses such as attorney's fees to be borne by the insured Directors, Audit & Supervisory Board Members, and Executive Officers will be covered by the said insurance agreement. Each candidate will be insured under the said insurance agreement. There is no premium to be borne by the insured. The Company plans to renew the insurance agreement with the same contents at the next renewal.

5. The Company has entered into an indemnification agreement, under which the Company will cover the expenses set forth in Article 430-2, Paragraph 1, Item 1 of the Companies Act and the loss set forth in Item 2 of the same Paragraph within the extent stipulated by laws and regulations. The Company plans to continue the indemnification agreement if the election is approved.

(Reference) Advisory Body of the Board of Directors

The Nomination and Remuneration Committee has been established as a voluntary advisory body of the Board of Directors with the aim of strengthening the supervisory function of the Board of Directors by ensuring the objectivity, timeliness, and transparency of procedures for determining nomination and remuneration of Directors. The Committee comprises no more than five (5) Directors, and the majority of the Committee Members shall consist of Outside Directors.

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**Proposal No. 4:** Election of One (1) Substitute Audit & Supervisory Board Member

It is proposed to elect one (1) Substitute Audit & Supervisory Board Member to serve in the event that the number of Audit & Supervisory Board Members falls below the statutory requirement. The consent of the Audit & Supervisory Board has been obtained for the submission of this proposal. The following candidate is proposed as Substitute Audit & Supervisory Board Member.

Name (Date of Birth)	Positions in the Company	Biography and Status of Important Concurrent Positions	Number of the Company's Shares Held
Akio Konno (September 6, 1979) [Outside] [Independent]	-	September 2006 Passed the bar exam December 2007 Registered as a lawyer (Yokohama Bar Association (currently Kanagawa Bar Association)) Joined Yokohama Sogo Law Office January 2014 Partner, R&G Yokohama Law Office July 2015 Representative, Yokohama Station Law Office (current position)	0 shares
Reason for nomination as a candidate for Substitute Outside Audit & Supervisory Board Member Mr. Akio Konno has highly technical knowledge and deep insight accumulated in his career as a lawyer. The Company nominated him as a candidate for Substitute Outside Audit & Supervisory Board Member because he is expected to utilize these for the auditing systems of Kyosan and to fulfill his role as Audit & Supervisory Board Member. Mr. Akio Konno does not have any direct experience in corporate management, but is considered to be fully capable of performing his duties as an Outside Audit & Supervisory Board Member for the reason stated above.			

(Notes)

1. The candidate has no specific interest with Kyosan.
2. Mr. Akio Konno is a candidate for Substitute Outside Audit & Supervisory Board Member.
3. If the election of Mr. Akio Konno is approved and he is appointed Outside Audit & Supervisory Board Member, the Company intends to designate him as an independent officer stipulated by Tokyo Stock Exchange, and notify the Exchange to that effect.
4. If the election of Mr. Akio Konno is approved and he is appointed as Outside Audit & Supervisory Board Member, the Company intends to enter into an agreement with him limiting his liability for damages in accordance with Article 423, Paragraph 1 of the Companies Act; provided, however, that such limit of liability amount is the amount stipulated by laws and regulations.
5. The Company has entered into a corporate directors and officers liability insurance agreement with an insurance company in accordance with Article 430-3, Paragraph 1 of the Companies Act, and damages for legal liabilities and litigation expenses such as attorney's fees to be borne by the insured Directors, Audit & Supervisory Board Members, and Executive Officers will be covered by the said insurance agreement. If the election of Mr. Akio Konno is approved and he is appointed as Outside Audit & Supervisory Board Member, he will be insured under the said insurance agreement. There is no premium to be borne by the insured.
6. If the election of Mr. Akio Konno is approved and he is appointed as Outside Audit & Supervisory Board Member, the Company plans to enter into an indemnification agreement, under which the Company will cover the expenses set forth in Article 430-2, Paragraph 1, Item 1 of the Companies Act and the loss set forth in Item 2 of the same Paragraph within the extent stipulated by laws and regulations.

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### **Proposal No. 5: Continuation of Countermeasures to Large-Scale Purchases of Kyosan Shares (Defensive Measures against Takeovers)**

The Company decided to continue the “Countermeasures to Large-Scale Purchases of Kyosan Shares (Defensive Measures against Takeovers)” approved at the 151st Ordinary General Meeting of Shareholders held on June 24, 2016 at the meeting held by the Board of Directors on May 10, 2019 subject to the approval of the continuation of the countermeasures by the shareholders. The continuation was approved by the shareholders at the 154th Ordinary General Meeting of Shareholders held on June 21, 2019 (the continued Defensive Measures against Takeovers shall be hereinafter referred to as “the Former Plan”). The Former Plan will expire upon the closing of the 157th Ordinary General Meeting of Shareholders, scheduled to be held on June 24, 2022. Prior to the expiry of the term, Kyosan has reviewed the countermeasures from the viewpoints of protecting and enhancing the corporate value and the common interests of shareholders. As a result, Kyosan decided to add necessary revisions to the Former Plan (the revised plan shall be hereinafter referred to as “the Plan”) and continue the countermeasures as follows at the meeting held by the Board of Directors on May 13, 2022, on the assumption that the countermeasures would be approved by the shareholders at this ordinary general meeting of shareholders.

A main point of the amendments made in the Plan is the clarification that shareholders’ will concerning whether to make a gratis allocation of Rights, i.e., whether to trigger the Defensive Measures against Takeovers, may be confirmed at a General Meeting of Shareholders in accordance with the recommendation of the Independent Committee.

The contents of the Plan have been approved unanimously by the members of the Independent Committee of the Company.

Accordingly, the Company proposes to obtain approval for the continuation of the Defensive Measures against Takeovers (the Plan) from shareholders.

### **No. 1 Programs and policies to protect and enhance Kyosan’s corporate value and the common interests of shareholders**

Kyosan Electric Manufacturing Co., Ltd., was established on September 3, 1917 in Kanda, Tokyo. It subsequently changed its name and moved its head office to Tsurumi, Yokohama, but for over 100 years since its establishment has developed and manufactured products for industries such as railways, transportation, telecommunications and electric power.

Many of these products are Japan-Firsts or World-Firsts, and the Kyosan Group has, since its inception, enjoyed a reputation for reliability and performance, making public-oriented contributions to society with extraordinarily flexible and adaptable technologies.

Kyosan has formulated “KYOSAN VISION” as its corporate vision.

The “KYOSAN VISION” envisions a company that embraces “First and Foremost in Reliability.” We set out a Corporate Philosophy of contributing to “the development of society and a better quality of life” with our advanced technologies and high-quality assurance, based on the themes of “Safety and Reliability” and “Global Environment Conservation.” As Management Objectives, we uphold “Perpetual growth of the Kyosan Group,” “Happiness of all the people who work hand in hand with us” and “Appropriate returns to stakeholders.”

To achieve these goals, in keeping with the Code of Conduct of “Honesty and high ethical standards,” “Strong sense of responsibility and involvement” and “Diversity,” and Action Guidelines of “Speed,” “Challenge” and “Innovation,” we formulated a medium-term business plan that incorporates specific company-wide and specific business strategies, and is proactively working towards the achievement of these targets.

### **No. 2 Purpose in introducing the Plan**

As discussed in more detail below, our purpose in introducing the Plan was to protect and enhance Kyosan’s corporate value and the common interests of shareholders.

Kyosan is not opposed to all large-scale purchases of its shares if they do indeed contribute to its corporate value and the common interests of its shareholders. We believe that it is ultimately up to the shareholders as a whole to accept or reject acquisition proposals that involve a transfer of control over the company.

Nonetheless, there are some large-scale share purchases that, in light of their objectives etc., would clearly harm corporate value and the common interests of shareholders, essentially compel shareholders to sell shares, fail to provide the board of directors and shareholders of the target company with sufficient time and information to study the nature and content etc., of the large-scale share purchase or provide a counterproposal from the board of directors of the target company, require negotiations with the purchaser



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to secure more advantageous terms and conditions than those initially offered, or otherwise fail to contribute to corporate value and the common interests of shareholders.

Kyosan serves industries that are highly public in nature, as can be seen from its core business of “railway and roadway signal systems.” Therefore, in order to protect and enhance Kyosan’s corporate value and the common interests of shareholders, it is essential that we maintain the trust of our customers by continuing to provide safe, quality, high value-added products quickly and inexpensively. We believe there are many crucial elements in this, for example: 1) sustained and stable management based on long-term vantage points so as to fully discharge our responsibilities to provide stable supplies of products that impinge on the very cores of our customers’ businesses; 2) maintenance and assurance of requisite levels of internal reserves so as to engage in an ongoing process of forward-looking investments in research, development and capacity that will protect and enhance the safety of our products; 3) stabilization and assurance of employment so as to maintain and pass on high levels of technology and skills; and 4) maintenance of high levels of pride among employees and awareness of the responsibilities that come with being in a business so closely related to public welfare and safety, in other words the maintenance of our corporate culture and values as Kyosan Electric Manufacturing Co., Ltd. We believe that any large-scale purchaser of Kyosan’s shares who fails to protect and enhance these elements over the medium and long terms would significantly injure Kyosan’s corporate value and the common interests of its shareholders. In addition to these concerns, in the event of any proposal received from an outside purchaser who is interested in making a large-scale purchase of our shares, we must appropriately understand Kyosan’s tangible and intangible management resources, the potential impact of future-oriented policies and programs, and other components of Kyosan’s corporate value, and these must be appropriately judged in terms of the impact that the purchase would have on Kyosan’s corporate value and the common interests of shareholders.

In light of these circumstances, the Board of Directors of Kyosan has reached the decision that it remains absolutely necessary for the company to have a framework which enables the Board to negotiate on behalf of shareholders in order to deter large-scale purchases that are contrary to Kyosan’s corporate value and the common interests of shareholders.<sup>1</sup> This framework should provide the information and time required for shareholders to make a decision as to whether they will respond positively to the proposed large-scale purchase and for the Board of Directors of Kyosan to provide shareholders with counterproposals. These are the reasons that led the Kyosan Board of Directors to resolve to continue the Plan. Please be advised that at the time of continuation of the Plan, Kyosan is not aware of any large-scale purchases of Kyosan shares or any threats thereof.

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<sup>1</sup> See Annex 3 for the status of Kyosan’s large shareholders.

## **No. 3 Description of the Plan**

### **1. Overview of the Plan**

#### **(1) Establishment of procedures for triggering the Plan**

The Plan establishes procedures to be triggered (see also No. 3-2 “Procedures for Triggering the Plan”) in the event of a large-scale purchase of Kyosan’s shares etc., a similar action or a proposal to do so (“Purchase etc.,” hereinafter). These procedures require the party making the Purchase etc. (“Purchaser etc.,” hereinafter) to provide information regarding the Purchase etc. in advance and ensure that there is adequate time to collect and analyze etc. information regarding the Purchase etc., providing the Kyosan management with the opportunity to furnish shareholders with its own plan or the counterproposal and to negotiate with the Purchaser etc.

#### **(2) Gratis allocation of new share subscription rights**

In the event that a Purchaser etc. fails to follow the procedures set forth in the Plan or is otherwise deemed to threaten Kyosan’s corporate value or the common interests of shareholders (for details on the criteria to be satisfied, see No. 3-3 “Criteria for gratis allocation of new share subscription rights”), Kyosan will make a gratis allocation of new share subscription rights (the allocation method is as described beginning Article 277 of the Companies Act) to all shareholders at that point in time, attaching conditions upon exercise that do not allow exercise by the Purchaser etc., and providing repurchase conditions under which Kyosan will acquire the new share subscription rights in exchange for Kyosan shares from all parties other than Purchaser etc. (the new share subscription rights are described in more detail in No. 3-4 “Outline of gratis allocation of new share subscription rights” and are referred to as “Rights” hereinafter).

#### **(3) Use of Independent Committee to exclude arbitrary decisions by the Board of Directors**

To ensure transparency and exclude arbitrary decisions by the Board of Directors regarding gratis allocations and repurchases of Rights, decisions will be sought from an Independent Committee comprised of members who fall under any of the categories of outside directors, outside audit & supervisory board members and other experts with a high degree of independence from Kyosan’s management team, who will operate in accordance with the Independent Committee Bylaws (see Annex 1 for an outline), and information will be disclosed to shareholders in a timely manner. The members of the Independent Committee involved in the Plan are listed in Annex 2 (see Annex 1 for the criteria used to select members of the Independent Committee, its decision-making requirements and its areas of competence etc.).

#### **(4) Exercise of new share subscription rights and acquisition of new share subscription rights by Kyosan**

It will be possible to dilute the Purchaser etc.’s ownership of voting shares in Kyosan to approximately 50% in the event that a gratis allocation of Rights is made in accordance with the Plan and shareholders other than the Purchaser etc. exercise Rights, and in the event that Kyosan shares are delivered to shareholders other than the Purchaser etc. in exchange for repurchase of the Rights by Kyosan.

### **2. Procedures for Triggering the Plan**

#### **(1) Applicable Purchases etc.**

The Plan applies to the Purchases etc. described in 1) or 2) below.

- 1) The Purchase etc. of share certificates or other equity securities<sup>2</sup> issued by Kyosan such that the owner<sup>3</sup> acquires 20% or more of the total issued and outstanding share certificates or other equity securities<sup>4</sup> of Kyosan

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<sup>2</sup> As defined in Article 27-23:1 of the Financial Instruments and Exchange Act, and so throughout this document unless specifically noted to the contrary.

<sup>3</sup> Including parties included under “owner” pursuant to Article 27-23:3 of the Financial Instruments and Exchange Act (including parties so designated by Kyosan’s Board of Directors), and so throughout this document.

<sup>4</sup> As defined in Article 27-23:4 of the Financial Instruments and Exchange Act, and so throughout this document.

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- 2) Any Tender Offer<sup>5</sup> for share certificates or other equity securities<sup>6</sup> issued by Kyosan which results in an aggregate Share Certificates, etc. Holding Rate<sup>7</sup> of the Tender Offer and any Persons in Special Relationship<sup>8</sup> of 20% or more of the total issued and outstanding share certificates or other equity securities of Kyosan

**(2) Request for information from the Purchaser etc.**

A Purchaser etc. engaging in a Purchase etc. as described in (1) above will, unless deemed to be a friendly acquisition etc. by Kyosan's Board of Directors, be requested to furnish in Japanese in a format designated by Kyosan the following information to Kyosan ("Required Information" hereinafter) together with a document containing a covenant etc. that the Purchaser etc. will comply with the procedures for Purchases etc. set forth in the Plan ("Purchase Statement" hereinafter) prior to initiating the Purchase etc. In the event that a Purchase Statement is received by Kyosan's Board of Directors, the Board of Directors shall submit it to the Independent Committee.

If the Independent Committee determines that the information furnished by the Purchaser etc. is inadequate to qualify as "Required Information," it may directly or indirectly request the Purchaser etc. to furnish additional information, setting an appropriate deadline for response. In such cases, the Purchaser etc. will be expected to furnish additional information by the deadline.

- 1) Details of the Purchaser etc. and its group, including details of Joint Holders<sup>9</sup>, Persons in Special Relationship (including partners and other members if the Purchaser etc. is an investment fund), such as their specific name(s), capital structure(s) and financial information;
- 2) The purpose, method and details of the Purchase etc. (including price and type of consideration for the Purchase etc., timing of the Purchase etc., related transaction mechanisms, legality etc., of the Purchase etc. method);
- 3) Basis for calculation of the Purchase etc. price (including facts assumed in calculation, calculation method, numerical information used in calculation, description of synergies anticipated from transactions related to the Purchase etc. and description of synergies to be allocated to other shareholders);
- 4) Evidence of funding for the Purchase etc. (including specific name(s) of provider(s) of funding plans, including the actual provider(s); fundraising method, description of related transactions);
- 5) Management policies (including any guidelines that impinge on the public-oriented and safety-oriented facets of Kyosan's business), business plans, capital policies and dividend policies for Kyosan and the Kyosan Group after the Purchase etc.;
- 6) Policies for relations with Kyosan's employees, suppliers, customers and other interested parties after the Purchase etc.;
- 7) Any other information deemed necessary and appropriate by the Independent Committee.

In the event that the Independent Committee deems the Purchaser etc. to have commenced the Purchase etc. without following the procedures set forth in the Plan, and absent specific circumstances requiring continued consultations and/or negotiations etc., with the Purchaser etc. regarding the submission of the Purchase Statement and/or Required Information, the Independent Committee will in principle recommend that Kyosan's Board of Directors make a

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<sup>5</sup> As defined in Article 27-2:6 of the Financial Instruments and Exchange Act, and so throughout this document.

<sup>6</sup> As defined in Article 27-2:1 of the Financial Instruments and Exchange Act, and so throughout this document.

<sup>7</sup> As defined in Article 27-2:8 of the Financial Instruments and Exchange Act, and so throughout this document.

<sup>8</sup> As defined in Article 27-2:7 of the Financial Instruments and Exchange Act (including parties so deemed by Kyosan's Board of Directors). Notwithstanding, the parties as set forth in Article 3:2 of the Cabinet Office Order concerning a Tender Offer of Shares by Parties Other than the Issuer (*Hakkosha-igai no mono ni yoru kabuken-tou no koukai-kaitusuke no kaiji ni kansuru naikakufu-rei*) shall be excluded from the parties listed in Paragraph 1 of the said article, and so throughout this document.

<sup>9</sup> Refers to "Joint Holders" pursuant to Article 27-23:5 of the Financial Instruments and Exchange Act, including parties deemed to be Joint Holders pursuant to Paragraph 6 of the said article (including parties so designated by Kyosan's Board of Directors), and so throughout this document.

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gratis allocation of Rights as described in No. 3-2, (4), 1).

**(3) Investigation of the Purchase etc., negotiation with the Purchaser etc., and planning of counterproposals**

1) Request for information from the Kyosan Board of Directors

Upon submission of the Purchase Statement and Required Information by the Purchaser etc., the Independent Committee may also request the Kyosan Board of Directors to submit by an appropriate response deadline (in principle, no longer than 60 days) an opinion on the content of the Purchase etc. proposed by the Purchaser etc. (including cases in which opinion is reserved, and so below), documentation of its rationale, counterproposals and other information etc., deemed necessary and appropriate by the Independent Committee so as to enable comparison etc. of the Purchase Statement and Required Information of the Purchaser etc. against the business plans and valuation of the company etc., of the Kyosan Board of Directors from the perspectives of protecting and enhancing corporate value and the common interests of shareholders.

2) Examination by the Independent Committee

Upon receipt of Required Information etc. from the Purchaser etc. and the Kyosan Board of Directors (including requests pursuant to 1) above), the Independent Committee shall, for a period of up to 60 days in cases of purchases of all of Kyosan shares through a tender offer of the consideration in cash (denominated in Japanese yen) only, or 90 days in cases of other purchases, examine the content of the Purchase etc. proposed by the Purchaser etc., gather and compare information on the business plans etc. of the Purchaser etc. and the Kyosan Board of Directors, and examine the counterproposal furnished by the Kyosan Board of Directors (“Independent Committee Examination Period” hereinafter). Notwithstanding, In the event that the Independent Committee fails to reach a decision to recommend or not recommend the gratis allocation of Rights by the end of the Independent Committee Examination Period, the Independent Committee may resolve to extend the Independent Committee Examination Period within a reasonable scope (however, in principle, no longer than 30 days) required to examine the Purchase etc. proposed by the Purchaser etc., negotiate with the Purchaser etc., or examine counterproposals etc. When resolving to extend the Independent Committee Examination Period, the Independent Committee shall disclose its reasons and the new period in a timely manner and shall continue to collect and examine etc. information, exerting maximum efforts to arrive at a recommendation regarding a gratis allocation of Rights within the extended period.

When deemed necessary to improve the content of the Purchase etc. from the perspective of protecting and enhancing Kyosan’s corporate value and the common interests of shareholders, the Independent Committee may directly or indirectly through the Board of Directors consult and/or negotiate etc. with the Purchaser etc., and/or present etc. to shareholders etc. any counterproposal(s) from the Kyosan Board of Directors or other parties.

To ensure that its judgment contributes to Kyosan’s corporate value and the common interests of shareholders, the Independent Committee may seek the advice of independent third parties (including legal counsel, certified public accountants, financial advisers, consultants and other experts) at the expense of Kyosan.

The Purchaser etc. shall respond in a timely manner in the event that is requested by the Independent Committee either directly or indirectly through the Board of Directors to furnish documentation or other information or to engage in consultations and/or negotiations etc.

3) Disclosure of information

Kyosan shall disclose at timings deemed appropriate by the Independent Committee the fact that a Purchaser etc. has come forward, the fact that a Purchase Statement has been submitted by the Purchaser etc. and such matters among the Required Information and other information as deemed appropriate by the Independent Committee.

**(4) Procedures for recommendations etc. from the Independent Committee**

In the event that a Purchaser etc. comes forward, the Independent Committee shall make recommendations etc. to Kyosan's Board of Directors in accordance with the following procedures. The Independent Committee shall disclose information in a timely manner after issuing recommendations to Kyosan's Board of Directors pursuant to No. 3-2, (4), 1) and 2), when making other resolutions, or in other circumstances deemed appropriate by Independent Committee. Disclosure information shall include an outline of the recommendation etc. and other matters as deemed appropriate by the Independent Committee.

1) Recommendations by the Independent Committee to trigger the Plan

The Independent Committee shall recommend that Kyosan's Board of Directors make a gratis allocation of Rights in the event that the Purchaser etc. fails to comply with the procedures set forth in the Plan and in the event that investigation of the Purchase etc. proposed by the Purchaser etc. is found to satisfy any of the "Criteria for gratis allocation of new share subscription rights" set forth in No. 3-3 and the Independent Committee determines it appropriate to make a gratis allocation of Rights. The Independent Committee may make this recommendation regardless of whether the Independent Committee Examination Period has commenced or concluded.

In the event that the Purchase etc., proposed by the Purchaser etc., meets any of the criteria 2) to 6) of the "Criteria for gratis allocation of new share subscription rights" set forth in No. 3-3, the Independent Committee may recommend that Kyosan's Board of Directors shall obtain an approval for the making of a gratis allocation of Rights at the General Meeting of Shareholders. Notwithstanding, after recommending the gratis allocation of Rights, the Independent Committee may issue a new recommendation to suspend the gratis allocation of Rights (until the effective date of the gratis allocation) or to acquire the gratis allocation of Rights (after the gratis allocation has taken effect) prior to the commencement of the Rights exercise period (as defined in Section (6) of No. 3-4 "Outline of gratis allocation of new share subscription rights") in the event that it determines any of the following to apply.

- (a) After the recommendation the Purchaser etc. has withdrawn the Purchase etc. or the Purchase etc. has ceased to exist for other reasons;
- (b) Changes have taken place in the facts underlying the decision in the recommendation such that the Purchase etc. proposed by the Purchaser etc. does not satisfy any of the criteria set forth in No. 3-3 "Criteria for gratis allocation of new share subscription rights," or it is otherwise recognized as inappropriate to make the gratis allocation of Rights or allow the Rights to be exercised.

2) Recommendations by the Independent Committee not to trigger the Plan

The Independent Committee shall recommend that Kyosan's Board of Directors not make a gratis allocation of Rights in the event that, as a result of its investigation of the Purchase etc. proposed by the Purchaser etc. and/or its consultations and/or negotiations etc. with the Purchaser etc., it finds that the Purchase etc. proposed by the Purchaser etc. does not satisfy any of the criteria noted in No. 3-3 "Criteria for gratis allocation of new share subscription rights" or that it would be inappropriate to make the gratis allocation of Rights even though one or more criteria are satisfied.

The Independent Committee may make this recommendation regardless of whether the Independent Committee Examination Period has been expired or not.

Notwithstanding, after recommending that the Kyosan Board of Directors not make the gratis allocation of Rights, the Independent Committee may make a new judgment including the gratis allocation of Rights recommend that the Kyosan Board of Directors in the event that there are changes in the facts underlying the recommendation such that the criteria in Subsection 1) above are satisfied.

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**(5) Resolution of the Board of Directors**

1) Resolution of the Board of Directors

The Kyosan Board of Directors shall accord maximum respect to the recommendation of the Independent Committee and shall reach a resolution in a timely manner as the institution designated under the Companies Act to determine whether to make a gratis allocation of Rights. Notwithstanding, in the event that a General Meeting of Shareholders is held based on 2) below to confirm shareholders' will, the Kyosan Board of Directors shall follow the resolution reached at the General Meeting of Shareholders.

2) Confirmation of shareholders' will

In the event that the Independent Committee recommends convening a General Meeting of Shareholders to submit the proposal to determine whether to make a gratis allocation of Rights, the Kyosan Board of Directors shall convene the General Meeting of Shareholders as soon as practically possible and submit the proposal to confirm shareholders' will, except when the holding of the General Meeting of Shareholders is extremely difficult.

3) Disclosure of information

In the event that the Kyosan Board of Directors resolves to or not to make a gratis allocation of Rights, the Kyosan Board of Directors resolves to convene the above-mentioned General Meeting of Shareholders, or the General Meeting of Shareholders resolves to or not to make a gratis allocation of Rights, the Kyosan Board of Directors shall disclose in a swift manner an outline of the resolution and other such information as deemed appropriate by the Kyosan Board of Directors.

The Purchaser etc. shall not make the Purchase etc. until such time as the Kyosan Board of Directors or the General Meeting of Shareholders resolves to or not to make a gratis allocation of Rights.

**3. Criteria for gratis allocation of new share subscription rights**

The criteria for making a gratis allocation of Rights as the triggering of the Plan are as follows.

As described in No. 3-2 "Procedures for Triggering the Plan" Section (4), a judgment will be sought from the Independent Committee prior to deciding whether the following criteria are satisfied and a gratis allocation of Rights should be made.

1) The Purchase etc. fails to comply with the procedures set forth in the Plan;

2) It is rationally anticipated based on objective information that the Purchaser etc. will engage in any of the following actions:

- (a) Attempts to buy up the share certificates or other equity securities of Kyosan and require their acquisition by Kyosan at an inflated price;
- (b) Purchase etc., for the purpose of temporarily acquiring control over the management of Kyosan so as to cause the intellectual property rights, expertise, confidential corporate information, major suppliers and customers etc. required for management to be transferred to the Purchaser etc., or for the purpose of acquiring important assets etc. of Kyosan at undervalued prices, or for the purpose of other actions that would sacrifice Kyosan to the benefit of the Purchaser etc.;
- (c) Diversion of Kyosan's assets to the security or repayment source of the liabilities of the Purchaser etc. or members of its group companies etc.;
- (d) Temporary acquisition of control over the management of Kyosan so as to cause Kyosan to sell or otherwise dispose of highly-valued assets which are not currently related to Kyosan's business and to distribute temporarily higher dividends with the proceeds from such disposal, or to pick a top by selling Kyosan shares at an inflated price caused by such temporarily higher dividends;
- (e) Other actions that would significantly injure Kyosan's corporate value and the common interests of shareholders.

3) Compulsory two-stage purchase (refers to any tender offer etc. for the purchase of shares in which there is no solicitation for purchase of all of the shares made at the initial stage and disadvantageous

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terms of purchase set or no explicit terms of purchase set for the second stage) that would potentially compel shareholders to sell their shares;

- 4) Failure to provide Kyosan shareholders with Required Information or with other information as reasonably required to judge the proposed Purchase etc. or significant inadequacies in any such information provided;
- 5) Terms of Purchase etc. (including price and type of consideration for the Purchase etc., timing of the Purchase etc., legality of the Purchase etc. method, management policies and business plans after the Purchase etc., and policies for relations with other shareholders, employees, suppliers and other interested parties in Kyosan after the Purchase etc.), that are inadequate or inappropriate in light of No. 1 “Programs and policies to protect and enhance Kyosan’s corporate value and the common interests of shareholders” and No. 2 “Purpose in introducing the Plan.”

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- 6) Purchase etc. with the potential for a serious and detrimental impact on Kyosan’s corporate value and the common interests of shareholders by significantly injuring relations with the Kyosan employees, suppliers and clients etc. who are essential to the creation of Kyosan’s corporate value, by significantly injuring the relationships with those and Kyosan corporate culture.

**4. Outline of gratis allocation of new share subscription rights**

**(1) Number of Rights**

The number of share options shall be determined by the resolution of the Board of Directors or the General Meeting of Shareholders to make a gratis allocation of Rights (“Gratis Rights Resolution” hereinafter) as the same number of shares as the final total issued and outstanding shares (however, excluding Kyosan shares owned by Kyosan on that date) as at a date to be specified separately (“Allocation Date” hereinafter).

**(2) Shareholders eligible for allocation**

Shareholders other than Kyosan registered on the final shareholders registry of Kyosan as at the Allocation Date, with rights to be allocated in the ratio of 1 new share subscription right per Kyosan share owned.

**(3) Effective date of gratis allocation of Rights**

The gratis allocation of Rights shall take effect as at a date to be determined separately in the Gratis Rights Resolution.

**(4) Number of shares underlying Rights**

The number of shares<sup>10</sup> underlying 1 new share subscription right (“Number of Underlying Shares” hereinafter) shall be 1 share per right absent any separate adjustments.

**(5) Asset and amount to be paid in by exercise of Rights**

The asset to be paid in upon exercise of Rights shall be cash in an amount to be determined separately in the Gratis Rights Resolution of at least 1 yen per 1 share.

**(6) Rights exercise period**

The Rights exercise period shall be as specified separately in the Gratis Rights Resolution within the range of 1 to 3 months from the first day of the Rights exercise period designated separately in the Gratis Rights Resolution (the first day of the Rights exercise period to be referred to as the “Commencement of the Exercise Period” hereinafter).

However, in the event that Kyosan acquires Rights pursuant to Section (9) below, the Rights exercise period for the acquired Rights shall be until the day prior to the acquisition date. In the event that the final day of the exercise period is a holiday at the place of payment for cash paid in exercise of the Rights, the final day of the exercise period shall be the immediately preceding business day.

**(7) Conditions upon Rights exercise**

The following parties will in principle not be allowed to exercise Rights: (i) designated Large Volume Holders<sup>11</sup>, (ii) Joint Holders with designated Large Volume Holders, (iii) designated large-scale purchasers<sup>12</sup>, (iv) Persons in Special Relationship of designated large-scale purchasers, (v)

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<sup>10</sup> In the event that Kyosan issues class shares in the future (see Article 2:13 of the Companies Act), this shall refer to 1) Kyosan shares issued upon execution of new share subscription rights, and 2) shares distributed in exchange for repurchase of new share subscription rights, in either case to be of the same class as the shares currently issued (ordinary shares) by Kyosan as at the time the Board of Directors meeting is convened.

<sup>11</sup> “Designated Large Volume Holders” shall refer to holders (including those included as holders pursuant to Article 27-23:3 of the Financial Instruments and Exchange Act) of share certificates or other equity securities (as defined in Article 27-23:1 of the said Act, and so below unless specifically stipulated to the contrary) issued by Kyosan, whose holding ratios (as defined in Article 27-23:4 of the Act) are 20% or more of the total share certificates and other equity securities issued by Kyosan (including parties so deemed by the Kyosan Board of Directors).

<sup>12</sup> “Designated large-scale purchasers” shall refer to purchasers who make an announcement regarding purchase etc. (as defined in Article 27-2:1 of the Financial Instruments and Exchange Act, and so for the remainder) of



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parties receiving assignment or succeeding to Rights from parties listed in (i) through (iv) above without the approval of the Kyosan Board of Directors, or (vi) parties having relationships<sup>13</sup> with parties listed in (i) through (v) above (the parties listed in (i) through (vi) above shall be referred to as “Ineligible Parties” hereinafter).

In addition, non-residents who are required under applicable foreign laws to take specific procedures for the exercise of Rights shall not in principle be allowed to exercise Rights (however, non-residents who are able to avail themselves of waiver provisions in applicable foreign laws may exercise Rights and Rights held by non-residents are eligible for acquisition by Kyosan in exchange for Kyosan shares as described in Section (9) below).

### **(8) Restriction on assignment of Rights**

Acquisition of Rights through assignment requires the approval of the Kyosan Board of Directors.

### **(9) Acquisition of Rights by Kyosan**

- 1) Kyosan may acquire any and all Rights without contribution at any time the Board of Directors of Kyosan deems appropriate prior to the Commencement of the Exercise Period, to be determined separately by the Board of Directors.
- 2) Kyosan may acquire on a date to be designated separately by the Kyosan Board of Directors any and all Rights owned by parties other than Ineligible Parties that have not been exercised prior to the date designated by the Kyosan Board of Directors, delivering in exchange therefor a number of underlying shares in Kyosan per Right.

In the event that the Kyosan Board of Directors determines there to be parties other than Ineligible Parties who hold Rights after the date of the said acquisition, Kyosan may acquire on a subsequent date to be determined separately by the Kyosan Board of Directors any and all Rights held by the said parties that are unexercised prior to the said date, delivering in exchange therefor a number of underlying shares in Kyosan per Right, and so thereafter.

## **5. Procedures for continuation of the Plan**

The Kyosan Board of Directors resolved to continue the Plan on May 13, 2022. It will be proposed to the Ordinary General Meeting of Shareholders of Kyosan scheduled for June 24, 2022 for approval based on the Articles of Incorporation.

## **6. Term of effect, termination and amendment of the Plan**

Assuming the approval of an Ordinary General Meeting of Shareholders, the Plan shall be in effect from June 24, 2022 to the conclusion of the Ordinary General Meeting of Shareholders scheduled to be held in June 2025.

However, the Plan may be terminated at any time prior to the expiration of the term of effect by a resolution to terminate the Plan by a General Meeting of Shareholders of Kyosan or by the Kyosan Board of Directors.

The Kyosan Board of Directors may amend or modify the Plan during the term of effect with the approval of the Independent Committee. In the event that the Plan is terminated or modified etc., Kyosan will disclose in a timely manner information regarding the fact of termination or modification etc., the nature of modification and other relevant matters.

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share certificates and other equity securities (as defined in Article 27-2:1 of the Financial Instruments and Exchange Act, and so for the remainder of this footnote) issued by Kyosan through tender offer (as defined in Article 27-2:6 of the Financial Instruments and Exchange Act), who after the Purchase etc. will possess (including cases defined in Article 7-1 of the Financial Instruments and Exchange Act Enforcement Orders) Kyosan’s shares in a holding ratio (as defined in Article 27-2:8 of the Financial Instruments and Exchange Act, and so below) in aggregate with Persons in Special Relationship (including parties deemed to be such by the Kyosan Board of Directors) of at least 20% of the total issued and outstanding shares of Kyosan.

<sup>13</sup> “Parties having relationships” refers to parties who exert control over or are controlled by or are jointly controlled by another party (including parties so deemed by the Kyosan Board of Directors), or to parties deemed by the Kyosan Board of Directors to act in a coordinated manner.

## **No. 4 Reasonableness of the Plan**

### **1. Consistency with Guidelines Regarding Takeover Defense**

The Plan is consistent with the three principles articulated in the “Guidelines Regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholders’ Common Interests” jointly released by the Ministry of Economy, Trade and Industry and Ministry of Justice on May 27, 2005: (i) Principle of protecting and enhancing corporate value and shareholders’ common interests, (ii) Principle of prior disclosure and shareholders’ will and (iii) Principle of ensuring the necessity and reasonableness of defensive measures.

### **2. Respect for shareholders’ will**

As described in No. 3-5 “Procedures for continuation of the Plan,” the will of shareholders with respect to the Plan will be confirmed at an Ordinary General Meeting of Shareholders based on the Articles of Incorporation. In addition, as described in No. 3-6 “Term of effect, termination and amendment of the Plan,” the Plan contains a “sunset clause” under which its term of effect expires at the conclusion of the Ordinary General Meeting of Shareholders scheduled for June 2025 and can be terminated prior to the expiration of the term of effect with a resolution of a General Meeting of Shareholders or the Board of Directors of Kyosan. In addition, the term of Kyosan directors will be 1 year and there will be no provisions for staggered terms or restrictions on dismissals, creating mechanisms that are more conducive to the reflection of shareholders’ will. It is therefore believed that the Plan is based on the will of Kyosan shareholders.

### **3. Full and serious consideration of opinions from independent outside professionals and information disclosure**

In continuing the Plan, Kyosan has attempted to eliminate arbitrary decisions by the Board of Directors by continuing to maintain the Independent Committee as an institution to make objective and essential judgments regarding the implementation and termination etc. of the Plan on behalf of shareholders.

As described in No. 3-2 “Procedures for triggering the Plan,” in the event of a Purchase etc. of Kyosan, the Independent Committee will, in accordance with its bylaws, render an essential judgment as to whether the proposed Purchase etc. significantly injures Kyosan’s corporate value and the common interests of shareholders, and the Kyosan Board of Directors will accord maximum respect to that judgment when making resolutions as the decision-making body pursuant to the Companies Act.

The Independent Committee thus provides strict monitoring against any arbitrary actions on the part of the Kyosan Board of Directors, and an outline of its determinations is to be disclosed to shareholders, vouchsafing mechanisms for the transparent administration of the Plan within the scope required to contribute to Kyosan’s corporate value and the common interests of shareholders (see Annex 1 for the criteria used to select members of the Independent Committee, its decision-making requirements and its scope of competence etc.; see Annex 2 for a list of Independent Committee members).

### **4. Reasonableness and objectivity of Plan requirements**

As noted in No. 3-2, (4) “Procedures for recommendations etc. from the Independent Committee” and No. 3-3 “Criteria for gratis allocation of new share subscription rights,” reasonable and detailed objective requirements must be satisfied before the Plan is triggering, and mechanisms have been established to prevent arbitrary implementation by the Kyosan Board of Directors.

### **5. Opinions from outside experts**

In the event that a Purchaser etc. comes forward, the Independent Committee may, at Kyosan’s expense, seek advice from independent third parties (including legal counsel, certified public accountants, financial advisers, consultants and other experts). This mechanism provides greater assurance of the fairness and objectivity of the determinations of the Independent Committee.

### **6. Not a “dead hand” or “slow hand” takeover defense**

As noted in No. 3-6 “Term of effect, termination and amendment of the Plan,” the Plan is designed so that it can be terminated by directors nominated by a large-scale purchaser of share certificates and other equity securities of Kyosan and elected by a General Meeting of Shareholders. It does not, therefore, constitute a “dead hand” takeover defense (a takeover defense that cannot be impeded even if the majority of directors are replaced).

Likewise, the Plan does not constitute a “slow hand” takeover defense (a takeover defense that requires time before it can be impeded because members of the Board of Directors cannot be replaced all at once) because Kyosan does not employ staggered terms for directors.

**No. 5 Influence on shareholders etc.**

**1. Influence on shareholders and investors upon the continuation of the Plan**

No gratis allocation of Rights will be made at the time of continuation of the Plan and there will therefore be no direct and specific impact on shareholders and investors.

**2. Influence on shareholders and investors upon a gratis issue of new share subscription rights**

In the event that the Kyosan Board of Directors or the General Meeting of Shareholders resolves to make a gratis allocation of Rights, shareholders as at a separately stipulated Allocation Date will be allocated 1 Right without contribution per share that they own.

Should shareholders fail to make payment or otherwise take procedures for the exercise of Rights as described in detail in Section (2) of No. 5-3 “Procedures required of shareholders in conjunction with gratis allocation of new share subscription rights” during the Rights exercise period, their ownership of Kyosan shares will be diluted by the exercise of Rights by other shareholders. However, under the procedures noted in Section (3) of No. 5-3 “Procedures required of shareholders in conjunction with gratis allocation of new share subscription rights,” Kyosan may acquire Rights from shareholders other than Ineligible Parties in exchange for Kyosan shares.

In the event that acquisition procedures are taken by Kyosan, shareholders other than Ineligible Parties will receive Kyosan shares without exercising Rights or paying an exercise price, so there will be a dilution in the per-share value of the Kyosan shares that they hold but no dilution in the overall value of their Kyosan shareholdings.

In addition, as described in No. 3-4, (9) “Acquisition of Rights by Kyosan,” Kyosan may terminate the allocation of Rights at any time following the ex-rights date after finalization of shareholders eligible for the gratis allocation of Rights until the day prior to the Commencement of Rights Exercise, or may also acquire Rights without contribution after the gratis allocation takes effect. In such cases, there will be no dilution of the per-share value of shares, but there is the potential for significant losses due to share price fluctuations in the event that trading assumes dilution of the per-share value of shares.

**3. Procedures required of shareholders in conjunction with gratis allocation of new share subscription rights**

**(1) Procedures for gratis allocation of new share subscription rights**

Kyosan will announce an Allocation Date for the gratis allocation of the Rights in the event that the Kyosan Board of Directors or the General Meeting of Shareholders resolves to make a gratis allocation of Rights. In this case, 1 new share subscription right shall be allocated gratis to 1 Kyosan share of each of the shareholders noted in Kyosan’s final shareholder registry on Allocation Date.

Those shareholders to whom new share subscription rights shall be allocated gratis shall become as a matter of course the holders of new share subscription rights on the date when the gratis allocation of new share subscription rights becomes effective. Therefore, such shareholders shall not be required to take any procedure for application.

**(2) Rights exercise procedures**

Kyosan will in principle send to shareholders noted in the final shareholder registry of Kyosan as at the Allocation Date a New Share Subscription Right Exercise Request Form (in the standard format of Kyosan, including the nature and number of the new share subscription rights exercised, the date of rights exercise and other required information together with representations and guarantees that the shareholder is not an Ineligible Party, indemnity terms and other covenants) and other documentation required for the exercise of Rights.

After the gratis allocation of Rights, shareholders who submit these documents to Kyosan and pay in the amount per share of at least 1 yen designated in the resolution by the Kyosan Board of Directors or the General Meeting of Shareholders on the gratis allocation of Rights during the Rights exercise period and prior to the acquisition of Rights by Kyosan will be issued 1 share in Kyosan per Right.

**(3) Procedures for the acquisition of Rights by Kyosan**

In the event that the Kyosan Board of Directors or the General Meeting of Shareholders resolves to acquire Rights, Kyosan will acquire Rights from shareholders other than Ineligible Parties on the date specified separately by the Kyosan Board of Directors or the General Meeting of Shareholders and in accordance with statutory procedures, and furnish shareholders with Kyosan shares in exchange for the Rights. In this case, such shareholders shall receive 1 Kyosan share per Right in

**[Translation for Reference Purposes Only]**

principle in exchange for Kyosan's acquisition of the Rights without paying the monetary amount equivalent to the exercise price. In such cases, however, such shareholders may be required to submit to Kyosan standard forms containing representations and guarantees that the shareholder is not an Ineligible Party, indemnity terms and other covenants.

Other detailed matters regarding the allocation method, exercise method and method of acquisition by Kyosan will be contained in disclosure information or notification sent to shareholders after the resolution by the Kyosan Board of Directors or the General Meeting of Shareholders regarding the gratis allocation of Rights.

Please check the details.

The laws and regulations cited in the Plan are those in effect on March 31, 2022. In the event of the enactment of new laws and regulations or the amendment or repeal of existing laws and regulations etc., such that is necessary to amend the conditions contained herein or the meanings of terminology etc., conditions and terminology meanings etc., will be substituted or amended within a reasonable and appropriate range in accordance with the intentions of the new enactments, amendments or repeals of laws and regulations.

(End)

## Outline of Independent Committee Bylaws

- \* The Independent Committee shall be established by resolution of the Kyosan Board of Directors.
- \* Membership of the Independent Committee shall consist of at least 3 persons, the said persons to be independent of the management team executing the business of Kyosan and to be selected by the Kyosan board of directors from among: (1) outside directors of Kyosan, (2) outside audit & supervisory board members of Kyosan and (3) outside experts.  
In this context, “outside experts” refer to corporate managers with proven track records, persons who are well-versed in investment banking, legal counsel, certified public accountants, researchers with primary focus on legal studies, or other similar persons, and the said persons shall be required to enter into a contract with Kyosan that includes a duty of care as designated separately by the Kyosan Board of Directors.
- \* Members of the Independent Committee shall serve for a term of 1 year and may be reappointed. However, this shall not apply if stipulated to the contrary by resolution of the Kyosan Board of Directors. Members of the Independent Committee who were outside directors of Kyosan or outside audit & supervisory board members of Kyosan and who no longer serve in those capacities shall simultaneously terminate their service on the Independent Committee unless specifically reappointed.
- \* The Independent Committee shall render decisions on the matters noted below and shall issue recommendations to the Kyosan board of directors noting the nature of and reasons for the said decisions. The Kyosan Board of Directors shall accord maximum respect to the recommendation of the Independent Committee in reaching a resolution as the institution designated under the Companies Act to determine whether to make a gratis allocation of new share subscription rights. (Notwithstanding, in the event that the General Meeting of Shareholders for confirmation of shareholders’ will has reached another decision whether to make a gratis allocation of Rights as specified in 1) below, this decision by the General Meeting of Shareholders shall be followed.)  
The individual members of the Independent Committee and the members of the Kyosan Board of Directors shall base their decisions on whether proposals contribute to Kyosan’s corporate value and the common interests of shareholders and not on their own personal interests or the personal interests of the Kyosan management team.
  - 1) Whether to make a gratis allocation of new share subscription rights
  - 2) Whether to terminate a gratis allocation of new share subscription rights or acquire without contribution new share subscription rights that have been allocated
  - 3) Other matters to be determined by the Kyosan Board of Directors and referred by the Kyosan Board of Directors to the Independent Committee
- \* In addition to the matters provided for above, the Independent Committee may also engage in the following:
  - 1) Determination of the suitability of triggering the Plan for specific Purchases etc.
  - 2) Determination to extend the Independent Committee Examination Period
  - 3) Determination of the information to be furnished to the Independent Committee by the Purchaser etc. and Kyosan Board of Directors and the response deadline therefor
  - 4) Detailed study and examination of the management policies and business plan etc. of the Purchaser etc. after the proposed Purchase etc.
  - 5) Negotiation and consultation with the Purchaser etc.
  - 6) Request for submission of a counterproposal by the Kyosan Board of Directors and examination of the counterproposal
  - 7) Approval of amendments and modifications to the Plan
  - 8) Other matters to be determined by the Independent Committee as specified in the Plan
  - 9) Other matters as designated separately by the Kyosan Board of Directors for performance by the Independent Committee
- \* The Independent Committee may request the submission of additional information from the Purchaser etc. in the event that the Independent Committee determines the Purchase Statement and/or the Required Information submitted by the Purchaser etc. to be inadequate. In the event that a Purchase Statement and Required Information are submitted by the Purchaser etc., the Independent Committee may also request the Kyosan Board of Directors to submit an opinion on the Purchase etc. proposed by the Purchaser etc. and the rationale for that opinion, a counterproposal or other information etc., as deemed necessary and appropriate by the Independent Committee within a standard deadline.

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- \* When deemed necessary to improve the content of the Purchase etc. proposed by the Purchaser etc. from the perspective of protecting and enhancing Kyosan's corporate value and the common interests of shareholders, the Independent Committee may directly or indirectly through the Board of Directors consult and/or negotiate etc. with the Purchaser etc. and/or present etc. to shareholders etc. any counterproposal(s) from the Kyosan Board of Directors or other parties.
- \* To gather the information it requires, the Independent Committee may request the attendance of Kyosan directors, audit & supervisory board members, employees or other persons it deems necessary and may seek explanations from them regarding matters for which the Independent Committee seeks information.
- \* The Independent Committee may, at Kyosan's expense, seek advice from independent third parties (including legal counsel, certified public accountants, financial advisers, consultants and other experts).
- \* Members of the Independent Committee may convene meetings of the Independent Committee in the event of a Purchase etc. or at any other time.
- \* Resolutions of the Independent Committee shall in principle require the attendance of all members of the Independent Committee and a majority of at least 2/3. Notwithstanding, resolutions may be made with the attendance of a majority of the members of the Independent Committee and the approval of a majority of the voting rights in attendance in the event that a member is unable to attend due to accidents or other unavoidable circumstances.

[Translation for Reference Purposes Only]

Annex 2

**Independent Committee Member Biographies**

Membership in the Independent Committee under the Plan consists of the following 5 persons.

Mihoko Kitamura

[Biography]

1971	Born
October 1997	Passed the bar exam
April 2000	Registered as a lawyer (Daini Tokyo Bar Association) Joined MARITAX LAW OFFICE
March 2011	Admitted to practice as a lawyer in the State of New York
April 2012	Conciliation Commissioner, Tokyo Summary Court (current position)
June 2014	Bar Exam Committee Member (Administrative law)
March 2015	Lawyer, SAKAMOTO TESHIMA & KITAMURA Law and Accounting Office (current position)
June 2019	Director, Kyosan (current position)
June 2020	Independent Committee member, Kyosan (current position)

Hiroyuki Sasa

[Biography]

1955	Born
April 1982	Joined Olympus Optical Co., Ltd. (currently Olympus Corporation)
April 2001	General Manager, Endoscope Business Planning Dept., Olympus Optical Co., Ltd.
April 2005	Division Manager, First Development Division, Olympus Medical Systems Corp.
June 2007	Corporate Officer, Olympus Corporation; Director, Olympus Medical Systems Corp.
April 2012	Representative Director, Olympus Corporation; President, Olympus Corporation
April 2019	Director, Olympus Corporation
June 2020	Director, Kyosan (current position) Independent Committee member, Kyosan (current position)
June 2022	Director, Kanematsu Corporation (scheduled to be appointed)

Fumio Nishimura

[Biography]

1957	Born
March 2001	General Manager, Tamachi Branch, The Bank of Tokyo-Mitsubishi, Ltd. (currently, MUFG Bank, Ltd.)
May 2001	General Manager, Himonya Branch Office, The Bank of Tokyo-Mitsubishi, Ltd.
May 2010	Deputy Director, Headquarters, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently, MUFG Bank, Ltd.)
June 2010	Managing Executive Officer, MST Insurance Service Co., Ltd.
June 2013	Managing Director, NIPPON CARBIDE INDUSTRIES CO., INC.
June 2016	Representative Director and Senior Managing Executive Officer, NIPPON CARBIDE INDUSTRIES CO., INC.
June 2018	Advisor, NIPPON CARBIDE INDUSTRIES CO., INC.
June 2019	Audit & Supervisory Board Member, Kyosan (current position) Outside Corporate Auditor, SMK Corporation (current position)
June 2020	Independent Committee member, Kyosan (current position)

**[Translation for Reference Purposes Only]**

Yukino Enomoto

[Biography]

1971	Born
October 1997	Passed the bar exam
April 2000	Registered as a lawyer (Yokohama Bar Association (currently Kanagawa Bar Association))
	Joined Yokohama Sogo Law Office
April 2007	Partner, Yokohama Sogo Law Office (current position)
June 2019	Audit & Supervisory Board Member, Kyosan (current position)
June 2020	Independent Committee member, Kyosan (current position)
December 2021	Outside Director, Fixstars Corporation (current position)

Chikako Suzuki

[Biography]

1960	Born
April 1989	Full-time Lecturer, Faculty of Law, Keio University
April 1993	Assistant Professor, Faculty of Law, Keio University
April 2004	Professor, Faculty of Law, Keio University (current position)
June 2013	Independent Committee member, Kyosan (current position)



[Translation for Reference Purposes Only]

Annex 3

**Status of Large Shareholders**

As at March 31, 2022

Name	Number of Shares (thousands of shares)	Equity ownership (%)
Nippon Life Insurance Company	6,089	9.70
The Master Trust Bank of Japan, Ltd. (trust account)	5,636	8.98
Kyosan Mizuho Kai	4,856	7.74
Kyosan Electric Manufacturing Co., Ltd., Employee Shareholding Club	3,342	5.32
Keio Corporation	3,143	5.00
The Bank of Yokohama, Ltd.	3,124	4.97
Central Japan Railway Company	1,965	3.13
Custody Bank of Japan, Ltd. (trust account)	1,502	2.39
MUFG Bank, Ltd.	1,350	2.15
Meiji Yasuda Life Insurance Company	1,007	1.60

(Notes)

The equity ownership is calculated by deducting the treasury stock (99,911 shares).