

Security code 6373
June 1, 2023

To Shareholders

I-197 Kumasaka-machi, Kaga City, Ishikawa
Daido Kogyo Co., Ltd.
President Hirofumi Araya

Notice of Convocation of the 130th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 130th Annual General Meeting of Shareholders of DAIDO KOGYO CO., LTD. (the "Company"). The meeting will be held as described below.

If you are unable to attend the Meeting, you can exercise your voting rights in writing (by mail) or via the Internet, etc. Please read the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:00 p.m., Thursday, June 22, 2023 in reference to the "Information on the Exercise of Voting Rights" below.

In convening this General Meeting of Shareholders, we have taken the measure of providing electronic information for the contents of the reference documents for the General Meeting of Shareholders, etc. (items to be provided electronically), and posted the relevant information in our website on the Internet. Please access the following website for the information.

Our website: <https://www.did-daido.co.jp/>

(Please access the website above and select "Investor Relations" and then "General Meeting of Shareholders Information" from the menu.)

In addition to our website, the items to be provided electronically are also posted on the website of the Tokyo Stock Exchange (TSE), which can be found at the following link.

Tokyo Stock Exchange Website (TSE Company Announcements Service)
<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>

(Access the TSE website above, enter "Daido Kogyo" in the "Issue name (Company name)" field or our securities code "6373" in the "Code" field, and search for "Daido Kogyo" or "6373" in the "Code" field. Then, select "Basic Information" and then "Documents for Public Inspection/PR Information" and confirm the "Notice of Convocation of the General Meeting of Shareholders/Materials for General Meeting of Shareholders" under "Documents for Public Inspection.")

1. Date and Time Friday, June 23, 2023, at 10:00 a.m. (Start of reception: 9:00 a.m.)
2. Place Main Hall, 1st floor of CHIENKAN
I-197 Kumasaka-machi, Kaga City, Ishikawa
(Please refer to the hall map at the end of this document.)
3. Agenda of the Meeting
Matter to be reported 1. Business Report, Consolidated Financial Statements, and the results of the audits of the Consolidated Financial Statements by the Accounting Auditor and the Board of Company Auditors for the 130th Fiscal Term (from April 1, 2022 to March 31, 2023)
2. Non-Consolidated Financial Statements for the 130th Fiscal Term (from April 1, 2022 to March 31, 2023)

Proposals to be resolved

- Proposal No. 1 Appropriation of surplus
- Proposal No. 2 Election of six Directors (except Directors serving the Audit and Supervisory Committee)
- Proposal No. 3 Continuance of response policy against large-scale purchase of the Company Share Certificates, etc. (Takeover Defense Measures)




4. Decisions in convening the General Meeting (Information on the Exercise of Voting Rights)
 - (1) If you exercise your voting rights in writing (by mail) and do not indicate your approval or disapproval of a proposal, we will treat it as if you indicated your approval.
 - (2) If you exercise your voting rights multiple times via the Internet, etc., we will treat the last vote as a valid exercise of voting rights.
 - (3) If you exercise your voting rights both in writing (by mail) and via the Internet, etc., we will treat the exercise of voting rights via the Internet, etc. as valid, regardless of the arrival date and time.

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- ◎ If attending the Meeting in person, please submit the enclosed Voting Rights Exercise Form at the reception.
 - ◎ In accordance with the revision of the Companies Act, the Company has decided that, in principle, shareholders should access the aforementioned Internet websites to confirm the items to be provided electronically, and that a document describing such items will be delivered to only shareholders who have made a request for document delivery by the record date. However, at this General Meeting of Shareholders, regardless of whether or not a request for document delivery is made, a written document describing the items to be provided electronically will be sent uniformly.
 - ◎ Of the items to be provided electronically, the following are excluded from the documents to be delivered pursuant to the provision of the applicable laws and regulations and the Articles of Association of the Company: "Systems for ensuring the appropriateness of business and the status of operation of such systems," "Basic policy on corporate control," and "Policy on deciding dividends of surplus, etc." in the Business Report, as well as "Notes to Consolidated Financial Statements" in the Consolidated Financial Statements and "Notes to Non-Consolidated Financial Statements" in the Non-Consolidated Financial Statements. Therefore, the business report, consolidated financial statements, and financial statements described in the document to be delivered are part of the business report, consolidated financial statements, and financial statements audited by the accounting auditors or the Audit and Supervisory Committee when they prepared Accounting Audit Report or Audit Report.
 - ◎ In the event of any modification to the items to be provided electronically, a notice of such modification, as well as the items before and after such modification, will be posted on the aforementioned Internet websites.



Information on the Exercise of Voting Rights

The right to vote at general meetings of shareholders is an important right of shareholders. Please exercise your voting rights after reviewing the Reference Documents for the General Meeting of Shareholders. The following three methods are available for exercising voting rights.

 <p>If attending the General Meeting of Shareholders</p> <p>Please present the Voting Rights Exercise Form at the reception desk.</p> <p style="text-align: center;">Date and Time</p> <p>10:00 a.m. (reception starts at 9:00 a.m.) Friday, June 23, 2023</p>	 <p>If exercising voting rights by mail (postal mail)</p> <p>Please indicate your approval or disapproval of the proposals on the Voting Rights Exercise Form in accordance with the following instructions and return it to us.</p> <p style="text-align: center;">Exercise period</p> <p>Arrival by Thursday, June 22, 2023, 5:00 p.m.</p>	 <p>If exercising voting rights through the Internet, etc.</p> <p>Please follow the instructions on the next page to enter your approval or disapproval of the proposals.</p> <p style="text-align: center;">Exercise period</p> <p>Input by Thursday, June 22, 2023, 5:00 p.m.</p>
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Information on how to fill out the Voting Rights Exercise Form

Please enter your approval or disapproval for the proposals here.

Proposal No.1 and No.3

- When you approve:
>> Put the mark "o" in the "Approval" column.
- When you disapprove:
>> Put the mark "o" in the "Disapproval" column.

Proposal No.2

- When you approve all candidates:
>> Put the mark "o" in the "Approval" column.
- When you disapprove all candidates:
>> Put the mark "o" in the "Disapproval" column.
- When you disapprove some candidates:
>> Put the mark "o" in the "Approval" column and enter the numbers of candidates you disapprove.

*The Voting Rights Exercise Form is a sample image.

Guide to voting right exercise over the Internet, etc.

How to read QR Code "Smart Exercise"

You can log in to the website for exercising voting rights without entering your voting code and password.

- 1 Scan the QR code on the bottom right corner of the Voting Rights Exercise Form.



* "QR Code" is a registered trademark of DENSO WAVE INC.

- 2 Follow the instructions on the screen to enter your approval or disapproval.



You may exercise your voting rights only once using the "Smart Exercise" function.

If you wish to change the content of your vote after you have exercised your voting rights, please access the website for PCs, log in with the "code for exercising voting rights" and "password" indicated on the Voting Rights Exercise Form, and exercise your voting rights again.

*If you scan the QR code again, you can go to the PC website.

If you have any questions about how to exercise your voting rights through the Internet, etc., please contact us at the right phone number.

How to enter the voting code and password

website for exercising voting rights [https:// www.web54.net](https://www.web54.net)

- 1 Access the website for exercising voting rights.



Click "Continue."

- 2 Enter the "Voting Code" indicated on the Voting Rights Exercise Form.



Enter "Voting Code."

Click "Login."

- 3 Enter the "password" indicated on the Voting Rights Exercise Form



Enter "Password."

Please set a new password to be used for voting.

Click "Register."

- 4 Follow the instructions on the screen to enter your approval or disapproval.

* The operation screen is a sample image.

Sumitomo Mitsui Trust Bank Transfer Agency Web Support Dial-in Number

0120 - 652 - 031 (Toll-free)

(Inquiries accepted: 9:00 a.m. - 9:00 p.m.)

Institutional investors can use the platform for electronic exercise of voting rights for institutional investors, which is operated by ICJ, Inc.

Reference Documents for the General Meeting of Shareholders

Proposal No.1: Appropriation of surplus

The Company would like to treat the appropriation of surplus as follows:

Matters regarding year-end dividend

The Company considers return of profits to shareholders as an important management policy and takes a policy on dividends to distribute dividends considering comprehensively full-year performance, management environment, and medium-to long-term reinforcement of financial standing with focus on maintenance of stable dividends.

Regrettably, however, we would like to determine the year-end dividend to be 15 yen per share considering the future business environment and other factors comprehensively, including the impact of high global resource prices due to the prolonged situation in Ukraine and the extraordinary loss recorded in the term under review.

[1] Type of dividend property:	Cash
[2] Matters regarding allocation of dividend property and the amount thereof:	¥15 per common share Total amount: ¥159,339,315
[3] Effective date of surplus dividend:	June 26, 2023

Proposal No. 2: Election of six Directors (except Directors serving the Audit and Supervisory Committee)

The term of office of all six (6) Directors (excluding Directors who are Audit and Supervisory Committee members; hereinafter the same shall apply in this proposal) will expire at the conclusion of this General Meeting of Shareholders.

Accordingly, we would like you to elect six Directors.

In addition, there was no particular opinion from the Audit and Supervisory Committee regarding this proposal. The candidates for Directors are as follows.

Candidate No.	Name	(References)	
		Responsibilities at the Company	Attendance to Board of Director's Meetings
1	Kozo Araya <input type="checkbox"/> Re-appointment	Representative Director Chairman	13/13 (100%)
2	Hirofumi Araya <input type="checkbox"/> Re-appointment	Representative Director President	13/13 (100%)
3	Katsuyuki Kikuchi <input type="checkbox"/> Re-appointment	Managing Director Planning Div. Manager	13/13 (100%)
4	Toshihiro Shimizu <input type="checkbox"/> Re-appointment	Managing Director Business Div. Manager	13/13 (100%)
5	Masanori Sanada <input type="checkbox"/> Re-appointment	Director Administration Div. Manager	13/13 (100%)
6	Toshio Ishimura <input type="checkbox"/> Re-appointment	Director M&S Div. Manager	13/13 (100%)

Candidate No.	Name (Date of birth) Sex	Career summary	Number of shares of the Company held
1	Kozo Araya (October 25, 1950) Male Re-appointment	<p>April 1973 Joined Daido Kogyo Co., Ltd. April 1976 Purchasing Manager of Daido Kogyo Co., Ltd June 1977 Director, Daido Kogyo Co., Ltd Nov. 1978 First Manufacturing Dept. Manager of Daido Kogyo Co., Ltd. Aug. 2002 Representative Director & President of Daido Kogyo Co., Ltd. June 2006 Chairman, Kaga Chamber of Commerce and Industry June 2019 Representative Director & Chairman of Daido Kogyo Co., Ltd. (to date)</p>	69,225 shares
<p>The reasons why the Company elects him as a candidate for Director: Mr. Kozo Araya has been involved in the management of the Company over a long time since assumed office as a director of the Company in June 1977. Since August 2002, he has contributed to a great extent to the expansion of the Company's global operations as Representative Director of the Company, and considering that he has a great deal of work experience in the Company and the Group and knowledge on global business operations, etc., we determined that he is continuously appropriate as a candidate for a director.</p>			
2	Hirofumi Araya (August 20, 1971) Male Re-appointment	<p>April 2002 Joined Daido Kogyo Co., Ltd. Sep. 2004 Sales Dept. Manager, Sales Div. of Daido Kogyo Co., Ltd. June 2005 Automotive Technology and Sales Dept., Automotive Div. June 2007 Executive Officer of Daido Kogyo Co., Ltd. April 2008 Representative Director & President of Daido Sittipol Co., Ltd. April 2010 Representative Director & President of D.I.D Asia Co., Ltd. Sep. 2010 Representative Director & President of Daido India Pvt. Ltd. June 2011 Director and Technical Development Div. Manager of Daido Kogyo Co., Ltd. June 2013 Managing Director In charge of Motorcycle / Automotive Div. Director & Vice Chairman of Daido Sittipol Co., Ltd June 2015 Representative Director & Vice President of Daido Kogyo Co., Ltd. In charge of Research & Development Div. of Daido Kogyo Co., Ltd. Director & Chairman of Daido Sittipol Co., Ltd. (to date) June 2017 In charge of Business Strategy Div. and, Research & Development Div. of Daido Kogyo Co., Ltd. June 2019 Representative Director & President of Daido Kogyo Co., Ltd. (to date) In charge of Internal Control Audit Office June 2021 Marketing Strategy Office Manager of Daido Kogyo Co., Ltd (Important concurrent position) Director & Chairman of Daido Sittipol Co. Ltd</p>	11,830 shares
<p>The reasons why the Company elects him as a candidate for Director: Mr. Hirofumi Araya has assumed various important posts including President and Representative Director of the Company's overseas subsidiaries in Asia, which is an important area for the Group. He has been engaging in the planning of business strategies at the Business Strategy Division, as well as actively leading the Development Division, toward development of growth markets/ growth areas and expansion of business areas/ technology areas of the Company. Thus, he has a great deal of work experience in the Company and the Group and knowledge on global business operations, etc., so we determined that he is continuously appropriate as a candidate for a director.</p>			

Candidate No.	Name (Date of birth) Sex	Career summary	Number of shares of the Company held
3	Katsuyuki Kikuchi (October 10, 1957) Male Re- appointment	<p>April 1981 Joined Daido Kogyo Co., Ltd. Dec. 2004 Manager of Chain Manufacturing Dept., Production Div. of Daido Kogyo Co., Ltd. June 2005 Manager of Automotive Manufacturing Dept., Automotive Div. of Daido Kogyo Co., Ltd. Jan. 2011 Fukuda Plant Manager of Daido Kogyo Co., Ltd June 2011 Director, Daido Kogyo Co., Ltd. Manufacturing Div. Manager of Daido Kogyo CO., Ltd. June 2015 Managing Director (to date) Administration Div. Manager of Daido Kogyo CO., Ltd. In charge of Safety & Quality Div. of Daido Kogyo Co., Ltd. June 2017 In charge of Automotive Parts Div. of Daido Kogyo Co., Ltd. June 2019 Production Engineering Div. Manager June 2020 In charge of Production Engineering Div. of Daido Kogyo Co., Ltd. June 2021 Manager of IT Strategy Office for Manufacturing Reform, Daido Kogyo Co., Ltd June 2022 Planning Division Manager of Daido Kogyo Co., Ltd. (to date)</p>	2,000 shares
<p>The reasons why the Company elects him as a candidate for Director: Mr. Kikuchi has a philosophy required of a manufacturing company and mature judgment on the way personnel resources should be based on his long term experience of leading the manufacturing of the Company. Currently, as Managing Director and Manager of the Planning Division, he is leading the reform of the Company's manufacturing using IT and the planning of mid- to long-term business development including M&A. We therefore believe that he is able to utilize his experience and achievements in the management of the Company, and determined that he is continuously appropriate as a candidate for a director.</p>			
4	Toshihiro Shimizu (February 21, 1959) Male Re- appointment	<p>April 1983 Joined Daido Kogyo Co., Ltd. Sep. 2004 Corporate Planning Dept. Manager, Administration Div. of Daido Kogyo Co., Ltd. June 2005 Corporate Planning Office Manager of Daido Kogyo Co., Ltd. June 2007 Manager, Corporate Planning Office, Daido Kogyo Co., Ltd. Aug. 2007 Representative Director & President, Daido Industrial E Comercial Ltda. April 2009 Representative Director & President, Daido Industria De Correntesda Amazonia Ltda. June 2010 Executive Officer of Daido Kogyo Co., Ltd. June 2013 Director, Daido Kogyo Co., Ltd. Industrial Products Div. Manager of Daido Kogyo Co., Ltd. June 2017 Managing Director of Daido Kogyo Co., Ltd.(to date) In charge of Motorcycle Parts Div. Industrial Parts Div. Representative Director & President of D.I.D Asia Co., Ltd. June 2020 In charge of Research & Development Div. of Daido Kogyo Co., Ltd. June 2021 Business Strategy Office Manager of Daido Kogyo Co., Ltd. June 2022 Business Division Manager of Daido Kogyo Co.,Ltd. (to date)</p>	30,000 shares
<p>The reasons why the Company elects him as a candidate for Director: Mr. Shimizu assumed important posts in business planning functions, and engaged in the management of several overseas subsidiaries as Representative Director. He has extensive experience in business execution and deep insight. He now serves the Manager of Business Division as a Managing Director and is responsible for business control and strategy planning and execution for the entire Group. We have therefore determined that his experience and results will be useful for management of the Company, and that he is continuously appropriate as a candidate for director.</p>			

Candidate No.	Name (Date of birth) Sex	Career summary	Number of shares of the Company held
5	Masanori Sanada (January 7, 1962) Male Re- appointment	April 1984 Joined Daido Kogyo Co., Ltd. June 2005 Administration Dept. Manager, Administration Div. of Daido Kogyo Co., Ltd. June 2007 Corporate Planning Office Manager of Daido Kogyo Co., Ltd. June 2013 Executive Officer of Daido Kogyo Co., Ltd. Administration Div. Manager of Daido Kogyo Co., Ltd. June 2015 Representative Director & President of Daido Sittipol Co., Ltd. June 2019 Senior Executive Officer of Daido Kogyo Co., Ltd. Administration Div. Manager of Daido Kogyo Co., Ltd. June 2020 Director, Daido Kogyo Co., Ltd. (to date) June 2021 Business Administration Div. Manager of Daido Kogyo Co., Ltd. June 2022 Administration Division Manager (to date)	5,000 shares
		The reasons why the Company elects him as a candidate for Director: Mr. Sanada has profound knowledge on finance and accounting based on his long-term experience of leading the administration and management planning departments. He also served the representative director of overseas subsidiaries and has extensive experiences and achieved results in management of the Company's Group. He currently serves, as Director, the Administration Division Manager, and we have determined that his experiences and results will be useful for management of the Company and decided that he is continuously appropriate as a candidate for director.	
6	Toshio Ishimura (October 15, 1961) Male Re- appointment	April 1984 Joined Daido Kogyo Co., Ltd. Dec. 2004 AS Business Dept. Manager of Daido Kogyo Co., Ltd. June 2005 Manager, Corporate Planning Office of Daido Kogyo Co., Ltd. Manager, Industrial Machinery Sales Dept. of D.I.D June 2009 Industrial Machinery Sales Dept. Manager of D.I.D Co., Ltd. June 2011 Director of D.I.D Co., Ltd. June 2017 Executive Officer of Daido Kogyo Co., Ltd. Industrial Products Div. Manager of Daido Kogyo Co., Ltd. June 2019 Senior Executive Officer of Daido Kogyo Co., Ltd. June 2020 Director, Daido Kogyo Co., Ltd. (to date) June 2022 M&S Division Manager of Daido Kogyo Co., Ltd. (to date)	4,200 shares
		The reasons why the Company elects him as a candidate for Director: Mr. Ishimura has a great deal of business experience and knowledge based on his long term experience of leading the industrial machinery business as well as excellent capability and knowledge on corporate management through the experience of serving as a director of a domestic subsidiary, etc. He currently serves, as Director, the M&S Division Manager, and we have determined that his experiences and results will be useful for management of the Company and decided that he is continuously appropriate as a candidate for director.	

- (Notes)
1. A director candidate Mr. Hirofumi Araya serves concurrently as Chairman and Director of Daido Sittipol Co., Ltd., which engages in the business falling under the same category as the Company's and has business (chains and other products) with the Company. Additionally, the Company provides a guarantee for its loan of the funds.
 2. There are no special interests between the other director candidates and the Company.
 3. D.I.D Co., Ltd. was a consolidated subsidiary of the Company but merged into the Company as of April 1, 2018.
 4. The Company has entered into a liability insurance contract with an insurance company as stipulated in Paragraph 1, Article 430-3, of the Companies Act. The summary of the contents of this insurance contract is described in "2.(3) Status of Company Officers" of the Business Report. When the election of the candidates for director is approved, they will continue to be covered as an insured person under the relevant insurance contract. Note that the insurance contract is going to be renewed next time with the same content.

[Reference] Skill matrix of the Board of Directors after the General Meeting of Shareholders

(Note) The skill matrix of the Board of Directors will be as follows if the candidates listed in this Notice of Convocation are elected as proposed.

Name		Corporate management Business strategy	Marketing and sales	Technology, IT, R&D	Manufacturing and quality	Finance	Legal affairs and risk management	Personnel and labor affairs and human-resource development	Global experience
Director	Kozo Araya	●			●	●	●		
	Hirofumi Araya	●	●	●		●	●		●
	Katsuyuki Kikuchi			●	●			●	
	Toshihiro Shimizu	●		●	●	●			●
	Masanori Sanada	●				●	●	●	●
	Toshio Ishimura		●	●					
Audit and Supervisory Committee Member	Kiyohiro Kajiya			●	●		●		
	Tamotsu Sawa	Outside (Independent)	●		●	●	●		
	Seiji Sakashita	Outside (Independent)				●	●		
	Shoji Takechi	Outside (Independent)		●					

Proposal No. 3: Continuance of response policy against large-scale purchase of the Company Share Certificates, etc. (Takeover Defense Measures)

The Company introduced the Response policy against large-scale purchase of the Company Share Certificates, etc. (the "Existing Response Policy") when it was approved by shareholders in the Company's 127th Ordinary General Meeting on June 26, 2020, and it will expire at the end of this General Meeting. After this introduction, the Company has continued to examine what the Existing Response Policy should be like, including whether to maintain it or not, based on changes in the social and economic situation as well as the trends and discussions concerning takeover defense measures as one of the efforts to secure and improve the corporate value and the interests common to all shareholders of the Company.

As a result, the Company resolved in the Board of Directors Meeting held on May 12, 2023 and announced that the Existing Response Policy will be maintained with partial changes (hereinafter the response policy after change will be called "this Response Policy"), subject to the approval of shareholders in this General Meeting, as an effort to prevent the decision of the Company's financial and operational policies from being controlled by any person inappropriate in light of the Basic Policy for the Modality of the Person Controlling Decisions on the Company's Financial And Operational Policies as set forth in Item 3, Article 118 of the Ordinance for Enforcement of the Companies Act (hereinafter called "Basic Policy regarding Control of the Company").

This Bill is to ask our shareholders to for approval of the maintenance of this Response Policy pursuant to the provision of Paragraph 1, Article 36 of the Articles of Incorporation of the Company. The substance of this Response Policy will be as shown in "I. Basic Policy for the Modality of the Person Controlling Decisions on the Company's Financial And Operational Policies."

In addition, in light of recent court decisions etc. regarding the implementation of takeover defense measures, the new Policy has been revised as needed, including the definitions of "Large-Scale Purchase" and "Large-Scale Purchaser," and rearrangement of wording.

I. Basic Policy for the Modality of the Person Controlling Decisions on the Company's Financial And Operational Policies

The Company's Board of Directors considers that, since it is a listed company allowing open transactions of its shares, it should finally be left to the discretion of the shareholders whether to sell their shares in the Company responding to a large-scale purchase by a specific person.

However, the Company also considers that, in order to improve the corporate value and the interests common to all shareholders by providing highly functional and high quality products as a result of its thorough pursuit of technologies that will satisfy customer needs, it is essential to enforce policies developed from medium- and long-term perspectives for the purpose of securing: (a) technological capabilities to meet customer needs; (b) global supply systems; (c) strong relationships of trust with business partners; (d) the worldwide brand power of "D.I.D"; (e) contribution to local economies and communities; and (f) complementary relationships between the business segments, which all are the sources of the Company's corporate value. In the event that the person controlling decisions on financial and operational policies fails to enforce policies from such medium- and long-term perspectives, the corporate value of the Company Group as well as the interests common to all shareholders and those of stakeholders of the Company may be damaged.

Though the Company is working on investors relations activities to make the fair value of the Company shares

understood by its shareholders and investors, it will be essential that appropriate and sufficient information be provided by both the purchaser and the Company's Board of Directors, for shareholders to make an adequate judgment within a short period of time on the appropriateness of such large-scale purchase including whether the acquisition value of the Company shares presented by the purchaser is reasonable when a sudden large-scale purchase by the purchaser is made. Further, it is also considered that information such as the effects of such purchase on the Company Group, the substance of management policies and business plans expected to be adopted by the purchaser when it takes part in the management of the Company Group, and opinions of the Company's Board of Directors on such purchase will be critical for shareholders intending to continue holding the Company shares to examine whether to continued holding them.

Taking the above into consideration, the Company considers that a purchaser intending to make a large-scale purchase will be required to start an act of such purchase only after: (a) the purchase furnishes the Company with necessary and sufficient information on such purchase in advance; (b) a given length of an assessment period set for the Company's Board of Directors has elapsed; and (c) the Company's Board of Directors or the General Meeting of Shareholders resolves on whether to implement gratis allotment of equity warrants, in accordance with given rules established and disclosed in advance by the Company for the shareholders' judgment (hereinafter called " Large-Scale Purchase Rules"; please refer to II for the details).

In addition, there is a possibility of a large-scale purchase which may be considered to cause significant damage to the Company's corporate value and the interests common to all shareholders (for the details please refer to (a) - (g) under 4 (1) of II hereof). The Company considers that, in order to protect the Company's corporate value and the interests common to all shareholders, it is necessary for the Company's Board of Directors to take measures against such large-scale purchases considered appropriate in accordance with this Basic Policy.

II. Effort to prevent the decision of the Company's financial and operational policies from being controlled by any person inappropriate in light of the Basic Policy regarding Control of the Company

As an effort to prevent the decision of the Company's financial and operational policies from being controlled by any person inappropriate in light of the Basic Policy regarding Control of the Company, in case of (i) a purchase of the Company Share Certificates, etc. (*3) for the purpose of making the ratio of the voting rights (*2) of a specific shareholders' Group (*1) 20% or more; (ii) a purchase of the Company Share Certificates, etc. resulting in making the ratio of the voting rights of a specific shareholders' Group 20% or more (regardless of the method of purchase, including a market transaction or a takeover bid, and purchases by a person agreed on by the Company's Board of Directors in advance will be excluded); or (iii) an agreement, etc. with another shareholder of the Company resulting in making the ratio of the voting rights of a specific shareholders' Group 20% or more (*4) (hereinafter such purchase or agreement, etc. will be called "Large-Scale Purchase," and a person conducting such purchase or making such agreement, etc. will be called "Large-Scale Purchaser"), the Company will establish a given response policy for cases where the Large-Scale Purchaser are or are not in compliance with given reasonable rules as shown below ("Large-Scale Purchase Rules") which the Company will request the Large-Scale Purchaser to comply with.

1. Need to maintain this Response Policy

As stated in I above, the Company considers that a Large-Scale Purchaser should start a Large-Scale Purchase only after: (a) the Purchaser furnishes the Company's Board of Directors with necessary and

sufficient information on such Large-Scale Purchase in advance; (b) a given length of an assessment period set for the Company's Board of Directors has elapsed; and (c) the Company's Board of Directors or the General Meeting of Shareholders resolves on whether to implement gratis allotment of equity warrants, in accordance with the Large-Scale Purchase Rules established and disclosed in advance by the Company for the shareholders' judgment prior to a Large-Scale Purchase.

The Company's Board of Directors and Independent Committee will, after such information is furnished, respectively start to examine its opinion carefully on the Large-Scale Purchase as soon as possible, and form based on advice from experts such as financial advisors, certified public accountants, lawyers, and consultants (hereinafter called "Outside Experts, etc."), and disclose as necessary, their opinions. Further, the Company's Board of Directors will negotiate on improvements in the proposal from the Large-Scale Purchaser or present an alternative proposal as the Company's Board of Directors to the Company's shareholders, where considered necessary. Following such process will make it possible for the Company's shareholders to compare the proposal from the Large-Scale Purchaser and the alternative proposal (if presented) by reference to the opinion of the Company's Board of Directors, and be provided with an opportunity to appropriately decide on final approval or denial.

In addition, the Company decided to certain response policies for cases where the Large-Scale Purchaser is or is not in compliance with the Large-Scale Purchase Rules, and maintain this Response Policy as a measure against a Large-Scale Purchase by any person inappropriate in light of the Basic Policy regarding Control of the Company.

2. Establishment of Independent Committee

The Company will establish the Independent Committee as a consultative body for operating this Response Policy properly and preventing arbitrary decision-making by the Company's Board of Directors. The Independent Committee will consist of three or more members selected from among the Company's Outside Directors, the Company's Outside Auditors, and Outside Intellectuals (*5) who are independent of the management performing the Company's business operations to allow fair and neutral judgments. The names and career summaries of the Independent Committee members in case this Response Policy is maintained are as shown in Exhibit 3. The outline of the Independent Committee is as shown in Exhibit 2.

This Response Policy sets forth the objective requirements pertaining to the implementation of gratis allotment of equity warrants as a countermeasure against the relevant Large-Scale Purchase: where the Large-Scale Purchaser is in compliance with the Large-Scale Purchase Rules, gratis allotment of equity warrants as a countermeasure against the relevant Large-Scale Purchase will not be implemented, in principle, as stated in 4.(1) of II below, and where the Large-Scale Purchaser is not in compliance with the Large-Scale Purchase Rules, gratis allotment of equity warrants may be implemented as a countermeasure against the relevant Large-Scale Purchase, as stated in 4.(2) of II below. In addition, any important judgment pertaining to this Response Policy such as a judgment whether the relevant Large-Scale Purchase will fall into a category of a Large-Scale Purchase which may cause significant damage to the Company's corporate value and the interests common to all shareholders (please refer to 4.(1) of II below), whether the Large-Scale Purchaser is in compliance with the Large-Scale Purchase Rules (please refer to 4.(2) of II below), and whether to implement or not to implement, or to change or stop gratis

allotment of equity warrants (please refer to 4 of II below) must be referred to the Independent Committee, and the Company's Board of Directors will respect such recommendation to the maximum extent.

The Independent Committee may obtain advice from Outside Experts, etc. who are independent of the Company's Board of Directors or the Independent Committee, as necessary. Any and all costs incurred for obtaining such advice will be borne by the Company, excluding exceptional cases considered especially unreasonable.

Resolutions of the Independent Committee will be made by a majority of all the Independent Committee members in office in a meeting attended by all such members, in principle; provided, however, that in case there is an unavoidable reason that not all the members are able to attend the meeting, the resolution of the Independent Committee will be made by a majority of the members attending a meeting attended by a majority of all the Independent Committee members.

3. Substance of Large-Scale Purchase Rules

(1) Furnishing of Information

The Large-Scale Purchase Rules set forth by the Company is: a Large-Scale Purchase should be started after (a) the Large-Scale Purchaser furnishes the Company's Board of Directors with necessary and sufficient information on the Large-Scale Purchase in advance; and (b) a given length of an assessment period set for the Company's Board of Directors has elapsed; and (c) the Company's Board of Directors or the General Meeting of Shareholders resolves on whether to implement gratis allotment of equity warrants. More concretely, the Large-Scale Purchaser will be requested to first submit to President of the Company a Letter of Intent to show its commitment to observe the Large-Scale Purchase Rules expressly stating the Purchaser's name, address, laws governing incorporation, name of representative, domestic contact information, and the outline of the proposed Large-Scale Purchase, and then furnish the Company's Board of Directors with necessary and sufficient information for the Company's shareholders judgment and the Company's Board of Directors and the Independent Committee forming their opinions (hereinafter called "Necessary Information").

The Company's Board of Directors will issue to the Large-Scale Purchaser the list of Necessary Information to be furnished initially by the relevant Large-Scale Purchaser within ten business days after the receipt of the Letter of Intent. With a view to seeking prompt operation of the Large-Scale Purchase Rules, the Company's Board of Directors may set a deadline for such furnishing of information, as necessary. In case the information furnished initially is judged insufficient by itself as a result of close examination, the Company's Board of Directors may request the Large-Scale Purchaser to submit additional information no later than the deadline set from time to time, to the degree as considered sufficient. The Company's Board of Directors will provide the Independent Committee with the Necessary Information furnished by the Large-Scale Purchaser as soon as possible.

The specific substance of the Necessary Information will differ dependent on the attribute of the Large-Scale Purchaser and the purpose and content of the Large-Scale Purchase; part of the common items is shown below:

- i) Outline of the Large-Scale Purchaser and its Group (including joint holders, persons in special relationship, and affiliated persons (and in the case of a fund, members and other constituent members)); this "outline" will include information on the Large-Scale Purchaser's line of business, capital structure, and experience in relation to a business of the same type as the Daido Kogyo Group's;
- ii) Any and all securities issued by the Company and held by the Large-Scale Purchaser, the status of any and all transactions pertaining to the Company securities made by the Large-Scale Purchaser within the past 60 days (including the natures, values, places, methods, and the other parties of such transactions), and any and all contracts, arrangements, and agreements (including oral ones, and regardless of their perform abilities) made by the Large-Scale Purchaser pertaining to the Company securities;
- iii) Purpose and content of the Large-Scale Purchase (including the value and type of the consideration of the purchase, etc., timing of the purchase, etc., mechanism of related transactions, legality of the method of the purchase, etc., and feasibility of the purchase, etc. and related transactions.);
- iv) Presence or absence of communications of intentions with third parties for the Large-Scale Purchase (including communications of intentions regarding an act of important proposal, etc. to the Company as defined in Article 27-26, Paragraph 1 of the Financial Instruments and Exchange Act; hereinafter the same will apply), and in case there exist such communications of intentions, the specific manners and contents thereof;
- v) Grounds of calculation of the acquisition value of the Company shares, and the background of the acquisition fund, including specific names of the funders and substantial funders, procurement method, and contents of related transactions;
- vi) Management candidate (including information on experience, etc. regarding business of the same type as the Daido Kogyo Group's), management policy, business plan, financial plan, capital policy, dividend policy, and asset utilization measures as supposed to be taken after participating in the Group's management (hereinafter called "Management Policy, etc. after Purchase");
- vii) Presence or absence of any change planned to be made after completion of the Large-Scale Purchase concerning the relations between the Group and its stakeholders such as suppliers, customers, and employees, as well as the contents thereof;
- viii) Specific measures to avoid any conflict of interest with other shareholders of the Company; and
- ix) Any other information reasonably judged to be necessary by the Company's Board of Directors.

The Company's Board of Directors will disclose the fact of having received the Letter of Intent as soon as possible, and the whole or part of the Necessary Information furnished to the Company's Board of Directors at the timing judged appropriate by the Company's Board of Directors to the extent as considered necessary for the shareholders' judgments.

(2) Assessment period by the Company's Board of Directors

The Company's Board of Directors considers that the Company should then be given 60 days (in case of a purchase of the whole of the Company shares by tender offer whose consideration is exclusively in yen in cash) or 90 days (in case of any other large-scale purchase), according to the difficulty of the assessment, etc., of the Large-Scale Purchase, after the Large-Scale Purchaser completes the furnishing of Necessary Information to the Company's Board of Directors as the period for assessment, examination, negotiation, opinion formation, and development of alternative proposal by the Company's Board of Directors (hereinafter called "the Board of Directors Assessment Period"). The Company's Board of Directors will disclose the fact of the completion of the furnishing of Necessary Information, when it is completed, as well as the expiration date of the Board of Directors Assessment Period.

During the Board of Directors Assessment Period, the Company's Board of Directors will assess and examine furnished Necessary Information sufficiently based on the recommendation of the Independent Committee and advice from Outside Experts, etc., as necessary, carefully form an opinion as the Company's Board of Directors respecting the recommendation of the Independent Committee to the maximum extent, and disclose it. The Company's Board of Directors may further negotiate with the Large-Scale Purchaser on improvements in the conditions of the Large-Scale Purchase or present an alternative proposal as the Company's Board of Directors to the Company's shareholders, as necessary.

In case there is an unavoidable reason that the Company's Board of Directors is unable to resolve to implement or not to implement gratis allotment of equity warrants or resolve to call the General Meeting of Shareholders during the Board of Directors Assessment Period such as the Independent Committee having not been able to make a recommendation to implement or not to implement gratis allotment of equity warrants or a recommendation to refer to the General Meeting of Shareholders as to whether to implement or not to implement gratis allotment of equity warrants, the Company's Board of Directors may extend the Board of Directors Assessment Period to a necessary extent up to 30 days based on the recommendation of the Independent Committee. In case of resolving to extend the Board of Directors Assessment Period, the Company's Board of Directors will immediately disclose the specific period as resolved above and the reason of the need of such specific period in accordance with applicable laws and regulations and the rules of any relevant financial instruments exchange.

(3) Resolution by the Company's Board of Directors, and holding the General Meeting of Shareholders

The Company's Board of Directors will make a resolution to implement or not to implement gratis allotment of equity warrants as a countermeasure or to call the General Meeting of Shareholders, or any other necessary resolution during the Board of Directors Assessment Period, respecting the recommendation of the Independent Committee to the maximum extent.

In case of receiving a recommendation from the Independent Committee to refer to the General Meeting of Shareholders as to whether to implement or not to implement gratis allotment of equity warrants, or judging based on a recommendation of the Independent Committee to implement gratis allotment of equity warrants that the Company's Board of Directors should reflect the shareholders'

opinion, the Company's Board of Directors will resolve to call the General Meeting of Shareholders, in principle, to refer to the shareholders as to whether to implement gratis allotment of equity warrants, and will hold the General Meeting of Shareholders within 60 days at the longest from the date of such resolution.

4. Response Policy to be taken when Large-Scale Purchase is implemented

(1) In case the Large-Scale Purchaser is in compliance with the Large-Scale Purchase Rules

In case the Large-Scale Purchaser is in compliance with the Large-Scale Purchase Rules, the Company's Board of Directors will not take a countermeasure against such Large-Scale Purchase, in principle, even when it objects to such Large-Scale Purchase, thinking that it will be able to achieve accountability to the Company's shareholders by expressing its objection to such Purchase proposal or presenting an alternative proposal. It will be the Company's shareholders that will judge whether to agree to the Purchase proposal by the Large-Scale Purchaser, taking into consideration the relevant Large-Scale Purchase proposal as well as the opinions on such Purchase proposal and alternative proposals presented by the Company.

However, even in case the Large-Scale Purchaser is in compliance with the Large-Scale Purchase Rules, where it is considered that such Large-Scale Purchase will cause significant damage to the Company's corporate value and the interests common to all shareholders, the Company's Board of Directors may implement gratis allotment of equity warrants such Large-Scale Purchase in order to protect the Company's corporate value and the interests common to all shareholders. Specifically, Large-Scale Purchases considered to fall into any of the categories shown below will be considered to cause significant damage to the Company's corporate value and the interests common to all shareholders, in principle. In order to guarantee the objectivity and reasonableness of the judgment in making the above exceptional response, the Company's Board of Directors will make a judgment after examining the details of the relevant Large-Scale Purchaser and Large-Scale Purchase as well as the effects that may have on such Large-Scale Purchase on the Company's corporate value and the interests common to all shareholders asking for advice from Outside Experts, etc. and based on the Necessary Information furnished by the Large-Scale Purchaser including the Management Policy, etc. after Purchase, respecting the recommendation of the Independent Committee to the maximum extent.

In case of receiving a recommendation from the Independent Committee to refer to the General Meeting of Shareholders as to whether to implement or not to implement gratis allotment of equity warrants, or in case of judging after receiving the recommendation of the Independent Committee to implement gratis allotment of equity warrants that the Company's Board of Directors should reflect the shareholders' opinion, the Company's Board of Directors will resolve to call the General Meeting of Shareholders, in principle, and may implement gratis allotment of equity warrants in accordance with such resolution (for the procedures in case of holding the General Meeting of Shareholders, please refer to 3.(3) above).

- a. Case of a Large-Scale Purchase which may cause clear damage to the Company's corporate value and the interests common to all shareholders including acts as listed in the following (i) to (iv):

- (i) Cornering shares and demanding that the Company buy them up at a high price;
 - (ii) Managing it in a manner of realizing the purchaser's interests at the sacrifice of the Company by such means as controlling the Company temporarily and acquiring its important assets, etc. at low prices;
 - (iii) Diverting the Company's assets to payment funds or security for debts of the purchaser or its group companies, etc.; and
 - (iv) Controlling the Company management temporarily and cause the Company to dispose of high-priced assets, etc. not related with its business for the time being, and with the benefit of such disposal cause it to pay temporary high dividends or sell at a profit taking advantage of an opportunity of a sudden rise of the stock price due to the temporary high dividends.;
- b. Case of a Large-Scale Purchase where shareholders may be virtually forced to sell their shares such as coercive two-tier takeover (meaning a purchase of shares including a takeover bid made setting the purchase terms at the second stage less favorable than the initial ones, or not clearly presenting the purchase terms at the second stage);
 - c. Cases where the acquisition of control by the Large-Scale Purchaser may damage the interests of the stakeholders such as employees, customers, and suppliers and by that cause significant damage to the Group's corporate value and the interests common to all shareholders
 - d. Case of a Large-Scale Purchase whose terms (such as the type and value of the consideration, timing of the Large-Scale Purchase, legality of the purchase method, and response policy toward the Group's stakeholders such as employees, customers, and suppliers) are significantly insufficient or inappropriate in light of the Group's intrinsic value;
 - e. Case of a Large-Scale Purchase which may cause material damage to the Group's corporate value and the interests common to all shareholders by destroying such relationships with the Group's employees, customers, and suppliers or its corporate culture as are indispensable to the production of the Group's corporate value;
 - f. Cases where the Large-Scale Purchaser is considered inappropriate as the controlling shareholder of the Company from a viewpoint of public order and morals on reasonable grounds including cases where the management or major shareholders or investors of the Large-Scale Purchaser contain persons who are involved with an antisocial group; and
 - g. Any other case similar to any of the (a) to (f) above where the Group's corporate value and the interests common to all shareholders may be significantly damaged.

In case the relevant Large-Scale Purchase is considered to fall into any of the categories shown above, the Company's Board of Directors may confirm the intention of the shareholders in the General Meeting of Shareholders as to whether to object to and request the cessation of such Large-Scale Purchase. In such case, the Company's Board of Directors will consult the Independent Committee and obtain its recommendation without fail before implementing the above. The Independent Committee may make a recommendation to refer to the General Meeting of Shareholders as to whether to object to and request the cessation of the Large-Scale Purchase, not only in case of being consulted by the Company's Board of Directors as to whether to object to and

request the cessation of such Large-Scale Purchase, but also in case of being consulted as to whether to implement gratis allotment of equity warrants.

(2) In case the Large-Scale Purchaser is not in compliance with the Large-Scale Purchase Rules

In case the Large-Scale Purchaser is not in compliance with the Large-Scale Purchase Rules, the Company's Board of Directors may, regardless of the specific purchase method, implement gratis allotment of equity warrants to counter the Large-Scale Purchase for the purpose of protecting the Company's corporate value and the interests common to all shareholders. It will be decided by the Company's Board of Directors by reference to the advice from Outside Experts, etc. and respecting the recommendation of the Independent Committee to the maximum extent whether the Large-Scale Purchaser is in compliance with the Large-Scale Purchase Rules and whether to implement gratis allotment of equity warrants.

The outline of gratis allotment of equity warrants will be as stated in Exhibit 1. In case of issuing equity warrants actually, the Company may establish the exercise period and exercise conditions, etc. with the effects as a countermeasure taken into consideration such as that to exercise the equity warrants the Large-Scale Purchaser may not belong to a specific shareholders' Group whose voting right ratio is at or above a given percentage.

(3) Cessation, etc. of implementation of gratis allotment of equity warrants

In case of judging that it is not appropriate to implement gratis allotment of equity warrants, including cases where the Large-Scale Purchaser revokes the intention of or makes a change in a Large-Scale Purchase after it is determined to implement gratis allotment of equity warrants, the Company's Board of Directors may cease or make a change in the implementation of gratis allotment of equity warrants, respecting the recommendation of the Independent Committee to the maximum extent.

For example, in case of judging that it is not appropriate to implement gratis allotment of equity warrants, including cases where the Large-Scale Purchaser revokes the intention of or makes a change in a Large-Scale Purchase after the shareholders subject to the gratis allotment of equity warrants are fixed, the Company's Board of Directors may cease the implementation of gratis allotment of equity warrants as follows:

- i) Until the effective date of the relevant gratis allotment of equity warrants, gratis allotment of equity warrants will be ceased, with the recommendation of the Independent Committee respected to the maximum extent.
- ii) During the period between the effective date of the relevant gratis allotment of equity warrants and the commencement of the exercise period, gratis allotment of equity warrants will be acquired without compensation, with the recommendation of the Independent Committee respected to the maximum extent.

In case of ceasing the implementation of gratis allotment of equity warrants as above, the Company will disclose the information as soon as possible, together with matters considered necessary by the Independent Committee.

5. Effects on shareholders and investors, etc.

(1) Effects, etc. on shareholders and investors at continuing this Response Policy

Since gratis allotment of equity warrants will not be implemented at the time of continuing this Response Policy, there will be no direct and concrete effect on shareholders and investors.

(2) Effects, etc. on shareholders and investors at implementing gratis allotment of equity warrants

In case the Large-Scale Purchaser is not in compliance with the Large-Scale Purchase Rules, the Company's Board of Directors may, based on the resolution of the Company's Board of Directors or the General Meeting of Shareholders, implement gratis allotment of equity warrants for the purpose of protecting the Company's corporate value and the interests common to all shareholders. In such case, equity warrants will be allotted to the shareholders recorded in the shareholder registry at the allotment date fixed by the resolution of the Company's Board of Directors or the General Meeting of Shareholders according to the number of shares held by the respective shareholders. As such shareholders will naturally become the holders of the equity warrants on the effective date of the relevant gratis allotment of equity warrants, no procedure for application will be required. Judging from the mechanism of gratis allotment of equity warrants, it is not assumed that the Company's shareholders (excluding the Large-Scale Purchaser performing the Large-Scale Purchase subject to the implementation of gratis allotment of equity warrants) may suffer any special damage in their legal rights or economic aspects. In case of deciding to implement gratis allotment of equity warrants, the Company's Board of Directors will make a disclosure in a timely and appropriate manner in accordance with applicable laws and regulations and the rules of any relevant financial instruments exchange.

In case gratis allotment of equity warrants is implemented, shareholders will be required to pay in a given amount of money within the prescribed period to acquire new shares by exercising equity warrants. In case of deciding to acquire equity warrants, the Company's Board of Directors may issue new shares to shareholders without paying in the amount equivalent to the exercise price, in compensation for the Company's acquisition of equity warrants. The details of such procedures will be announced separately in accordance with applicable laws and regulations when it is decided that equity warrants be actually issued.

Since there will arise no dilution in stock value per share in case the Company's Board of Directors ceases to issue the relevant equity warrants or acquires issued equity warrants without compensation based on the recommendation of the Independent Committee, shareholders or investors who transact shares on the assumption of dilution of the Company shares on or after the ex-right date pertaining to the relevant gratis allotment of equity warrants may suffer unexpected damage due to stock price movements.

6. Start of application and effective term of this Response Policy

This Response Policy will apply as from the date of approval of the shareholders subject to such approval in the General Meeting of Shareholders as the stopping condition. This Policy will continue effective until the conclusion of the Ordinary General Meeting of Shareholders pertaining to the last fiscal year ending within three years from the date of such approval, and thereafter any continuance

thereof, including cases of continuance with partial revisions, will be subject to the approval of the Company's General Meeting of Shareholders; provided, however, that in case the Company's General Meeting of Shareholders resolves to abolish this Response Policy or the Company's Board of Directors resolves to abolish the same respecting the recommendation of the Independent Committee to the maximum extent, this Response Policy will be abolished at the time of such resolution even during the effective term of this Response Policy. In such case, the Company will disclose the fact of such abolishment as soon as possible.

In addition, with a view to improving the Company's corporate value and the interests common to all shareholders, this Response Policy may be reviewed and changed from time to time, based on any revisions or improvements in, or newly establishment of, relevant laws and regulations and the listing system as prescribed by any relevant financial instruments exchange and respecting the recommendation of the Independent Committee to the maximum extent, even during the effective term of this Response Policy. In such case as well, the Company will disclose the contents of such change as soon as possible.

7. Revision by laws and regulations, etc.

Any provisions of the laws and regulations quoted in this Response Policy are based on those in effect at May 21, 2023. In case there arises a need to make any revision of any of the provisions or the meanings of any terms as set forth in the above paragraphs due to newly establishment, revision, or abolishment of relevant laws and regulations on or after such date, such provision or the meaning of such term may from time to time be deemed to be replaced within a reasonable extent, with the purport of such newly establishment, revision, or abolishment taken into consideration.

Note 1: "Specific shareholder group" means:

- (i) A holder (including a person deemed as a holder pursuant to Paragraph 3, Article 27-23 of the Financial Instruments and Exchange Act: hereinafter the same shall apply) and any joint holders (as provided in Paragraph 5, Article 27-23 of the Financial Instruments and Exchange Act, including a person deemed as a joint holder pursuant to Paragraph 6 the same Act; hereinafter the same shall apply) of the Company's share certificates, etc. (as provided in Paragraph 1, Article 27-23 of the same Act),
- (ii) A person who makes a purchase, etc. (as provided in Paragraph 1, Article 27-2 of the Financial statements and Exchange Act, including any purchase, etc. made on the financial instruments exchange market, regardless of whether purchase is made by means of auction) of the Company's share certificates, etc. (as provided in Paragraph 1, Article 27-2 of the same Act) and any person in special relationship with such person (as provided in Paragraph 7, Article 27-2 of the same Act), or
- (iii) An affiliated person of the person in (i) or (ii) above (including (a) investment banks, securities firms, and other financial institutions that have entered into financial advisory agreements with the person in (i) or (ii) above or other persons who share substantial interests with the person in (i) or (ii) above, (b) tender offer agents, attorneys, certified public accountants, tax accountants and other advisors of the in (i) or (ii) above, and (c) persons substantially controlled by the person in (i) or (ii) above or who are reasonably recognized by the Company's Board of Directors as those who act jointly or in cooperation with the person in (i) or (ii) above (determination of such persons shall be based on new investment relationship, business alliance relationship, transaction or contractual relationship, concurrent service as a director, funding relationship, credit relationship, purchase of the Company's share certificates, etc., exercise of voting rights in relation to the Company's share certificates, etc., formation of substantial interest, etc. in the

Company's share certificates, etc. through derivatives or stock lending, etc., and other direct or indirect facts, etc., that may suggest the communication of intention).

Note 2: "Ratio of voting rights" means:

- (i) When the specific shareholder group falls under Note 1-(i), the ratio of share certificates, etc. held by the relevant holder (as provided in Paragraph 4, Article 27-23 of the same Act; in this case, the number of share certificates, etc. held (the number of share certificates, etc. held as provided in the same Paragraph) of the joint holders in respect of the relevant holder shall be added in calculating the shareholding ratio) or
- (ii) When the specific shareholder group falls under Note 1-(ii), the sum of the ratios of share certificates etc. (as provided in Paragraph 8, Article 27-2 of the same Act) owned by the large-scale purchaser and persons in special relationship.

For the purpose of calculating the holding ratio or ownership ratio of share certificates etc., (a) a person in special relationship with or a joint holder of a shareholder of the Company (hereinafter in this Note 2, the "initial shareholder") and (b) an affiliated person of the initial shareholder or the person in (a) above shall be deemed to be a joint holder of or a person in special relationship with the initial shareholders for the purpose of this new Policy. The same shall apply hereinafter. In calculating each holding ratio or each ownership ratio of share certificates, etc., the number of total voting rights (as provided in Paragraph 8, Article 27-2 of the same Act) and the total number of issued shares (as provided in Paragraph 4, Article 27-23 of the same Act), reference may be made to the Annual Securities Report, Quarterly Report, and Share Buyback Report that have been most recently filed.

Note 3: "Share certificates, etc." mean the share certificates, etc. as provided in Paragraph 1, Article 27-23 of the Financial Instruments and Exchange Act.

Note 4: An act conducted between a shareholder of the Company (hereinafter in this Note 4 referred to as the "initial shareholder") and other shareholder of the Company (including multiple shareholders. The same shall apply hereinafter in this Note 4) that is reasonably deemed by the Board of Directors of the Company as an agreement or other act that would result in such other shareholder becoming a joint holder of the initial shareholder as a result of such act or as an act to establish a relationship between the initial shareholders and the other shareholder in which one of them substantially controls the other, or in which they act jointly or in cooperation with each other. (determination of such acts shall be based on new investment relationship, business alliance relationship, transaction or contractual relationship, concurrent service as a director, funding relationship, credit relationship, purchase of the Company's share certificates, etc., exercise of voting rights in relation to the Company's share certificates, etc., formation of substantial interest, etc. in the Company's share certificates, etc. through derivatives or stock lending, etc., and other direct or indirect facts, etc., that may suggest the communication of intention).

Note 5: "Outside Intellectuals" will be selected and appointed from among business managers having a great deal of administrative experience, persons familiar with investment banking business, lawyers, certified public accountants, academics mainly researching the Companies Act, etc., or other persons similar thereto.

Outline of Equity Warrants

1. Shareholders subject to equity warrants and issuance condition
To each shareholder recorded in the final shareholder registry at the record date fixed by the Company's Board of Directors, one equity warrant per common share of the Company (excluding the Company's common shares held by the Company) held by such shareholder will be allotted without requiring any new payment.
2. Class and number of shares subject to equity warrants
The class of shares subject to equity warrants will be common stock of the Company, and the total number of shares subject to equity warrants will not exceed the number obtained by subtracting the total number of the Company's outstanding common shares (excluding the Company's common shares held by the Company) from the total number of the Company's authorized shares at the record date fixed by the Company's Board of Directors. The number of shares subject to one equity warrant (hereinafter called "Subject Number") will be decided separately by the Company's Board of Directors; provided, however, that in case the Company carries out share split or consolidation of shares, necessary adjustments will be made.
3. Total number of equity warrants to be issued
The total number of equity warrants to be issued will be decided separately by the Company's Board of Directors.
4. Value of assets invested in exercising equity warrants (Value to be paid in)
The value of assets invested in exercising equity warrants (value to be paid in) will be one yen or more, which will be decided by the Company's Board of Directors.
5. Restriction on transfer of equity warrants
The acquisition of equity warrants by transfer of the relevant equity warrants will require approval of the Company's Board of Directors.
6. Conditions for exercise of equity warrants
Those belonging to a specific shareholders group whose ratio of voting rights is 20% or more will not be entitled to exercise equity warrants, in principle. In addition, those located in the jurisdiction of applicable foreign laws and regulations and required by such laws and regulations to follow given procedures for exercising equity warrants will also not be entitled to exercise equity warrants, in principle; provided, however, that certain persons such as those who can use an exemption provision under applicable laws and regulations of the relevant foreign country may exercise equity warrants, and the equity warrants held by such persons will be subject to the acquisition carried out by the Company in consideration for the Company shares as set forth in 8 below. Further, those who have failed to submit a note to confirm that they do not belong to a specific shareholders group in a form designated by the Company (excluding those who were not required by the Company to submit the same) will also not be entitled to exercise equity

warrants. The details will be decided separately by the Company's Board of Directors.

7. Exercise period for equity warrants

The exercise period for equity warrants will commence on the date fixed separately by the Company's Board of Directors' resolution for gratis allotment of equity warrants (hereinafter called "Exercise Period Commencement Date") and continue for a period fixed separately by the Company's Board of Directors' resolution for gratis allotment of equity warrants between one month and three months. In case the final day of the exercise period falls on a holiday of the place to receive the payments to be made in exercising such warrants, the previous business day will be the final day of the exercise period.

8. Acquisition of equity warrants by the Company

i) In case the Company's Board of Directors judges it appropriate for the Company to acquire equity warrants, the Company may acquire all equity warrants without compensation as of the date fixed separately by the Company's Board of Directors at any time up to the previous day of the Exercise Period Commencement Date.

ii) The Company may, as of the date fixed separately by the Company's Board of Directors, acquire all equity warrants not exercised by the previous day of the date fixed separately by the Company's Board of Directors which are held by persons other than those who belong to a specific shareholders group and those who have failed to submit a note to confirm that they do not belong to a specific shareholders group by the date of acquisition in a form designated by the Company (excluding those who were not requested to submit the same by the Company), and in return for this, issue the Company shares in the Subject Number per such equity warrant.

In case the Company's Board of Directors considers on or after the date of such acquisition that there is any person holding equity warrants who does not belong to a specific shareholders group (provided, however, that for such recognition by the Company's Board of Directors, the Company may request a document to be submitted in a form designated by the Company as set forth in the preceding Paragraph in (ii) of this 8), the Company may acquire all equity warrants not exercised by the previous day of the date fixed separately by such Company's Board of Directors which are held by such person as of the date fixed separately by such Company's Board of Directors after the date on which the above acquisition was made, and in return for this, issue the Company shares in the Subject Number per such equity warrant, and this will apply thereafter.

iii) In addition to the above (i) and (ii), any matter regarding the acquisition of equity warrants by the Company will be decided by the resolution for gratis allotment of equity warrants, as necessary.

Outline of Independent Committee

1. Establishment
The Independent Committee will be established by the resolution of the Company's Board of Directors.
2. Member
The Independent Committee will consist of three or more persons independent of the management performing the Company's business operations and requested by the Company's Board of Directors from among the Company's outside directors, outside auditors, business managers having a great deal of administrative experience, persons familiar with investment banking business, lawyers, certified public accountants, academics mainly researching the Companies Act, etc., and other persons similar thereto. The members when the Response Policy is continued will be Mr. Tetsuo Nishi, Mr. Tamotsu Sawa and Mr. Seiji Sakashita.
3. Term of office
The term of office of the Independent Committee members will continue until the conclusion of the Ordinary General Meeting of Shareholders pertaining to the last fiscal year ending within three years after the conclusion of this General Meeting; provided, however, that, this will not apply in cases where it is otherwise provided by the resolution of the Company's Board of Directors. In case any Independent Committee member who was an outside director or outside auditor of the Company ceases to serve as outside director or outside auditor (except where such outside director or outside auditor is reappointed), his/her term of office as an Independent Committee member will also terminate at the same time.
In case a vacancy has occurred in the office of any Independent Committee member, a new member will be appointed by the resolution of the Company's Board of Directors from among those who satisfy the requirements stated in above 2. The term of office of such newly appointed member will be the same as the remaining term of office of his/her predecessor.
4. Requirement for resolution
Resolutions of the Independent Committee will be made by a majority of all the Independent Committee members in office in a meeting attended by all such members, in principle; provided, however, that in case there is an unavoidable reason that not all the members are able to attend the meeting, the resolution of the Independent Committee will be made by a majority of the members attending the meeting attended by a majority of all the Independent Committee members. In case any resolution of the Independent Committee failed to be made with a tie vote, the Committee will report to the Company's Board of Directors that the resolution failed to be made.
5. Resolution matter, etc.
The Independent Committee will, when requested by the Company's Board of Directors, make a decision regarding the following matters, in principle, and provide such decision as a recommendation to the Board of Directors together with the reason thereof. Each member of the Independent Committee will be required

to make such decisions from a viewpoint of whether it will contribute to the corporate value and the interests common to all the shareholders, not for the purpose of seeking personal interests of his/her own or any of the Company's directors:

- i) Decision of a Large-Scale Purchase subject to the Large-Scale Purchase Rules;
- ii) Decision of Necessary Information for a Large-Scale Purchaser to provide for the Company's Board of Directors;
- iii) Close inspection and examination of the details of a Large-Scale Purchase by a Large-Scale Purchaser;
- iv) Decision of whether the Large-Scale Purchase may seriously damage the corporate value and the interests common to all the shareholders;
- v) Decision of whether the Large-Scale Purchaser is in compliance with the Large-Scale Purchase Rules;
- vi) Decision of whether the Board of Directors' assessment period should be extended;
- vii) Decision that it should be referred to the General Meeting of Shareholders whether to implement gratis allotment of equity warrants;
- viii) Decision that it should be referred to the General Meeting of Shareholders whether to object to the Large-Scale Purchase and seek to stop it;
- ix) Decision of whether to implement or not to implement, change or stop gratis allotment of equity warrants;
- x) Examination of continuing, changing, or abolishing the Large-Scale Purchase Rules; and
- xi) Any other matter requested by the Company's Board of Directors which is to be decided by the Company's Board of Directors.

To secure an appropriate judgment in above decisions, the Independent Committee will seek to collect necessary and sufficient information and may ask for advice at the Company's cost from outside experts such as a financial advisor, certified public accountant, lawyer, and consultant.

Independent Committee Member Career Summary

The Independent Committee will consist of the three persons shown below when the Response Policy is continued.

Name	Career summary
Tetsuo Nishi	<p>Born in Jun 1947 Oct. 1977 Passed national bar exam Apr. 1980 Practiced the law Aug. 2006 Chairperson, Ishikawa Pref. Personnel Committee (to date) Apr. 2008 President, Kanazawa Bar Association Governor, Japan Federation of Bar Associations; Governor, Chubu Federation of Bar Association Sep. 2014 Auditor of the Ishikawa Credit Guarantee Association (to date)</p> <p>[Note] There are no special interests between him and the Company.</p>
Tamotsu Sawa	<p>Born in August 1947 April 1970 Joined Araya Industrial Co., Ltd. June 2002 Director, Araya Industrial Co., Ltd. June 2008 Managing Director, Araya Industrial Co., Ltd. June 2012 Representative Director & President, Araya Industrial Co., Ltd. June 2015 Director, Daido Kogyo Co., Ltd. June 2018 Director and Senior Advisor, Araya Industrial Co., Ltd. June 2020 Director [Audit and Supervisory Committee Member] of Daido Kogyo Co.,Ltd. (to date)</p> <p>[Note] Mr. Sawa is an outside director provided in the Companies Act, Article 2, Item 15. He is also designated as an independent director under the Rules of the Tokyo Stock Exchange.</p>
Seiji Sakashita	<p>Born in February 1958 Oct. 1984 Joined Inoue Tatsuo Accounting Office (present KPMG Azsa & Co.) Mar. 1988 Registered as Certified Public Accountant. May 2003 Asahi & Co. (present KPMG Azsa & Co.) May 2007 Representative Partner, KPMG Azsa & Co. (present KPMG Azsa & Co.) Feb. 2014 Representative Partner, Hokuriku Auditing Office (to date) June 2016 Auditor, Komatsu Matere Co., Ltd. (to date) June 2019 Auditor, TAKAMAZ Machinery Co., Ltd. June 2019 Chairman of the Hokuriku Association of the Japanese Institute of Certified Public Accountants June 2020 Director [Audit and Supervisory Committee Member] of Daido Kogyo Co.,Ltd. (to date)</p> <p>[Note] Mr. Sakashita is an outside director provided in the Companies Act, Article 2, Item 15. He is also designated as an independent director under the Rules of the Tokyo Stock Exchange.</p>