

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation

Security code 6373
June 11, 2020

To Shareholders

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

Notice of Convocation of the 127th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 127th Annual General Meeting of Shareholders of DAIDO KOGYO CO., LTD. (the "Company"). The meeting will be held as described below.

In holding this General Meeting, we have carefully examined the propriety of holding from the viewpoint of preventing the recent spread of the novel coronavirus infection and decided to take appropriate measures deemed necessary to hold the Meeting.

Accordingly, in order to prevent the spread of the novel coronavirus infection, shareholders are strongly recommended to refrain from attending the Meeting and exercise voting rights prior to the Meeting in writing (mailing) or electronically (Internet, etc.) by Thursday, June 25, 2020, at 5:00 p.m. Before voting, please take the time to examine the Reference Documents for the General Meeting of Shareholders on the following pages.

Sincerely yours

1. Date and Time: Friday, June 26, 2020, at 10:00 a.m.
2. Place: Main Hall, 1st floor of CHIENKAN Hall,
I-197 Kumasaka-machi, Kaga City, Ishikawa
(Please refer to the hall map at the end of this document.)
3. Agenda of the Meeting:
Matter to be reported
 1. The Business Report, the Consolidated Financial Statements, and the audit results of the Consolidated Financial Statements by the Accounting Auditor and the Board of Company Auditors for the 127th Fiscal Term (from April 1, 2019 to March 31, 2020)
 2. Non-Consolidated Financial Statements for the 127th Fiscal Term (from April 1, 2019 to March 31, 2020)

For treatment of the matters to be reported, please refer to "Holding of the Continued 127th Ordinary General Meeting of Shareholders" at next page.

Proposals to be resolved:

- | | |
|-----------------|---|
| Proposal No. | Appropriation of surplus |
| 1 : | |
| Proposal No. 2: | Partial amendment to the Articles of Association |
| Proposal No. 3: | Election of seven Directors (except Directors serving the Audit and Supervisory Committee) |
| Proposal No. 4: | Election of four Directors serving the Audit and Supervisory Committee. |
| Proposal No. 5: | Amount of Directors' remuneration (except Directors serving the Audit and Supervisory Committee) |
| Proposal No. 6: | Amount of Directors' remuneration (for the Directors serving the Audit and Supervisory Committee) |
| Proposal No. 7: | Continuation of the Policy on the countermeasures against large-scale purchase of the Company's shares etc. (Takeover Defense Measures) |

Holding of the Continued 127th Ordinary General Meeting of Shareholders

Of the agenda of this General Meeting, the Company was going to report in this Meeting to shareholders, through the predetermined procedures, the contents of the Business Report, contents of the Consolidated Financial Statements, and the results of the audit on the Consolidated Financial Statements by the Accounting Auditor and the Board of Company Auditors for the 127th Fiscal Term (from April 1, 2019 to March 31, 2020) as well as the contents of Non-Consolidated Financial Statements for the Company's 127th Fiscal Term (from April 1, 2019 to March 31, 2020) ("matters to be reported").

However, due to the impact of the novel coronavirus infection, there is delay in the financial closing and auditing in the Company and some of its overseas subsidiary companies and all the financial closing procedures have not been completed at the time of preparation of this Notice. The Company is therefore unable to provide some of the matters to be reported in this Notice of Convocation. (Note 1) Accordingly, for those matters to be reported, we are going to hold the continued General Meeting of Shareholders separately ("Continued General Meeting") and report them in the Meeting. (Note 2) For the date and place of the Continued General Meeting, we are going to submit a proposal (the "Proposal") to the shareholders in this General Meeting to the effect of leaving the decision to the Board of Directors. If the Proposal is approved in this General Meeting, we will send a notice of convocation of the Continued General Meeting regarding the matters to be reported and report them to the shareholders in the Continued General Meeting. (Note 3)

Please note that shareholders entitled to attend the Continued General Meeting, which constitutes a part of this General Meeting, are those entitled to exercise voting rights in this General Meeting.

Note 1. In accordance with the guidelines, opinions, etc. issued by the Ministries, Agencies, Stock Exchange, etc. in relation to the novel coronavirus of the matters of the business to be reported in the Continued General Meeting, the Company has provided the matters that can be mentioned in this Notice of Convocation.

Note 2: If the aforementioned financial closing procedures are completed during the period from preparation of the Notice of Convocation of this General Meeting to mailing thereof, the Company may report the matters to be reported to shareholders in the General Meeting of Shareholders to be held on June 26, 2020, not in the Continued General Meeting, and not hold the Continued General Meeting.

In such an event, the matters to be reported that cannot be attached to the Notice of this General Meeting will be posted on the Company's Internet website (<https://www.did-daido.co.jp>) pursuant to the provision of the applicable laws and regulations and the Articles of Association of the Company. We are going to deliver a document on the day of the General Meeting describing the matters to be reported, which are to be posted on the Company's Internet website. If you request to receive the document by mail. Please contact the following.

Note 3. If the Continued General Meeting is held, the Company is going to shift to a company with Audit and Supervisory Committee at the end of the General Meeting of Shareholders to be held on June 26, 2020 according to the resolution for approval of Proposal No. 2 "Partial amendment to the Articles of Association." As a result, the term "Board of Company Auditors" in "1. Matter to be reported" may change to "Audit and Supervisory Committee" depending on the schedule of audit reporting.

Daido Kogyo Co., Ltd. Administration Section, Administration Dept.

Phone No.: 0761-72-1234

E-mail address soumu@did-daido.co.jp

We are deeply sorry for causing a lot of inconvenience and concern to shareholders.

Requests for Preventing Infection Spread of the Novel Coronavirus (COVID-19)

1. Prior exercise of voting rights

In order to prevent the spread of the novel coronavirus infection, shareholders are strongly recommended to refrain from attending this General Meeting and exercise voting rights prior to the Meeting in writing or through the Internet, etc.

< Time limit for exercising voting rights: Arrived or sent by Thursday, June 25, 2020, 5:00 p.m. >

2. The Company's responsive actions




- No small gift is delivered to shareholders who attend the General Meeting.
- On the day of the General Meeting, the Company's directors and operation staff of the General Meeting undergo health check including temperature and wear a face mask.
- Alcohol disinfectants are arranged for use by shareholders near the reception of the Hall.
- In order to reduce the risk of infection, seats in the Hall are arranged keeping a wide space between seats, so that the number of seats available in the Hall is expected to greatly decrease as compared to the average year. Please forgive us if there is no seat available for you.
- In this General Meeting, in order to reduce the time of meeting for preventing the infection spread, we are going to omit detailed presentation of the matters to be reported and agenda items in the Hall. Shareholders are cordially requested to read in advance the Notice of Convocation of this General Meeting, etc.
- We may limit the number of directors who attend the General Meeting from the viewpoints of preventing infection spread and continuation of the Company's business, regardless of their health condition on the day of Meeting.

3. Requests to shareholders attending the General Meeting

- Shareholders who attend the General Meeting are requested to cooperate in the measures taken to prevent the infection spread, including spraying an alcohol disinfectant and wearing a face mask.
- Operation staff may approach and ask shareholders who are coughing or otherwise look sick. They may be requested to check the temperature or move to another seat or leave the Hall. We appreciate your understanding in advance.
- We will change the aforementioned actions as appropriate according to future situations. If you intend to attend the General Meeting, please be sure to check with our website (<https://www.did-daido.co.jp/>) in advance.

We are very sorry for a lot of inconvenience and disruption we caused to shareholders and appreciate your understanding and cooperation in consideration of the circumstances.

Guidance for exercising voting rights

If attending in person	Not attend the General Meeting (recommended)	
<p>If exercising the voting right at the shareholders meeting site</p> 	<p>If exercising by postal mail (in writing):</p> 	<p>If exercising over the Internet, etc.:</p> 
<p>Time/Date of general meeting of shareholders</p> <p>10:00 a.m. (reception starts at 9:00 a.m.) Friday, June 26, 2020</p>	<p>Time limit for exercise:</p> <p>5:00 p.m. (must arrive) Thursday, June 25, 2020</p>	<p>Time limit for exercise:</p> <p>5:00 p.m. (to be closed) Thursday, June 26, 2020</p>
<p>Submit the enclosed voting form at the reception desk. Bring this booklet as material for the proceedings. Please note that nobody, including proxies and companions, may enter the site excluding shareholders who are entitled to exercise voting rights.</p>	<p>Return to us the enclosed voting form representing your approval or disapproval of the bill. It must arrive by the time limit shown above.</p> <p>Visit the voting website (https://www.web54.net) designated by the Company and enter your approval or disapproval of the bill by the time limit.</p> <p>Please refer to the next page for the detail.</p> <p>* In case the vote is exercised doubly in writing and by the Internet, etc., the one by the Internet, etc. will be deemed to have been exercised effectively.</p>	

■ As for the documents to be provided in this Notice, "System for ensuring the propriety in business reporting operation and system operation," "Basic policy on corporate control," and Policy on deciding surplus dividend, etc. (If the Continued General Meeting is not held, in addition to the aforementioned documents, "Development and results of businesses in the business reporting," "Assets, profits / losses, issues to address, non-consolidated financial statements, and consolidated financial statements, for the last three business years (including audit reports of the Board of Company Auditors and Accounting Auditor) are posted on the Company's Internet website (as shown below) pursuant to the provision of the applicable laws and regulations and Article 15 of Association of the Company.

■ Any change arising in the Reference Documents for the General Meeting of Shareholders or the Business Report, will be posted on the Company's Internet website (as shown below).

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

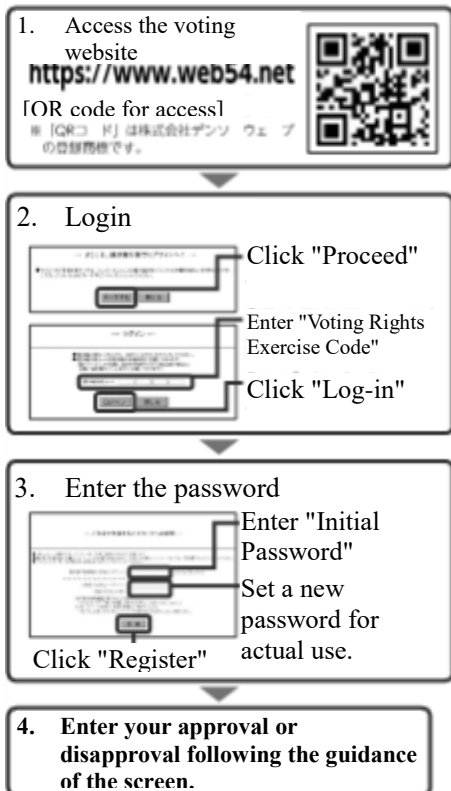


Guide to voting right exercise over the Internet, etc.:

Time limit for exercise

To be accepted up to 5:00 p.m., Thursday, June 25, 2020

▶ Accessing procedure



☐ To exercise your voting rights over the Internet, etc., access the voting website (<https://www.web54.net>) from a personal computer, smartphone, or mobile phone using the Voting Code and the Password shown in the enclosed voting form, and enter your approval or disapproval of the bill following the guidance of the screen.

☐ Your exercise of the voting right over the Internet, etc. will be accepted **up to 5:00 p.m., Thursday, June 25, 2020.** (For convenience of the totalization of the result of the vote, please exercise as soon as possible).

☐ The connection fees to the providers and the telecommunications fees to the carriers (including phone charges) incurred in using the voting website will be borne by the shareholders.

* In case the vote is exercised doubly in writing and by the Internet, etc., the one by the Internet, etc. will be deemed to have been exercised effectively. In addition, in case the vote is exercised more than one time by the Internet, etc., the last one will be deemed to have been exercised effectively.

Contact information concerning the exercise of the voting right over the Internet, etc.

If you have any questions concerning the exercise of the voting right over the Internet, etc., please contact the following:

Securities agent web support dedicated number, Sumitomo Mitsui Trust Bank, Limited (Shareholder Registry Administrator)

0120 - 652 - 031 (Inquiries accepted: 9:00 a.m. - 9:00 p.m.)

To institutional investors Institutional investors can exercise their voting rights electromagnetically using the Electronic Voting Platform operated by ICJ, Inc.

Reference Documents for the General Meeting of Shareholders

Proposal No.1: Appropriation of surplus

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

1. Matters regarding year-end dividend

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

Regrettably, however, we would like to determine the year-end dividend to be 15 yen per share since

the performance of the 127th term is expected to be severe and tough management environment is forecasted to continue in next term.

[1] Type of dividend property:	Cash
[2] Matters regarding allocation of dividend property and the amount thereof:	¥15 per common share Total amount: ¥163,841,715.
[3] Effective date of surplus dividend:	June 29, 2020.

2. Matters regarding appropriation of other surplus

In order to distribute dividends stably to shareholders, the Company would like to appropriate internal reserves as follows:

i) Item and amount of increased surplus

Earned surplus carried forward ¥2,200,000,000

ii) Item and amount of decreased surplus

Special reserve fund ¥2,200,000,000

Proposal No. 2: Partial amendment to the Articles of Association

(1) Reasons for proposal

The Company is going to shift to a company with Audit and Supervisory Committee for the purpose of strengthening the supervisory function of the Board of Directors and further improving corporate governance by adding members of the Audit and Supervisory Committee, who audit execution of duties by Directors, to the Board of Directors.

Accordingly, new provisions for Directors who serve the Audit and Supervisory Committee and for the Audit and Supervisory Committee are added as they are required for shift to a company with Audit and Supervisory Committee and existing provisions concerning Company Auditors and Board of Company Auditors are deleted or otherwise treated. Please note that the amended Articles of Association shall be enforced at the end of the General Meeting of Shareholders scheduled on June 26, 2020 ("Initial General Meeting"), not at the end of the General Meeting of Shareholders including the Continued General Meeting. (Note 1)

(2) Details of amendment

Details of intended amendment are as follows.

(Underlined parts represent amendment.)

Before Amendment	After Amendment
Chapter 1 General Rules	Chapter 1 General Rules
Articles 1-3 (Omitted)	Articles 1-3 (Same)
(Organization)	(Organization)
Article 4 The Company shall have the following organizations in addition to the General Meeting of Shareholders and Directors.	Article 4 The Company shall have the following organizations in addition to the General Meeting of Shareholders and Directors.
1. Board of Directors	1. Board of Directors
2. <u>Company Auditors</u>	2. <u>Audit and Supervisory Committee</u>
3. <u>Board of Company Auditors</u>	(Deleted)
4. <u>Accounting Auditors</u>	3. <u>Accounting Auditors</u>
Article 5 (Omitted)	Article 5 (Same)
Chapter 2 Shares	Chapter 2 Shares
Articles 6-11 (Omitted)	Articles 6-11 (Same)

Note 1. Amended Articles of Association shall be enforced at the end of this General Meeting of Shareholders if the Continued General Meeting is not held.

Before Amendment	After Amendment
<p>Chapter 3 General Meeting of Shareholders</p> <p>Articles 12-17 (Omitted)</p> <p>Chapter 4 Directors and the Board of Directors</p> <p>(Number of Directors)</p> <p>Article 18 The number of Directors of the Company shall not exceed <u>12.</u></p> <p>(New)</p> <p>(Method of Election)</p> <p>Article 19 Directors shall be elected at the General Meeting of Shareholders.</p> <p>2. (Omitted)</p> <p>3. (Omitted)</p> <p>(Terms of office)</p> <p>Article 20 Directors' terms of office shall continue until the closing of the annual General Meeting of Shareholders for the last business year which ends within <u>two (2) years</u> from the time of their election;</p> <p>2. <u>The term of office of a director elected to increase the number of directors or to fill a vacancy shall expire at the time when the term of office of the director in office expires.</u></p>	<p>Chapter 3 General Meeting of Shareholders</p> <p>Articles 12-17 (Same)</p> <p>Chapter 4 Directors and the Board of Directors</p> <p>(Number of Auditors)</p> <p>Article 18 The number of Directors (<u>except those who belong to the Audit and Supervisory Committee</u>) of the Company shall not exceed <u>nine (9).</u></p> <p>2. <u>The number of Directors who belong to the Audit and Supervisory Committee of the Company shall not exceed four (4).</u></p> <p>(Method of Election)</p> <p>Article 19 Directors of the Company shall be elected at the General Meeting of Shareholders <u>with distinction between Directors who belong to the Audit and Supervisory Committee and other Directors.</u></p> <p>2. (Same)</p> <p>3. (Same)</p> <p>(Term of office)</p> <p>Article 20 The term of office of each Director (<u>except Directors who belong to the Audit and Supervisory Committee</u>) of the Company shall expire at the close of the Ordinary General Meeting of shareholders to be held with respect to the last fiscal year that terminates within <u>one (1) year</u> after his/her election.</p> <p>2. <u>The term of office of each Director of the Company who belongs to the Audit and Supervisory Committee shall expire at the close of the Ordinary General Meeting of shareholders to be held with respect to the last fiscal year that terminates within two (2) years after his/her election.</u></p>

Before Amendment	After Amendment
<p>(New)</p> <p>(New)</p> <p>(Representative Directors and Directors with Specific Titles) Article 21 The Board of Directors shall appoint the Representative Director by a resolution of the Board of Directors.</p> <p>2. The Board of Directors may appoint a Chairperson, a President, a Vice President, a Senior Managing Director, and a few Managing Directors by resolution of the Board of Directors.</p> <p>Article 22 (Omitted)</p> <p>(Notice of Convocation of a Meeting of the Board of Directors) Article 23 Notice of convocation of meetings of the Board of Directors shall be sent to each Director <u>and each Company Auditor</u> no later than three (3) days prior to the date of the meeting. Provided, however, that such period may be shortened in an emergency.</p>	<p><u>3. The term of office of a Director who belongs to the Audit and Supervisory Committee and is elected to fill a vacancy of another Director who belongs to the Audit and Supervisory C committee and retired before expiry of his/her term of office shall expire upon the expiry of the term of office of that retired Director.</u></p> <p><u>4. The effective period of the resolution of election of a Director who belongs to the Audit and Supervisory Committee and is elected to fill a vacancy under the Companies Act, Article 329, Paragraph 3 shall expire at the beginning of the Ordinary General Meeting of shareholders to be held with respect to the last fiscal year that terminates within two (2) years after his/her election.</u></p> <p>(Representative Directors and Directors with Specific Titles) Article 21 The Board of Directors may resolve to appoint Representative Directors <u>from among the Directors who do not belong to the Audit and Supervisory Committee.</u></p> <p>2. The Board of Directors may resolve to delegate to appoint a Chairperson, a President, a Vice Presidents, Senior a Managing Director, and a few Managing Directors <u>from among the Directors who do not belong to the Audit and Supervisory Committee.</u></p> <p>Article 22 (Same)</p> <p>(Notice of Convocation of a Meeting of the Board of Directors) Article 23 A notice of convocation of a meeting of the Board of Directors shall be sent to each Director no later than three days prior to the date of meeting. Provided, however, that such period may be shortened in an emergency.</p>

Before Amendment	After Amendment
<p>2. Meetings of the Board of Directors may be held without the procedures for convening meetings if the consent of all Directors <u>and Auditors</u> has been obtained.</p> <p>(New)</p> <p>Articles 24-26 (Omitted)</p> <p>(Remuneration, etc.) Article <u>27</u> Remuneration, bonuses, and other property benefits to be received from the Company as consideration for the execution of duties by Directors (<u>hereinafter referred to as "Remuneration, etc."</u>) shall be determined by a resolution of the General Meeting of Shareholders.</p> <p>Article <u>28</u> (Omitted)</p> <p>Chapter 5 <u>Company Auditors and Board of Company Auditors</u></p> <p>(Number of Auditors) <u>Article 29 The number of Auditors of the Company shall not exceed four(4).</u></p>	<p>2. A meeting of the Board of Directors may be held without the procedure of convocation if so agreed by all Directors.</p> <p><u>(Delegation of Decision on Execution of Important Operations)</u> <u>Article 24 As provided in the Companies Act, Article 399-13, Paragraph 6, the Board of Directors may resolve to delegate all or part of the decision on the execution of important operations (except the matters listed in each item of Paragraph 5 of the same Article) to Directors.</u></p> <p>Articles <u>25-27</u> (Same)</p> <p>(Remuneration, etc.) Article <u>28</u> Remuneration, bonus, and other financial benefits received by Directors from the Company as remuneration for their performance of duties shall be determined by resolution of the General Meeting of Shareholders <u>with distinction between Directors who belong to the Audit and Supervisory Committee and other directors.</u></p> <p>Article <u>29</u> (Same)</p> <p>Chapter 5 <u>Audit and Supervisory Committee</u></p> <p>(Deleted)</p>

Before Amendment	After Amendment
<p><u>(Method of Election)</u> <u>Article 30 Company Auditors shall be elected at the General Meeting of Shareholders.</u> <u>2. Resolutions for the election of Auditors shall be adopted by a majority vote of the shareholders present who hold one-third or more of the voting rights of the shareholders entitled to exercise voting rights.</u></p>	(Deleted)
<p><u>(Term of office)</u> <u>Article 31 Company Auditors' terms of office shall continue until the closing of the annual General Meeting of Shareholders for the last business year which ends within four (4) years from the time of their election.</u> <u>2. The term of office of an Auditor elected as a substitute for an Auditor who resigned before the expiration of his/her term of office shall expire at the time when the term of office of the resigning Auditor expires.</u></p>	(Deleted)
<p><u>(Full-time Company Auditors and Standing Company Auditors)</u> <u>Article 32 The Board of Company Auditors shall appoint full-time Company Auditors by a resolution of the Board of Company Auditors.</u> <u>Standing Company Auditor may also be appointed from among full-time Company Auditors.</u></p>	(Deleted)
<p><u>(Notice of convocation of Board of Company Auditors Meeting)</u> <u>Article 33 A notice of convocation of a meeting of the Board of Company Auditors shall be sent to each Auditor no later than three (3) days prior to the date of such meeting.</u> <u>Provided, however, that such period may be shortened in an emergency.</u> <u>2. Meetings of the Board of Company Auditors may be held without the procedures for convocation if the consent of all Company Auditors is obtained.</u></p>	(Deleted)

Before Amendment	After Amendment
<p><u>(Rules of Board of Company Auditors)</u> <u>Article 34 Matters concerning the Board of Company Auditors shall be governed by laws, regulations, or these Articles of Association as well as by the Rules of the Board of Company Auditors established by the Board of Company Auditors.</u></p> <p><u>(Remuneration, etc.)</u> <u>Article 35 The Remuneration, etc. of Auditors shall be determined by resolution of the General Meeting of Shareholders.</u></p> <p><u>(Exemption of Company Auditors from Liability)</u> <u>Article 36 Pursuant to Article 426, Paragraph 1 of the Companies Act, the Company may exempt the Company Auditors (including former company auditors) who fails to fulfill his or her duties from liability for damages by a resolution of the board of directors to the extent permitted by laws and regulations.</u> <u>2. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with a Company Auditors to limit the liability for damages arising from their failure to perform their duties.</u> <u>Provided, however, that the maximum amount of liability under such agreement shall be the amount prescribed by laws and regulations.</u></p> <p>(New)</p>	<p>(Deleted)</p> <p>(Deleted)</p> <p>(Deleted)</p> <p><u>(Notice of Convocation of Meetings of the Audit and Supervisory Committee)</u> <u>Article 30 A notice of convocation of a meeting of the Audit and Supervisory Committee shall be sent to each member of the Audit and Supervisory Committee no later than three (3) days prior to the date of meeting.</u> <u>Provided, however, that such period may be shortened in an emergency.</u></p>

Before Amendment	After Amendment
	<u>2. A meeting of the Audit and Supervisory Committee may be held without the procedure of convocation if so agreed by all the Audit and Supervisory Committee members.</u>
(New)	<u>(Audit and Supervisory Committee Regulations)</u> <u>Article 31 Matters concerning the Audit and Supervisory Committee shall be subject to relevant laws and regulations, these Articles of Association, and the audit and supervisory committee regulations stipulated by the Audit and Supervisory Committee.</u>
Chapter 6 Calculation	Chapter 6 Calculation
Articles <u>37-40</u> (Omitted)	Articles <u>32-35</u> (Same)
Chapter 7 Takeover Defense Measures	Chapter 7 Takeover Defense Measures
Articles <u>41-42</u> (Omitted)	Articles <u>36-37</u> (Same)
(New)	<u>Supplementary Provisions</u>
(New)	<u>(Transitional Measures for Exemption of Company Auditors' Liability)</u> <u>Article 1 The Company may, under paragraph 1 of Article 423 of the Companies Act, exempt its Company Auditors (including former Company Auditors) from their liability to compensate for damages resulting from their act conducted before the closure of the 127th Ordinary General Meeting of Shareholders to the extent prescribed by laws and regulations through resolution of the Board of Directors.</u>

Proposal No. 3: Election of seven Directors (except Directors serving the Audit and Supervisory Committee)

When Proposal No. 2 "Partial amendment to the Articles of Association" is approved as drafted, the Company will shift to a company with Audit and Supervisory Committee, and the term of office of all the seven Directors will expire upon enforcement of the Amendment of the Articles of Association.

Accordingly, we would like you to elect seven Directors (except Directors serving the Audit and Supervisory Committee; hereinafter the same in this Proposal).

This Proposal takes effect on condition of the enforcement of amendment of the Articles of Association in Proposal No. 2 "Partial amendment to the Articles of Association."

The candidates for Directors are as follows.

Candidate No.	Name	(References)	
		Responsibilities at the Company	Attendance to Board of Director's Meetings
1	K o z o A r a y a Re-elected	President	13/13 (100%)
2	Hirofumi Araya Re-elected	President Internal Control Audit Office Business Strategy Div. Research & Development Div.	13/13 (100%)
3	Yasuyuki Tatsuta Re-elected	Senior Managing Director Administration Div. Safety & Quality Div.	13/13 (100%)
4	Katsuyuki Kikuchi Re-elected	Managing Director Administration Div. Automotive Parts Div.	13/13 (100%)
5	Toshihiro Shimizu Re-elected	Managing Director Motorcycle Parts Div. Industrial Products Div.	13/13 (100%)
6	Masanori Sanada New	Senior Executive Officer Administration Div.	-
7	Toshio Ishimura New	Senior Executive Officer Industrial Machinery Dept.	-

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

Candidate No.	Name (Date of birth) (Sex)	Career summary		Number of shares of the Company held
3	Yasuyuki Tatsuta (April 14, 1951) Male <div>Reelected</div>	April 1974	Joined Daido Kogyo Co., Ltd.	11,000 shares
		Oct. 1995	Accounting Dept. Manager, Administration Div. of Daido Kogyo Co., Ltd.	
		April 1996	President's Office Manager and Accounting Dept. Manager, Administration Div. of Daido Kogyo Co., Ltd	
		July 1998	Accounting Dept. Manager, Administration Div. of Daido Kogyo Co., Ltd.	
		June 2001	Director, Accounting Dept. Manager, Administration Div. and Corporate Planning Office Manager of Daido Kogyo Co., Ltd.	
		April 2002	Administration Dept. Manager, Administration Div. and Corporate Planning Office Manager of Daido Kogyo Co., Ltd.	
		Oct. 2002	Rim & Wheel Manufacturing Dept. Manager, Production Div. of Daido Kogyo Co., Ltd	
		June 2005	Business Support Div. Manager of Daido Kogyo Co., Ltd.	
		June 2007	Managing Director of Daido Kogyo Co., Ltd.	
		June 2009	In charge of Business Support Div. of Daido Kogyo Co., Ltd.	
		June 2011	Senior Managing Director of Daido Kogyo Co., Ltd. (to date)	
		July 2011	Chairman, D.I.D Vietnam Co., Ltd.	
		June 2013	In charge of Safety and Quality Div. of Daido Kogyo Co., Ltd.	
		June 2015	In charge of Procurement Div. and Production Div. of Daido Kogyo Co., Ltd.	
June 2017	In charge of Safety and Quality Div. of Daido Kogyo Co., Ltd. (to date)			
June 2019	In charge of Production Engineering Div. of Daido Kogyo Co., Ltd.			
			In charge of Administration Div. of Daido Kogyo Co., Ltd. (to date)	
The reasons why the Company elects him as a candidate for Director: Mr. Tatsuta has profound knowledge in finance and accounting based on long-term work experience in the accounting function. Since assuming office as a director of the Company, he has assumed important posts in the business planning and administrative functions, and has been presently taking a central role in management of the Company while supervising several Divisions cross-sectionally as Senior Managing Director. In view of the above, we determined that his experience and results will be useful for management of the Company, and that therefore he is continuously appropriate as a candidate for a director.				
4	Katsuyuki Kikuchi (October 10, 1957) Male <div>Reelected</div>	April 1981	Joined Daido Kogyo Co., Ltd.	2,000 shares
		Dec. 2004	Manager of Chain Manufacturing Dept., Production Div. of Daido Kogyo Co., Ltd.	
		June 2005	Manager of Automotive Manufacturing Dept., Automotive Div. of Daido Kogyo Co., Ltd.	
		Jan. 2011	Fukuda Plant Manager of Daido Kogyo Co., Ltd	
		June 2011	Director, Production Div. Manager of Daido Kogyo Co., Ltd.	
		June 2015	Managing Director, Administration Div. Manager of Daido Kogyo CO., Ltd. (to date)	
		June 2017	In charge of Safety & Quality Div. of Daido Kogyo Co., Ltd.	
June 2019	In charge of Automotive Parts Div. of Daido Kogyo Co., Ltd. (to date)			
June 2019	Production Engineering Div. Manager (to date)			
The reasons why the Company elects him as a candidate for Director: Mr. Kikuchi has a philosophy required of a manufacturing company and mature judgment on the way personnel resources should be based on his long-term experience of leading the manufacturing of the Company. He presently serves as the General Manager of Production Engineering Division and Managing Director, promoting IR activities and work style reform while supervising the Four-wheeled Vehicle Business Division. Based on his profound knowledge and experience in both manufacturing and administration, we determined that his experience and results will be useful for management of the Company, and that therefore he is continuously appropriate as a candidate for a director.				

Candidate No.	Name (Date of birth) (Sex)	Career summary	Number of shares of the Company held
5	Toshihiro Shimizu (February 21, 1959) Male <div>Reelected</div>	<div> <div>April 1983</div> <div>Joined Daido Kogyo Co., Ltd.</div> </div> <div> <div>Sep. 2004</div> <div>Corporate Planning Dept. Manager, Administration Div. of Daido Kogyo Co., Ltd.</div> </div> <div> <div>June 2005</div> <div>Corporate Planning Office Manager of Daido Kogyo Co., Ltd.</div> </div> <div> <div>June 2007</div> <div>Manager, Corporate Planning Office, Daido Kogyo Co., Ltd.</div> </div> <div> <div>Aug. 2007</div> <div>Representative Director & President, Daido Industrial E Comercial Ltda.</div> </div> <div> <div>April 2009</div> <div>Representative Director & President, Daido Industria De Correntesda Amazonia Ltda.</div> </div> <div> <div>June 2010</div> <div>Executive Officer of Daido Kogyo Co., Ltd.</div> </div> <div> <div>June 2013</div> <div>Director, Industrial Products Div. Manager of Daido Kogyo Co., Ltd.</div> </div> <div> <div>June 2017</div> <div>Managing Director of Daido Kogyo Co., Ltd.(to date) In charge of Motorcycle Parts Div. and Industrial Parts Div. (to date) Representative Director & President of D.I.D Asia Co., Ltd. (to date) Representative Director & President of D.I.D Asia Co., Ltd.</div> </div>	20,000 shares
<p>The reasons why the Company elects him as a candidate for Director:</p> <p>Mr. Shimizu, since having assumed important posts in business planning functions, has engaged in the management of several overseas subsidiaries as Representative Director, and engages in management of those subsidiaries. He is presently leading the two-wheeled vehicle business and industrial machinery business, which are core business of the Company, as a Managing Director. Based on his great deal of experience in business execution and profound knowledge, we determined that his experience and results will be useful for management of the Company, and that therefore he is continuously appropriate as a candidate for a director.</p>			
6	Masanori Sanada (January 7, 1962) Male <div>New</div>	<div> <div>April 1984</div> <div>Joined Daido Kogyo Co., Ltd.</div> </div> <div> <div>June 2005</div> <div>Administration Dept. Manager, Administration Div. of Daido Kogyo Co., Ltd.</div> </div> <div> <div>June 2007</div> <div>Corporate Planning Office Manager of Daido Kogyo Co., Ltd.</div> </div> <div> <div>June 2013</div> <div>Executive Officer and Administration Div. Manager of Daido Kogyo Co., Ltd.</div> </div> <div> <div>June 2015</div> <div>Representative Director & President of Daido Sittipol Co., Ltd.</div> </div> <div> <div>June 2019</div> <div>Senior Executive Officer of Daido Kogyo Co., Ltd. (to date) Administration Div. Manager of Daido Kogyo Co., Ltd. (to date)</div> </div>	4,800 shares
<p>The reasons why the Company elects him as a candidate for Director:</p> <p>Mr. Sanada has profound knowledge on finance and accounting based on his long-term experience of leading the administration and management planning departments and has assumed important posts in business planning functions and engaged in the management of an overseas subsidiary as Representative Director. Thus, he has plenty of experience in management of the Company's Group. He presently serves the General Manager of Administration Division as Senior Executive Officer and we determined that his experience and results will be useful for management of the Company, and that therefore he is appropriate as a candidate for a director.</p>			

Candidate Number	Name (Birth date) Sex	Career summary and position and responsibilities at the Company (Important concurrent position)	Number of shares of the Company held
7	Toshio Ishimura (October 15, 1961) Male <div>New</div>	<div> <div>April 1984</div> <div>Joined Daido Kogyo Co., Ltd.</div> </div> <div> <div>Dec. 2004</div> <div>AS Business Dept. Manager of Daido Kogyo Co., Ltd.</div> </div> <div> <div>June 2005</div> <div>Manager, Corporate Planning Office of Daido Kogyo Co., Ltd.</div> </div> <div> <div>June 2009</div> <div>Manager, Industrial Machinery Sales Dept. of D.I.D Industrial Machinery Sales Dept. Manager of D.I.D Co., Ltd.</div> </div> <div> <div>June 2011</div> <div>Director of D.I.D Co., Ltd.</div> </div> <div> <div>June 2017</div> <div>Executive Officer and Industrial Machinery Sales Dept. Manager of Daido Kogyo Co., Ltd. (to date)</div> </div> <div> <div>June 2019</div> <div>Senior Executive Officer of Daido Kogyo Co., Ltd. (to date)</div> </div>	2,000 shares
	<p>The reasons why the Company elects him as a candidate for Director:</p> <p>Mr. Ishimura has a great deal of business experience and knowledge based on his long-term experience of leading the industrial machinery business as well as excellent capability and knowledge on corporate management through the experience of serving as a director of a domestic subsidiary, etc. He presently serves as the Manager of Industrial Machinery Dept. as Senior Executive Officer and we determined that his experience and results will be useful for management of the Company, and that therefore he is appropriate as a candidate for a director.</p>		

- (Notes)
1. A director candidate Mr. Hirofumi Araya serves concurrently as Chairman and Director of Daido Sittipol Co., Ltd., which engages in the business falling under the same category as the Company's and has business (chains and other products) with the Company. Additionally, the Company provides a guarantee for its loan of the funds.
 2. There are no special interests between the other director candidates and the Company.
 3. D.I.D Co., Ltd. was a consolidated subsidiary of the Company but merged into the Company as of April 1, 2018.

Proposal No. 4: Election of Four Directors serving a member of the Audit and Supervisory Committee.

When Proposal No. 2 "Partial amendment to the Articles of Association" is approved as drafted, the Company will shift to a company with Audit and Supervisory Committee.

Accordingly, we would like you to elect four Directors serving the Audit and Supervisory Committee.

This Proposal takes effect on condition of the enforcement of amendment of the Articles of Association in Proposal No. 2 "Partial amendment to the Articles of Association."

The candidates for Directors serving the Audit and Supervisory Committee are as follows. Note that this Proposal has been approved by the Board of Auditors.

Candidate No.	Name (Birth date) Sex	Career summary and position and responsibilities at the Company (Important concurrent position)	Number of the Company's shares held
1	Kiyohiro Kajiya (February 4, 1961) Male <div>New</div>	<div> <div>June 2009</div> <div>Manager, Production System Dept., Business Support Div. of Daido Kogyo Co., Ltd.</div> </div> <div> <div>June 2011</div> <div>Manager, Industrial Machinery Business Dept. and Industrial Machinery Dept.</div> </div> <div> <div>June 2015</div> <div>Manager, Industrial Machinery Business Dept. and Industrial Machinery Manufacturing Dept.</div> </div> <div> <div>June 2017</div> <div>Senior Executive Officer of Daido Kogyo Co., Ltd. (to date)</div> </div> <div> <div></div> <div>Safety and Quality Div. Manager of Daido Kogyo Co., Ltd. (to date)</div> </div>	600 shares
The reasons why the Company elects him as a candidate for Director serving the Audit and Supervisory Committee: Mr. Kajiya has various business experiences in the Company's engineering, manufacturing, and quality departments and played a leading role in manufacturing. We have determined that he is expected to contribute to reinforcement of the Company's auditing and supervisory functions using his abundant experience and knowledge and is therefore appropriate as a candidate.			
2	Tamotsu Sawa (August 15, 1947) Male <div>New</div> <div>Outside</div> <div>Independent</div>	<div> <div>April 1970</div> <div>Joined Araya Industrial Co., Ltd.</div> </div> <div> <div>June 2002</div> <div>Director, Araya Industrial Co., Ltd.</div> </div> <div> <div>June 2008</div> <div>Managing Director, Araya Industrial Co., Ltd.</div> </div> <div> <div>June 2012</div> <div>Representative Director & President, Araya Industrial Co., Ltd.</div> </div> <div> <div>June 2015</div> <div>Director, Daido Kogyo Co., Ltd. (to date)</div> </div> <div> <div>June 2018</div> <div>Director and Senior Advisor, Araya Industrial Co., Ltd. (to date)</div> </div> <div> <div>(Important concurrent position)</div> <div>Director and Senior Advisor of Araya Industrial Co., Ltd.</div> </div>	0 shares
The reasons why the Company elects him as a candidate for Outside Director serving the Audit and Supervisory Committee: Mr. Sawa served as the representative director of another company and has a great deal of experience in business management over the years. Since the assumption of the post of outside director of the Company, he has given helpful opinions and indications for management of the Company. We have determined that reinforcement of the Company's corporate governance is expected from utilization of his experience and performance for corporate management and that he is therefore appropriate as a candidate.			

Candidate No.	Name (Birth date) Sex	Career summary and position and responsibilities at the Company (Important concurrent position)	Number of the Company's shares held
3	Seiji Sakashita (February 2, 1958) Male <div> <div>New</div> <div>Outside</div> <div>Independent</div> </div>	<div> Oct. 1984 Joined Inoue Tatsuo Accounting Office (present KPMG Azsa & Co.) March 1988 Registered as Certified Public Accountant. May 2003 Asahi & Co. (present KPMG Azsa & Co.) May 2007 Representative Partner, KPMG Azsa & Co. (present KPMG Azsa & Co.) Feb. 2014 Representative Partner, Hokuriku Auditing Office (to date) June 2016 Outside auditor, Komatsu Matere Co., Ltd. (to date) June 2019 Outside auditor, TAKAMAZ Machinery Co., Ltd. (to date) June 2019 Chairman of the Hokuriku Association of the Japanese Institute of Certified Public Accountants (to date) </div> <div> (Important concurrent position) Representative Partner of Hokuriku Auditing Office Outside auditor of Komatsu Matere Co., Ltd. Outside auditor of TAKAMAZ Machinery Co., Ltd. Chairman of the Hokuriku Association of the Japanese Institute of Certified Public Accountants </div>	0 shares
The reasons why the Company elects him as a candidate for Outside Director serving the Audit and Supervisory Committee: Mr. Sakashita has never directly participated in business management but has a great deal of knowledge and experience in finance and accounting and is familiar with corporate accounting as CPA. In addition, we have determined that reinforcement of the Company's audit system is expected from utilization of his wide-range performance and experience as representative director of auditing offices and outside director of other listed companies for management of the Company and that he is appropriate as a candidate.			
	Shoji Takechi (February 14, 1967) Male <div> <div>New</div> <div>Outside</div> <div>Independent</div> </div>	<div> Nov. 1996 Graduate School of Engineering, the University of Tokyo Assistant specialized in Naval Architecture and Ocean Engineering. March 1997 Joined Sumitomo Heavy Industries, Ltd. April 2000 Graduate School of Engineering, the University of Tokyo. Assistant specialized in Environment and Ocean Engineering. Nov. 2003 Assistant Professor, same major and same school April 2006 Assistant Professor, specialized in Technology Management for Innovation. April 2007 Associate Professor, same major and same school April 2009 Associate Professor, Academic Foundations Programs, Kanazawa Institute of Technology. April 2010 Associate Professor, Department of Management Systems, Faculty of Information Science, Kanazawa Institute of Technology. April 2012 Professor, Department of Management Systems, Faculty of Information Frontier, Kanazawa Institute of Technology (to date) </div> <div> (Important concurrent position) Professor, Department of Management Systems, Faculty of Information Frontier, Kanazawa Institute of Technology </div>	0 shares
The reasons why the Company elects him as a candidate for Outside Director serving the Audit and Supervisory Committee: Mr. Takechi has never directly participated in business management but has high-level expertise in knowledge and engineering through his long-term service as a professor of the university's engineering department. In addition, the field of his expertise has a high affinity for the Company's business field, so we have determined that he is expected to give appropriate advice and conduct an audit on management of the Company based on his experience and performance and that he is appropriate as a candidate.			

Outside : Candidates for outside director

Independent : Candidate for Director who meets the requirements for independent officers provided by the Tokyo Stock Exchange

Notes: 1. Mr. Tamotsu Sawa serves as Director and Senior Advisor of Araya Industrial Co., Ltd., which has no business relationship with the Company. There are also no special interests between

the other director candidates and the Company.

2. Mr. Tamotsu Sawa is going to retire from the post of Director and Senior Advisor of Araya Industrial Co., Ltd. on June 25, 2020.
3. Mr. Seiji Sakashita is going to retire from the post of Outside Auditor of TAKAMAZ Machinery Co., Ltd. on June 23, 2020. Note that he once belonged to Auditing Office KPMG AZSA LLC, which serves as the accounting auditor for the Company, but retired from the same Auditing Office in June 2013.
4. Mr. Tamotsu Sawa presently serves as an outside director of the Company, and the length of service will be five years at the time of conclusion of this General Meeting of Shareholders.
5. In accordance with the provision of paragraph 1, Article 427 of the Companies Act, the Company has concluded a contract with Mr. Tamotsu Sawa for limitation of the liability of compensation for damages as set forth in paragraph 1, Article 423 of the Companies Act. The limit of the liability for compensation under the contract is the amount limited by laws and regulations. The Company plans to continue the contract with Mr. Tamotsu Sawa if his re-election is approved. If Mr. Kiyohiro Kajiya and Mr. Seiji Sakashita and Mr. Shoji Takechi are elected, the Company will conclude a similar contract on liability limitation with them.
6. The Company has designated Mr. Tamotsu Sawa as an independent director under the Rules of the Tokyo Stock Exchange.
The Company is also going to report Mr. Seiji Sakashita and Mr. Shoji Takechi to the Tokyo Stock Exchange as independent directors since they meet the requirements of independent director under the Rules of the same Exchange if election of the three directors is approved.

Proposal No. 5: Amount of Directors' remuneration (except Directors serving the Audit and Supervisory Committee)

When Proposal No. 2 "Partial amendment to the Articles of Association" is approved as drafted, the Company will shift to a company with Audit and Supervisory Committee.

The amount of remuneration to the Company's Directors was approved to be not more than 300 million yen per year in the 114th Ordinary General Meeting of Shareholders held on June 28, 2007. In response to the shift of the Company to a company with Audit and Supervisory Committee, we would like to abolish this rule and newly determine the amount of remuneration for Directors (except Directors serving the Audit and Supervisory), which we consider to be within 300 million yen per year in light of the present amount of remuneration to Directors and the recent circumstances including economic situation, and expect the specific amount to each Director, timing of payment, etc. to be decided by resolution of the Board of Directors.

We would like to exclude the pay for the portion of employee from the remuneration to Directors who concurrently serve as an employee.

The present number of Directors is seven and the number of Directors (except Directors serving the Audit and Supervisory Committee) relevant to this Agenda item will be seven if Proposals Nos. 2 and 3 are approved as drafted.

This Proposal takes effect on condition of the enforcement of amendment of the Articles of Association in Proposal No. 2, "Partial amendment to the Articles of Association."

Proposal No. 6: Amount of Directors' remuneration (for the Directors serving the Audit and Supervisory Committee)

When Proposal No. 2 "Partial amendment to the Articles of Association" is approved as drafted, the Company will shift to a company with Audit and Supervisory Committee.

Accordingly, we would like to determine the amount of remuneration for Directors serving the Audit and Supervisory Committee to be within 100 million yen per year in light of the recent circumstances including economic situation, and expect the specific amount to each Director serving the Audit and Supervisory Committee, timing of payment, etc. to be decided through the discussion by Directors serving the Audit and Supervisory Committee.

The number of Directors serving the Audit and Supervisory Committee relevant to this Agenda item will be four if Proposals Nos. 2 and 4 are approved as drafted.

This Proposal takes effect on condition of the enforcement of amendment of the Articles of Association in Proposal No. 2, "Partial amendment to the Articles of Association."

Proposal No. 7: Continuance of response policy against large-scale purchase of the Company Share Certificates, etc. (takeover defense measures)

The Company, with the approval of shareholders, introduced the Policy on Response to a Large-Scale Purchase of the Company Shares, etc. in the 124th Ordinary General Meeting of Shareholders held on June 27, 2017 (hereinafter called "Existing Response Policy"), which is to expire upon the conclusion of this General Meeting.

After this introduction, the Company has continued to examine what the Existing Response Policy should be like, including whether to maintain it or not, based on changes in the social and economic situation as well as the trends and discussions concerning takeover defense measures as one of the efforts to secure and improve the corporate value and the interests common to all shareholders of the Company.

As a result, the Company resolved in the Board of Directors Meeting held on May 21, 2020 and announced that the Existing Response Policy will be maintained with partial changes (hereinafter the response policy after change will be called "this Response Policy"), subject to the approval of shareholders in this General Meeting, as an effort to prevent the decision of the Company's financial and operational policies from being controlled by any person inappropriate in light of the Basic Policy for the Modality of the Person Controlling Decisions on the Company's Financial And Operational Policies as set forth in Item 3, Article 118 of the Ordinance for Enforcement of the Companies Act (hereinafter called "Basic Policy regarding Control of the Company").

This Bill is to ask our shareholders to for approval of the maintenance of this Response Policy pursuant to the provision of Paragraph 1, Article 41 of the Articles of Incorporation of the Company. In addition, as mentioned, the present Policy is going to expire at the end of this General Meeting, i.e., at the end of continued General Meeting(see "Notice Concerning the one hundred twenty seventh Ordinary General Meeting of Shareholders and the Ordinary General Meeting of Shareholders" published on May 21, 2020). However, we would like to notice that application of the present Policy be terminated on the day (*1) of approval by shareholders for this Proposal (June 26, 2020) and application of the new Policy be started. (*2) The substance of this Response Policy will be as shown in "I. Basic Policy for the Modality of the Person Controlling Decisions on the Company's Financial And Operational Policies."

In this Response Policy, necessary revisions and other rearrangements in wording were made but there is no substantial change from the contents of the current Response Policy.

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

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

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

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

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

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

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

As an effort to prevent the decision of the Company's financial and operational policies from being controlled by any person inappropriate in light of the Basic Policy regarding Control of the Company, in case of (i) a purchase of the Company Share Certificates, etc. (*5) for the purpose of making the ratio of the voting rights (*4) of a specific shareholders' Group (*3) 20% or more; (ii) a purchase of the Company Share Certificates, etc. resulting in making the ratio of the voting rights of a specific shareholders' Group 20% or more (regardless of the method of purchase, including a market transaction or a takeover bid, and purchases by a person agreed on by the Company's Board of Directors in advance will be excluded); or (iii) an agreement, etc. with another shareholder of the Company resulting in making the ratio of the voting rights of a specific shareholders' Group 20% or more (*6) (hereinafter such purchase or agreement, etc. will be called "Large-Scale Purchase," and a person conducting such purchase or making such agreement, etc. will be called "Large-Scale Purchaser"), the Company will establish a given response policy for cases where the Large-Scale Purchaser are or are not in compliance with given reasonable rules as shown below ("Large-Scale Purchase Rules") which the Company will request the Large-Scale Purchaser to comply with.

1. Need to maintain this Response Policy

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

The Company's Board of Directors and Independent Committee will, after such information

is furnished, respectively start to examine its opinion carefully on the Large-Scale Purchase as soon as possible, and form based on advice from experts such as financial advisors, certified public accountants, lawyers, and consultants (hereinafter called "Outside Experts, etc."), and disclose as necessary, their opinions. Further, the Company's Board of Directors will negotiate on improvements in the proposal from the Large-Scale Purchaser or present an alternative proposal as the Company's Board of Directors to the Company's shareholders, where considered necessary. Following such process will make it possible for the Company's shareholders to compare the proposal from the Large-Scale Purchaser and the alternative proposal (if presented) by reference to the opinion of the Company's Board of Directors, and be provided with an opportunity to appropriately decide on final approval or denial. In addition, the Company decided to certain response policies for cases where the Large-Scale Purchaser is or is not in compliance with the Large-Scale Purchase Rules, and maintain this Response Policy as a measure against a Large-Scale Purchase by any person inappropriate in light of the Basic Policy regarding Control of the Company.

2. Establishment of Independent Committee

The Company will establish the Independent Committee as a consultative body for operating this Response Policy properly and preventing arbitrary decision-making by the Company's Board of Directors. The Independent Committee will consist of three or more members selected from among the Company's Outside Directors, the Company's Outside Auditors, and Outside Intellectuals (*7) who are independent of the management performing the Company's business operations to allow fair and neutral judgments. The names and career summaries of the Independent Committee members in case this Response Policy is maintained are as shown in Exhibit 3. The outline of the Independent Committee is as shown in Exhibit 2.

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

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

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

3. Substance of Large-Scale Purchase Rules

(1) Furnishing of Information

The Large-Scale Purchase Rules set forth by the Company is: a Large-Scale Purchase should be started after (a) the Large-Scale Purchaser furnishes the Company's Board of Directors with necessary and sufficient information on the Large-Scale Purchase in

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

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

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

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

- stakeholders such as suppliers, customers, and employees, as well as the contents thereof;
- viii) Specific measures to avoid any conflict of interest with other shareholders of the Company; and
 - ix) Any other information reasonably judged to be necessary by the Company's Board of Directors.

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

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

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

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

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

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

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

In case of receiving a recommendation from the Independent Committee to refer to the General Meeting of Shareholders as to whether to implement or not to implement gratis allotment of equity warrants, or judging based on a recommendation of the Independent

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

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

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

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

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

- a. Case of a Large-Scale Purchase which may cause clear damage to the Company's corporate value and the interests common to all shareholders including acts as listed in the following (i) to (iv):
- (i) Cornering shares and demanding that the Company buy them up at a high price;
 - (ii) Managing it in a manner of realizing the purchaser's interests at the sacrifice of the Company by such means as controlling the Company temporarily and acquiring its important assets, etc. at low prices;
 - (iii) Diverting the Company's assets to payment funds or security for debts of the purchaser or its group companies, etc.; and
 - (iv) Controlling the Company management temporarily and cause the Company to dispose of high-priced assets, etc. not related with its business for the time being, and with the benefit of such disposal cause it to pay temporary high

dividends or sell at a profit taking advantage of an opportunity of a sudden rise of the stock price due to the temporary high dividends.;

- b. Case of a Large-Scale Purchase where shareholders may be virtually forced to sell their shares such as coercive two-tier takeover (meaning a purchase of shares including a takeover bid made setting the purchase terms at the second stage less favorable than the initial ones, or not clearly presenting the purchase terms at the second stage);
- c. Cases where the acquisition of control by the Large-Scale Purchaser may damage the interests of the stakeholders such as employees, customers, and suppliers and by that cause significant damage to the Group's corporate value and the interests common to all shareholders
- d. Case of a Large-Scale Purchase whose terms (such as the type and value of the consideration, timing of the Large-Scale Purchase, legality of the purchase method, and response policy toward the Group's stakeholders such as employees, customers, and suppliers) are significantly insufficient or inappropriate in light of the Group's intrinsic value;
- e. Case of a Large-Scale Purchase which may cause material damage to the Group's corporate value and the interests common to all shareholders by destroying such relationships with the Group's employees, customers, and suppliers or its corporate culture as are indispensable to the production of the Group's corporate value;
- f. Cases where the Large-Scale Purchaser is considered inappropriate as the controlling shareholder of the Company from a viewpoint of public order and morals on reasonable grounds including cases where the management or major shareholders or investors of the Large-Scale Purchaser contain persons who are involved with an antisocial group; and
- g. Any other case similar to any of the (a) to (f) above where the Group's corporate value and the interests common to all shareholders may be significantly damaged.

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

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

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

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

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

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

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

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

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

5. Effects on shareholders and investors, etc.

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

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

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

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

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

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

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

This Response Policy will apply as from the date of approval of the shareholders subject to such approval in the General Meeting of Shareholders as the stopping condition. This Policy will continue effective until the conclusion of the Ordinary General Meeting of Shareholders pertaining to the last fiscal year ending within three years from the date of such approval, and thereafter any continuance thereof, including cases of continuance with partial revisions, will be subject to the approval of the Company's General Meeting of Shareholders; provided, however, that in case the Company's General Meeting of Shareholders resolves to abolish this Response Policy or the Company's Board of Directors resolves to abolish the same respecting the recommendation of the Independent Committee to the maximum extent, this Response Policy will be abolished at the time of such resolution even during the effective term of this Response Policy. In such case, the Company will disclose the fact of such abolishment as soon as possible.

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

7. Revision by laws and regulations, etc.

Any provisions of the laws and regulations quoted in this Response Policy are based on those in effect at May 21, 2020. In case there arises a need to make any revision of any of the provisions or the meanings of any terms as set forth in the above paragraphs due to newly establishment, revision, or abolishment of relevant laws and regulations on or after such date, such provision or the meaning of such term may from time to time be deemed to be replaced within a reasonable extent, with the purport of such newly establishment, revision, or abolishment taken into consideration.

Notes *1: If this continued general meeting is not held, it will be the end of this general meeting.

Notes *2: If this continued general meeting is not held, it will be the date of this general meeting.

Notes *3: The term "specific shareholders group" as used herein refers to:

- (i) holders (including those included in holders under Article 27-23, paragraph 3 of the Financial Instruments and Exchange Act; this will apply hereinafter) and joint holders (as defined in Article 27-23, paragraph 5 of the Act, including those deemed to be joint holders under Article 27-23, paragraph 6 of the Act; this will apply hereinafter) of the Company's share certificates, etc. (as defined in Article 27-23, paragraph 1 of the Act), and those who are in certain relationships with the relevant holders or joint holders of the relevant holders similar to those between a holder and a joint holder (hereinafter called "quasi-joint holders"); or
- (ii) those who conduct a purchase, etc. (meaning "Purchase, etc." as defined in Article 27-2, paragraph 1 of the Act, including those conducted in exchange financial markets, regardless of whether it is by auction or other means) of the Company's share certificates, etc. (meaning "Share Certificates, etc." as defined in Article 27-2, paragraph 1 of the Act) and specific interested parties (meaning "Specific Interested Parties" as defined in Article 27-2, paragraph 7 of the Act).

Notes *4: The term "ratio of the voting rights" as used herein refers to:

- (i) in case the specific shareholders group corresponds to the one stated in (i) in Note 3 hereof, the ratio obtained by totaling: (a) the holding ratio of share certificates, etc. (referring to "Holding Ratio of Share Certificates, etc." as defined in Article 27-23, paragraph 4 of the Financial Instruments and Exchange Act; in this case the number of the share certificates, etc. held (referring to "Number of Share Certificates, etc. Held," as defined in the same paragraph, which will apply hereinafter) by joint holders of the relevant holders will also be taken into consideration in calculation) of the relevant holders; and (b) the holding ratio of share certificates, etc. of quasi-joint holders of the relevant holders; provided, however, that the number of the share certificates, etc. held overlappingly in both (a) and (b) will be deducted from the total number of (a) and (b); or
- (ii) in case the specific shareholders group corresponds to the one stated in (ii) in Note 3 hereof, the total of the ownership rate of share certificates, etc. ("Share Certificates, etc. Holding Rate" as defined in Article 27-2, paragraph 8 of the Financial Instruments and Exchange Act) of the relevant Large-Scale Purchaser and the relevant specific interested parties.
In calculation of the holding ratio and the ownership ratio for share certificates, etc., the report most recently submitted out of the securities report, the quarterly report, and the share buyback report may be referred to for the total number of voting rights (as defined in Article 27-2, paragraph 8 of the Act) and that of outstanding shares (as defined in Article 27-23, paragraph 4 of the Act).

Notes *5: The term "share certificates, etc." as used herein refers to Share Certificates, etc. as defined in Article 27-23, paragraph 1 of the Financial Instruments and Exchange Act.

Notes *6: Refers to an agreement to jointly acquire or transfer of the Company share certificates, etc. or exercise their voting rights or any other right as a shareholder of the Company, or any act falling into the category of a joint holder as defined in Article 27-23, paragraphs 5 and 6 of the Financial Instruments and Exchange Act.

Notes *7: "Outside Intellectuals" will be selected and appointed from among business managers having a great deal of administrative experience, persons familiar with investment banking business, lawyers, certified public accountants, academics mainly researching the Companies Act, etc., or other persons similar thereto.

Outline of Equity Warrants

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

7. Exercise period for equity warrants

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

8. Acquisition of equity warrants by the Company

- i) In case the Company's Board of Directors judges it appropriate for the Company to acquire equity warrants, the Company may acquire all equity warrants without compensation as of the date fixed separately by the Company's Board of Directors at any time up to the previous day of the Exercise Period Commencement Date.
- ii) The Company may, as of the date fixed separately by the Company's Board of Directors, acquire all equity warrants not exercised by the previous day of the date fixed separately by the Company's Board of Directors which are held by persons other than those who belong to a specific shareholders group and those who have failed to submit a note to confirm that they do not belong to a specific shareholders group by the date of acquisition in a form designated by the Company (excluding those who were not requested to submit the same by the Company), and in return for this, issue the Company shares in the Subject Number per such equity warrant. In case the Company's Board of Directors considers on or after the date of such acquisition that there is any person holding equity warrants who does not belong to a specific shareholders group (provided, however, that for such recognition by the Company's Board of Directors, the Company may request a document to be submitted in a form designated by the Company as set forth in the preceding Paragraph in (ii) of this 8), the Company may acquire all equity warrants not exercised by the previous day of the date fixed separately by such Company's Board of Directors which are held by such person as of the date fixed separately by such Company's Board of Directors after the date on which the above acquisition was made, and in return for this, issue the Company shares in the Subject Number per such equity warrant, and this will apply thereafter.
- iii) In addition to the above (i) and (ii), any matter regarding the acquisition of equity warrants by the Company will be decided by the resolution for gratis allotment of equity warrants, as necessary.

Outline of Independent Committee

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

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

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

Independent Committee Member Career Summary

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

Name	Career summary
Tetsuo Nishi	<p>Born in Jun 1947 Oct 1977 Passed national bar exam Apr 1980 Practiced the law Aug 2006 Chairperson, Ishikawa Pref. Personnel Committee (in service) Apr 2008 President, Kanazawa Bar Association Governor, Japan Federation of Bar Associations; Governor, Chubu Federation of Bar Association Ishikawa Pref. Information Disclosure Screening Commission (in service) Ishikawa Pref. Personal Information Protection Review Board (in service)</p> <p>【Note】 There are no special interests between him and the Company.</p>
Sawa Tamotsu	<p>Born in August 1947 April 1970 Joined Araya Industrial Co., Ltd. June 2002 Director, Araya Industrial Co., Ltd. June 2008 Managing Director, Araya Industrial Co., Ltd. June 2012 Representative Director & President, Araya Industrial Co., Ltd. June 2015 Director, Daido Kogyo Co., Ltd. (to date) June 2018 Director and Senior Advisor, Araya Industrial Co., Ltd. (to date)</p> <p>【Note】 The Company has designated him as an independent director under the Rules of the Tokyo Stock Exchange. The Company is also going to report him to the Tokyo Stock Exchange as independent directors since they meet the requirements of independent director under the Rules of the same Exchange if election of the three directors is approved.</p>
Seiji Sakashita	<p>Born in February 1958 Oct. 1984 Joined Inoue Tatsuo Accounting Office (present KPMG Azsa & Co.) March 1988 Registered as Certified Public Accountant. May 2003 Asahi & Co. (present KPMG Azsa & Co.) May 2007 Representative Partner, KPMG Azsa & Co. (present KPMG Azsa & Co.) Feb. 2014 Representative Partner, Hokuriku Auditing Office (to date) June 2016 Outside auditor, Komatsu Matere Co., Ltd. (to date) June 2019 Outside auditor, TAKAMAZ Machinery Co., Ltd. (to date) June 2019 Chairman of the Hokuriku Association of the Japanese Institute of Certified Public Accountants (to date)</p> <p>(Important concurrent position) Representative Partner of Hokuriku Auditing Office Outside auditor of Komatsu Matere Co., Ltd. Outside auditor of TAKAMAZ Machinery Co., Ltd. Chairman of the Hokuriku Association of the Japanese Institute of Certified Public Accountants</p> <p>【Note】 The Company is also going to report him to the Tokyo Stock Exchange as independent directors since they meet the requirements of independent director under the Rules of the same Exchange if election of the three directors is approved.</p>