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Securities Code: 5384

June 14, 2022

To Shareholders:

Keishi Seki
President and CEO
Fujimi Incorporated
2-1-1 Chiryō, Nishibiwajima-cho, Kiyosu-shi, Aichi

Notice of the 70th Annual General Shareholders' Meeting

Fujimi Incorporated (the "Company") is pleased to announce the 70th Annual General Shareholders' Meeting will be held as described below.

In regard to the novel coronavirus (COVID-19), the appearance of highly infectious strains means that the status of infection remains an issue for national concern. Therefore, in order to prioritize the safety of its shareholders, the Company strongly urges you to refrain from attending the General Shareholders' Meeting in person, regardless of your state of health, and instead exercise your voting rights beforehand on paper or via the internet, etc. Please review the Reference Documents for General Shareholders' Meeting below, and exercise your voting rights no later than 5:00 p.m. on Tuesday, June 28, 2022 (JST).

1. Date and Time: Wednesday, June 29, 2022, at 10 a.m. (JST) (Reception opens at 9:20 a.m.)

2. Venue: 3rd floor, Doremi Hall, Nishibi Sozo Center
1-12-1 Otai, Nishibiwajima-cho, Kiyosu-shi, Aichi

3. Purpose of the Meeting:

Matters to be reported:

1. Business Report and Consolidated Financial Statements for the 70th term (April 1, 2021 to March 31, 2022) as well as the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors
2. Non-consolidated Financial Statements for the 70th term (April 1, 2021 to March 31, 2022)

Matters to be resolved:

- | | |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| Proposal No. 1 | Appropriation of Surplus |
| Proposal No. 2 | Amendment to the Articles of Incorporation |
| Proposal No. 3 | Renewal of Policy for Measures against Large-Scale Acquisitions of Share Certificates, Etc. of the Company (Takeover Defense Measures) |
| Proposal No. 4 | Election of Six Directors |
| Proposal No. 5 | Election of One Corporate Auditor |
| Proposal No. 6 | Election of One Substitute Corporate Auditor |

4. Other Matters concerning This Notice

Items listed below are posted on the Company's website (<https://www.fujimiinc.co.jp/>) pursuant to the relevant laws and regulations and the provision of Article 15 of the Company's Articles of Incorporation and are therefore not included in the attachments to this Notice.

- (i) Consolidated Statement of Changes in Equity
- (ii) Notes to Consolidated Financial Statements
- (iii) Non-consolidated Statement of Changes in Equity
- (iv) Notes to Non-consolidated Financial Statements

Accordingly, the Consolidated Financial Statements and Non-consolidated Financial Statements audited by the Corporate Auditors and the Accounting Auditor consist of the documents stated in the attachments to the Notice of the General Shareholders' Meeting, as well as the Consolidated Statement of Changes in Equity, Notes to Consolidated Financial Statements, Non-consolidated Statement of Changes in Equity and Notes to Non-consolidated Financial Statements posted on the Company's website.

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

Reference Documents for General Shareholders' Meeting

Proposals and Reference Information

Proposal No. 1 Appropriation of Surplus

The Company proposes the appropriation of surplus as follows:

1. Year-end dividends

The Company regards the appropriate return of profit to its shareholders as one of its most important management issues in operating its business. The Company's target for the consolidated dividend payout ratio is 50% or more. While making proactive return of profits to shareholders based on business performance, the basic policy is to pay attention to maintaining stable dividends.

As a result of careful consideration based on this basic policy, the Company proposes to pay a year-end dividend for the current fiscal year of ¥100 per share as an ordinary dividend.

(1) Type of dividend property

To be paid in cash.

(2) Allotment of dividend property and their aggregate amount

The Company proposes to pay a dividend of ¥100 per common share of the Company.

In this event, the total dividends will be ¥2,527,131,000.

Accordingly, including the interim dividend of ¥85 per share already paid, the annual dividend for the current fiscal year will total ¥185 per share.

(3) Effective date of dividends of surplus

The effective date of dividends will be June 30, 2022.

2. Other appropriation of surplus

(1) Item of surplus to be decreased and amount of decrease

Retained earnings brought forward: ¥3,000,000,000

(2) Item of surplus to be increased and amount of increase

General reserve: ¥3,000,000,000

Proposal No. 2 Amendment to the Articles of Incorporation

1. Reason for proposal

Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation in preparation for the introduction of the system for providing informational materials for the general shareholders’ meeting in electronic format.

- (1) Article 15, paragraph 1 in “Proposed amendments” below will stipulate that the Company shall take measures for providing information that constitutes the content of reference documents for the general shareholders’ meeting, etc. in electronic format.
- (2) Article 15, paragraph 2 in “Proposed amendments” below will establish the provision to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
- (3) Since the provisions of Article 15 of the current Articles of Incorporation (Internet Disclosure and Deemed Provision of Reference Documents for the General Shareholders’ Meeting, Etc.) will no longer be required, they will be deleted.
- (4) Accompanying the aforementioned establishment and deletion of provisions, supplementary provisions regarding the effective date, etc. will be established.

2. Details of amendment

The details of the amendment are as follows.

(Amendments are underlined)

Current Articles of Incorporation	Proposed amendments
Chapter III General Shareholders’ Meeting <u>Article 15 (Internet Disclosure and Deemed Provision of Reference Documents for the General Shareholders’ Meeting, Etc.)</u> <u>When the Company convenes a general meeting of shareholders, if it discloses information that is to be stated or presented in the reference documents for the general shareholders’ meeting, business report, financial statements and consolidated financial statements through the internet in accordance with the provisions prescribed by the Ministry of Justice Order, it may be deemed that the Company has provided this information to shareholders.</u> (Newly established)	Chapter III General Shareholders’ Meeting (Deleted)
Articles 16 - 43 (Text omitted) (Newly established)	Article 15 (<u>Measures, etc. for Providing Information in Electronic Format</u>) 1. <u>When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general shareholders’ meeting, etc. in electronic format.</u> 2. <u>Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u> Articles 16 - 43 (Unchanged) (Supplementary Provisions) 1. <u>The amendment to the Articles of Incorporation pertaining to Article 15 shall be effective from September 1, 2022, which is the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”).</u>

Current Articles of Incorporation	Proposed amendments
	<p data-bbox="818 203 1401 394"><u>2. Notwithstanding the provision of the preceding paragraph, Article 15 of the pre-amended Articles of Incorporation (Internet Disclosure and Deemed Provision of Reference Documents for the General Shareholders' Meeting, Etc.) shall remain effective regarding any general meeting of shareholders held on a date within six months from the Date of Enforcement.</u></p> <p data-bbox="818 405 1401 533"><u>3. These Supplementary Provisions shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.</u></p>

Proposal No. 3 **Renewal of Policy for Measures against Large-Scale Acquisitions of Share Certificates, Etc. of the Company (Takeover Defense Measures)**

The effective period of the policy for measures against large-scale acquisitions of share certificates, etc. of the Company (the “Policy”) that was approved by the shareholders at the 68th Annual General Shareholders’ Meeting of the Company held on June 24, 2020 will expire at the conclusion of this Annual General Shareholders’ Meeting.

Since the adoption of Policy, the Company has continued to deliberate on appropriate takeover defense measures for the Company based on changing trends involving takeover defense measures. As a result, in advance of the expiration of the effective period of the Policy, the Company determined at the Board of Directors meeting held on May 31, 2022 to renew the contents of the Policy (the “Renewal”) as a measure to prevent decisions on the Company’s financial and business policies from being controlled by persons deemed inappropriate (Article 118, Item 3(b)(ii) of the Regulations for Enforcement of the Companies Act) in light of the basic policy regarding persons who control decisions on the Company’s financial and business policies (as provided in the main text of Article 118, Item 3 of the Regulations for Enforcement of the Companies Act; the “Basic Policy”), subject to the shareholders’ approval at this Annual General Shareholders’ Meeting. Upon the Renewal, no substantial changes will be made to the contents of the Policy, except that the effective period will be changed.

Therefore, the Company proposes that the shareholders approve the Renewal in accordance with Article 43 (Adoption of Takeover Defense Measures, Etc.) of Chapter 7 of the Company’s Articles of Incorporation.

Please note that all of the Directors (including two outside Directors) attended the Board of Directors meeting at which the Renewal was decided, and they unanimously approved, and passed a resolution in favor of, the Renewal. Also, upon making such resolution, all of the Corporate Auditors (including two outside Corporate Auditors) expressed an opinion to the effect that they had no objections in respect of the Renewal.

1. Reasons for Proposal

(1) Basic Policy Regarding the Persons Who Control Decisions on the Company’s Financial and Business Policies

The Company believes that the persons who control decisions on the Company’s financial and business policies need to be the ones who fully understand the specifics of the Company’s financial and business affairs and the source of the corporate value of the Company and will make it possible to continually and persistently ensure and enhance the corporate value of the Company and, in turn, the common interests of its shareholders.

The Company believes that because shares in the Company are listed on a stock exchange, they should be freely traded in capital markets. The Company therefore does not adopt a general rule of rejecting any Acquisitions of the share certificates, etc. of the Company and it believes that a decision on which persons should control the Company’s financial and business policies should ultimately be made based on the discretion of its shareholders. In addition, when an Acquisition of the share certificates, etc. of the Company is proposed, the Company will not reject that proposal if it will contribute to the corporate value of the Company and, in turn, the common interests of its shareholders.

However, there are some Acquisitions of share certificates, etc. that benefit neither the corporate value of the target company or, in turn, the common interests of its shareholders including (i) those with a purpose that would obviously harm the corporate value of the target company and, in turn, the common interests of its shareholders, (ii) those with the potential to substantially coerce shareholders into selling their shares without providing sufficient time or information, and (iii) those that do not provide sufficient time or information for the target company’s board of directors and shareholders to consider the details of the Acquisition or for the target company’s board of directors to make an alternative proposal or take other actions.

Also, the status of the major shareholders of the Company as of March 31, 2022 is described in Attachment 1 ‘Status of Major Shareholders of the Company,’ and certain officers of the Company and their relatives and related parties (the “Company’s Officers, Etc.”) hold some of the issued shares in the Company. The Company is a listed company, so the Company cannot deny the possibility that the shareholding ratios of the Company’s Officers, Etc. may decrease due to a transfer or other disposition of the shares by the Company’s Officers, Etc. for their own reasons or personnel relocation or other changes in the status of officers. In addition, it is considered an option for the Company to procure, in capital markets, funds necessary for the education of personnel and investment to facilities which constitute the bases of the Company’s business, that have been the focus of the Company’s measures, as well as investment, etc. in new and growing businesses that lead to the expansion of business over the medium to long term, increase internal capital adequacy, and business and capital alliances and other relationships with other companies, and, if the Company procures funds in such way, it is possible that the current shareholding ratios of the Company’s Officers, Etc. may decrease.

The Company believes that, if it is not possible to manage the Company based on a full understanding of the source of the Company’s corporate value and with a view to securing such source over the medium to long term and

organically combining the Company's intangible managerial resources, such as technologies and expertise that have been cultivated through its long history, with markets, and thereby increasing the corporate value, it is not possible to gain trust from stakeholders, and, accordingly, such management would be contrary to the corporate value of the Company and, in turn, the common interests of its shareholders.

The Company therefore believes that a person who conducts an Acquisition that is likely to be contrary to the corporate value of the Company and, in turn, the common interests of its shareholders, through an Acquisition of, or a similar act in respect of, the shares certificates, etc. of the Company without understanding of the source of the corporate value of the Company as described above or in a way that does not intend to manage the Company with a view to securing the source over the medium to long term and increasing the corporate value of the Company, is inappropriate as a person who will control decisions on the Company's financial and business policies, and necessary and reasonable countermeasures must be taken against such Acquisition by such person so that the corporate value of the Company and, in turn, the common interests of its shareholders are ensured.

(2) The Source of the Company's Corporate Value and Measures to Realize the Basic Policy

(a) The Source of the Company's Corporate Value

Drawing on the know-how and R&D capabilities the Company has accumulated since its founding, the Company has developed numerous products essential for leading-edge industries with high-precision polishing needs, including mirror polishing of semiconductor substrates like silicon wafers, CMP (chemical mechanical planarization) required for the multilayer wiring of semiconductor chips, and hard disk polishing. In particular, the Company holds the top global market share for high-precision abrasives for semiconductor substrates, a core business area, and the Company maintains its market superiority as the leading name in synthetic precision abrasives.

For many years, the Company has continued to meet the needs of its customers in the field of high-precision polishing and has endeavored to advance and build up its development and manufacturing technologies. In the course of doing so, the Company has developed relationships of trust with its customers and established three core technologies: filtration, classification, and refinement technologies, powder technologies, and chemical technologies. Filtration, classification, and refinement technologies are technologies for controlling the particle size distribution of abrasive grains and removing large particles and impurities that negatively affect the quality of the polished object; powder technologies are technologies for controlling the shape of particles and achieving granulation by equally mixing different particles; and chemical technologies are technologies for appropriately selecting additives that exhibit dispersion, dissolution, and surface protection effects that contribute to improving the function of the abrasive.

The Company's slogan, "Polishing our technologies and bringing people together," means contributing to better product manufacturing through cutting-edge technologies, connecting people, and providing people with a rich lifestyle; product manufacturing that respects people and considers the global environment is at the root of the Company's manufacturing approach. The Company has developed its competitiveness through this manufacturing approach and through its corporate culture wherein each employee boldly takes on the challenge of addressing new developments.

The Company believes that the source of its corporate value lies in these strong technological and development capabilities that are tied to manufacturing sites, in its relationships of trust with customers cultivated over many years, and in its corporate culture with healthy and close labor-management relations. To lead technological innovation and expand results moving forward, the Company believes it is important to further increase the level of trust with customers and increase employee morale, and the Company will strive as a group to continue enhancing corporate value under these policies.

(b) Measures to Enhance Corporate Value

Under the Medium & Long Term Business Plan, which was formulated in November 2016 and ended in March 2022, the Company has set its Medium & Long Term Corporate Vision as “The Company supports your forward-looking ideas and challenges” and promoted activities with the intent of striving towards being a company that is “Strong, Kind and Exciting,” as stated in its Corporate Cultural Vision.

While the Company has set certain quantitative targets, namely consolidated sales of 60 billion yen, a consolidated operating profit margin of 15%, and a consolidated sales distribution ratio for new businesses of 25%, the consolidated operating profit margin exceeded the target, marking 23.3%, due to sales of highly-profitable products for advanced semiconductors that were well above the Company’s expectations. Although semiconductor-related sales increased, in new business areas, the Company was unable to increase sales as much as the Company had aimed for and the targets were not achieved mainly because of the shrinking need for polishing due to changes in the manufacturing process and the time required for introduction of developed products in other new development areas, resulting in consolidated sales of 51.7 billion yen and a consolidated sales distribution ratio for new businesses of 1.8%.

While structural economic cycles called “silicon cycles” have been seen in the semiconductor market, which has been the main business area of the Company, it has been said that silicon cycles have shifted to “super cycles” which continue to expand as there is a sharp increase in demand for semiconductors due to a wide range of new products and services becoming available in connection with technological innovation in recent years. Many of the Company’s customers, manufacturers of silicon wafers and semiconductor devices, have actively announced and implemented large-scale capital investment plans in order to accommodate such vigorous demand for semiconductors.

Under these circumstances, in light of the fact that a further increase in demand is expected in the future, the Company is developing a framework in order to proceed with adequate capital investment both in Japan and overseas so that the Company is able to perform its responsibility as suppliers.

In Japan, in the Kakamigahara area, where the Company’s development and production bases are concentrated, the Company is planning to construct a new development base and facilities for trial manufacture on the land that the Company has acquired, and the Company has also started a project to construct a new plant for products for CMP and silicon wafers on the land that the Company will acquire under a land purchase agreement signed in December 2021, aiming for the commencement of operations within a few years. Overseas, also aiming for the commencement of operation within a few years, the Company has expanded production lines in Taiwan, which holds the top global market share in contract semiconductor manufacturing, in a building that has been extended in anticipation of increasing demand, and in the United States, which has been starting to make a comeback in the semiconductor industry, the Company plans to newly construct buildings and install equipment on its premises.

Meanwhile, the Company has pushed forward with a variety of measures in new business areas, including the establishment of the New Business Division, the Advanced Technology Research Center, and a corporate venture capital (CVC) fund, for the “powder and surface” field that the Company established as a business domain that is targeted as the direction of its growth.

Specifically, the New Business Division released compounds for automobile exteriors that are capable of offering both high processing speed and finely finished surface, the Advanced Technology Research Center developed ceramic composite materials for the aircraft industry that are lightweight and have high thermal resistance, as well as bright-white titanium oxide materials with a low aspect ratio that are expected to be used in products such as cosmetics, and the CVC fund invested in next-generation power semiconductor venture companies.

Further, in April 2022, the Company newly established the Polishing Solutions Field, Advanced Powder Field, and the Semiconductor Field with a view to further strengthening its framework for business promotion in accordance with each business purpose and environment. Also, in order to commercialize development outcomes in the “powder and surface” domain in a more flexible matter, the Company conducted reorganization of several businesses (research centers), such as integrating the Specialty Materials Division and the Advanced Technology Division to become the Advanced Technology & Specialty Materials Division, and transferring polishing-related businesses, etc. under the control of the Specialty Materials Division to the New Business Division, which was established as the Polishing Solutions Division.

Society’s expectations and demands for corporate measures addressing environmental and social issues are increasing as global initiatives for building a sustainable society have accelerated in recent years. The Company has long been committed to supporting employees in balancing work and parenting and promoting women’s career activities, and in the last fiscal year the Company also started activities for growing forests that protect water, and environmental protection and reforestation in water source areas under the theme of “water offset,” which incorporates the meaning of “returning used water back to nature,” given that the Company uses a large amount of groundwater in its product manufacturing activities. Further, the Company established the ESG Department in April 2022 in order to seek to further promote ESG measures, such as addressing issues related to ESG and activities for social contribution.

Together with its investment in growth areas, new businesses, and ESG, the Company will work to provide returns to shareholders by maintaining its target consolidated dividend payout ratio of 50% or more, while bearing in mind to pay stable dividends, and will strive to sustainably increase its corporate value.

Specific measures for each business, etc. are as follows.

Silicon Business

In this business, the Company researches, develops, manufactures and sells abrasives that are used in the high-precision polishing process in which silicon wafers, which become semiconductor substrates, are flattened and mirror polished. The Company offers high-quality products and services by which a total solution for every step of the process from cutting to polish finishing can be achieved. The Company aims to become its customers' "most trusted partner" by continuing to provide highly distinctive new products supported by new technologies so that the Company can satisfy the increasingly sophisticated requirements of its customers. In addition, the Company is focusing on the development of products for power device substrates, which have received increasing attention in recent years with the spread of electric vehicles and hybrid vehicles, and have put some of these products on the market.

CMP (Chemical Mechanical Planarization) Business

In this business, the Company researches, develops, manufactures and sells abrasives that are used in the manufacturing process of semiconductor devices. Types of films to be polished and the manufacturing process of semiconductor devices for which CMP is used are increasing as they have become more highly-functional and highly-integrated products with higher density. The Company has established manufacturing and development bases in Japan, the United States, and Taiwan, which are located near the manufacturing and development bases of its customers, thereby building closer relationships with customers and developing new products in accordance with customers' roadmaps.

Hard Disk Business

In this business, the Company manufactures and sells abrasives that are used in the manufacturing process of disk substrates for hard disk drives, which are storage media for digital data. The Company has a manufacturing base in Malaysia, in which its customers' production bases are concentrated, and the Company has built relationships of trust with its customers by allocating technical staff and providing technical support in the region. With increasing demand for hard disks for data centers due to anticipated increase in data capacity that is transmitted and received via cloud service or 5G, the Company endeavors to expand the areas of basic development in order to grasp customers' requirements for next-generation disk substrates at an early stage, thereby promptly providing new products that meet customers' requirements.

Thermal Spray Materials Business

In this business, the Company mainly researches, develops, manufactures and sells thermal spray materials such as cermets and ceramics for thermal spray applications, which is environmental-friendly surface processing, in order to meet the demand for longer product life and higher product functions of machinery and components in a variety of industries including semiconductors, aircraft, and iron and steel. The Company aims to increase sales by developing new markets through further reinforcing its unique powder granulation technologies, promptly offering solutions, and focusing on developing ultrahard materials, etc. for 3D printers.

Polishing Solutions Business

In this business, the Company researches, develops, manufactures and sells abrasives and other products for a wide variety of materials (such as metal, resin, ceramic, and composite materials) and shapes (two-dimensional and three-dimensional) for various applications. The Company has enhanced unified management by changing the name of the former New Business Division and integrating this business with polishing-related businesses, etc. that have been spun-off from the former Specialty Materials Division to become an independent division. The Company will continue to serve new surfacing requests of customers from various industries across the globe by not only supplying abrasives but also providing a wide range of polishing methods depending on the intended use, thereby offering total solutions, including everything from the recommendation of application-specific equipment and consumables, to the processing stage.

Advanced Technology & Specialty Materials

In these areas, the Company will push forward with research and development of its core technologies in the field of powder under the Advanced Technology & Specialty Materials Division, which was established for the purpose of further promoting the expansion of the powder domain and non-polish businesses, while at the same time strongly promoting the creation and commercialization of new businesses in the non-polish field. In addition, the Company will put more focus on the expansion of new uses and customer segments by integrating its core technologies, including those for controlling particle shape and particle size distribution and granulation, that have been cultivated by its Specialty Materials Business and the Advanced Technology Research Center and by strengthening marketing power even further.

(c) Corporate Governance

The Company strives to improve corporate governance with a view to becoming a company that is trusted by shareholders, clients, and social communities by securing the transparency and effectiveness of its management through appropriate corporate activities in compliance with laws and ordinances and by aiming to enhance the corporate value under a governance system in which management supervision, business execution, and audits function effectively.

The Company has adopted the corporate auditor system, and two out of three Corporate Auditors are independent outside Corporate Auditors. Also, in preparation for cases where there is a shortage in the number of corporate auditors as required by law or ordinance, the Company has elected one replacement Corporate Auditor.

The Board of Directors is composed of five Directors, including two outside Directors, and for the purpose of establishing a management system that is able to promptly respond to changes in the management environment, the Company has set the term of office of each Director at one year, and also has a system under which the Company's shareholders may exert their influence over the Company's governance through the annual election and removal of Directors.

Meetings of the Board of Directors are held at least once a month, at which matters that require a resolution by the Board of Directors under law, ordinance, or the Company's Articles of Incorporation are resolved and important matters relating to the supervision of business operation and management are deliberated on and reported from time to time. In addition, for the purpose of promptly responding to changes in the management environment, the Company holds Management Meetings composed of Directors and Senior General Managers, and other principal meetings every month, and confirmation of and measures in response to management issues, as well as other important matters relating to the Company's management, are examined and deliberated on at these meetings.

Corporate Auditors attend meetings of the Board of Directors and other principal meetings, where they state opinions or the like as necessary, and they also conduct audits under a fair monitoring system in cooperation with accounting auditors and the Internal Audit Department.

Furthermore, with an aim to stabilize management bases by appropriately handling a variety of risks that are likely to cause impacts on the business operation of the Company's group, the Company has established the Global Risk Management Committee, whereby the confirmation and evaluation of risks, examination of countermeasures, and other risk management activities are performed on a global basis for minimizing impacts that may be caused if any risks are revealed.

The Company will continue to strive to improve corporate governance and take measures to enhance its corporate value.

(3) Purpose of the Renewal

Based on the Basic Policy set out in 1.(1) above, the Board of Directors believes that it is necessary to promptly and properly take measures that it considers to be most appropriate for ensuring the corporate value of the Company and, in turn, the common interests of its shareholders against persons who conduct an act of unilateral and large-scale acquisition or any similar act in a manner that would damage the corporate value of the Company and, in turn, the common interests of its shareholders. Based on this belief, the Board of Directors decided to renew the Policy for purposes such as preventing decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate and deterring acts of large-scale acquisition that are detrimental to the corporate value of the Company and, in turn, the common interests of its shareholders, and, on the occasion that the Company receives a proposal for an act of large-scale acquisition, enabling the Board of Directors to present an alternative proposal to the shareholders or ensuring necessary time and information for the shareholders to decide whether or not to accept the large-scale acquisition proposal, and enabling the Company to negotiate for the common interests of the shareholders.

As set out in 2.(4)(a) below, under the Policy, in order to secure the reasonableness and fairness of decisions on matters such as whether it is appropriate or not to trigger countermeasures, the Company shall establish an

independent committee as an organization independent from the Board of Directors in accordance with the Independent Committee Rules (an outline of which is provided in Attachment 2) (the “Independent Committee”). The Independent Committee must have no less than three members, and the members must be elected from among persons who are independent from the Company’s executive management team, such as outside Directors, outside Corporate Auditors, lawyers, certified public tax accountants, certified public accountants, experienced academics, persons who are familiar with investment bank business, or outside parties who have experience of serving as a director or an executive officer at other companies. Upon the Renewal, three persons in total, namely, Mr. Masahiko Takahashi, Mr. Masami Kawashita, and Mr. Takahisa Yamakawa, will assume office as members of the Independent Committee. The profile of each member is set out in Attachment 3 ‘Profiles of the Independent Committee Members.’

The outline of the Policy is set out in Attachment 4 ‘Outline of the Policy (Flowchart of Procedures to be Followed if an Acquisition is Commenced).’

2. Details of Proposal

(1) Establishment of the Large-Scale Acquisition Rules

Under the Policy, if an act that falls under (i) or (ii) below or any similar act, or a proposal¹ for such act (excluding acts that have been approved by the Board of Directors in advance, an “Acquisition”; a party that conducts or makes a proposal for an Acquisition, an “Acquirer”) takes place or such act is proposed by an Acquirer, countermeasures under the Policy may be triggered.

- (i) A purchase or other acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariiai*)² of a holder (*hoyuusha*)³ totaling 20% or more of the share certificates, etc. (*kabuken tou*)⁴ issued by the Company; or
- (ii) A tender offer (*koukai kaittsuke*)⁵ that would result in the ownership ratio of share certificates, etc. (*kabuken tou shoyuu wariiai*)⁶ of the party conducting the tender offer and the ownership ratio of share certificates, etc. of a specially related party (*tokubetsu kankei-sha*)⁷ totaling 20% or more of the share certificates, etc. (*kabuken tou*)⁸ issued by the Company.

(a) Submission in Advance to the Company of Statement of Intent to Conduct Large-Scale Acquisition

First, the Company will request an Acquirer to submit to the Company before effecting an Acquisition a “Statement of Intent to Conduct Large-Scale Acquisition” (signed by or affixed with the name and seal of the representative of the Acquirer) in the form prescribed by the Company and in Japanese, stating matters such as an undertaking that the Acquirer will comply with the procedures set out in the Policy (the “Large-Scale Acquisition Rules”).

Specifically, the Statement of Intent to Conduct Large-Scale Acquisition must include the following matters.

- (i) Outline of the Acquirer
 - (A) Name and address or location
 - (B) Name of the Representative
 - (C) Purpose and description of business

¹ “Proposal” includes solicitation of a third party.

² Meaning a “holding ratio of share certificates, etc.” prescribed in Article 27-23(4) of the Financial Instruments and Exchange Act; the same applies below. If any law, ordinance, or the like referred to in the Policy is amended (including any changes to the title of the law or ordinance and establishment of a new successor law, ordinance, or the like), each provision and term of such law, etc. must be read as the respective provision or term of the law, etc. that substantially replaces the predecessor law, etc. after the amendment, unless otherwise provided for by the Board of Directors.

³ Meaning a holder prescribed in Article 27-23(1) of the Financial Instruments and Exchange Act and including persons described as a holder under Article 27-23(3) of the Act (including persons who are deemed to fall under the above by the Board of Directors); the same applies below.

⁴ Meaning “share certificates, etc.” prescribed in Article 27-23(1) of the Financial Instruments and Exchange Act; the same applies below unless otherwise provided for.

⁵ Meaning a “tender offer” prescribed in Article 27-2(6) of the Financial Instruments and Exchange Act; the same applies below.

⁶ Meaning an “ownership ratio of share certificates, etc.” prescribed in Article 27-2(8) of the Financial Instruments and Exchange Act; the same applies below.

⁷ Meaning a “specially related party” prescribed in Article 27-2(7) of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the Board of Directors); provided, however, that persons provided for in Article 3(2) of the Cabinet Office Order on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than Issuer are excluded from the persons described in Article 27-2(7)(i) of the Financial Instruments and Exchange Act; the same applies below.

⁸ Meaning “share certificates, etc.” prescribed in Article 27-2(1) of the Financial Instruments and Exchange Act.

- (D) Outlines of major shareholders or large investors (10 largest shareholders or investors in terms of the number of shares held or contribution ratio)
- (E) Contact information in Japan
- (F) Governing law of incorporation
- (ii) Type and number of share certificates, etc. of the Company that are held by the Acquirer at the relevant time and the status of transactions involving share certificates, etc. of the Company by the Acquirer during the period of 60 days before the submission of the Statement of Intent to Conduct Large-Scale Acquisition
- (iii) Outline of the Acquisition proposed by the Acquirer (type and number of share certificates, etc. of the Company that the Acquirer intends to acquire through the Acquisition and the outline of the purpose of the Acquisition (including purposes such as the acquisition of a controlling interest or participation in the management, net investment or policy-based investment, or the transfer of the share certificates, etc. of the Company after the Acquisition, or, if the purpose of the Acquisition is to make a material proposal⁹ or there is any other purpose, to that effect and an outline thereof; if there are several purposes, all of them must be stated))
- (iv) Undertaking that the Acquirer will comply with the Large-Scale Acquisition Rules (no conditions or reservations may be attached)

When submitting the Statement of Intent to Conduct Large-Scale Acquisition, the Acquirer will be requested to attach a certified copy of commercial register, a copy of its articles of incorporation, or any other documents that prove the existence of the Acquirer and the qualification of the representative who signed or affixed his/her name and seal to the Statement of Intent to Conduct Large-Scale Acquisition.

(b) Provision of “Large-Scale Acquisition Information”

If the Statement of Intent to Conduct Large-Scale Acquisition set out in (a) above is submitted, the Company will request the Acquirer to provide the Board of Directors with information that is sufficient for the Company’s shareholders to make decisions on the Acquisition and for the Board of Directors to evaluate, consider, or take other actions in relation to the Acquisition (“Large-Scale Acquisition Information”) in accordance with the following procedures. If the Board of Directors is provided with the Large-Scale Acquisition Information, it shall promptly provide it to the Independent Committee. Any Large-Scale Acquisition Information must be provided in Japanese.

First, the Company will send to the Acquirer a “List of Large-Scale Acquisition Information” to the address of the contact information in Japan set out in (a)(i)(F) above, describing information that must be initially submitted by the Acquirer, within 10 business days¹⁰ (the first day of the period is not included for the purpose of the calculation) from the date on which the Statement of Intent to Conduct Large-Scale Acquisition is submitted, and disclose that list to the Company’s shareholders. The Acquirer will then be requested to provide sufficient information to the Board of Directors in accordance with the List of Large-Scale Acquisition Information.

Also, if, in light of the terms, form, and other details of the Acquisition, the Board of Directors reasonably determines that the information that was submitted by the Acquirer in accordance with the List of Large-Scale Acquisition Information above is not sufficient for the Company’s shareholders to make decisions on the Acquisition and for the Board of Directors to evaluate, consider, or take other actions in relation to the Acquisition, the Board of Directors will request the Acquirer to provide additional information to be separately requested by the Board of Directors after setting a reply deadline as appropriate. However, the final reply deadline (the “Final Reply Deadline”) must, as a general rule, be no later than 60 days from the date on which the Statement of Intent to Conduct Large-Scale Acquisition is received even if the Board of Directors does not determine that necessary and sufficient information has been submitted (unless the Acquirer requests that the deadline should be extended, in which case the Final Reply Deadline may be extended to the extent necessary). Regardless of the terms, form, or other details of the Acquisition, all of the information set out in the items below must be included in the List of Large-Scale Acquisition Information as a general rule.

- (i) Details (including name, financial position, operation results and other status of accounting, and relationships between companies in the Acquirer’s group (the “Acquirer Group”) (such as capital relationship, business relationship and personnel relationship)) of the Acquirer and the companies in the

⁹ Meaning a “material proposal” prescribed in Article 27-26(1) of the Financial Instruments and Exchange Act, Article 14-8-2(1) of the Order for Enforcement of the Financial Instruments and Exchange Act, and Article 16 of the Cabinet Office Order on Disclosure of the Status of Large-Volume Holdings in Share Certificates.

¹⁰ “Business day” means any day other than days listed in the items of Article 1(1) of the Act on Holidays of Administrative Organs; the same applies below.

Acquirer Group (including joint holders,¹¹ specially related parties, and specially related parties of a person in relation to whom the Acquirer is the controlled corporation, etc.¹²),¹³

- (ii) The purpose, method and specific terms of the Acquisition (including the structure of any related transactions and opinions on the legality of the Acquisition and the feasibility of the Acquisition.)
- (iii) The type and amount of the consideration for the Acquisition (and an exchange ratio if the type of the consideration is securities, etc.) and grounds and backgrounds for the calculation of the amount.
- (iv) The status of financing required for the Acquisition, the outline of the parties that provide funds and the outline of related transactions.
- (v) Information on any past acquisitions of share certificates, etc. of the Company by the Acquirer Group.
- (vi) Specific terms of any agreement between the Acquirer and a third party regarding the share certificates, etc. of the Company that the Acquirer already holds or intends to acquire through the Acquisition.
- (vii) Post-Acquisition management policy, business Policy, capital and dividend policies for the Company Group.
- (viii) If the Acquirer intends to acquire additional share certificates, etc. of the Company after the Acquisition, reasons for and the details of the acquisition.
- (ix) If it is expected that share certificates, etc. of the Company will be delisted after the Acquisition, to that effect and reasons for delisting.
- (x) Policy for dealing with the shareholders (other than the Acquirer), employees, trading partners, customers, social communities and other stakeholders of the Company.
- (xi) Information on any relationship between the Acquirer Group and an anti-social force.
- (xii) Any other information that the Independent Committee, etc. reasonably considers necessary.

If the Company receives a proposal for an Acquisition, it will promptly make disclosure thereof, and if the Company determines it necessary in order for the shareholders to make decisions on the Acquisition, it will disclose, at the timing it deems appropriate, all or part of the information provided by the Acquirer. In addition, if the Board of Directors reasonably determines that the provision of the Large-Scale Acquisition Information by the Acquirer has been completed or the Final Reply Deadline has passed, the Company will give notice to the Acquirer to that effect (“Information Provision Completion Notice”) and promptly make disclosure to that effect.

(c) Setting of the Board of Directors’ Evaluation Period and Other Related Matters

After giving an Information Provision Completion Notice, the Company will, according to the difficulty of evaluation of the Acquisition or other issues relating to the Acquisition, set a period for evaluation, examination and negotiation of, formulating opinions on, and drafting an alternative plan for, the Acquisition by the Board of Directors, which will be a period of 60 days if the Acquisition by the Acquirer targets all of the share certificates, etc. of the Company solely in exchange for money as consideration (Japanese yen), or a period of 90 days in the event of other Acquisitions (in each case, the first day of the period is not included for the purpose of the calculation) (the “Board of Directors’ Evaluation Period”). If there are any unavoidable circumstances that prevent the Board of Directors from passing a resolution to trigger or not to trigger the countermeasures within the Board of Directors’ Evaluation Period for reasons such as the Independent Committee not reaching a decision on a recommendation set out in (4)(a) below within the Board of Directors’ Evaluation Period, the Board of Directors may extend the Board of Directors’ Evaluation Period to the extent necessary (up to 30 days; the first day of the period is not included for the purpose of the calculation) based on a recommendation made by the Independent Committee. If the Board of Directors resolves to extend the Board of Directors’ Evaluation Period, it will timely and appropriately disclose the specific period of extension for which the resolution was passed and the reason why the specific period is necessary in accordance with the applicable laws, ordinances, or the like and the rules of the stock exchange.

The Acquirer may commence the Acquisition only after the passing of the Board of Directors’ Evaluation Period, or, in cases where a meeting to confirm shareholders’ intent is to be held or a vote in writing is to be conducted

¹¹ Defined in Article 27-23(5) of the Financial Instruments and Exchange Act, including persons regarded as a joint holder under Article 27-23(6) of the Financial Instruments and Exchange Act (including persons who are deemed to fall under the above by the Board of Directors); the same applies below.

¹² Defined in Article 9(5) of the Order for Enforcement of the Financial Instruments and Exchange Act.

¹³ If an Acquirer is a fund, information relating to the matters described in (i) about each partner and other constituent members is required.

as described in (2)(c) below, the Acquirer may commence the Acquisition only after a proposal for countermeasures is rejected.

During the Board of Directors' Evaluation Period, the Board of Directors will fully evaluate and consider matters such as the Acquirer, the specific terms of the Acquisition, and the impact of the Acquisition on the corporate value of the Company and, in turn, the common interests of its shareholders, based on the Large-Scale Acquisition Information provided by the Acquirer while obtaining advice from experts and other outside parties as necessary, carefully summarize opinions as the Board of Directors on the Acquisition and give notice to the Acquirer, and timely and appropriately make announcements to shareholders regarding these matters. In addition, the Board of Directors may, if necessary, negotiate the conditions for and methods of the Acquisition with the Acquirer, and, furthermore, present its alternative proposal to shareholders.

(2) Policy for Measures in Response to an Acquisition

(a) Conditions for Triggering of Countermeasures

(i) If an Acquirer conducts an Acquisition not in compliance with the Large-Scale Acquisition Rules

If an Acquirer conducts or intends to conduct an Acquisition not in compliance with the Large-Scale Acquisition Rules and it is necessary and reasonable to trigger countermeasures, the Board of Directors may, regardless of the specific conditions, methods, and other terms of the Acquisition, determine that the Acquisition would significantly harm the corporate value of the Company and, in turn, the common interests of its shareholders, and take countermeasures that are necessary and reasonable to ensure and enhance the corporate value of the Company and, in turn, the common interests of its shareholders in accordance with (b) below.

(ii) If an Acquirer conducts an Acquisition in compliance with the Large-Scale Acquisition Rules

If an Acquirer conducts or intends to conduct an Acquisition in compliance with the Large-Scale Acquisition Rules, the Board of Directors will not immediately take countermeasures to the Acquisition even if it objects to the Acquisition, although this does not eliminate the possibility that it may take actions such as declaring an opposing opinion, presenting an alternative proposal, or providing an explanation to shareholders. A decision on whether or not to accept the proposal for the Acquisition will be made by each shareholder taking into consideration the Large-Scale Acquisition Information relating to the Acquisition, opinions of the Board of Directors on the Acquisition, any alternative proposals, and other matters relating to the Acquisition.

However, even if an Acquirer conducts or intends to conduct an Acquisition in compliance with the Large-Scale Acquisition Rules, if the Acquisition is determined to fall under any of the categories listed in Attachment 5 or there are circumstances based on which the Acquisition is suspected of falling under any such categories from an objective and reasonable perspective, the Board of Directors may take countermeasures necessary and reasonable to ensure and enhance the corporate value of the Company and, in turn, the common interests of its shareholders in accordance with (b) below.

(b) Procedures for Triggering Countermeasures

When the Board of Directors makes a decision on whether or not to trigger countermeasures, the following procedures must be followed in order to secure the reasonableness and fairness of the decision.

First, before triggering countermeasures, the Board of Directors will consult with the Independent Committee regarding whether it is appropriate to trigger the countermeasures, and the Independent Committee will, based on the consultation and after obtaining advice from experts and other outside parties as necessary, make a recommendation, within the Board of Directors' Evaluation Period, regarding whether it is appropriate to trigger the countermeasures to the Board of Directors. The Board of Directors shall respect the recommendation of the Independent Committee to the maximum extent when making a decision on whether or not to trigger the countermeasures.

In addition to the consultation with the Independent Committee described above, the Board of Directors shall, while obtaining advice from experts and other outside parties as necessary, evaluate, consider, and take other actions in relation to, the Acquirer, the specific terms of the Acquisition, and matters such as the impact of the Acquisition on the corporate value of the Company and, in turn, the common interests of its shareholders, based on the Large-Scale Acquisition Information provided by the Acquirer, and then make a decision on whether or not to trigger the countermeasures.

However, if the procedures for confirming the intent of shareholders are to be implemented in accordance with (c) below, the Board of Directors shall follow the outcome of these procedures.

(c) Confirmation of Shareholders' Intent

The Board of Directors may, after giving maximum consideration to the recommendation made by the Independent Committee, choose between (i) a shareholders' vote at a meeting to confirm shareholders' intent and (ii) a vote in writing, and implement that process as the procedure for confirmation of the intent of shareholders. A meeting to confirm shareholders' intent may be held at the same time as an Annual or Extraordinary General Shareholders' Meeting.

If the procedures for confirmation of the intent of shareholders are to be implemented or there is a possibility thereof, the Board of Directors will promptly set a record date for finalizing shareholders who may exercise the right to cast votes (the "Record Date for Voting") and make a public announcement no later than two weeks before the Record Date for Voting. Shareholders who may exercise the right to cast votes in the procedures for confirmation of the intent of shareholders are those shareholders who are written or recorded in the latest register of shareholders as of the Record Date for Voting and they are entitled to cast one vote per voting right. If a shareholders' vote at a meeting to confirm shareholders' intent is implemented, the proposal must be approved or rejected with a majority of votes cast by shareholders who attend the meeting, where shareholders representing at least one-third of all rights to cast votes must be present. If a vote in writing is implemented, shareholders representing at least one-third of all rights to cast votes must participate in the voting and the proposal must be approved or rejected with a majority of votes cast by those shareholders. The Board of Directors shall decide the method of confirmation of the intent of shareholders, that is, whether it will hold a meeting to confirm shareholders' intent or implement a vote in writing, and promptly make disclosure of its decision. Also, if the Board of Directors holds a meeting to confirm shareholders' intent or implements a vote in writing, it will promptly disclose information on the result of voting and other matters that the Board of Directors determines appropriate.

(d) Discontinuation or Withdrawal of Countermeasures that Have Been Triggered

Even if the Board of Directors triggers countermeasures in accordance with the procedures set out in (b) and (c) above, if (i) the Acquirer ceased to proceed with the Acquisition or withdrew its proposal for the Acquisition or (ii) there has been a change in the facts or other matters on which the decision on whether or not to trigger the countermeasures was made, leading to a situation under which it is considered unreasonable to maintain the countermeasures that had been triggered from the perspective of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders, the Board of Directors shall consult with the Independent Committee again regarding whether it is appropriate to maintain the countermeasures after presenting the specific circumstances that led to such a situation, and, while obtaining advice from experts and other outside parties as necessary, consider the possibility of discontinuing or withdrawing the countermeasures that had been triggered. The Independent Committee, based on the consultation, and while obtaining advice from experts and other outside parties as necessary, will consider whether it is appropriate to maintain the countermeasures, and will make a recommendation to the Board of Directors. The Board of Directors shall respect the recommendation of the Independent Committee to the maximum extent when making a decision on whether or not to maintain the countermeasures.

Based on the recommendation of the Independent Committee above, if the Board of Directors has reached the decision that it is not reasonable to maintain the countermeasures from the perspective of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders, it will discontinue or withdraw the countermeasures that had been triggered by passing an ordinary resolution at its meeting and promptly make disclosure to that effect. If a gratis allotment of Share Options (defined in (3) below; the same applies below) is implemented as a countermeasure, the gratis allotment of Share Options may be cancelled by the date that is two business days before the ex-rights date relating to the record date for the gratis allotment of Share Options (the "Ex-rights Date") at the latest. However, any gratis allotment of Share Options may not be cancelled on or after the business day before the Ex-rights Date so that general investors who, before the Ex-rights Date, have sold or purchased the Company's shares assuming that the economic value per share in the Company will be diluted due to the implementation of the gratis allotment of Share Options will not suffer damage by a fluctuation in the share price. However, the Company may acquire Share Options for no consideration during the period starting from the effective date of the gratis allotment of Share Options and ending on the date before the commencement date of the exercise period of the Share Options (in this case, shareholders who have sold or purchased the Company's shares assuming that the economic value per share in the Company will be diluted may suffer damage by a fluctuation in the share price as described in 4.(2) below).

(3) Details of Countermeasures

As a countermeasure under the Policy, the Company will, in principle, implement a gratis allotment of share options, an outline of which is provided in Attachment 6 ("Share Options"), in accordance with a resolution by the

Board of Directors. However, if it is determined appropriate to trigger other countermeasures that are permitted under the Companies Act, other law or regulation, or the Company's Articles of Incorporation, such countermeasures may be taken.

(4) Establishment of the Independent Committee and Procedures for Consultation, Etc.

(a) Establishment of the Independent Committee

The Board of Directors will make a final decision on whether procedures have proceeded in compliance with the Large-Scale Acquisition Rules, and, if the Acquirer has acted in compliance with the Large-Scale Acquisition Rules, whether or not to take certain countermeasures that are considered necessary and reasonable in order to ensure and enhance the corporate value of the Company and, in turn, the common interests of its shareholders. However, in order to secure reasonableness and fairness of the Board of Directors' decision, the Company decided to establish the Independent Committee as an organization independent from the Board of Directors in accordance with the Rules of the Independent Committee, an outline of which is provided in Attachment 2. The Independent Committee must have no less than three members, and the members must be elected from among persons who are independent from the Company's executive management team, such as outside Directors, outside Corporate Auditors, lawyers, certified public tax accountants, certified public accountants, experienced academics, persons who are familiar with investment bank business, or outside parties who have experience of serving as a director or an executive officer at other companies. Upon the Renewal, three persons in total, namely, Mr. Masahiko Takahashi, Mr. Masami Kawashita, and Mr. Takahisa Yamakawa, will assume office as members of the Independent Committee. The profile of each member is set out in Attachment 3 'Profiles of the Independent Committee Members.'

Based on the Large-Scale Acquisition Information provided by the Acquirer and while obtaining advice from experts and other outside parties as necessary, the Independent Committee will, within the Board of Directors' Evaluation Period, make a recommendation regarding measures to be taken by the Board of Directors in accordance with the Policy after evaluating, considering, and taking other actions in relation to, the specific terms of the Acquisition and matters such as the impact of the Acquisition on the corporate value of the Company and, in turn, the common interests of its shareholders.

Based on the recommendation of the Independent Committee and respecting the recommendation to the maximum extent, the Board of Directors will determine measures in accordance with the Policy. In addition, the Independent Committee, upon consultation by the Board of Directors, and while obtaining advice from experts and other outside parties as necessary, will consider whether or not to maintain the countermeasures that have been triggered and make a recommendation to the Board of Directors. The Board of Directors will make a decision on whether or not to maintain the countermeasures respecting to the maximum extent the recommendation of the Independent Committee.

The Independent Committee may, by itself or through the Board of Directors or other parties, require the Acquirer to provide additional Large-Scale Acquisition Information, have discussions or negotiations, or take other actions. The Acquirer must accept such request promptly.

Upon the submission of the Statement of Intent to Conduct Large-Scale Acquisition and the Large-Scale Acquisition Information by the Acquirer, in order to conduct an examination in comparison with matters such as the Board of Directors' management plan and the Company's corporate valuation by the Board of Directors from the perspective of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders, the Independent Committee may, after setting a reply deadline as appropriate (of up to 30 days and within the Board of Directors' Evaluation Period), request the Board of Directors to present its opinions on the Acquirer and the terms of the Acquisition, supporting materials, alternative proposals, or other information, materials or the like that the Independent Committee deems necessary (the "Board of Directors' Information"), and the Board of Directors shall accept such request. In addition, the Independent Committee may request that the Board of Directors, the Company's Board of Corporate Auditors, employees who participated in the formulation, etc., and third parties who provided advice at the time of the formulation, etc. provide explanations as required by the Board of Directors regarding the Board of Directors' Information.

(b) Discretionary consultation with the Independent Committee

If there is a doubt about whether the information provided by the Acquirer is sufficient as the Large-Scale Acquisition Information or the Board of Directors otherwise determines necessary, the Board of Directors may discretionarily consult with the Independent Committee regarding matters other than whether it is appropriate to trigger countermeasures or to maintain the countermeasures that have been triggered as described above, and if such consultation is made, the Independent Committee will consider the matters on which it has been consulted while obtaining advice from experts and other outside parties as necessary and make a recommendation to the Board of

Directors. The Board of Directors shall also respect such recommendation of the Independent Committee to the maximum extent.

(5) Effective Period, Abolition and Amendment of the Policy

The effective period of the Policy will be until the conclusion of the 72nd Annual General Shareholders' Meeting of the Company to be held in June 2024.

However, if, even before the expiration of the effective period of the Policy, the Board of Directors or the Company's General Shareholders' Meeting resolves to abolish or amend the Policy, the Policy will be abolished or amended at that time.

In addition, if the Policy is abolished or amended, the Company will promptly disclose the fact that such abolition or amendment has taken place or other matters that the Board of Directors determines appropriate in accordance with the applicable laws, ordinances, and the rules of the stock exchange.

3. Rationale of the Policy

(1) Placing High Value on Shareholders' Intent

The Policy will be renewed subject to the shareholders' approval at this Annual General Shareholders' Meeting.

In addition, even if the proposal for the Renewal is approved at this Annual General Shareholders' Meeting, (i) if the Company's General Shareholders' Meeting approves a proposal to abolish or amend the Policy, or (ii) if the Board of Directors composed of the Directors elected at the Company's General Shareholders' Meeting resolves to abolish or amend the Policy, the Policy will be abolished or amended at that time. Further, the Board of Directors may directly confirm the intent of shareholders by following procedures for confirming shareholders' intent regarding whether it is appropriate to trigger countermeasures, respecting to the maximum extent a recommendation of the Independent Committee.

(2) Fully Satisfying Requirements of the Guidelines for Takeover Defense Measures

The Policy fully satisfies the three principles set out in the Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005. These principles are namely:

- ensuring and enhancing the corporate value and, in turn, shareholders' common interests;
- prior disclosure and shareholder intent; and
- ensuring necessity and reasonableness.

In addition, the renewal of the Policy is based on arguments and other issues concerning the "Takeover Defense Measures in Light of Recent Environmental Changes" issued by the Corporate Value Study Group on June 30, 2008. Further, the Policy is consistent with the purposes of the rules regarding the introduction of takeover defense measures established by the Tokyo Stock Exchange and the Nagoya Stock Exchange.

(3) Renewal Being Made for Purpose of Ensuring and Enhancing Corporate Value of the Company and, in turn, Common Interests of Shareholders

As set out above in 1.(3) 'Purpose of the Renewal,' the renewal of the Policy is for the purpose of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders by requiring an Acquirer to provide in advance necessary information on the Acquisition that the Acquirer intends to conduct and to secure the period of time necessary for evaluating, considering, and taking other actions in relation to, the terms of the Acquisition.

(4) Establishment of Reasonable and Objective Requirements for Triggering Countermeasures

As set out above in 2.(2)(a) above, the Policy is established so that countermeasures will not be triggered unless reasonable and objective requirements have been satisfied, and ensures a structure to prevent arbitrary triggering by the Board of Directors.

(5) Establishment of the Independent Committee

As set out in 2.(4) above, under the Policy, in order to secure the reasonableness and fairness of the Board of Directors' decision on matters such as whether procedures have proceeded in compliance with the Large-Scale Acquisition Rules, and, if the Acquirer has acted in compliance with the Large-Scale Acquisition Rules, whether or not to take certain countermeasures that are considered necessary and reasonable in order to ensure and enhance the corporate value of the Company and, in turn, the common interests of its shareholders, as well as to secure the reasonableness and fairness of the Policy in other respects, the Company decided to establish the Independent Committee as an organization independent from the Board of Directors.

In this way, a structure to prevent arbitrary operation of the Policy or triggering of countermeasures by the Board of Directors is ensured.

(6) No Dead-Hand or Slow-Hand Takeover Defense Measures

As set out in 2.(5) above, the Policy may be abolished at any time by a meeting of the Board of Directors composed of Directors who are elected by the Company's General Shareholders' Meeting even before the expiration of the effective period of the Policy. Therefore, the Policy is not a dead-hand takeover defense measure (a takeover defense measure in which even if a majority of the members of the Board of Directors are replaced, the triggering of the measure cannot be stopped). Also, as the term of office of the Company's Director is until the conclusion of the Annual General Shareholders' Meeting relating to the last fiscal year ending within one year after the election, the Policy is not a slow-hand takeover defense measure either (a takeover defense measure in which triggering takes more time to stop due to the fact that all members of the Board of Directors cannot be replaced at once).

4. Impact on Shareholders and Investors

(1) Impact on Shareholders and Investors Upon the Renewal

Upon the Renewal, no actual gratis allotment of Share Options will be implemented. Therefore, the renewal of the Policy will have no direct specific impact on the legal rights and economic interests relating to the Company's shares held by shareholders and investors.

(2) Impact on Shareholders and Investors at the Time of Gratis Allotment of Share Options

If the Board of Directors decides to trigger countermeasures and passes a resolution for the implementation of a gratis allotment of Share Options in accordance with the general rule, the Company will allot Share Options to each shareholder who is stated or recorded in the Company's latest register of shareholders as of the record date to be separately determined at the ratio of at least one Share Option (to be separately determined by the Board of Directors) per share in the Company held by the shareholder on the effective date to be separately determined. Due to this framework of the countermeasures, the Company does not expect that any direct specific impact will be caused to legal rights and economic interests relating to the Company's shares held by shareholders and investors as a whole, because, although the economic value per share in the Company held by each shareholder and investor will be diluted at the time of the gratis allotment of Share Options, the economic value of the shares in the Company held by all shareholders and investors as a whole will not be diluted, and the ratio of voting rights held by each shareholder and investor will not be diluted, either.

However, even if the Board of Directors had resolved to implement a gratis allotment of Share Options, if the Board of Directors determines to discontinue or withdraw the countermeasures that it had triggered in accordance with the procedures set out in 2.(2)(d) above, investors who have sold or purchased the Company's shares assuming that the economic value per share in the Company will be diluted may suffer damage by a fluctuation in the share price because the economic value per share in the Company held by each shareholder and investor will not be diluted.

(3) Impact on Shareholders and Investors upon Exercise or Acquisition of Share Options after Implementation of Gratis Allotment of Share Options

If any of the Company's shareholders or investors other than the Acquirer does not exercise his/her Share Options or pay the monetary amount equivalent to the exercise price, the economic value per share in the Company and the ratio of voting rights held by him/her will be diluted by the exercise of Share Options by other shareholders.

However, if the Company acquires Share Options from shareholders other than Non-Qualified Parties (defined in 7. of Attachment 6; the same applies below) and delivers shares in the Company in exchange, the shareholders other than Non-Qualified Parties will receive shares in the Company without exercising Share Options or paying the

monetary amount equivalent to the exercise price, and the economic value per share in the Company and the ratio of voting rights held by the shareholders will not be diluted as a general rule.

Regardless of the above, Share Options may not be assigned without approval from the Board of Directors, so please note that there is a possibility that collection by transfer of the portion of the value of capital invested in shares in the Company held by each shareholder that is attributable to Share Options may be restricted only to that extent during the period from the record date for the gratis allotment of Share Options to the date on which shares are delivered to the shareholders as a result of the exercise or acquisition of the Share Options.

On the other hand, because it is planned that discriminatory conditions will be attached in relation to the exercise or acquisition of Share Options, it is expected that the legal rights and other interests of Non-Qualified Parties will be diluted upon the exercise or acquisition of Share Options.

5. Procedures that are Required to be Followed by Shareholders Due to Gratis Allotment of Share Options

(1) Procedures to be Followed on Effective Date of Gratis Allotment of Share Options

If the Board of Directors decides to trigger countermeasures and passes a resolution for a gratis allotment of Share Options in accordance with the general rules, the Board of Directors will determine and give a public notice regarding the record date. Under the procedures for a gratis allotment of Share Options, all shareholders who are stated or recorded in the Company's register of shareholders on the record date will receive allotment of Share Options according to the number of shares held. The shareholders to whom Share Options are to be allotted will be granted Share Options as a matter of course on the effective date of the gratis allotment of Share Options, so no procedures, such as applying for such gratis allotment, will be necessary.

(2) Procedures that are Required to be Followed by Shareholders upon Exercise of Share Options by Shareholders or Acquisition by the Company of Share Options after Implementation of Gratis Allotment of Share Options

If the Company acquires Share Options in accordance with acquisition provisions, the Company will, in accordance with the procedures provided for in the Companies Act (Article 273 and Article 274 of the Companies Act), cause the Board of Directors to pass a resolution for each acquisition provision if there are several acquisition provisions, give a public notice to all share option holders, and then acquire the Share Options.

If the Company requests that shareholders other than Non-Qualified Parties should exercise Share Options after the exercise period for the Share Options has commenced, the Company will deliver documents to be submitted upon the exercise of the Share Options (including necessary matters such as the terms and number of the Share Options for exercise and the exercise date for the Share Options, as well as representations and warranties regarding matters such as that the shareholders themselves satisfy the exercise conditions of the Share Options, indemnity clauses and other covenants, and information necessary to record shares in the Company to the account to which the shares are to be transferred) and other documents necessary for the exercise of the Share Options. The shareholders will therefore be requested to exercise the Share Options during the exercise period (payment of a certain amount of money will be required at that time).

In either case, the Company will timely and appropriately disclose the details of the procedures in accordance with the applicable laws, ordinances, and rules of the stock exchange, so shareholders are requested to pay attention to information disclosure made by the Company if countermeasures are to be triggered.

6. Other Matters

The Board of Directors will continue to pay attention to future trends in judicial decisions and responsive measures, etc. taken by stock exchanges and other public institutions, amendments to the Financial Instruments and Exchange Act and other regulations such as the listing regulations of stock exchanges, as well as the establishment, amendment, and abolishment of or to other laws, ordinances, or the like, and will, from the perspective of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders, review the Policy or take other appropriate measures as necessary, which may include the introduction of separate takeover defense measures in place of the Policy.

Attachment 1

Status of Major Shareholders of the Company

The status of the major shareholders of the Company as of March 31, 2022 is as follows.

Name of Shareholder	Investment in the Company	
	Number of shares owned (thousands)	Ratio of the number of shares owned to the total number of issued shares (%)
Koma Co., Ltd.	4,460	17.6
The Master Trust Bank of Japan, Ltd. (Trust account)	2,807	11.1
GOLDMAN, SACHS & CO. REG	1,143	4.5
Custody Bank of Japan, Ltd. (Trust Account)	1,137	4.5
JAPAN POST INSURANCE Co., Ltd.	875	3.4
MUFG Bank, Ltd.	728	2.8
Fujimi suppliers' stock ownership program	676	2.6
Nippon Life Insurance Company	639	2.5
The Koshiyama Science and Technology Foundation	600	2.3
Custody Bank of Japan, Ltd. (Trust E Account)	549	2.1
Total	13,618	53.8

(Each number of shares less than 1,000 is disregarded and each percentage is rounded to one decimal place.)

Notes

1. The ratio of the number of shares owned to the total number of issued shares is calculated by excluding the number of shares of treasury stock (3,428,190 shares).
2. It is stated in a statement of large-volume holdings that became available for public inspection on March 23, 2022 that Mizuho Bank, Ltd. and its three joint holders own the numbers of shares in the Company stated below as of March 15, 2022. However, the Company has not confirmed the numbers of shares substantially held by those parties as of March 31, 2022, and thus they are not included in the major shareholders described above.

The details of the statement of large-volume holdings are as follows.

Name / Company name	Number of shares owned (thousands)	Holding ratio of share certificates, etc. (%)
Mizuho Bank. Ltd.	88	0.31
Mizuho Securities Co., Ltd.	29	0.10
Mizuho Trust & Banking Co., Ltd.	549	1.91
Asset Management One Co., Ltd.	814	2.84

Attachment 2

Outline of the Rules of the Independent Committee

1. The Independent Committee is established as a consultative body of the Board of Directors by resolution of the Board of Directors for the purpose of eliminating arbitrary decisions of the Board of Directors on the operation of the Policy, the triggering of countermeasures and other matters and securing the reasonableness and fairness of the decisions.
2. The Independent Committee has no less than three members, and the members are elected from among persons who are independent from the Company's executive management team, such as outside Directors, outside Corporate Auditors, lawyers, certified public tax accountants, certified public accountants, experienced academics, persons who are familiar with investment bank business, or outside parties who have experience of serving as a director or an executive officer at other companies based on a resolution at a meeting of the Board of Directors. The Company will execute an agreement that contains provisions regarding the duty of care of a good manager and confidentiality obligation with each member of the Independent Committee.
3. Unless otherwise determined in a resolution by the Board of Directors, the term of office of a member of the Independent Committee will be until the date of conclusion of the Annual General Shareholders' Meeting to be held within one year from the election or the date on which the member of the Independent Committee and the Company separately agree.
4. Meetings of the Independent Committee are convened by the representative director of the Company or a member of the Independent Committee.
5. The Chair of the Independent Committee will be elected by and from among the members of the Independent Committee.
6. As a general rule, resolutions of meetings of the Independent Committee will pass with a majority when all the members of the Independent Committee are in attendance. However, if any of the members of the Independent Committee is unable to attend a meeting or there is any other special reason, resolutions may be passed with a majority when a majority of the members of the Independent Committee are in attendance.
7. The Independent Committee will pass resolutions regarding the matters listed in the items below after evaluation and examination based on the consultation by the Board of Directors, and make recommendations to the Board of Directors containing the details of and reasons for the resolutions:
 - (1) whether it is appropriate to trigger countermeasures under the Policy (including a decision on whether or not an Acquisition will significantly harm the corporate value of the Company and, in turn, the common interests of its shareholders);
 - (2) whether it is appropriate to maintain countermeasures under the Policy;
 - (3) abolition of and amendments to the Policy; and
 - (4) other matters on which the Board of Directors discretionary consult with the Independent Committee in relation to the Policy.
8. In deliberating on matters and passing resolutions at meetings of the Independent Committee, each member of the Independent Committee must act solely with a view to considering whether or not the corporate value of the Company and, in turn, the common interests of its shareholders will be enhanced, and not for their own interests or those of the management of the Company.
9. The Independent Committee may, if necessary, request the attendance of a Director, Corporate Auditor, or an employee of the Company, or any other party that the Independent Committee considers necessary, and may require explanation of any matter it requires.
10. In performing its duties, the Independent Committee may, at the Company's expense, obtain the advice of experts and other outside parties who are independent from the Company's management team (including investment banks, securities companies, financial advisers, certified public accountants, lawyers, consultants and other experts).

Attachment 3**Profiles of the Independent Committee Members**

Masahiko Takahashi (December 23, 1944)

Oct. 1970	Joined Marunouchi & Co.
Oct. 1974	Registered as a Certified Public Accountant
Oct. 1979	Joined Yagi & Asano Auditing Office (currently Ernst & Young ShinNihon LLC)
Nov. 1979	Registered as a Certified Public Tax Accountant Established the Masahiko Takahashi Office for Certified Public Accountant and Tax Accountant
June 2010	Retired from Ernst & Young ShinNihon LLC
June 2011	Outside Corporate Auditor of the Company (current position)

Masami Kawashita (September 3, 1949)

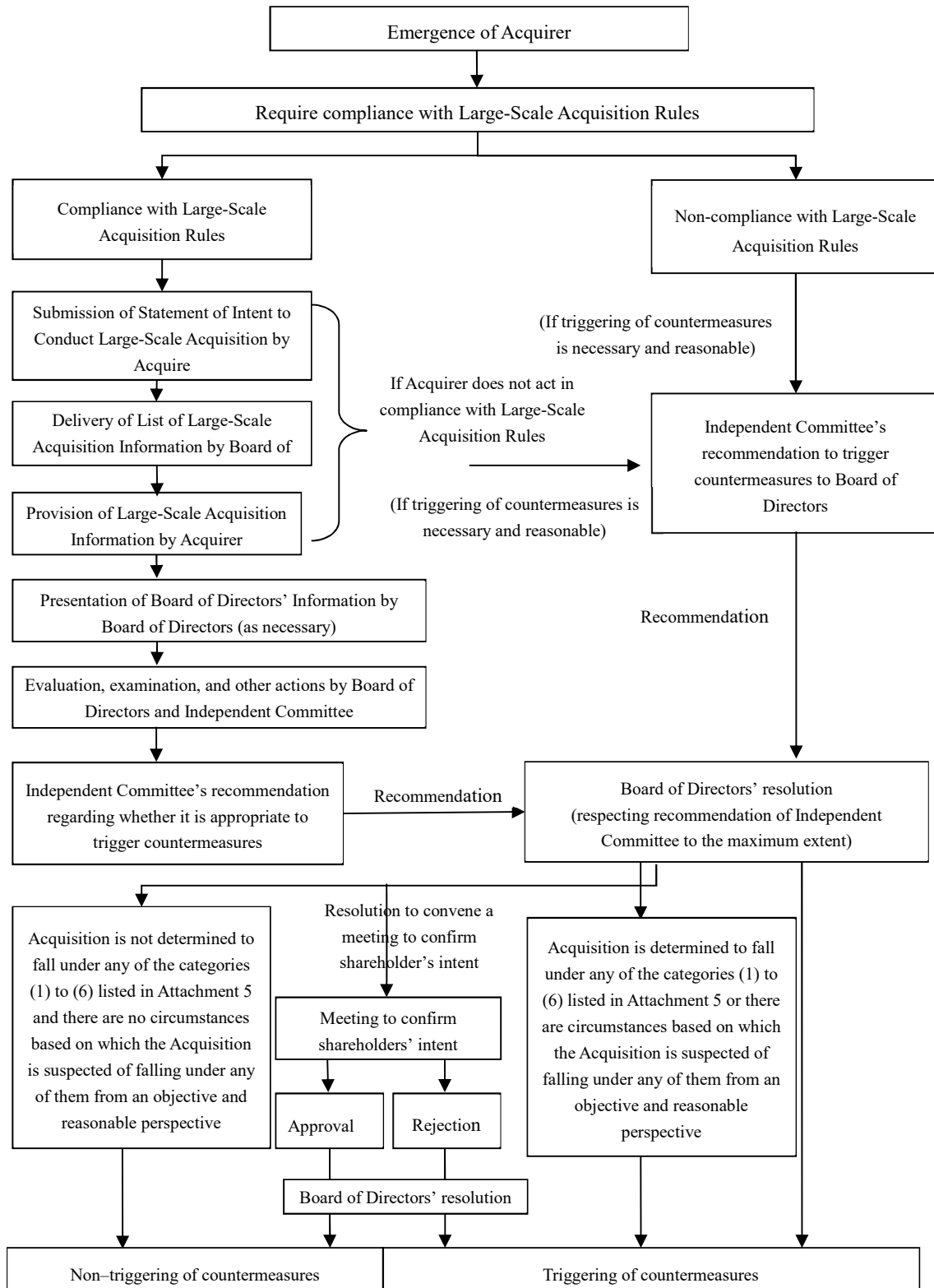
Apr. 1973	Joined NGK Spark Plug Co., Ltd.
June 2005	Director
June 2008	Managing Director
Feb. 2009	Senior Managing Director
June 2009	Executive Vice President
June 2011	Special Adviser
June 2012	Adviser
June 2012	Outside Corporate Auditor of the Company
June 2015	Outside Director (current position)

Takahisa Yamakawa (December 28, 1956)

Apr. 1981	Entered the Legislative Bureau of the House of Representatives
Apr. 1985	Admission to the Tokyo Bar Association
Apr. 1985	Joined Ishihara Law Office
Mar. 2002	Established Renaiss Law Office (current position)

Attachment 4

Outline of the Policy
(Flowchart of Procedures to be Followed if an Acquisition is Commenced)



This chart was prepared as a reference material solely for the purpose of helping shareholders understand the details of the Policy. Please refer to the main text of this Proposal for the details of the Policy.

Attachment 5

Requirements for Triggering Countermeasures

- (1) It is determined that the corporate value of the Company and, in turn, the common interests of its shareholders would be significantly harmed because:
 - (a) the Acquirer is determined to be a person who acquires or intends to acquire the share certificates, etc. of the Company merely for the purpose of inflating the share price and forcing the Company or the Company's stakeholders to buy the share certificates, etc. of the Company at a high price even though the Acquirer does not intend to actually participate in the Company's management (so-called "greenmailer");
 - (b) it is determined that the Acquirer is acquiring the share certificates, etc. of the Company for the purpose of transferring the Company's or the Company's group companies' assets, such as intellectual property rights, know-how, corporate confidential information, major trading partners, or clients, that are necessary for their business management by temporarily controlling the Company's management;
 - (c) it is determined that the Acquirer is acquiring the share certificates, etc. of the Company for the purpose of diverting the Company's or the Company's group companies' assets to secure or repay debts of the Acquirer, its group companies, or other parties after controlling the Company's management; or
 - (d) it is determined that the Acquirer is acquiring the share certificates, etc. of the Company for the purpose of temporarily controlling the Company's management to bring about a sale or other disposal of high-value assets such as real property and securities that are not related to the Company's or the Company's group companies' businesses for the time being, and declaring temporarily high dividends from the profits of the disposal, etc., or selling the share certificates, etc. of the Company at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.
- (2) It is determined that the method of acquisition of the share certificates, etc. of the Company proposed by the Acquirer corresponds to a type of acquisition that restricts shareholders' opportunity for, or discretion in, making decisions on the acquisition and in effect threatens to coerce the shareholders into selling share certificates, etc. of the Company, such as a coercive two-tiered acquisition (meaning an acquisition of share certificates, etc. including tender offers, in which no offer is made to acquire all share certificates, etc. of the Company in the initial acquisition, and acquisition terms for the second stage are set that are unfavorable or unclear).
- (3) It is determined that the financial conditions of the Acquisition proposed by the Acquirer (including the type and amount of consideration for acquisition, the basis of calculation of the amount, and the timing and method of payment of consideration for acquisition) are significantly inadequate or inappropriate in light of the corporate value of the Company and, in turn, the common interests of its shareholders.
- (4) It is determined that the corporate value of the Company in the case of the Acquirer having acquired control of the Company would become significantly inferior to the corporate value of the Company that would be realized otherwise when future corporate value over the medium to long term in each case is compared with each other.
- (5) The Acquirer is determined to be an anti-social force or a person equivalent thereto.
- (6) It is determined that the proposal from the Acquirer includes the contents (including the existence of illegality and feasibility of the Acquisition, management policies or business plans after the Acquisition, and policies dealing with the Company's shareholders (excluding the Acquirer), clients, employees, and any other stakeholders in the Company after the Acquisition, as well as the financial conditions of the Acquisition) that may cause a material threat to be contrary to the corporate value of the Company and, in turn, the common interests of its shareholders, by ways such as harming the Company's technological and development capabilities, the relationship of trust with clients, and other assets that are indispensable to the generation of the corporate value of the Company.

Attachment 6

Outline of Share Options

1. **Total Number of Share Options to be Allotted**
The total number of Share Options to be allotted will be the same number as the number (to be separately determined) that is equal to or more than the most recent total number of issued shares of common stock in the Company (excluding the number of shares of common stock in the Company held by the Company at that time) on a certain date (the "Allotment Date") that is separately determined in a resolution by the Board of Directors relating to the gratis allotment of Share Options ("Gratis Allotment Resolution.")
2. **Shareholders Eligible for Allotment**
The Company will allot Share Options for no consideration to each shareholder who is stated or recorded in the latest register of shareholders on the Allotment Date, at the ratio of at least one Share Option (to be separately determined by the Board of Directors) per share of common stock in the Company (excluding the number of shares of common stock in the Company held by the Company at that time) owned by the shareholder.
3. **Effective Date of Gratis Allotment of Share Options**
The effective date of the gratis allotment of Share Options will be separately determined in the Gratis Allotment Resolution.
4. **Type and Number of Shares to be Acquired upon Exercise of Share Options**
The type of shares to be acquired upon exercise of Share Options is shares of common stock in the Company, and the number of shares to be acquired upon exercise of each Share Option (the "Applicable Number of Shares") shall be one share. However, if the Company implements a share split, share consolidation, or the like, necessary adjustments must be made.
5. **Details and Amount of Contributions upon Exercise of Share Options**
Contributions upon exercise of the Share Options are to be in cash, and the amount per share of common stock in the Company to be contributed upon exercise of the Share Options will be an amount separately determined in the Gratis Allotment Resolution, which must be equal to or more than one yen.
6. **Restriction on Assignment of Share Options**
Any assignment of Shares Options requires approval from the Board of Directors.
7. **Conditions for Exercise of Share Options**
The following parties may not exercise the Share Options (the parties falling under (I) through (VI) below are collectively referred to as "Non-Qualified Parties"):
 - (I) Specified Large Holders;¹⁴
 - (II) Joint holders of Specified Large Holders;
 - (III) Specified Large Purchasers;¹⁵

¹⁴ "Specified Large Holder" means, in principle, a party who is a holder of share certificates, etc., issued by the Company and whose holding ratio of share certificates, etc. in respect of such share certificates, etc. is 20% or more or any party who is deemed to fall under the above by the Board of Directors; provided, however, that a party that the Board of Directors recognizes as a party that unintentionally falls under the foregoing definition such as in case of the acquisition of own shares by the Company (this does not apply if the party subsequently intentionally acquires shares in the Company), a party that the Board of Directors recognizes as a party whose acquisition or holding of share certificates, etc., of the Company is not contrary to the Company's corporate value or the common interests of shareholders or any specific other party that the Board of Directors determines in the Gratis Allotment Resolution is not a Specified Large Holder. The same applies below.

¹⁵ "Specified Large Purchaser" means, in principle, a person who makes a public announcement of purchase, etc. of share certificates, etc. (meaning share certificates, etc. prescribed in Article 27-2(1) of the Financial Instruments and Exchange Act; the same applies throughout this note) issued by the Company through a tender offer and whose ratio of ownership of share certificates, etc., in respect of such share certificates, etc., owned by such person after such purchase, etc., (including similar ownership as prescribed in Article 7(1) of the Order for Enforcement of the Financial Instruments and Exchange Act) is 20% or more when combined with the ratio of ownership of share certificates, etc., of a specially related party or any party who is deemed to fall under the above by the Board of Directors; provided, however, that a party that the Board of Directors recognizes as a party whose acquisition or holding of share certificates, etc., of the Company is not contrary to the Company's corporate value or the common interests of shareholders or certain other party that the Board of Directors determines in the Gratis Allotment Resolution is not a Specified Large Purchaser. The same applies below.

- (IV) Specially related parties of Specified Large Purchasers;
- (V) Any transferee of, or successor to, the Share Options of any party falling under (I) through (IV) without the approval of the Board of Directors; or
- (VI) Any Affiliated Party¹⁶ of any party falling under (I) through (V).

The details of conditions for exercise of Share Options will be separately determined in the Gratis Allotment Resolution.

Further, nonresidents of Japan who are required to follow certain procedures under applicable foreign laws and ordinances to exercise the Share Options may not as a general rule exercise the Share Options (provided, however, that the Share Options held by nonresidents will be subject to acquisition by the Company of Share Options as set out in 8. below, subject to confirmation of compliance with applicable laws and ordinances). In addition, anyone who fails to submit a written undertaking, in the form prescribed by the Company and containing representations and warranties regarding matters such as the fact that he or she satisfies the exercise conditions of the Share Options, indemnity clauses and other covenants, may not exercise the Share Options.

8. Acquisition of Share Options by the Company

At any time on or before the date immediately prior to the commencement date of the exercise period of Share Options, if the Board of Directors deems that it is appropriate for the Company to acquire the Share Options, the Company may, on a day that falls on a date separately determined by the Board of Directors, acquire all of the Share Options for no consideration.

In addition, on a date separately determined by the Board of Directors, the Company may acquire the Share Options that are held by parties other than Non-Qualified Parties and, in exchange, deliver shares of common stock in the Company as consideration in the number equivalent to the Applicable Number of Shares on that acquisition date for each Share Option.

The details of acquisition provisions regarding Share Options will be separately determined in the Gratis Allotment Resolution.

9. Acquisition for No Consideration in Cases such as Cancellation of Triggering of Countermeasures

The Company may acquire all of Share Options for no consideration if the Board of Directors resolves to discontinue or withdraw the countermeasures that had been triggered or in cases separately determined in the Gratis Allotment Resolution.

10. Issuance of Share Options

No certificates of Share Options will be issued.

11. Exercise Period of Share Options, Etc.

The exercise period of Share Options and other necessary matters will be separately determined in the Gratis Allotment Resolution.

¹⁶ An “Affiliated Party” of a given party means a person who substantially controls, is controlled by, or is under common control with such given party (including any party who is deemed to fall under the above by the Board of Directors), or a party deemed by the Board of Directors to act in concert with such given party. “Control” means to “control the determination of the financial and business policies” (as prescribed in Article 3(3) of the Enforcement Regulations of the Corporation Law) of other corporations or entities.

Proposal No. 4 Election of Six Directors

The terms of office of all five Directors will expire at the conclusion of this meeting. Therefore, the Company proposes the election of six Directors, increasing the number of Directors by one to enhance the management system. The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities in the Company, and important concurrent positions outside the Company	Number of the Company's shares owned
1	Keishi Seki (April 6, 1964) Reappointment Tenure as Director 19 years Attendance at meetings of the Board of Directors in the fiscal year under review 19 / 19 (100%)	<p>Apr. 1989 Joined Fuji Bank (currently Mizuho Bank, Ltd.)</p> <p>Oct. 1997 Joined the Company</p> <p>Feb. 2000 President of FUJIMI CORPORATION</p> <p>June 2003 Director and Senior General Manager of New Business Development Division of the Company</p> <p>Apr. 2005 Director and Senior General Manager of CMP Division, Director of CMP Business Unit</p> <p>Apr. 2008 President and CEO</p> <p>Jan. 2013 President and CEO of the Company; and President of FUJIMI KOREA LIMITED</p> <p>Aug. 2013 President and CEO of the Company; President of FUJIMI KOREA LIMITED; and President of FUJIMI TAIWAN LIMITED</p> <p>Apr. 2014 President and CEO, and Senior General Manager of CMP Division of the Company; President of FUJIMI KOREA LIMITED; and President of FUJIMI TAIWAN LIMITED</p> <p>Apr. 2015 President and CEO of the Company; and President of FUJIMI KOREA LIMITED</p> <p>Apr. 2016 President and CEO of the Company</p> <p>Apr. 2020 President and CEO, and Senior General Manager of Finance Division of the Company</p> <p>Apr. 2022 President and CEO, and Senior General Manager of Human Resources & Organization Planning Division of the Company (current position)</p>	448,224 shares
<p>[Reasons for nomination as candidate for Director] Keishi Seki has been involved in the management of the Company and the supervision of its overseas subsidiaries as President and CEO since 2008 after serving as the person in charge of the CMP Division, the New Business Development Division, and overseas subsidiaries. Furthermore, he has worked to strengthen the Group's governance, including supervision of the risk management structure, while also demonstrating strong leadership in multiple aspects, and contributing significantly to expanding earnings and increasing corporate value. He has been nominated to continue as a candidate for Director because he can be expected to continue strengthening the Group's sustainable growth and the functions of the Board of Directors based on his abundant experience and wide knowledge concerning management in general.</p> <p>[Special interest between the candidate and the Company] There is no special interest.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities in the Company, and important concurrent positions outside the Company	Number of the Company's shares owned
2	<p>Toshiki Owaki (December 27, 1960)</p> <p>Reappointment</p> <p>Tenure as Director 10 years</p> <p>Attendance at meetings of the Board of Directors in the fiscal year under review 19 / 19 (100%)</p>	<p>Apr. 1983 Joined the Company</p> <p>Apr. 1999 Seconded to FUJIMI AMERICA INC. (currently FUJIMI CORPORATION)</p> <p>Apr. 2011 Senior General Manager and General Manager of Disk Division of the Company; and President of FUJIMI-MICRO TECHNOLOGY SDN. BHD.</p> <p>June 2012 Director, and Senior General Manager and General Manager of Disk Division of the Company; and President of FUJIMI-MICRO TECHNOLOGY SDN. BHD.</p> <p>Apr. 2014 Director and Senior General Manager of Specialty Materials Division of the Company</p> <p>Apr. 2017 Director and Senior General Manager of Specialty Materials Division of the Company; and President of FUJIMI-MICRO TECHNOLOGY SDN. BHD.</p> <p>Dec. 2020 Director and Senior General Manager of Specialty Materials Division of the Company</p> <p>Apr. 2021 Managing Director and Senior General Manager of Specialty Materials Division of the Company</p> <p>Apr. 2022 Managing Director of the Company (current position)</p>	14,584 shares
<p>[Reasons for nomination as candidate for Director]</p> <p>Toshiki Owaki has demonstrated strong leadership in the Company's technology and R&D fields, including serving for many years as the person in charge of the R&D division of the Disk Business. Subsequently, he has been involved in supervision of the Specialty Materials, Thermal Spray Materials, and Disk Divisions, and in the management of overseas subsidiaries. He has been nominated to continue as a candidate for Director because he can be expected to continue strengthening the Group's sustainable growth and the functions of the Board of Directors based on his abundant experience and achievements.</p> <p>[Special interest between the candidate and the Company]</p> <p>There is no special interest.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities in the Company, and important concurrent positions outside the Company	Number of the Company's shares owned
3	<p>Katsuhiro Suzuki (March 9, 1962)</p> <p>Reappointment</p> <p>Tenure as Director 10 years</p> <p>Attendance at meetings of the Board of Directors in the fiscal year under review 19 / 19 (100%)</p>	<p>Apr. 1984 Joined the Company</p> <p>July 1992 Seconded to FUJIMI AMERICA INC. (currently FUJIMI CORPORATION)</p> <p>Apr. 2005 Director of FUJIMI CORPORATION</p> <p>Apr. 2011 Senior General Manager of Silicon Division</p> <p>June 2012 Director and Senior General Manager of Silicon Division</p> <p>Apr. 2015 Director and Senior General Manager of Silicon Division and CMP Division of the Company; and President of FUJIMI TAIWAN LIMITED</p> <p>Apr. 2016 Director and Senior General Manager of CMP Division of the Company; President of FUJIMI CORPORATION; and President of FUJIMI TAIWAN LIMITED</p> <p>Apr. 2018 Director and Senior General Manager of CMP Division of the Company; Chairman of FUJIMI CORPORATION; and President of FUJIMI TAIWAN LIMITED</p> <p>Apr. 2021 Managing Director and Senior General Manager of CMP Division of the Company; Chairman of FUJIMI CORPORATION; and President of FUJIMI TAIWAN LIMITED (current position)</p>	16,184 shares
<p>[Reasons for nomination as candidate for Director]</p> <p>Katsuhiro Suzuki has demonstrated strong leadership in the Company's production technology field, including serving for many years as the person in charge of the production technology division of an overseas subsidiary. Subsequently, after serving as the person in charge of the sales division in the Silicon Business, he has been involved in supervision of the Silicon and CMP Divisions, etc. and the management of overseas subsidiaries. He has been nominated to continue as a candidate for Director because he can be expected to continue strengthening the Group's sustainable growth and the functions of the Board of Directors based on his abundant experience and achievements.</p> <p>[Special interest between the candidate and the Company]</p> <p>There is no special interest.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities in the Company, and important concurrent positions outside the Company	Number of the Company's shares owned
4	<p>Masami Kawashita (September 3, 1949)</p> <p>Reappointment Outside</p> <p>Tenure as Outside Director 7 years (Tenure as Outside Corporate Auditor: 3 years)</p> <p>Attendance at meetings of the Board of Directors in the fiscal year under review 19 / 19 (100%)</p>	<p>Apr. 1973 Joined NGK Spark Plug Co., Ltd.</p> <p>July 2004 Head of Auto Parts Marketing, China</p> <p>June 2005 Director</p> <p>June 2008 Managing Director</p> <p>Feb. 2009 Senior Managing Director</p> <p>June 2009 Executive Vice President</p> <p>June 2011 Special Adviser</p> <p>June 2012 Adviser</p> <p>June 2012 Outside Corporate Auditor of the Company</p> <p>June 2015 Outside Director (current position)</p>	<p>– shares</p>
<p>[Reasons for nomination as candidate for Outside Director] Masami Kawashita has accumulated abundant knowledge and experience over many years as a manager. After being engaged in promoting business in Malaysia, Indonesia, China, and other countries at NGK Spark Plug Co., Ltd., he has been a Director of NGK Spark Plug Co., Ltd. since 2005 and supervised the management planning, general affairs, and procurement divisions as Executive Vice President. Currently, he actively provides opinions from a manager's perspective in the Board of Directors. He has been nominated to continue as a candidate for Outside Director because he can be expected to continue to offer objective proposals regarding the Company's management and to strengthen the functions of the Board of Directors based on his abundant experience and achievements.</p> <p>[Special interest between the candidate and the Company] There is no special interest.</p> <p>[Independence of the candidate] Transactions between the Company and NGK Spark Plug Co., Ltd. in the past three years account for less than 1% of consolidated net sales, none of which were purchases. There are no personal or capital relationships, or other special interests, and there is deemed to be no detrimental effect on his duty as an Outside Director or his independence.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities in the Company, and important concurrent positions outside the Company	Number of the Company's shares owned
5	<p data-bbox="359 421 518 477">Yoshitsugu Asai (May 16, 1954)</p> <p data-bbox="359 517 518 573">Reappointment Outside</p> <p data-bbox="304 613 572 669">Tenure as Outside Director 5 years</p> <p data-bbox="284 710 593 831">Attendance at meetings of the Board of Directors in the fiscal year under review 19 / 19 (100%)</p>	<p data-bbox="614 264 715 293">Apr. 1977</p> <p data-bbox="614 300 715 329">July 1989</p> <p data-bbox="614 398 715 427">Oct. 2000</p> <p data-bbox="614 465 715 495">June 2004</p> <p data-bbox="614 595 715 624">Apr. 2006</p> <p data-bbox="614 663 715 692">Apr. 2011</p> <p data-bbox="614 761 715 790">Apr. 2016</p> <p data-bbox="614 797 715 826">June 2017</p> <p data-bbox="614 864 715 893">June 2020</p> <p data-bbox="614 931 1139 960">[Important concurrent positions outside the Company]</p> <p data-bbox="614 967 1086 996">Outside Director of ANEST IWATA Corporation</p> <p data-bbox="774 264 1209 913"> Joined Brother Industries, Ltd. Seconded to BROTHER INDUSTRIES (AUST) PTY LTD. Representative Director & President General Manager of General Planning Department of Brother Industries, Ltd. Executive Officer; EVP* of I & D Company and General Manager of Corporate Planning Department *EVP: Executive Vice President Executive Officer, and General Manager of Human Resource Department Managing Executive Officer and General Manager of Legal & General Affairs Department Managing Executive Officer Outside Director of the Company (current position) Outside Director of ANEST IWATA Corporation (current position) </p>	2,228 shares
<p data-bbox="276 987 852 1016">[Reasons for nomination as candidate for Outside Director]</p> <p data-bbox="276 1023 1433 1238">Yoshitsugu Asai has accumulated judgment and insight over many years as a manager. After serving as the person responsible for overseas subsidiaries at Brother Industries Ltd., he has been an Executive Officer at Brother Industries Ltd. since 2004, and supervised the finance, human resource, and CSR divisions as a Managing Executive Officer. Currently, he actively provides opinions from a manager's perspective in the Board of Directors. He has been nominated to continue as a candidate for Outside Director because he can be expected to continue to offer objective proposals regarding the Company's management and to strengthen the functions of the Board of Directors based on his abundant experience and wide knowledge.</p> <p data-bbox="276 1245 841 1274">[Special interest between the candidate and the Company]</p> <p data-bbox="276 1281 544 1310">There is no special interest.</p> <p data-bbox="276 1317 592 1346">[Independence of the candidate]</p> <p data-bbox="276 1352 1433 1426">Transactions and purchases do not exist between the Company and Brother Industries, Ltd. in the past three years. There are no personal or capital relationships, or other special interests, and there is deemed to be no detrimental effect on his duty as an Outside Director or his independence.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities in the Company, and important concurrent positions outside the Company	Number of the Company's shares owned
6	Atsuko Yoshimura (May 6, 1971) New election Outside	<p>Apr. 1995 Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>May 2002 Transferred to NTT Communications Corporation</p> <p>June 2004 Joined JPMorgan Securities Japan Co., Ltd.</p> <p>Mar. 2007 Joined UBS Securities Japan Co., Ltd.</p> <p>Mar. 2015 Joined Goldman Sachs Japan Co., Ltd.</p> <p>Sept. 2020 Managing Director and in charge of Asia Region Strategy of Roquette Japan K.K.</p> <p>Dec. 2021 Representative Director and President, Managing Director and in charge of Asia Region Strategy (current position)</p> <p>[Important concurrent positions outside the Company]</p> <p>Representative Director and President of Roquette Japan K.K.</p>	- shares
<p>[Reasons for nomination as candidate for Outside Director] Atsuko Yoshimura has wide knowledge of corporate M&As, having served for many years in the investment banking division of overseas securities companies. Currently, she is demonstrating her leadership at Roquette Japan K.K., as Representative Director and President and as a manager at The Roquette Group in charge strategy of Asia. She has been nominated as a candidate for Outside Director of the Company because she can be expected to offer objective proposals regarding the Company's management and to strengthen the functions of the Board of Directors based on her broad insight and achievements.</p> <p>[Special interest between the candidate and the Company] There is no special interest.</p> <p>[Independence of the candidate] Transactions and purchases do not exist between the Company and Roquette Japan K.K. in the past three years. There are no personal or capital relationships, or other special interests, and there is deemed to be no detrimental effect on her duty as an Outside Director or her independence.</p>			

- Notes:
- Masami Kawashita, Yoshitsugu Asai and Atsuko Yoshimura are candidates for Outside Directors. Of the candidates for Outside Directors, the Company has submitted notification to the Tokyo Stock Exchange and the Nagoya Stock Exchange that Masami Kawashita and Yoshitsugu Asai has been designated as independent officers. As for Atsuko Yoshimura, the Company plans to submit notification to the Tokyo Stock Exchange and the Nagoya Stock Exchange that she is designated as an independent officer.
 - Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with Masami Kawashita and Yoshitsugu Asai to limit their liability for damages under Article 423, paragraph (1) of the Companies Act. If the reappointment of Masami Kawashita and Yoshitsugu Asai is approved, the Company intends to renew the aforementioned agreement with each of them.
If the election of Atsuko Yoshimura is approved, the Company intends to enter into the same limited liability agreement with her.
An overview of the content of the agreement is as follows.
 - If an Outside Director is found to be liable to the Company for compensation for damages due to failure to perform duties as an Outside Director, liability shall be limited to the amount provided by laws and regulations.
 - The above limitation of liability is only recognized when an Outside Director acts in good faith and without gross negligence concerning the duties causing such liability.
 - The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The scope of the insured in this policy includes all Directors and Corporate Auditors of the Company, and insurance premiums are not borne by the insured.
An overview of the content of the policy is as follows.
 - Litigation expenses and compensation for damage borne by the insured due to company litigation, third-party litigation and shareholder derivative suits are covered.
 - As a measure to prevent impairment of the appropriateness of the execution of duties by the insured, losses caused by the insured through illegal acts, etc. are not covered.
If each candidate is elected and assumes the office as a Director, the Company plans to include them as an insured in this policy.
 - The number of the Company's shares owned includes those acquired through the Stock Ownership schemes.

Proposal No. 5 Election of One Corporate Auditor

At the conclusion of this meeting, the term of office of Corporate Auditor Yoshiaki Fujikawa will expire. Therefore, the Company proposes the election of one Corporate Auditor.

In addition, the consent of the Board of Corporate Auditors has been obtained for this proposal.

The candidate for Corporate Auditor is as follows:

Name (Date of birth)	Career summary, position in the Company, and important concurrent positions outside the Company	Number of the Company's shares owned
<p>Yoshiaki Fujikawa (March 13, 1956)</p> <p>Reappointment</p> <p>Tenure as Corporate Auditor: 8 years</p> <p>Attendance at meetings of the Board of Directors in the fiscal year under review 19 / 19 (100%)</p> <p>Attendance at meetings of the Board of Corporate Auditors in the fiscal year under review 15 / 15 (100%)</p>	<p>Apr. 1980 Joined The Kyowa Bank, Ltd. (currently Resona Bank Ltd.)</p> <p>Mar. 2002 Joined the Company</p> <p>Oct. 2007 General Manager of General Affairs Department</p> <p>Apr. 2008 General Manager of General Affairs Division</p> <p>Apr. 2010 General Manager of General Affairs Department</p> <p>June 2014 Standing Corporate Auditor (current position)</p>	<p>24,500 shares</p>
<p>Reasons for nomination as candidate for Corporate Auditor</p> <p>Yoshiaki Fujikawa has abundant experience and achievements in the Company's general affairs and human resources fields, including supervision of the Group's risk management system as General Manager of the General Affairs Division for many years. Currently, as a Standing Corporate Auditor, he gives advice based on his expert knowledge at the major meetings inside the Company, including the Board of Directors. He has been nominated to continue as a candidate for Corporate Auditor because he is expected to continue to provide his oversight of and useful suggestions about management in general, based on his experience and achievements.</p> <p>[Special interest between the candidate and the Company]</p> <p>There is no special interest.</p>		

Notes: The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The scope of the insured in this policy includes all Directors and Corporate Auditors of the Company, and insurance premiums are not borne by the insured. An overview of the content of the policy is as follows.

- (1) Litigation expenses and compensation for damage borne by the insured due to company litigation, third-party litigation and shareholder derivative suits are covered.
- (2) As a measure to prevent impairment of the appropriateness of the execution of duties by the insured, losses caused by the insured through illegal acts, etc. are not covered.

If Yoshiaki Fujikawa is elected and assumes the office as a Corporate Auditor, the Company plans to include him as an insured in this policy.

Proposal No. 6 Election of One Substitute Corporate Auditor

The Company proposes the election of one Substitute Corporate Auditor to be ready to fill a vacant position should the number of Corporate Auditors fall below the number required by laws and regulations.

The appointment of the Substitute Corporate Auditor is conditional upon the number of Corporate Auditors falling below the number required by laws and regulations, and his term of office shall be until the expiration date of the retiring Corporate Auditor’s term of office. Furthermore, the nomination shall remain in effect until the commencement of the next Annual General Shareholders’ Meeting.

The consent of the Board of Corporate Auditors has been obtained for this proposal.

The candidate for Substitute Corporate Auditor is as follows:

Name (Date of birth)	Career summary, position in the Company, and important concurrent positions outside the Company	Number of the Company’s shares owned
<p>Nobufumi Hayashi (April 12, 1955)</p> <p>Outside</p>	<p>Mar. 1978 Joined Osaka office of Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)</p> <p>Sept. 1981 Joined Marunouchi Accounting and Auditing Firm</p> <p>Mar. 1982 Registered as a Certified Public Accountant</p> <p>Aug. 1995 Partner at Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)</p> <p>Sept. 2014 Left Deloitte Touche Tohmatsu LLC</p> <p>Oct. 2014 Established Nobufumi Hayashi Accounting Office (current position)</p>	<p>– shares</p>
<p>[Reasons for nomination as candidate for Substitute Outside Corporate Auditor] Nobufumi Hayashi is familiar with finance and accounting as a Certified Public Accountant. In addition, as a representative of an accounting office, he possesses insight concerning management in general. He has been nominated to continue to be the Substitute Outside Corporate Auditor, because he is deemed to be able to appropriately execute his duties as an Outside Corporate Auditor based on his experience and achievements.</p> <p>[Special interest between the candidate and the Company] There is no special interest.</p>		

- Notes:
1. Nobufumi Hayashi is a candidate for Substitute Outside Corporate Auditor. If he is appointed as a Corporate Auditor, the Company intends to submit notification to the Tokyo Stock Exchange and the Nagoya Stock Exchange that he is designated as an independent officer.
 2. If Nobufumi Hayashi is appointed as a Corporate Auditor, pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company plans to enter into an agreement with him to limit his liability for damages under Article 423, paragraph (1) of the Companies Act. An overview of the content of the agreement is as follows.
 - (1) If an Outside Corporate Auditor is found to be liable to the Company for compensation for damages due to failure to perform duties as an Outside Corporate Auditor, liability shall be limited to the amount provided by laws and regulations.
 - (2) The above limitation of liability is only recognized when an Outside Corporate Auditor acts in good faith and without gross negligence concerning the duties causing such liability.
 3. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company.
 The scope of the insured in this policy includes all Directors and Corporate Auditors of the Company, and insurance premiums are not borne by the insured. An overview of the content of the policy is as follows.
 - (1) Litigation expenses and compensation for damage borne by the insured due to company litigation, third-party litigation and shareholder derivative suits are covered.
 - (2) As a measure to prevent impairment of the appropriateness of the execution of duties by the insured, losses caused by the insured through illegal acts, etc. are not covered.
 If Nobufumi Hayashi assumes the office as a Corporate Auditor, he will be included as an insured in this policy.

(Reference) Management Structure after Approval of Proposals 4 and 5 (Planned) [Skills Matrix]

Name	Corporate management	Global	Business development	Sales and marketing	Technology and R&D	Manufacturing and quality control	Finance and accounting/M&A	Legal affairs/Risk management	Personnel and human resource development	CSR/ESG
Keishi Seki [Director]	•	•		•			•	•		
Toshiki Owaki [Director]	•	•		•	•	•				
Katsuhiro Suzuki [Director]	•	•		•	•	•				
Masami Kawashita [Director] [Outside]	•	•	•	•			•			
Yoshitsugu Asai [Director] [Outside]	•	•					•		•	•
Atsuko Yoshimura [Director] [Outside]	•	•	•				•			
Yoshiaki Fujikawa [Corporate Auditor]								•	•	
Masahiko Takahashi [Corporate Auditor] [Outside]							•			
Masaru Okano [Corporate Auditor] [Outside]	•		•		•	•			•	

(For reference) Criteria for Independence of Outside Directors

The Company deems that an Outside Director has independence when he/she does not meet any of the following:

1. Relations with the Company
 - (i) A person who is an Officer or an employee of the Company or any of its subsidiaries or affiliates
2. Relations with shareholders
 - (i) A person who is a director, corporate auditor, accounting advisor, operating executive, executive officer (hereinafter an “executive”) or an employee of a company that is a major shareholder (with 10% or more of voting rights) of the Company
 - (ii) A person who was an executive or employee of a major shareholder of the Company in the past five years
 - (iii) An executive or employee of a company of which the Company is a major shareholder
3. Relations with trading partner companies
 - (i) A person for whom the Company or any of its subsidiaries and affiliates was a major trading partner (*1) in the past three years
 - *1 Major trading partner: a partner whose sales to the Company or any of its subsidiaries and affiliates exceeded 1% of (annual) consolidated sales
 - (ii) A person who was a major trading partner (*2) for the Company in the past three years
 - *2 Major trading partner: a partner whose trading with the Company totaled 1% or more of the Company’s (annual) consolidated sales
4. Person with economic interests
 - (i) An incumbent executive or employee of a company that accepts a director or corporate auditor from the Company or any of its subsidiaries and affiliates, or of its parent company or subsidiary
5. Person who provides technical service
 - (i) A certified public accountant or a member, partner or employee of an audit firm that is an accounting auditor or accounting advisor of the Company or any of its subsidiaries and affiliates
 - (ii) A certified public accountant or a member, partner or employee of an audit firm that was an accounting auditor or accounting advisor of the Company or any of its subsidiaries and affiliates and was in charge of audits of the Company or any of its subsidiaries and affiliates in the past three years (including one who has resigned or retired)
 - (iii) A certified public accountant, tax accountant, attorney, or other consultant who does not meet the conditions above and has received a financial profit of ¥10 million or more in cash or others annually on average in the past three years in other ways than compensation to a director from the Company or any of its present subsidiaries
6. Close relative
 - (i) A relative within the second degree of kinship to, or a relative who lives with of an executive director or executive officer of the Company or any of its subsidiaries and affiliates, a major shareholder, a major trading partner, or an executive of a major creditor
 - (ii) A person whose relative within the second degree of kinship or a relative who lives with him/her is an accounting auditor or an employee or partner of an audit firm of the Company or any of its present subsidiaries
 - (iii) A person whose relative within the second degree of kinship or a relative who lives with him/her is an attorney or other consultant who has received a financial profit of ¥10 million or more in cash or others annually on average in the past three years in other ways than compensation to a director from the Company or any of its present subsidiaries
 - (iv) A person who is a relative within the second degree of kinship with, or a relative who lives with of a director, corporate auditor, accounting advisor, operating executive or executive officer of a company that accepts a director or corporate auditor from the Company or any of its subsidiaries or affiliates

Business Report

(From April 1, 2021 to March 31, 2022)

1. Business Progress and Achievement of the Company's Group ("the Group")

(1) Business Activities and Results

In the FY2022 (April 2021 - March 2022), the world outlook became more fragmented due to the continuous tension between the US and China and the Ukraine-Russia conflict, while global economy has been affected by the spread of the novel coronavirus (COVID-19) variant. Consequently, global economic uncertainty increased due to global logistics disruption and the increasing upward pressure on prices led by soaring commodity and energy prices.

However, the global semiconductor market showed strong demand of semiconductor devices used for 5G, data centers, automobiles, industrial machineries and so forth, despite some supply chain constraints.

The consolidated results for this period are shown below.

Consolidated Results for Fiscal Year 2022:	Millions of JPY unless otherwise stated		
	FY2021 ended March 31, 2021	FY2022 ended March 31, 2022	Change YoY
Net Sales	41,956	51,731	23.3%
Operating Profit	7,639	12,059	57.9%
Ordinary Profit	7,709	12,490	62.0%
Profit Attributable to Owners of Parent	5,607	9,156	63.3%

Segment Operating Results by Region

(i) Japan

Net sales in Japan increased by 28.7% to JPY 31,884 million compared with the previous fiscal year. The increase was mainly due to firm demand for products related to semiconductor devices and silicon wafers. Operating profit increased by 45.2% to JPY 10,692 million. The increase was mainly due to sales increase and a favorable product mix.

(ii) North America

Net sales in North America increased by 11.5% to JPY 6,273 million compared with the previous fiscal year. The increase was mainly due to firm demand for products related to semiconductor devices and silicon wafers. Operating profit decreased by 12.6% to JPY 364 million. The decrease was mainly due to soaring materials prices and logistics costs.

(iii) Asia

Net sales in Asia increased by 17.9% to JPY 11,845 million compared with the previous fiscal year. Operating profit increased by 32.1% to JPY 2,709 million. The increases were mainly due to firm demand for CMP products related to advanced logic devices.

(iv) Europe

Net sales in Europe increased by 15.1% to JPY 1,728 million compared with the previous fiscal year. Operating profit increased by 19.4% to JPY 190 million. The increases were mainly due to firm demand for products related to semiconductor devices.

Segment Operating Results by Application

(i) Silicon Wafers

Regarding products for silicon wafers, net sales of lapping abrasive products increased by 35.7% to JPY 6,249 million compared with the previous fiscal year and net sales of polishing slurry products increased by 26.3% to JPY 12,149 million. The increases in net sales of both product lines were mainly due to high production levels in the semiconductor industry.

(ii) Semiconductor Devices

Regarding products for the CMP process of semiconductor devices, net sales increased by 22.6% to JPY 24,571 million compared with the previous fiscal year. The increase in net sales was mainly due to continuous firm demand from both logic and memory devices.

(iii) Hard Disks

Regarding products for hard disks, net sales increased by 1.2% to JPY 1,725 million compared with the previous fiscal year, despite replacement with Solid State Drives (SSDs) and a customer's production termination because of business withdrawal.

(iv) General Industries

Regarding products for general industries, net sales increased by 16.7% to JPY 4,408 million compared with the previous fiscal year. The increase in net sales was mainly due to recovery of demand of products for automobiles and industrial machineries.

(2) Status of Capital Investments

The Group invested JPY 1,814 million during this consolidated fiscal year.

(3) Status of Financing

The Group expended mostly its own funds for investment capital during this consolidated fiscal year.

(4) Status of Consolidated Assets and Operating Results

Millions of JPY unless otherwise stated

Category	67 th Fiscal Year	68 th Fiscal Year	69 th Fiscal Year	70 th Fiscal Year
	Ended	Ended	Ended	Ended
	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Net Sales	37,394	38,408	41,956	51,731
Ordinary Profit	5,637	6,177	7,709	12,490
Profit Attributable to Owners of Parent	4,265	4,270	5,607	9,156
Net Profit per Share (JPY)	173.07	172.98	226.85	370.38
Total Assets	57,848	59,496	65,773	75,684
Net Assets	50,231	52,079	56,088	62,967
Net Assets per Share (JPY)	2,037.96	2,106.74	2,268.87	2,547.00

Notes;

1. For the net income per share calculation, the average number of the common share over the current business year is calculated after deducting treasury share that includes a Board Benefit Trust (BBT) and an Employee Stock Ownership Plan (J-ESOP). (310,715 shares and 393,690 shares for the previous business year and the current business year respectively)
2. For the net assets per share calculation, the total number of issued shares at the end of the current business year is calculated after deducting treasury shares that include a BBT and J-ESOP. (310,500 shares and 549,100 shares for the previous business year end and the current business year end respectively)

(5) Status of Important Subsidiaries

Company Name	Capital	Equity Ownership	Main Business
FUJIMI CORPORATION	USD 330 thousand	100.0%	Manufacture and sales of lapping abrasive and polishing compounds
FUJIMI-MICRO TECHNOLOGY SDN. BHD.	MYR 5 million	100.0%	Manufacture and sales of lapping abrasive and polishing compounds
FUJIMI EUROPE GmbH	EUR 25 thousand	100.0%	Sales of abrasive and polishing compounds
FUJIMI TAIWAN LIMITED	NTD 800 million	100.0%	Manufacture and sales of lapping abrasive and polishing compounds
FUJIMI KOREA LIMITED	KRW 200 million	100.0%	Sales support of abrasive and polishing compounds
FUJIMI SHENZHEN TECHNOLOGY CO., LTD.	CNY 3 million	100.0%	Sales support of abrasive and polishing compounds

(6) Issues to be Addressed

While structural business cycles called “silicon cycles” were seen in the semiconductor market, which has been the main business area of the Company, now it has been said that silicon business cycles have shifted to “super cycles” on which semiconductor demand continues to expand due to a wide range of new products and services becoming available in connection with technological innovation in recent years. Many of silicon wafer manufacturers and semiconductor device manufacturers, who are the Company’s customers, have actively announced and implemented large-scale capital investment plans in order to accommodate such vigorous demand for semiconductors. Furthermore, the customers’ requirements for future generation product development and quality assurance are increasing in line with the progress of semiconductors’ technological innovation.

On the other hand, the Company recognizes risks of intensifying natural disasters and frequent information security incidents (incidents and accidents in information security including cyber-attacks) are increasing and should not be disregarded in the changing business environment. In fact, on February 20, 2022, a cyber-attack through an unauthorized access to the Company’s servers by a third party resulted in a system failure, suspension of some production and shipments, and the disclosure delay of financial results, which caused the inconvenience and concern to the Company’s stakeholders.

Under these circumstances, in view of the expected further demand increase in the semiconductor market in the future, the Company recognizes that activities described below are the essentials to fulfill the

Company's supply chain responsibility and enhance its corporate value.

- (i) To enlarge its supply capabilities with adequate capital investment both in Japan and overseas
- (ii) To enhance its level of research and development and quality assurance in order to meet the increasing level of customers' requirements for future generation products
- (iii) To strengthen its business continuity capabilities in case of emergencies

In particular, with regard to strengthening the business continuity capabilities for a sustainable supply, the Company is committed to address in improvements and expansion of its business continuity plan including reinforce cyber security enhancement.

Furthermore, from the corporate value enhancement perspective over the medium to long term, the Company recognizes that expanding its business domain is necessary with the aim of portfolio stability by without excessive dependence on the semiconductor market.

Consequently, the Company recognizes that activities described below are the essentials to enhance its corporate value.

- (i) To expand the business domain by conducting research and development and by exploring and incubating new businesses from a medium to long term perspective
- (ii) To expand applications in non-semiconductor and non-polishing fields

The details are described in "7. Basic Policy Regarding the Control of the Company, (2) The Measures to Realize the Basic Policy, 2) Measures to Enhance Corporate Value".

(7) Main Business Activities (as of March 31, 2022)

All businesses incidental to manufacturing and sales of lapping abrasive and polishing compounds and related businesses.

(8) Plants and Offices (as of March 31, 2022)

1) The Company

Headquarters	Kiyosu City, Aichi Prefecture
Biwajima Plant	Kiyosu City, Aichi Prefecture
Inazawa Plant	Inazawa City, Aichi Prefecture
Kakamigahara Plant	Kakamigahara City, Gifu Prefecture
Kakamihigashimachi Plant	Kakamigahara City, Gifu Prefecture
R&D Center	Kakamigahara City, Gifu Prefecture
Advanced Technology Research Center	Kakamigahara City, Gifu Prefecture
Logistics Center	Kakamigahara City, Gifu Prefecture
Tokyo Office	Chiyoda-ku, Tokyo
Shanghai Office	Shanghai, China

2) Consolidated Subsidiary

(i) FUJIMI CORPORATION	U.S.A
(ii) FUJIMI-MICRO TECHNOLOGY SDN. BHD.	Malaysia
(iii) FUJIMI EUROPE GmbH	Germany
(iv) FUJIMI TAIWAN LIMITED	Taiwan
(v) FUJIMI KOREA LIMITED	Korea
(vi) FUJIMI SHENZHEN TECHNOLOGY CO., LTD.	China

(9) Status of Employees (as of March 31, 2022)

1) Employees of the Group

Region	Number of Employees	Increase (Decrease) from the Previous Business Year-End
JAPAN	626	Increased by 22
North America	118	Increased by 1
Asia	165	decreased by 1
Europe	4	decreased by 1
Administrations	67	Increased by 1
Total	980	Increased by 22

Notes; The number of employees does not include temporary workers.

2) Employees of the Company

Number of Employees in the Current Business Year	Increase (Decrease) from the Previous Business Year-End	Average Age	Average Service Years
693	Increased by 23	42.5 years old	14.1 years

Notes; The number of employees does not include temporary workers.

2. Status of the Company's Shares (as of March 31, 2022)

(1) Total Number of Authorized Shares: 120,000,000

(2) Total Number of Issued Shares: 28,699,500

(3) Number of Shareholders: 7,036

(4) Leading Shareholders (Top 10)

Name of Shareholder	Number of Shares Owned (Thousands of Shares)	Shareholding Ratio (%)
Koma Co.,Ltd.	4,460	17.6
The Master Trust Bank of Japan, Ltd.(Trust Account)	2,807	11.1
GOLDMAN, SACHS & CO. REG	1,143	4.5
Custody Bank of Japan, Ltd. (Trust Account)	1,137	4.5
JAPAN POST INSURANCE Co., Ltd.	875	3.4
MUFG Bank, Ltd.	728	2.8
Fujimi Suppliers' Stock Ownership Program	676	2.6
Nippon Life Insurance Co.	639	2.5
The Koshiyama Science and Technology Foundation	600	2.3
Custody Bank of Japan, Ltd. (Trust E Account)	549	2.1

Notes;

1. The shareholding ratio is calculated by excluding the number of shares of treasury shares (3,428,190 shares).
2. It is stated in a statement of large-volume holdings that became available for public inspection on March 23, 2022 that Mizuho Bank, Ltd. and its three joint holders own the numbers of shares in the Company stated below as of March 15, 2022. However, the Company has not confirmed the numbers of shares substantially held by those parties as of March 31, 2022, and thus they are not included in the major shareholders described above.

The details of the statement of large-volume holdings are as follows.

Name of Shareholder	Number of shares owned (Thousands of Shares)	Shareholding Ratio (%)
Mizuho Bank. Ltd.	88	0.31
Mizuho Securities Co., Ltd.	29	0.10
Mizuho Trust & Banking Co., Ltd.	549	1.91
Asset Management One Co., Ltd.	814	2.84

(5) Status of Shares Granted as Consideration for the Execution of Duties to the Directors and the Corporate Auditors in the Current Business Year

	Number of Shares	Number of Recipients
Directors (excluding Outside Directors)	1,400	1

Notes;

1. The details of the Company's share compensation are described in "4 (3) Amount of Remuneration for the Directors and the Corporate Auditors".
2. The above are shares of the Board Benefit Trust (BBT) granted to the Director who retired during the current business year. To other Directors (excluding Outside Directors), no shares have been granted, while points based on the regulations on share compensation are granted.

(6) Other Matters regarding the Company's Shares

None

3. Share Acquisition Rights Issued by the Company

None

4. The Officers of the Company

(1) Status of the Directors and the Corporate Auditors (as of March 31, 2022)

Position	Name	Responsibilities in the Company and Important Concurrent Positions
President and CEO	Keishi Seki	Senior General Manager of Finance Division of the Company
Managing Director	Toshiki Owaki	Senior General Manager of Specialty Materials Division of the Company
Managing Director	Katsuhiko Suzuki	Senior General Manager of CMP Division of the Company, Chairman of FUJIMI CORPORATION and President of FUJIMI TAIWAN LIMITED
Director	Masami Kawashita	
Director	Yoshitsugu Asai	Outside Director of ANEST IWATA Corporation
Standing Corporate Auditor	Yoshiaki Fujikawa	
Corporate Auditor	Masahiko Takahashi	Director of the Masahiko Takahashi Certified Public Accountant and Tax Accountant Office
Corporate Auditor	Masaru Okano	

Notes;

1. The Company has an agreement with the Outside Directors Masami Kawashita and Yoshitsugu Asai, and the Outside Corporate Auditors Masahiko Takahashi and Masaru Okano, pursuant to Paragraph 1, Article 427 of the Corporations Law, to limit the amount of the liability for damages stipulated in Paragraph 1, Article 423 of said law to the amount set forth in the applicable law.

The content of the agreement is as follows;

- 1) If an Outside Director is found to be liable to the Company for compensation for damages due to failure to perform duties as an Outside Director, liability shall be limited to the amount provided by laws and regulations.
 - 2) The above limitation of liability is only recognized when the Outside Director acts in good faith and without gross negligence concerning the duties causing such liability.
2. Masami Kawashita and Yoshitsugu Asai are the Outside Directors and the Company has submitted notification to the Tokyo Stock Exchange and the Nagoya Stock Exchange that they have been designated as Independent Officers.
 3. Masahiko Takahashi and Masaru Okano are the Outside Corporate Auditors and the Company has submitted notification to the Tokyo Stock Exchange and the Nagoya Stock Exchange that they have been designated as Independent Officers.
 4. Masahiko Takahashi, the Outside Corporate Auditor, is licensed as a Certified Public Accountant and Certified Public Tax Accountant, and brings with him a considerable degree of knowledge and experience in the fields of finance and accounting.

5. The Company decided to change the Directors' responsibilities and important concurrent positions from April 1, 2022 as follows at its Board of Directors meeting held on February 2, 2022.

Name	Before the Change	After the Change
Keishi Seki	President and CEO Senior General Manager of Finance Division of the Company	President and CEO Senior General Manager of Human Resources & Organization Planning Division of the Company
Toshiki Owaki	Managing Director and Senior General Manager of Specialty Materials Division of the Company	Managing Director

(2) The Content of a Directors and Officers Liability Insurance Policy

The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The scope of the insured in this policy includes all Directors and Corporate Auditors of the Company, and insurance premiums are not borne by the insured. An overview of the content of the policy is as follows.

- Litigation expenses and compensation for damage borne by the insured due to company litigation, third-party litigation and shareholder derivative suits are covered.
- As a measure to prevent impairment of the appropriateness of the execution of duties by the insured, losses caused by the insured through illegal acts, etc. are not covered.

(3) Remuneration to the Directors and the Corporate Auditors

1) Policy regarding the Determination of Remuneration for the Directors

The Board of Directors has resolved the policy regarding the determination of remuneration for each of the Directors. The Board of Directors considers that the method of determining remuneration and the determined remuneration for each of the Directors for the current business year are in accordance with the policy regarding the determination of remuneration by confirming a report of the Advisory Board and that the method of determining remuneration and the determined remuneration are consistent with the policy.

The policy regarding the determination of remuneration for the Directors is as follows;

i) Basic Policy

The system of remuneration for the Directors is linked to shareholders' profits and business performance so as to function as an incentive to continuously improve the corporate value. The remuneration for each the Directors is determined at an appropriate

level based on the individual responsibilities.

ii) Types and Composition of Remuneration for the Directors

The remuneration for the Directors consists of the followings.

- Monthly remuneration
- Business performance-based remuneration including the executive bonuses as a short-term business performance-based remuneration and the Board Benefit Trust (BBT) as a long-term business performance-based remuneration

iii) Policy regarding the Determination of the Amount of the Monthly Remuneration

The monthly remuneration for the Directors is determined through the deliberation at the Board of Directors meeting after the Annual General Shareholders' Meeting based on the individual positions and responsibilities. The proposal of monthly remuneration for the President, the Directors and the Outside Directors is submitted to the above-mentioned Board of Directors after being deliberated by the Advisory Board, which is chaired by the President and consists of the Senior Directors and the Outside Directors.

iv) Policy regarding the Determination of the Calculation Method of the Business Performance-based Remuneration (Executive Bonuses and Share Compensation)

The business performance-based remuneration for the Directors consists of executive bonuses and share compensation.

The executive bonuses for the Directors is determined after the deliberation by the Board of Directors in consideration of the individual positions and responsibilities with the following calculation method, and is paid annually after the Annual General Shareholders' Meeting.

The calculation method of the executive bonuses is as follows;

- The total payment amount is calculated by multiplying the estimated profit attributable to owners of the parent company by a certain coefficient.
- The upper limit of the individual Directors' bonuses is set according to the position.

The upper limit of the total remuneration for the monthly remuneration and the executive bonuses is JPY 480 million per annum (excluding salaries as employees) pursuant to the resolution at the 54th Annual General Shareholders' Meeting held on June 23, 2006

The share compensation is granted in accordance with the regulations on share compensation as follows;

- The points are granted to each the Directors in consideration of the individual positions and the achievement levels for business performance.
- The retired Directors who have the beneficiary rights are granted the Company's shares equivalent to their accumulated points granted by the time of retirement.

The number of points to be granted for the share compensation is separated from the upper limit of the total amount of remuneration for the monthly remuneration and the executive bonuses, is less than or equal

to the upper limit of the number of the shares pursuant to the resolution at the 65th Annual General Shareholders' Meeting held on June 23, 2017, and is calculated based on the position points and the achievement rate of performance indicators selected in advance from the targets set in the Medium & Long-Term Business Plan.

v) Policy regarding the Determination of the Amount and the Proportion of the Monthly Remuneration and the Business Performance-based Remuneration

The monthly remuneration and the executive bonuses for the Directors are structured so that the proportion of business performance-based remuneration increases for the higher-ranking Directors, benchmarking the remuneration levels of the corporations being the same business scale and belonging to the related-industry as the Company.

2) Total Amount of Remuneration in the Current Business Year

Category	Total Amount of Remuneration (Millions of JPY)	Amount of Remuneration by Type (Millions of JPY)					Number of Recipients
		Monthly Remuneration	Share Options	Executive Bonuses	Retirement Benefits	Share Compensation ⁱⁱⁱ⁾	
Directors ⁱ⁾	154	101	-	30	-	23	4
Corporate Auditors ⁱⁱ⁾	18	18	-	-	-	-	1
Outside Officers	33	33	-	-	-	-	4

Notes;

i) Excluding the Outside Directors

ii) Excluding the Outside Corporate Auditors

iii) The total amount of share compensation is the amount of provision for the share compensation during the current business year based on the Board Benefit Trust (BBT) introduced by the resolution of the 65th Annual General Shareholders' Meeting. The conditions for the grant of share compensation is described in above "4. (3) iv) Policy regarding the Determination of the Calculation Method of the Business Performance-based Remuneration (Executive Bonuses and Share Compensation)"

iv) The above table includes a Director who retired at the conclusion of the 69th Annual General Shareholders' Meeting held on June 24, 2021.

v) The performance indicator for the Directors' bonuses is the estimated profit attributable to owners of the parent company, and the reason for choosing this indicator is that it is an indicator that clearly shows the final profit of corporate activities for the full year.

vi) The amount of monetary compensation and the number of points granted for the share

compensation for the Directors are described in above “4. (3) iv) Policy regarding the Determination of the Calculation Method of the Business Performance-based Remuneration (Executive Bonuses and Share Compensation)” The number of Directors was seven at the conclusion of the Annual General Shareholders’ Meeting relating to the resolution regarding the amount of monetary compensation for the Directors. The number of Directors was five at the conclusion of the Annual General Shareholders’ Meeting relating to the resolution regarding the number of points granted for share compensation for the Directors.

- vii) The upper limit of the total remuneration for all the Corporate Auditors is JPY 60 million per annum pursuant to the resolution at the Annual General Shareholders' Meeting held on June 23, 2006. The number of the Corporate Auditors was four at the conclusion of the Annual General Shareholders’ Meeting relating to the above-mentioned resolution.

3) Important Employee Salaries for the Officers Concurrently Serving as Employees

Total Amount (Millions of JPY)	Number of Recipients	Description
8	2	The total amount consists of the salaries and bonuses as employees for the Officers concurrently serving as employees.

(4) Matters regarding the Outside Officers

- 1) The important Concurrent Positions of the Outside Officers in Other Corporations and the Relationship between the Company and the Other Corporations Concerned

The status of important concurrent positions of Outside Directors is described in "4. The Officers of the Company (1) Status of the Directors and the Corporate Auditors". There is no special relationship between the Company and the other corporations concerned.

2) Main Activities during the Current Business Year

Category	Name	Main Activities
Director	Masami Kawashita	Having attended all 19 Board of Directors meetings held in the current business year, Masami Kawashita makes statements based on his long experience and extensive knowledge in management at other corporations. He also makes proposals from an objective perspective to the management of the Company and contributes to enhancement of the Board of Directors meeting, including suggestions at the Advisory Board about the nomination and remuneration matter of Directors of the Company based on his extensive knowledge.
Director	Yoshitsugu Asai	Having attended all 19 Board of Directors meetings held in the current business year, Yoshitsugu Asai makes statements based on his extensive knowledge by his experience of important positions such as executive officers at other corporations. He also makes proposals from an objective perspective to the management of the Company and contributes to enhancement of the Board of Directors meeting, including suggestions at the Advisory Board about the nomination and remuneration matter of Directors of the Company based on his extensive knowledge.
Corporate Auditor	Masahiko Takahashi	Having attended all 19 Board of Directors meetings and all 15 Board of Corporate Auditors meetings held in the current business year, Masahiko Takahashi supervises and provides effective advice on overall management as the Outside Corporate Auditor, such as making statements based on his professional knowledge as a Certified Public Accountant and a Certified Public Tax Accountant.
Corporate Auditor	Masaru Okano	Having attended all 19 Board of Directors meetings and all 15 Board of Corporate Auditors meetings held in the current business year, Masaru Okano properly performs the duties as the Outside Corporate Auditor, such as making statements based on his long experience and extensive knowledge in management at other corporations.

5. Accounting Auditor

(1) Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

(2) Amount of Compensation

Category	Total amount of payments
Total amount of compensation and other payments for the current business year	JPY 39 million
Total amount of monies and other property benefits payable by the Group to the Accounting Auditor	JPY 39 million

Notes;

1. It is not possible to make a reasonable differentiation between audit compensation based on the Companies Act and that based on the Financial Instruments and Exchange Act. Therefore, the aggregate amount is shown.
2. Upon obtaining necessary documents and receiving reports from the Accounting Auditor, the Board of Corporate Auditors consented to Article 399, Paragraph 1 of the Companies Act by verifying and examining the contents of the audit plan, the status of implementation of duties and the basis for calculation of compensation for the previous years and the current business year, and consequently determining that they were all reasonable.
3. The Company's subsidiaries of FUJIMI CORPORATION, FUJIMI-MICRO TECHNOLOGY SDN. BHD., FUJIMI EUROPE GmbH and FUJIMI TAIWAN LIMITED, are audited by Accounting Auditors other than that of the Company.

(3) Details of Non-Audit Services that Involves the Consideration of the Accounting Auditor for the Company
None

(4) Policy for Decisions regarding the Dismissal or Non-Reappointment of Accounting Auditors

When the Accounting Auditor falls under any of the items stipulated in Article 340, Paragraph 1 of the Companies Act, the Board of Corporate Auditors dismisses the Accounting Auditor based on the consent of all Corporate Auditors.

The Board of Corporate Auditors decides the content of a proposal for dismissal or non-reappointment of the Accounting Auditor, which is to be submitted to a General Shareholders' Meeting, if the Board of Corporate Auditors determines that there is a problem with the eligibility, independence or credibility of the Accounting Auditor.

In addition to the above, the Board of Directors requests the Board of Corporate Auditors to submit a proposal for dismissal or non-reappointment of the Accounting Auditor to a General Shareholders' Meeting, if the Board of Directors determines that there is a problem with the eligibility, independence or credibility

of the Accounting Auditor. The Board of Corporate Auditors decides the content of the proposal to be submitted to a General Shareholders' Meeting after judging its suitability.

6. System to Ensure the Suitability of Business

The items approved by the Board of Directors as the Company's basic policy regarding the establishment of system to ensure the suitability business (Basic policy regarding the development of internal control systems) are as follows.

(Last revised: April 1, 2021)

(1) System to Ensure that the Execution of Duties by Directors and Employees is in accordance with all Laws and the Articles of Incorporation:

- 1) The Company establishes a Code of Ethics as a model for all Directors and Employees for behavior under laws and other items specified in the Articles of Incorporation.
- 2) The Company works towards common knowledge and awareness of the Code of Ethics.
- 3) The Compliance Department controls compliance with the Code of Ethics across the Company.
- 4) The Internal Audit Department and the Legal Department inspect adherence to the Code of Ethics and report their findings to the Board of Directors and the Auditing Committee
- 5) The Company maintains and operates an internal reporting and whistleblowing system to prevent violations of its Code of Ethics.

(2) Storage and Preservation of Information for Duties Performed by Directors:

In accordance with laws and internal regulations, the company records, stores and preserves documents and related materials concerning the performance of duties performed by directors. The Company's Auditors have access to these documents at all times.

(3) System of Risk Management Regulations and Others:

- 1) The Company's Risk Management Committee identifies the risks associated with carrying out the Company's business, nominates responsible department to deal with the risks, and takes comprehensive measures to avoid the risks in accordance with the Company's risk management policies,
- 2) The Office of the President comprehensively manages all risks of the Group comprised of the Company and all of the Subsidiaries.
- 3) The Internal Auditing Department reviews risk management of each department, and reports its findings to the Board of Directors and the Auditing Committee.

(4) System to Ensure the Efficient Execution of the Duties of Directors:

The Company shall ensure the efficient execution of the duties of directors through the following measures:

- 1) A meeting of the Board of Directors is held on a regular basis once a month to decide important issues and supervise execution of the duties of the Directors.
 - 2) Management meeting which is comprised of Directors and senior General Managers is held to ensure flexible decision making.
 - 3) The Directors design the Medium to Long-term Plan and Annual Plan for the Company as well as set the strategic goals and measures for each business area. The progress of these plans for each business area is reported to the Board of Directors.
- (5) System to Maintain the Adequacy of Operations of the Group Companies Comprised of the Company and its Subsidiaries (“the Group” hereunder):
- 1) The Company establishes system to ensure that each Subsidiary prepares its rules and regulations for compliance with the Code of Ethics and laws, and that the Directors, Employees and Others of the each subsidiary acts in compliance with laws and the Articles of Incorporation.
 - 2) The Company establishes system to ensure that each Subsidiary prepares rules and regulations for decision-making and other organizational matters and that the Directors, Employees and Others of the each subsidiary performs efficient business operations.
 - 3) The Company obliges each Subsidiary to regularly report important management information.
 - 4) The Compliance Department manages the Group's internal control system as a whole.
 - 5) The Compliance Department takes measures to ensure that each subsidiary enhances effectiveness of internal control systems, and provides the guidance and support needed.
 - 6) The Internal Audit Department performs internal audits of the Company and each Subsidiary, and regularly reports its findings to the Board of Directors and the Auditing Committee.
- (6) Matter regarding Employee and Other Assisting Auditors, and Matters to Assure its Independence from the Directors and to Assure Effectiveness of its Operation:
- 1) The Company Auditors are able to request the assistance of employees and others in carrying out the auditing function. The nomination, transfer, or dismissal of the Employee requires approval of the Company Auditors.
 - 2) In principle, Employees and Others who assist the Board of Company’s Auditors should not concurrently serve as Employee and other of other departments and shall follow the Directions and instructions by the Company Auditors. And, even if dedicated Employees, etc. cannot be allocated due to a legitimate reason such as duty-related matters, Employees or Others who are assigned to assist the Company Auditors in performing their duties shall prioritize their directions and instructions by the Company Auditors over other matters.
- (7) System of Reporting to the Company Auditors by the Directors and Employees of the Company and each Subsidiary and Other Reporting System for the Company Auditors:
- 1) The Board of Directors, Employees, and others of the Company and each Subsidiary, in accordance

with internal rules, shall report the following matters to the Company Auditors.

- (i) Items they are concerned could have a significant impact on the Company or its related Subsidiaries
- (ii) Substantial violations of laws or the Articles of Incorporation
- (iii) The status of internal audits
- (iv) The status of internal reporting and whistleblowing under the Code of Ethics
- (v) The status of other important business operations

2) The Company does not unreasonably treat those who made the aforementioned reports just because of that reason.

(8) System to Ensure Effective Audit by the Company Auditors:

1) The Company Auditor will perform the following tasks:

- (i) Attend the Board of Directors meeting and other internal meetings deemed required to attend
- (ii) Read approval documents and legal contracts that are important for business operations.
- (iii) Interview the Directors and Employees about business operations
- (iv) Periodically exchange opinions with the President
- (v) Receive reports from the independent auditor on accounting audit matters and exchange opinions

2) The Company shall bear costs necessary for the execution of the duties of the Company's Auditors.

(9) Basic Policy Against Anti-Social Forces:

The Company establishes the internal regulations with regards to anti-social forces and acts based on the following fundamental principles.

- (i) Institutional response
- (ii) Cooperation with outside professional organizations
- (iii) Ban on any relations, including transactions
- (iv) Legal responses, both civil and criminal, in the event of an emergency
- (v) Prohibition of engagement in secret transactions and provision of funds

7. Basic Policy regarding the Control of the Company

Basic Policy regarding the control of the Company is described as follows;

(1) Contents of Basic Policy

The Company believes that the persons who control decisions on the Company's financial and business policies need to be the ones who fully understand the specifics of the Company's financial and business affairs and the source of the corporate value of the Company and will make it possible to continually and persistently ensure and enhance the corporate value of the Company and, in turn, the common interests of

its shareholders.

The Company believes that because shares in the Company are listed on a stock exchange, they should be freely traded in capital markets. The Company therefore does not adopt a general rule of rejecting any acts of large-scale acquisition of the share certificates, etc. of the Company (It is defined in 3.2) below. The same shall apply hereinafter.) and it believes that a decision on which persons should control the Company's financial and business policies should ultimately be made based on the discretion of its shareholders. In addition, when an act of large-scale acquisition of the share certificates, etc. of the Company is proposed, the Company will not reject that proposal if it will contribute to the corporate value of the Company and, in turn, the common interests of its shareholders.

However, there are some acts of large-scale acquisition of share certificates, etc. that benefit neither the corporate value of the target company or, in turn, the common interests of its shareholders including (i) those with a purpose that would obviously harm the corporate value of the target company and, in turn, the common interests of its shareholders, (ii) those with the potential to substantially coerce shareholders into selling their shares without providing sufficient time or information, and (iii) those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the details of the act of large-scale acquisition or for the target company's board of directors to make an alternative proposal or take other actions.

Also, the status of the major shareholders of the Company as of March 31, 2022 is described in 2. Status of the Company's Shares and certain officers of the Company and their relatives and related parties (the "Company's Officers, Etc.") hold some of the issued shares in the Company. The Company is a listed company, so the Company cannot deny the possibility that the shareholding ratios of the Company's Officers, Etc. may decrease due to a transfer or other disposition of the shares by the Company's Officers, Etc. for their own reasons or personnel relocation or other changes in the status of officers. In addition, it is considered an option for the Company to procure, in capital markets, funds necessary for the education of personnel and investment to facilities which constitute the bases of the Company's business, that have been the focus of the Company's measures, as well as investment, etc. in new and growing businesses that lead to the expansion of business over the medium to long term, increase internal capital adequacy, and business and capital alliances and other relationships with other companies, and, if the Company procures funds in such way, it is possible that the current shareholding ratios of the Company's Officers, Etc. may decrease.

The Company believes that, if it is not possible to manage the Company based on a full understanding of the source of the Company's corporate value and with a view to securing such source over the medium to long term and organically combining the Company's intangible managerial resources, such as technologies and expertise that have been cultivated through its long history, with markets, and thereby increasing the corporate value, it is not possible to gain trust from stakeholders, and, accordingly, such management would be contrary to the corporate value of the Company and, in turn, the common interests of its shareholders.

The Company therefore believes that a person who conducts an act of large-scale acquisition that is

likely to be contrary to the corporate value of the Company and, in turn, the common interests of its shareholders, through an act of large-scale acquisition of, or a similar act in respect of, the shares certificates, etc. of the Company without understanding of the source of the corporate value of the Company as described above or in a way that does not intend to manage the Company with a view to securing the source over the medium to long term and increasing the corporate value of the Company, is inappropriate as a person who will control decisions on the Company's financial and business policies, and necessary and reasonable countermeasures must be taken against such act of large-scale acquisition by such person so that the corporate value of the Company and, in turn, the common interests of its shareholders are ensured.

(2) The Measures to Realize the Basic Policy

1) The Source of the Company's Corporate Value

Drawing on the know-how and R&D capabilities the Company has accumulated since its founding, the Company has developed numerous products essential for leading-edge industries with high-precision polishing needs, including mirror polishing of semiconductor substrates like silicon wafers, CMP (chemical mechanical planarization) required for the multilayer wiring of semiconductor chips, and hard disk polishing. In particular, the Company holds the top global market share for high-precision abrasives for semiconductor substrates, a core business area, and the Company maintains its market superiority as the leading name in synthetic precision abrasives.

For many years, the Company has continued to meet the needs of its customers in the field of high-precision polishing and has endeavored to advance and build up its development and manufacturing technologies. In the course of doing so, the Company has developed relationships of trust with its customers and established three core technologies: filtration, classification, and refinement technologies, powder technologies, and chemical technologies. Filtration, classification, and refinement technologies are technologies for controlling the particle size distribution of abrasive grains and removing large particles and impurities that negatively affect the quality of the polished object; powder technologies are technologies for controlling the shape of particles and achieving granulation by equally mixing different particles; and chemical technologies are technologies for appropriately selecting additives that exhibit dispersion, dissolution, and surface protection effects that contribute to improving the function of the abrasive.

The Company's slogan, "Polishing our technologies and bringing people together," means contributing to better product manufacturing through cutting-edge technologies, connecting people, and providing people with a rich lifestyle; product manufacturing that respects people and considers the global environment is at the root of the Company's manufacturing approach. The Company has developed its competitiveness through this manufacturing approach and through its corporate culture wherein each employee boldly takes on the challenge of addressing new developments.

The Company believes that the source of its corporate value lies in these strong technological and development capabilities that are tied to manufacturing sites, in its relationships of trust with customers cultivated over many years, and in its corporate culture with healthy and close labor-management relations. To lead technological innovation and expand results moving forward, the Company believes it is important

to further increase the level of trust with customers and increase employee morale, and the Company will strive as a group to continue enhancing corporate value under these policies.

2) Measures to Enhance Corporate Value

Under the Medium & Long Term Business Plan, which was formulated in November 2016 and ended in March 2022, the Company has set its Medium & Long Term Corporate Vision as “The Company supports your forward-looking ideas and challenges” and promoted activities with the intent of striving towards being a company that is “Strong, Kind and Exciting,” as stated in its Corporate Cultural Vision.

While the Company has set certain quantitative targets, namely consolidated sales of 60 billion yen, a consolidated operating profit margin of 15%, and a consolidated sales distribution ratio for new businesses of 25%, the consolidated operating profit margin exceeded the target, marking 23.3%, due to sales of highly-profitable products for advanced semiconductors that were well above the Company’s expectations. Although semiconductor-related sales increased, in new business areas, the Company was unable to increase sales as much as the Company had aimed for and the targets were not achieved mainly because of the shrinking need for polishing due to changes in the manufacturing process and the time required for introduction of developed products in other new development areas, resulting in consolidated sales of 51.7 billion yen and a consolidated sales distribution ratio for new businesses of 1.8%.

While structural economic cycles called “silicon cycles” have been seen in the semiconductor market, which has been the main business area of the Company, it has been said that silicon cycles have shifted to “super cycles” which continue to expand as there is a sharp increase in demand for semiconductors due to a wide range of new products and services becoming available in connection with technological innovation in recent years. Many of the Company’s customers, manufacturers of silicon wafers and semiconductor devices, have actively announced and implemented large-scale capital investment plans in order to accommodate such vigorous demand for semiconductors.

Under these circumstances, in light of the fact that a further increase in demand is expected in the future, the Company is developing a framework in order to proceed with adequate capital investment both in Japan and overseas so that the Company is able to perform its responsibility as suppliers.

In Japan, in the Kakamigahara area, where the Company’s development and production bases are concentrated, the Company is planning to construct a new development base and facilities for trial manufacture on the land that the Company has acquired, and the Company has also started a project to construct a new plant for products for CMP and silicon wafers on the land that the Company will acquire under a land purchase agreement signed in December 2021, aiming for the commencement of operations within a few years. Overseas, also aiming for the commencement of operation within a few years, the Company has expanded production lines in Taiwan, which holds the top global market share in contract semiconductor manufacturing, in a building that has been extended in anticipation of increasing demand, and in the United States, which has been starting to make a comeback in the semiconductor industry, the Company plans to newly construct buildings and install equipment on its premises. Meanwhile, the Company has pushed forward with a variety of measures in new business areas, including the establishment

of the New Business Division, the Advanced Technology Research Center, and a corporate venture capital (CVC) fund, for the “powder and surface” field that the Company established as a business domain that is targeted as the direction of its growth.

Specifically, the New Business Division released compounds for automobile exteriors that are capable of offering both high processing speed and finely finished surface, the Advanced Technology Research Center developed ceramic composite materials for the aircraft industry that are lightweight and have high thermal resistance, as well as bright-white titanium oxide materials with a low aspect ratio that are expected to be used in products such as cosmetics, and the CVC fund invested in next-generation power semiconductor venture companies.

Further, in April 2022, the Company newly established the Polishing Solutions Field, Advanced Powder Field, and the Semiconductor Field with a view to further strengthening its framework for business promotion in accordance with each business purpose and environment. Also, in order to commercialize development outcomes in the “powder and surface” domain in a more flexible matter, the Company conducted reorganization of several businesses (research centers), such as integrating the Specialty Materials Division and the Advanced Technology Division to become the Advanced Technology & Specialty Materials Division, and transferring polishing-related businesses, etc. under the control of the Specialty Materials Division to the New Business Division, which was established as the Polishing Solutions Division.

Society’s expectations and demands for corporate measures addressing environmental and social issues are increasing as global initiatives for building a sustainable society have accelerated in recent years. The Company has long been committed to supporting employees in balancing work and parenting and promoting women’s career activities, and in the last fiscal year the Company also started activities for growing forests that protect water, and environmental protection and reforestation in water source areas under the theme of “water offset,” which incorporates the meaning of “returning used water back to nature,” given that the Company uses a large amount of groundwater in its product manufacturing activities. Further, the Company established the ESG Department in April 2022 in order to seek to further promote ESG measures, such as addressing issues related to ESG and activities for social contribution.

Together with its investment in growth areas, new businesses, and ESG, the Company will work to provide returns to shareholders by maintaining its target consolidated dividend payout ratio of 50% or more, while bearing in mind to pay stable dividends, and will strive to sustainably increase its corporate value.

Specific measures for each business, etc. are as follows.

Silicon Business

In this business, the Company researches, develops, manufactures and sells abrasives that are used in the high-precision polishing process in which silicon wafers, which become semiconductor substrates, are flattened and mirror polished. The Company offers high-quality products and services by which a total solution for every step of the process from cutting to polish finishing can be achieved. The Company aims

to become its customers' "most trusted partner" by continuing to provide highly distinctive new products supported by new technologies so that the Company can satisfy the increasingly sophisticated requirements of its customers. In addition, the Company is focusing on the development of products for power device substrates, which have received increasing attention in recent years with the spread of electric vehicles and hybrid vehicles, and have put some of these products on the market.

CMP (Chemical Mechanical Planarization) Business

In this business, the Company researches, develops, manufactures and sells abrasives that are used in the manufacturing process of semiconductor devices. Types of films to be polished and the manufacturing process of semiconductor devices for which CMP is used are increasing as they have become more highly-functional and highly-integrated products with higher density. The Company has established manufacturing and development bases in Japan, the United States, and Taiwan, which are located near the manufacturing and development bases of its customers, thereby building closer relationships with customers and developing new products in accordance with customers' roadmaps.

Hard Disk Business

In this business, the Company manufactures and sells abrasives that are used in the manufacturing process of disk substrates for hard disk drives, which are storage media for digital data. The Company has a manufacturing base in Malaysia, in which its customers' production bases are concentrated, and the Company has built relationships of trust with its customers by allocating technical staff and providing technical support in the region. With increasing demand for hard disks for data centers due to anticipated increase in data capacity that is transmitted and received via cloud service or 5G, the Company endeavors to expand the areas of basic development in order to grasp customers' requirements for next-generation disk substrates at an early stage, thereby promptly providing new products that meet customers' requirements.

Thermal Spray Materials Business

In this business, the Company mainly researches, develops, manufactures and sells thermal spray materials such as cermets and ceramics for thermal spray applications, which is environmental-friendly surface processing, in order to meet the demand for longer product life and higher product functions of machinery and components in a variety of industries including semiconductors, aircraft, and iron and steel. The Company aims to increase sales by developing new markets through further reinforcing its unique powder granulation technologies, promptly offering solutions, and focusing on developing ultrahard materials, etc. for 3D printers.

Polishing Solutions Business

In this business, the Company researches, develops, manufactures and sells abrasives and other products for a wide variety of materials (such as metal, resin, ceramic, and composite materials) and shapes

(two-dimensional and three-dimensional) for various applications. The Company has enhanced unified management by changing the name of the former New Business Division and integrating this business with polishing-related businesses, etc. that have been spun-off from the former Specialty Materials Division to become an independent division. The Company will continue to serve new surfacing requests of customers from various industries across the globe by not only supplying abrasives but also providing a wide range of polishing methods depending on the intended use, thereby offering total solutions, including everything from the recommendation of application-specific equipment and consumables, to the processing stage.

Advanced Technology & Specialty Materials

In these areas, the Company will push forward with research and development of its core technologies in the field of powder under the Advanced Technology & Specialty Materials Division, which was established for the purpose of further promoting the expansion of the powder domain and non-polish businesses, while at the same time strongly promoting the creation and commercialization of new businesses in the non-polish field. In addition, the Company will put more focus on the expansion of new uses and customer segments by integrating its core technologies, including those for controlling particle shape and particle size distribution and granulation, that have been cultivated by its Specialty Materials Business and the Advanced Technology Research Center and by strengthening marketing power even further.

(3) Measures to Prevent Decisions on the Company's Financial and Business Policies from being Controlled by Persons Deemed Inappropriate Under the Basic Policy

1) Purpose of Measures against Large-Scale Acquisitions of Share Certificates, Etc. of the Company

"Based on the Basic Policy set out in I above, the Board of Directors believes that it is necessary to promptly and properly take measures that it considers to be most appropriate for ensuring the corporate value of the Company and, in turn, the common interests of its shareholders against persons who conduct an act of unilateral and large-scale acquisition or any similar act in a manner that would damage the corporate value of the Company and, in turn, the common interests of its shareholders. Based on this belief, the Board of Directors decided to renew the ""Policy for Measures against Large-Scale Acquisitions of Share Certificates, Etc. of the Company (Takeover Defense Measures)"" (Hereinafter referred as ""the Policy""") for purposes such as preventing decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate and deterring acts of large-scale acquisition that are detrimental to the corporate value of the Company and, in turn, the common interests of its shareholders, and, on the occasion that the Company receives a proposal for an act of large-scale acquisition, enabling the Board of Directors to present an alternative proposal to the shareholders or ensuring necessary time and information for the shareholders to decide whether or not to accept the large-scale acquisition proposal, and enabling the Company to negotiate for the common interests of the shareholders. The Policy was approved at the ordinary general shareholders' meeting held on June 24, 2020."

2) Details of Measures against Large-Scale Acquisitions of Share Certificates, Etc. of the Company

"The Policy applies to an act that falls under (i) or (ii) below or any similar act, or a proposal for such act.

(i) A purchase or other acquisition that would result in the holding ratio of share certificates, etc. of a holder totaling at least 20% of the share certificates, etc. issued by the Company; or

(ii) A tender offer that would result in the ownership ratio of share certificates, etc. of the party conducting the tender offer and the ownership ratio of share certificates, etc. of a specially related party totaling at least 20% of the share certificates, etc. issued by the Company.

(Hereinafter referred as an "Acquisition"; a party that conducts or makes a proposal for an acquisition, an "Acquirer".)"

The Policy defines procedures that the Company will request the Acquirer to provide the Board of Directors with information that is sufficient for the Company's shareholders to make decisions on the Acquisition and for the Board of Directors to evaluate, consider, or take other actions in relation to the Acquisition stipulated in the Policy. ("Large-Scale Acquisition Information")

"If an Acquirer or an Acquisition falls under (i) or (ii) below, the Board of Directors will consult with the Independent Committee regarding whether it is appropriate to trigger the countermeasures, and the Independent Committee will, based on the consultation and after obtaining advice from experts and other outside parties as necessary, make a recommendation, within the Board of Directors' Evaluation Period, regarding whether it is appropriate to trigger the countermeasures to the Board of Directors.

(i) An Acquirer conducts or intends to conduct an Acquisition not in compliance with the procedures stipulated in the Policy.

(ii) An Acquisition is determined to fall under any of the categories listed in the Policy or there are circumstances based on which the Acquisition is suspected of falling under any such categories from an objective and reasonable perspective, which is determined that the corporate value of the Company and, in turn, the common interests of its shareholders would be significantly harmed.

The Board of Directors shall respect the recommendation of the Independent Committee and make a decision on whether or not to trigger the countermeasures in the Policy. If the implement of the gratis allotment of Share Options with conditions for exercise and acquisition provisions, etc. (Hereinafter referred as "Share Options") as a countermeasure is determined in a resolution by the Board of Directors (Hereinafter referred as "Gratis Allotment Resolution"), the Company will allot Share Options for all shareholders determined by Gratis Allotment Resolution.

(4) Reasons that the Above Measures are in Accordance with the Basic Policy and Do not Undermine the Common Interests of the Shareholders of the Company and are not Intended to Maintain the Position of Officers of the Company.

Measures described in above 2. are formulated as concrete measures to continuously and sustainably improve the corporate value of the Company and, in turn, the common interests of its shareholders, and are

in accordance with the Basic Policy, which is determined that it does not undermine the common interests of its shareholders and is not intended to maintain the position of officers of the Company.

The Company believes that the Policy described in above 3. is a framework in accordance with the Basic Policy for ensuring and improving the corporate value of the Company and, in turn, the common interests of its shareholders by enabling the Board of Directors to present an alternative proposal to the shareholders, or ensuring necessary time and information for the shareholders to decide whether or not to accept the large-scale acquisition proposal, and enabling the Company to negotiate for the common interests of the shareholders on the occasion that the Company receives a proposal for an act of large-scale acquisition.

In addition, based on the reasons (i) to (vi) below, the Policy is determined that it does not undermine the common interests of its shareholders and is not intended to maintain the position of officers of the Company.

- (i) The Policy places importance on shareholders' intent, such as being renewed with the approval of the general shareholders' meeting and, if necessary, going through a Meeting to confirm shareholders' intent.
- (ii) The Policy fully satisfies the three principles set out in the Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005. In addition, the Policy is based on arguments and other issues concerning the "Takeover Defense Measures in Light of Recent Environmental Changes" issued by the Corporate Value Study Group on June 30, 2008."
- (iii) The Policy is based on establishment of reasonable and objective requirements for triggering countermeasures.
- (iv) The Company shall decide to establish the Independent Committee as an organization independent from the Board of Directors and respect the recommendation of the Independent Committee and make a decision on whether or not to trigger the countermeasures in the Policy.
- (v) The Policy may be abolished at any time by a meeting of the Board of Directors composed of Directors who are elected by the Company's general shareholders' meeting even before the expiration of the effective period of the Policy.
- (vi) The term of office of the Company's Director is until the conclusion of the ordinary general shareholders' meeting relating to the last business year ending within one year after the election.

Concerning details of the Policy, please refer to the news release "Renewal of Policy for Measures against Large-Scale Acquisitions of Share Certificates, Etc. of the Company (Takeover Defense Measures)" dated May 31, 2022 on the Company's website (<https://www.fujimiinc.co.jp>).

Consolidated Financial Statements
Consolidated Balance Sheets

(Millions of yen)

As of March 31, 2022

Assets	
Assets	
Current assets	
Cash and deposits	31,662
Notes and accounts receivable - trade	11,581
Securities	4,900
Merchandise and finished goods	4,569
Work in process	1,041
Raw materials and supplies	3,714
Other	595
Allowance for doubtful accounts	(15)
Total current assets	58,049
Non-current assets	
Property, plant and equipment	
Buildings and structures, net	6,528
Machinery, equipment and vehicles, net	1,732
Land	3,585
Construction in progress	1,102
Other, net	1,276
Total property, plant and equipment	14,225
Intangible assets	
Software	316
Other	33
Total intangible assets	349
Investments and other assets	
Investment securities	1,844
Deferred tax assets	1,108
Other	116
Allowance for doubtful accounts	(9)
Total investments and other assets	3,059
Total non-current assets	17,634
Total assets	75,684

(Millions of yen)

As of March 31, 2022

Liabilities	
Current liabilities	
Accounts payable - trade	3,986
Income taxes payable	2,307
Provision for bonuses	1,395
Provision for share-based remuneration	796
Other	2,999
Total current liabilities	11,484
Non-current liabilities	
Deferred tax liabilities	3
Retirement benefit liability	903
Provision for share-based remuneration	43
Other	282
Total non-current liabilities	1,232
Total liabilities	12,717
Net assets	
Shareholders' equity	
Share capital	4,753
Capital surplus	6,878
Retained earnings	55,705
Treasury shares	(6,753)
Total shareholders' equity	60,584
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	390
Foreign currency translation adjustment	2,072
Remeasurements of defined benefit plans	(79)
Total accumulated other comprehensive income	2,383
Total net assets	62,967
Total liabilities and net assets	75,684

Consolidated Statement of Income

	(Millions of yen)
	Fiscal year ended March 31, 2022
Net sales	51,731
Cost of sales	27,343
Gross profit	24,388
Selling, general and administrative expenses	12,328
Operating income	12,059
Non-operating income	
Interest income	49
Dividend income	31
Foreign exchange gains	183
Gains on sales of property	82
Other	127
Total non-operating income	473
Non-operating expenses	
Interest expenses	6
Loss on retirement of non-current assets	12
Other	23
Total non-operating expenses	42
Ordinary income	12,490
Extraordinary losses	
System failure response costs	103
Other	4
Total extraordinary losses	108
Income before income taxes	12,382
Income taxes - current	3,247
Income taxes - deferred	(21)
Total income taxes	3,225
Income	9,156
Income attributable to owners of parent	9,156

Non-consolidated Financial Statements
Non-consolidated Balance Sheets

(Millions of yen)

As of March 31, 2022

(Millions of yen)	
As of March 31, 2022	
Assets	
Current assets	
Cash and deposits	23,113
Notes	94
Accounts receivable - trade	10,015
Securities	4,900
Merchandise and finished goods	2,505
Work in process	988
Raw materials and supplies	2,854
Prepaid expenses	131
Other	436
Allowance for doubtful accounts	(15)
Total current assets	45,025
Non-current assets	
Property, plant and equipment	
Buildings, net	3,439
Structures, net	147
Machinery, net	1,297
Equipment, net	583
Land	3,481
Construction in progress	879
Other	12
Total property, plant and equipment	9,842
Intangible assets	
Software	299
Other	33
Total intangible assets	332
Investments and other assets	
Investment securities	1,588
Shares of subsidiaries and associates	5,224
Investments in other securities of subsidiaries and associates	256
Deferred tax assets	1,241
Other	93
Allowance for doubtful accounts	(9)
Total investments and other assets	8,394
Total non-current assets	18,569
Total assets	63,595

(Millions of yen)

As of March 31, 2022

Liabilities	
Current liabilities	
Accounts payable - trade	3,329
Accounts payable – other	1,473
Accrued expenses	324
Income taxes payable	1,854
Provision for bonuses	1,200
Provision for share-based remuneration	796
Other	802
Total current liabilities	<u>9,782</u>
Non-current liabilities	
Retirement benefit liability	788
Provision for share-based remuneration	43
Other	94
Total non-current liabilities	<u>925</u>
Total liabilities	<u>10,708</u>
Net assets	
Shareholders' equity	
Share capital	4,753
Capital surplus	6,878
Retained earnings	47,617
Treasury shares	(6,753)
Total shareholders' equity	<u>52,496</u>
Valuation and translation adjustments	
Valuation difference on available-for-sale securities	390
Total net assets	<u>52,886</u>
Total liabilities and net assets	<u>63,595</u>

Non-consolidated Statement of Income

	(Millions of yen)
	Fiscal year ended March 31, 2022
Net sales	39,792
Cost of sales	21,623
Gross profit	18,169
Selling, general and administrative expenses	9,798
Operating income	8,370
Non-operating income	
Interest income	7
Dividend income	2,324
Foreign exchange gains	43
Other	205
Total non-operating income	2,581
Non-operating expenses	
Loss on retirement of non-current assets	12
Other	23
Total non-operating expenses	36
Ordinary income	10,915
Extraordinary losses	
System failure response costs	103
Other	4
Total extraordinary losses	108
Income before income taxes	10,806
Income taxes - current	2,545
Income taxes - deferred	(223)
Total income taxes	2,321
Income	8,485