

[Translation]

June 17, 2020

To shareholders, the press, and whom it may concern,

Shareholders' Committee for the Better Corporate Governance of TENMA

**Our Observation as to the Qualification of Mr. Hayashi of Dalton  
as an Insider Director of TENMA**

In "Exercise of Shareholders' Proposal Right over TENMA CORPORATION" dated May 20, 2020, the "Shareholders' Committee for the Better Corporate Governance of TENMA" (the "Shareholders' Committee") made a shareholders' proposal to TENMA CORPORATION ("TENMA"; 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 on June 26, 2020 (this "Proposal") (proposal No. 5 at the Meeting, which was stated on pages 22 to 26 of the convocation notice of the Meeting). As we learned the contents of the Reports of Institutional Shareholder Services Inc. ("ISS") and Glass, Lewis & Co., LLC ("Glass Lewis"), which are prominent proxy-advisory firms, we would like to again provide our opinion and analysis on the proposal to appoint Mr. Shiro Hayashi, an executive officer of Dalton Investments LLC ("Dalton"), as an Insider Director of TENMA (a non-member of the Audit and Supervisory Committee).

1. Evaluation of Executive Director Hiroshi Kaneda and CFO Takashi Sudo in the ISS and Glass Lewis Reports, and Evaluation by Dalton

As we informed you in "Shift to Recommendation to Vote for Mr. Tateno and Mr. Haruyama in the ISS Report, and the Report by Glass Lewis, a Proxy-advisory Firm, Issued as of June 16, 2020," the Shareholders' Committee learned that as three persons, Executive Director Hiroshi Kaneda, Director Takashi Sudo, and Mr. Akira Yosano, who are related to the proposal from the management may have been involved in the bribery case in Vietnam, ISS and Glass Lewis would "recommend voting AGAINST" the proposal for their appointment as directors in the report by ISS, which was issued as of June 12, 2020 and partly revised as of June 16, 2020 (the "ISS Report"), and the report by Glass Lewis, which was issued as of June 16, 2020 (the "Glass Lewis Report").

**Although Dalton pointed out in the disclosure as of May 27, 2020 that one of the main reasons for their support with the proposal from the management was that "the proposal from the management provides for continuity of management through the reappointment of both Director Kaneda and Director Sudo, who are essential for business**

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**execution**” and recognized that both persons “engaged in inappropriate behavior” **in the disclosure as of June 5, 2020**, Dalton stated again, regarding the main reason for agreeing to the proposal from the management, that **“since representative directors Chairman Kaneda and President Fujino have already decided to resign, we consider that the risk of the additional resignation of Mr. Kaneda and Mr. Sudo at the same time is rather high from the viewpoint of continuity of management and thorough measures to prevent recurrence.”**

**In this way, Dalton strongly and consistently supports Executive Director Kaneda and CFO Sudo, though ISS and Glass Lewis “recommend voting AGAINST” their proposal for appointment as directors in the ISS Report and Glass Lewis Report, because they were involved in the bribery case in Vietnam, and we cannot help but consider there is a close relationship between Dalton and both persons.** This can be inferred from the disclosure as of June 5, 2020 above, in which Dalton emphasized their alignment, stating that “we understand that both persons sincerely accepted the proposals, mainly on capital policy, that Dalton has ever made to the company and also contributed to the realization of various measures to improve the enterprise value such as dividend policies, stock buy-backs, and retirement of treasury stock.”

From the fact that Mr. Shiro Hayashi is CEO of Dalton Advisory K.K., one of Dalton’s core companies, and is indicated on Dalton’s website as one of the 16 members listed in the “Asia And Emerging Markets Equities” department of the investment teams, it is obvious he is a Dalton executive officer. Therefore, considering the close ties among Dalton and Executive Director Kaneda and CFO Sudo, it seems natural to assume that Mr. Hayashi has a close relationship with both of Executive Director Kaneda and CFO Sudo.

Accordingly, we **cannot help but strongly oppose the election of Mr. Hayashi as an Insider Director of TENMA (a non-member of the Audit and Supervisory Committee), because it is obvious he has a close relationship with both of Executive Director Kaneda and CFO Sudo, and ISS and Glass Lewis “recommend voting AGAINST” the proposal of their election as directors in the ISS Report and Glass Lewis Report for the reason that they were involved in the bribery case in Vietnam, and the election of Mr. Hayashi who has a close relationship with both of Executive Director Kaneda and CFO Sudo goes against the enhancement of TENMA’s compliance system and internal control system, which are current pressing issues for TENMA.**

## 2. Risk of Conflicts of Interest with Interests of TENMA’s Minority Shareholders

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As stated above, Mr. Shiro Hayashi is an executive officer of Dalton, which is a major shareholder that holds 13.19% of TENMA's shares. If he is appointed as a director, we cannot deny there may be conflict-of-interest issues with TENMA's minority shareholders. Moreover, Mr. Hayashi is not designated as a candidate for independent outside director in the proposal from the management. Regarding this point, Dalton explained in the disclosure as of June 5 2020 above that Dalton agrees that Mr. Hayashi is not an independent outside director because TENMA "is still inexperienced in IR, management, and capital policy matters, and its in-house resources seem to be insufficient; as such, Mr. Hayashi might make proposals and be engaged in planning more proactively, by capitalizing on his experience in the financial industry." Namely, **Mr. Hayashi might "make proposals and be engaged in proactive planning" as an executive director for an essential part of TENMA's management such as management and capital policies;** accordingly, if that is the case and **there are conflicts of interest between the interests of Dalton, the major shareholder of TENMA, and those of minority shareholders, we cannot deny that the minority shareholders' interests might be harmed.** In this point, Dalton has actual results of proposing friendly MBOs to *SunTelephone* in 2006 and *Fujitec* and *Nippon Fine Chemical* in 2007, respectively. If Dalton ends up proposing a friendly MBO to Chairman Kaneda, Executive Director Kaneda, CFO Sudo, and others in this case as well, the interests between Dalton and TENMA's minority shareholders will obviously be in conflict. In such a case, if Mr. Hayashi takes the position of "making proposals and being engaged in proactive planning" as an executive director for an essential part of TENMA's management such as its management and capital policies, it could cause serious conflict-of-interest issues with TENMA's minority shareholders.

Even if TENMA needs to invite a person with profound knowledge of IR, management, and capital policies from outside, there is no need to go so far as to risk causing conflict-of-interest issues with the minority shareholders by inviting an executive officer of Dalton, who is TENMA's major shareholder, while allowing him to concurrently hold both positions.

Therefore, **it would be rather understandable to appoint Mr. Hayashi as an independent outside director, which is a position in charge of supervising executive officers; however, we consider it inappropriate to appoint him as an executive director who might "make proposals and be engaged in proactive planning" for an essential part of TENMA's management such as management and capital policies in light of the interests of TENMA's minority shareholders.**

Based on the above, the Shareholders' Committee strongly opposes the election of Mr. Hayashi, who is an executive officer of Dalton, as an Insider Director of TENMA (a non-member of the Audit and Supervisory Committee).

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We would like to ask all of fellow shareholders to exercise their voting rights with due consideration based on the above when exercising their voting rights regarding proposal No. 2 of the Meeting (the proposal from the management).

End

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>

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