

[Translation]

June 4, 2020

To the press and whom it may concern,

Shareholders' Committee for the Better Corporate Governance of TENMA

Notice regarding the Press Release from the Audit and Supervisory Committee of TENMA

The “Shareholders’ Committee for the Better Corporate Governance of TENMA” (the “Shareholders’ Committee”) made a shareholders’ proposal to Tenma Corporation (“Tenma” or the “Company”; listed on the First Section of Tokyo Stock Exchange, Inc. under securities code 7958) to change the current directors completely and establish a new lineup of directors to be appointed at the annual shareholders’ meeting (the “Meeting”) scheduled to be held in June 2020.

On June 2, 2020, we recognized a report where the Audit and Supervisory Committee of Tenma provided their opinions that the candidates for the positions of director proposed by Tenma for the Meeting are “unsuitable” (Article 342-2, paragraph (iv) of the Companies Act) and the Audit and Supervisory Committee of Tenma resolved to establish the Director Liability Investigation Committee in order to judge whether the directors are liable from a legal perspective.

Tenma has not currently published anything or made any timely disclosures regarding the above report.

On the other hand, as the Shareholders’ Committee received the press release for shareholders of Tenma published by the Audit and Supervisory Committee, we would like to disclose this press release in order for shareholders to exercise their voting rights on the proposals for the appointment of directors at the Meeting based on sufficient information.

**We have not translated the Company’s opinion in the latter half of the press release “Audit and Supervisory Committee’s Opinion regarding the Company’s Proposal (Appendix 1).”*

Contact for inquiries for news media

Shareholders’ Committee for the Better Corporate Governance of TENMA

Administrative Office: Tel 81-3-6721-5099

(Business trustee for media support: Pathfind Co.Ltd.)

Homepage: <http://tsukasanews.com>

Note: This document is not to solicit the exercise of voting rights by persons who constitute the Shareholders’ Committee or third parties for either the proposal by the company or the proposal by the shareholders at the Meeting.

[Translation]

June 2, 2020

To whom it may concern,

Company Name: TENMA CORPORATION
Jiro Kitano, Director & Member of the Audit and Supervisory Committee
(Code: 7958, Tokyo Stock Exchange, First Section)
Contact: Jiro Kitano, Director & Member of the Audit and Supervisory
Committee
Tel.: +81-80-7013-4098

Notice

(regarding opinions on the candidates for appointment of directors by the Audit and Supervisory Committee and establishment of the Director Liability Investigation Committee)

The Audit and Supervisory Committee (the “Committee”) of TENMA CORPORATION (the “Company”) resolved today that for proper information provision to shareholders, we will announce to shareholders, from the standpoint of the Committee, (i) an overview of the Committee’s opinions on the candidates for appointment of directors (Article 342-2, paragraph (iv) of the Companies Act) [resolved on May 27, 2020] and (ii) the establishment of the Director Liability Investigation Committee [resolved on May 19, 2020], which were resolved by the Committee, as described in the Appendices.

The Company issued the press release titled “Notice Regarding Candidates for Directors and the Opinions of the Company’s Board of Directors on the Shareholders’ Proposal” as of May 27, 2020, in relation to proposals for the 72nd Ordinary General Meeting of Shareholders to be held in June 2020 (the “Meeting”) and other matters.

On the other hand, expressions of opinions of the Audit and Supervisory Committee and the fact of establishment of the Director Liability Investigation Committee, as described in the Appendices, which are material facts relating to the candidates for directors, have not been provided to the shareholders of the Company.

In order for shareholders of the Company to exercise their voting rights on the proposals for the appointments of directors at the Meeting after consideration based on sufficient information and so that the Audit and Supervisory Committee members can sufficiently fulfill their duty of due care which they owe as directors who are Audit and Supervisory Committee members, although this is extremely unusual, the Committee decided to disclose the Notice as in the Appendices at its own discretion.

As advised in the Appendices, we hope this Notice will help shareholders to exercise their voting rights on the proposal to appoint “directors who are not Audit and Supervisory Committee members” at the Meeting after consideration with sufficient information and ample time.

End

[Translation]

June 2, 2020

To the shareholders of Tenma Corporation,

Jiro Kitano (seal)
Member of the Audit and Supervisory Committee
Audit and Supervisory Committee
TENMA Corporation

Notice

We hereby advise you of the overview of the Audit and Supervisory Committee's opinions on the candidates for the appointment of directors (Article 342-2, paragraph (4) of the Companies Act and Article 74, paragraph (1), item (iii) of the Regulation for Enforcement of the Companies Act).

1. We requested that the following description be included in the notice convening the shareholders' meeting:

** Please note that the following translation is NOT a word to word translation.*

- I. Mr. Hiroshi Kaneda

The pressing issue faced by the Company is recovering internal and external confidence in the Company's compliance with laws and internal controls. To cope with this unprecedented crisis in the Company, he is unsuitable as a director of the Company for the following reasons:

- (i) After learning about the bribery of a foreign official in Country X in 2019 (the "Bribery"), he dealt with that matter as an executive director in charge of legal affairs and IR. He instructed the foreign subsidiary in Country X of the Company execute a consulting agreement in order to conceal the accounting treatment for the Bribery. Although he has been responsible for making important decisions, he had little experience nor expertise in dealing with this situation. This lack of sufficient expertise resulted in a significant amount of damage to the Company's enterprise value. His responsibility for this incident should be viewed as almost same as if he had acted in bad faith (according to the Outside Investigation Committee's Report).
- (ii) In May 2019, when he was a managing executive officer and head of the New Business Promotion Office of the Company, the Company subscribed for the shares of Spinshell and invested 60 million yen in Spinshell. At that time, he was not only serving as the representative director, but was also holding 85% of the outstanding and issued shares of Spinshell, and had made a more than 40 million yen loan to Spinshell, which was insolvent. On the same day as this 60 million yen capital injection by the Company (along with the 40 million yen capital injection by FHL Holdings Co., Ltd., for whom he has been serving as representative director) in Spinshell, Spinshell repaid the above 40 million yen loan to him. Until an audit conducted by the Audit Committee in May 2020 revealed this repayment to Mr. Kaneda, none of the three members of the Audit Committee knew anything about this repayment. Although this capital injection was a transaction which could raise a conflict-of-interest issue between the Company and its shareholders, Mr. Kaneda did NOT fully provide a detailed picture of these transactions to the Board of Directors. We regret to conclude that Mr. Hiroshi Kaneda lacks the honesty and sense of morality required for a senior executive officer who is responsible for improving the internal control of the Company.

II. Mr. Takashi Sudo

The pressing issue faced by the Company is recovering internal and external confidence in the Company's compliance with laws and internal controls. To cope with this unprecedented crisis in the Company, he is unsuitable as a director of the Company for the following reasons:

- (i) During the fiscal year ending in March 2020, the Company corrected retroactively the annual securities reports, internal control reports and other reports filed under the Financial Instruments Exchange Law in Japan regarding the fiscal years ending in March 2017 and thereafter, which Mr. Takashi Sudo had been responsible for drafting as the CFO of the Company.
- (ii) As the CFO of the Company, he led the effort to conceal the accounting treatment of the bribery and announced the financial results for the second quarter of the fiscal year ending in March 2020, as if nothing wrong had happened, by submitting a written representation from management to KPMG AZSA LLC ("KPMG Japan"), the independent external auditor of the Company.
- (iii) He did not report to the Audit Committee the fact that a cash payment was made to a foreign official in Country X, as he believed that once the Audit Committee became aware of the fact, the Audit Committee might report it to the independent external auditor of the Company and it could become a big scandal.
- (iv) As he had nothing to do with the poor internal control systems in foreign subsidiaries of the Company and left them as they were, the Company could not prevent the management of foreign subsidiaries from paying bribes to foreign officials.
- (v) KPMG Japan announced its intention to resign as the independent external auditor of the Company after the completion of its audit for the fiscal year ending March 2020, as it did not receive adequate explanations and reports in a timely and appropriate manner from the management of the Company and the relationship of trust with the Company had been damaged.

III. Mr. Akira Yosano

The pressing issue faced by the Company is recovering internal and external confidence in the Company's compliance with laws and internal controls. To cope with this unprecedented crisis in the Company, he is unsuitable as a director of the Company for the following reasons:

- (i) As the general manager of the foreign subsidiary in Country Y, Mr. Akira Yosano acknowledged the situation and approved the cash payment to a customs officer in Country Y.
- (ii) The bribery case in Country Y is even worse than the case where a foreign official demands a bribe (according to the Outside Investigation Committee's Report).
- (iii) Although Mr. Akira Yosano stated that he reported ex post facto the cash payment of "adjustment money" to the Corporate Planning Department of the Company and reported the fact that the foreign subsidiary paid "adjustment money" to headquarters by sending an email or submitting a report, the Outside Investigation Committee could not find the corresponding email or report.
- (iv) It is a serious problem that receipts for other payments were systematically collected and used to conceal the accounting treatment (this cover-up operation was devised because there were no receipts or other evidence of cash payments to customs officers in foreign countries, including Country Y). Such inappropriate accounting treatment raises risks of not only bribery of foreign officials but also embezzlement by officers and employees (according to the Outside Investigation Committee's Report).

** The rest of the translation below is omitted.*

[Translation]

June 2, 2020

To the shareholders of Tenma Corporation,

Jiro Kitano (seal)
Member of the Audit and Supervisory Committee
Audit and Supervisory Committee
TENMA Corporation

Notice Concerning Establishment of Director Liability Investigation Committee

As announced in the “Notice Concerning Publication of a Third Party Committee’s Investigation Report, etc.” dated April 2, 2020, Tenma Corporation (the “Company”) disclosed an investigation report received from a third party committee (published version) concerning the issues relating to bribery of foreign public officials at our overseas subsidiary (the “Foreign Public Officials Bribery and Related Issues”).

In addition to the Foreign Public Officials Bribery and Related Issues, fraudulent acts and acts in violation of laws and regulations, as well as suspected cases thereof, have been discovered in connection with the past performance of duties by the directors who are not members of the Audit and Supervisory Committee (the “Target Directors”).

Based on the fact that the Company’s Audit and Supervisory Committee received the third party committee’s investigation report concerning the Foreign Public Officials Bribery and Related Issues on March 13, 2020, we established the Director Liability Investigation Committee on May 19, 2020, which consists of outside lawyers who ensure independence and are in a neutral and fair position with no interests in the Company, in order to make appropriate and fair judgments concerning whether the Target Directors are liable for the breach of their duties, whether the Company should pursue the responsibility of Target Directors, and other issues, from a legal perspective.

The overview of the Director Liability Investigation Committee is stated below:

1. Positioning of the Director Liability Investigation Committee

The Director Liability Investigation Committee will investigate and consider, from a legal perspective, whether the Target Directors are liable for the breach of their duties, whether the Company should pursue the responsibility of the Target Directors, and other issues, in connection with fraudulent acts and acts in violation of laws and regulations, and suspected cases thereof by the Target Directors that are discovered in the process of investigations of the Foreign Public Officials Bribery and Related Issues and other issues.

2. Members of the Director Liability Investigation Committee

The members of the Director Liability Investigation Committee will be outside lawyers who are in an independent position and have no interest in the Company and the current directors of the Company as listed below. The details of each member are as stated in the attachment.

Chairman: Hiroki Kodate (lawyer)
Member: Hidetaka Miyake (lawyer)
Member: Tetsuro Motoyoshi (lawyer)
Note) All of them belong to Anderson Mori & Tomotsune.

The Director Liability Investigation Committee is able to appoint assistants (limited to persons who have no interest in the Company and the current directors of the Company).

3. Other

The investigation method adopted by the Director Liability Investigation Committee, the investigation reporting method, and other details will in each case be left to the decision of the Director Liability Investigation Committee.

End

Attachment

(Career summary of the committee members)

■ Hiroki Kodate

1996 Registered as a lawyer

2002 The Counsellor's Office in the Civil Affairs Bureau of the Ministry of Justice (in charge of planning and drafting the Companies Act)

2005 Member of the Working Group, Study Council for Promoting Translation of Japanese Laws and Regulations into Foreign Languages, Cabinet Secretariat

2012 Member of the Study Group for Market Infrastructure for Listed Companies, Tokyo Stock Exchange, Inc.

(He is currently a partner at Anderson Mori & Tomotsune.)

■ Hidetaka Miyake

2000 Appointed as a public prosecutor

2004 Registered as a lawyer

2010 The Securities and Exchange Surveillance Commission of the Financial Services Agency (in charge of disclosure inspection and international transactions investigation)

2013 Ernst & Young ShinNihon LLC (forensic department)

(He is currently a partner at Anderson Mori & Tomotsune.)

■ Tetsuro Motoyoshi

2002 Registered as a lawyer

(He is currently a partner at Anderson Mori & Tomotsune.)

End