

[Translation]

May 20, 2020

To the press and whom it may concern,

Society of Shareholders for Improving Tenma's Governance

Exercise of Shareholders' Proposal Right over Tenma Corporation

The "Society of Shareholders for Improving Tenma's Governance" (the "Society") is constituted by Osamu Tsukasa, Tsukasa Enterprise Corporation, Kaneda Kosan Corporation, Hisashi Tsukasa, and Sumiko Tsukasa, and the members of the Society jointly hold 24.39% (as of March 31, 2020) of the common shares of Tenma Corporation ("Tenma" or the "Company"; listed on the First Section of Tokyo Stock Exchange, Inc. under securities code 7958).

In order to ensure Tenma improves shareholder value by letting go of the past, the Society made a shareholder proposal for Tenma, as of April 21, 2020, 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 (this "Proposal").

The purpose of this Proposal is for the founding family of Tenma to withdraw completely from the execution of the Company's operations, and the Society considers that the approval and passage of this Proposal at the Meeting will enhance Tenma's corporate governance system and therefore contribute to continuously improving Tenma's enterprise value.

We hereby provide the reasons why the Society made this Proposal and the details of this Proposal as follows.

A: Circumstances Leading to this Proposal

1. Up Until the Overseas Bribery Case Occurred

- (1) Tenma was founded by four brothers, Tadao Kaneda, Yasuhiko Kaneda, Tetsumin Kanda, and Osamu Tsukasa, in 1949. Tadao Kaneda (the first), Yasuhiko Kaneda, and Osamu Tsukasa successively served as representative directors in this order, and after Tsukasa Osamu's resignation as representative director in 2014, the founders left Tenma, and a member of the next generation, Yasuichi Kaneda (Yasuhiko Kaneda's child), became the chairman of the board and an outside president was invited to join. In 2016, Mr. Fujino, an employee of Tenma from the start, became president.

However, in around 2018, some employees had begun to consult with Osamu Tsukasa, who had already resigned as director by then and had been serving as honorable chairman, complaining that they felt frustrated and horrified by the harassment by President Fujino and his excessive information control, and cannot endure it.

Osamu Tsukasa considered that President Fujino may damage Tenma's enterprise value and suggested to Chairman Kaneda in April 2019 that President Fujino should be removed and that another person should become president at the annual shareholders' meeting in June 2019.

However, Chairman Kaneda maintained that President Fujino would remain, and eventually Mr. Fujino was reappointed in June 2019; at the same time, Mr. Hiroshi Kaneda, Chairman Kaneda's own child, who is supported by Chairman Kaneda and had been an executive officer (he joined the Company in November 2017), was newly appointed as a director. Even after that, employees who complained of President Fujino and his injustice, or were afraid of President Fujino's words and deeds, continued to consult with Osamu Tsukasa. Under these

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circumstances, the overseas bribery case occurred.

- (2) In August 2019, one of Tenma's overseas subsidiaries received a demand from a tax inspector in that country to pay cash immediately if it would like for the subsidiary to reduce the amount of penalty tax. An employee of the head office who was consulted by a local employee attempted to consult with President Fujino about that matter, because President Fujino permitted a payment of cash when a similar demand was made in the same country in 2017. However, at that time, President Fujino was out of the office and the employee of the head office could not get in contact with him; therefore, he/she permitted the local employee to make the payment of cash.

After that, because that head office employee consulted with Tsukasa Osamu, saying that "President Fujino will place the blame only on me," Osamu Tsukasa suggested to Chairman Kaneda that he "should not place the blame for everything on employees."

Regarding the further inappropriate response of the current directors in the overseas bribery case, please refer to pages 25 to 41 and pages 44 to 46 of [the third party committee's investigation report](#) (only in Japanese) published by Tenma as of April 2, 2020.

The Society has a strong sense of crisis in the unusual situation where this case involves misconduct committed independently by President Fujino, Mr. Sudo, director in charge of finance and accounting (CFO), and Mr. Hiroshi Kaneda, director in charge of legal affairs and IR (current general manager of crisis management).

2. Concerns over the Corporate Governance System

- (1) **The Society has great concerns over Tenma's corporate governance system, as the third party committee's investigation report points out.**

As mentioned above, an overseas bribery case, a serious compliance-related problem which greatly damages Tenma's enterprise value, occurred. We understand that such fact is evidence that problems are inherent in Tenma's governance system and it is a situation which should be of considerable concern from the viewpoint of securing the common interests of all stakeholders including Tenma's shareholders.

There are deep-rooted problems in Tenma's current governance system, which were ingrained to the point that they can be called part of its corporate culture, and they only appeared in the form of the overseas bribery case. Therefore, unless the underlying problem is eliminated, problems will inevitably appear again in a different form.

The underlying problem is that people from the founding family, which has an absolute influence, become directors and employees speculate about their intentions excessively.

Since Tenma has grown under the founders' strong leadership, even now the existence of the founding family has a great influence on the minds of the employees. The employees are highly conscious of the existence of Chairman Kaneda, who is from the founding family, as well as that of Senior Executive Director Hisashi Tsukasa and Executive Director Hiroshi Kaneda.

Furthermore, Tenma does not depend on external fundraising such as borrowing from financial institutions and capital increases through public offerings, and the founding family holds approximately 40% of its shares. Accordingly, the founding family's influence becomes absolute and it is impossible to control managers who are from the founding family.

This system allows for employees who speculate about the intentions of the managers who are

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from the founding family to appear spontaneously.

In addition, President Fujino asked Chairman Kaneda for help in response to Osamu Tsukasa's suggestion, and by changing the original confrontation between the president and the employees to a confrontation between founding family members, the Chairman Kaneda family members and the Tsukasa family members, he has even brought this confrontational relationship into the Board of Directors.

Since the people who intend to prevail in this confrontational relationship and defend their positions account for a majority of the directors, they forgot their responsibility for the acts that they committed even after publication of the third committee's investigation report, and they have not made apologies or explanations to Tenma's employees and clients that they should have made at the outset.

Thus, the Society, which is constituted by the members of the founding family other than the persons concerned with Chairman Kaneda and Executive Director Kaneda, has come to consider that "unless all the founding family members resign as directors, the management system and corporate climate are reformed so that officers and employees can freely state their opinions on and discuss, and make decisions on, matters which are advantageous for Tenma and all stakeholders, without being conscious of the existence of the founding family, the people in the Company cannot unite and overcome the disease from which Tenma suffers."

(2) Even if all the current directors resign, there would be no influence on Tenma's management.

Tenma is a company which has grown through the efforts of its employees in fields, including its executive officers. It is desirable for the current Tenma that the directors who cling to their own faction's victory in the Company, cover up their misconduct, do not adhere to compliance requirements, and are not trusted by the employees, leave.

(3) Although Chairman Kaneda has experience in the manufacturing and technology fields, he does not have much experience in others, and he left those fields after he became the chairman in 2014, and will turn 75 years old soon.

Moreover, the attitude of Chairman Kaneda toward the employees shows that he is not qualified to be a manager, as follows.

- (a) In November 2019, a written petition was sent by the interested employees to "owners and large shareholders, Osamu Tsukasa and Yasuichi Kaneda." It is described as follows:

"We employees have felt greatly distressed by the severe information control and harassment by President Fujino on a daily basis for years. We have also seen many problematic words and deeds by President Fujino himself. If no measures are taken, the employees will be intimidated and the normal business operations of the company cannot be continued.

We cannot endure the mental distress and anxiety anymore. There are a lot of employees who struggle to resign from the company and suffer as a result. In addition, we point out again that the words and deeds of President Fujino which are soft on himself and hard on others are inappropriate as a president of a listed company. Therefore, we employees strongly propose the removal of President Fujino."

- (b) Chairman Yasuichi Kaneda, who received this written petition, stated as follows at the internal meeting which the executives of the head office joined.

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“That’s OK. I don’t care if we all resign in June. Instead, we will stand in your way.”
 “What I can never forgive is the signatures of you who are still working at the Company. I will not part with them before I die. I keep them in the safe at home.”

(4) **Executive Director Hiroshi Kaneda who is Chairman Kaneda’s own child joined the Company in 2017. Until joining the Company, he belonged to an area which has nothing to do with the industry of the Company. After joining the Company, he belongs to the new business promotion office, general affairs division, and does not engage in the main business of the Company. Rather, he causes material conflict of interest problems for Tenma.**

- (a) In the overseas bribery case, Executive Director Hiroshi Kaneda explained to the third party committee to the effect that he considered it will become legitimate if a consultant agreement is executed. The investigation report pointed out that he is “ignorant” and his mismanagement, because of his ignorance, is as serious as that if he recognized the illegality of the bribery case (pages 69 and 70 of the third party committee’s investigation report).
- (b) Tenma invested 60 million yen when **the following company, of which** Executive Director Hiroshi Kaneda has been Representative Director since February 2006 and **individually owns 80 percent or more of the shares** increased its capital (the “Capital Increase”) in May 2019.

Spinshell, Inc. Representative Director: Hiroshi Kaneda	
9th Floor, Cross Office Uchisaiwai-cho, 1-18-6, Nishi-shimbashi, Minato-ku, Tokyo	
Total number of shares issued (before Capital Increase)	600 shares

- (i) The said company is insolvent and not profitable, having mostly been in the red in the past. Tenma invested the total amount of 60 million yen in the said company at a price of three hundred thousand yen per share (the “Issue Price”) and obtained 20% of the shares.
- (ii) At first glance, the Issue Price has been calculated based on an irrational business plan and has no economic rationality.
- (iii) On the date when 60 million yen was paid-in from Tenma to Spinshell, Executive Director Kaneda collected 40 million yen, being his loan to Spinshell.
(i.e., It is suspected money was transferred from Tenma to Spinshell to Mr. Hiroshi Kaneda (individual))
- (iv) Tenma plans to request another transaction from Spinshell, which is still currently controlled by Executive Director Hiroshi Kaneda.

This is a representative example which demonstrates a loss of self-discipline on the part of the founding family executives, and inappropriate decision-making by directors who speculated about intentions of the founding family.

The parents of Chairman Kaneda and Executive Director Kaneda, who have acted in this way, and the current directors who approved these actions at the Board of Directors meeting are not qualified to carry out Tenma’s business. If Tenma does not force them out of office immediately, the value and property built by Tenma can be used for the private benefit of the Kaneda Family.

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- (5) **In the overseas bribery case which has now been revealed, false accounting was carried out under the initiative of the director responsible for financial accounting (CFO), and the financial results of the second quarter were announced by submitting the management representation letter jointly signed with President Fujino to KPMG AZSA LLC as if nothing had happened (page 38 and pages 68 to 69 of the third party committee’s investigation report), but KPMG AZSA LLC declined to be Tenma’s auditing firm at the end of the fiscal year ending in March 2020 because they do not trust Tenma’s governance system.**

As announced in the “Notice Regarding Change of Certified Public Accountant, etc.” which is Tenma’s timely disclosure as of May 15 of this year (the “Disclosure”), KPMG AZSA LLC resigned from their position as Tenma’s auditing firm.

As Tenma clearly stated themselves, in relation to the overseas bribery case which has been revealed in the Disclosure, “KPMG AZSA LLC frowned on the continuation of the audit contract for the reasons that they did not receive explanations and reports about the Case in a timely and appropriate manner and the fiduciary relationship had been damaged.” KPMG AZSA LLC expressed their serious concern about the current status of Tenma’s governance and decided to resign from their position as Tenma’s auditing firm at the end of the fiscal year ending in March 2020. Moreover, the successor is not any of the four biggest auditing firms which have the same level of resources and audit quality as KPMG AZSA LLC.

In this way, Tenma has also been advised by its external third party auditing firm about the failure of its governance system under the management system led by its founding family directors. It is very likely that the shares of the Tenma could be designated as securities on alert in the future, and further, even the concern that the Company could be delisted cannot be denied.

Thus, the Society is certain that if not only the persons who are ineligible to be directors, but also all founding directors leave the management at this time and the inappropriate relationship between Tenma and the founding family is finished, appropriate management can be achieved and Tenma’s business can be revitalized. The Society strongly believes that it is optimal for the improvement of the future enterprise value of Tenma that people who are familiar with Tenma’s management and actual locations become directors and revitalize the Company.

The directors who are not aware of their lack of management ability, try to protect themselves and resolutely exclude other groups should resign from their positions immediately. If we let such directors appoint their own successors, division and the root of the problem will remain within the Company and the problems will continue to occur in the future.

What must be done first is to replace the current directors completely, break with the past, and establish a new structure for the Board of Directors. It is impossible to implement these two actions at the same time under the current directors.

B: Shareholders’ Proposal - Appointment of Eight Directors

The current candidates are active executive officers of Tenma with no relation to the founding family, who range in age from 45 to 63 years old, with an average age of 52 years. The age range is suitable for directors to lead the future Tenma and the candidates are at the peak of their careers and full of energy.

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- (i) Tenma's profits are largely made up of overseas profits, and so it is necessary to reflect the overseas experience and the actual circumstances. In the shareholders' proposal, persons who have experience in management in Indonesia, Thailand, and China have been nominated as candidates. In relation to the prevention of overseas bribery, realistic and effective measures can only be established through participation in the Board of Directors by people who are familiar with the actual circumstances of the overseas locations and their initiatives with a strong sense of responsibilities as directors.
- (ii) From the sales field, persons have been nominated as candidates from the Industrial Products Sales Department which is responsible for sales to the companies within and outside Japan and the Houseware Sales Department which is responsible for retail stores such as domestic mass retailers.
- (iii) To improve Tenma's lack of compliance and deficiencies in internal controls, which were exposed through a series of overseas bribery incidents, reform which meets public standards is possible by relying on decisions made according to the standards of outside personnel who have a lot of experience with internal audits, rather than through employees who have been continuously employed at the Company for their whole career.
- (iv) The production technology of factories is essential to maintaining the Company's quality, and the participation in the Board of Directors by a responsible person of the technology department, who is familiar with the production sites, would result in the enhancement of the Company's technical ability.

	Name	Current position
1	Yukio Haruyama (newly-appointed) Born on September 25, 1969	<p>April 1995 Joined the Company</p> <p>September 2008 Manager of President Office (currently, Corporate Planning Department) of the Company</p> <p>June 2014 Executive Officer, Manager of Corporate Planning Department of the Company</p> <p>February 2015 Executive Officer of the Company, President of PT.TENMA INDONESIA (current) and President of PT.TENMA CIKARANG INDONESIA (current)</p>
2	Kazuharu Tateno (newly-appointed) Born on October 15, 1970	<p>March 1993 Joined the Company</p> <p>April 2012 Manager of Industrial Products Sales Department of the Company</p> <p>March 2013 Manager of Shiga Factory of the Company</p> <p>November 2014 Manager belonging to General Affairs Department of the Company</p> <p>President of TENMA (THAILAND) CO., LTD., Prachin Buri</p> <p>June 2016 Executive Officer of the Company</p> <p>President of TENMA (THAILAND) CO., LTD., Prachin Buri</p> <p>October 2018 Executive Officer of the Company</p> <p>President of TENMA (THAILAND) CO., LTD., Prachin Buri and President of TENMA (HCM) VIETNAM CO., LTD.</p> <p>June 2019 Managing Executive Officer of the Company</p>

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			President of TENMA (THAILAND) CO., LTD., Prachin Buri (current) and President of TENMA (HCM) VIETNAM CO., LTD. (current)
3	Yoshiyuki Yanagisawa (newly-appointed) Born on January 29, 1973	April 1995 April 2013 June 2016	Joined the Company Manager of Industrial Products Sales Department of the Company Executive Officer, Manager of Industrial Products Sales Department of the Company (current)
4	Ichiro Sakai (newly-appointed) Born on May 6, 1960	April 1983 April 2014 March 2015 April 2015 June 2017 November 2019	Joined Chuo Trust & Banking Co., Ltd. (currently, Sumitomo Mitsui Trust Bank, Limited) Manager of Internal Audit Department of the Company (seconded from Sumitomo Mitsui Trust Bank, Limited) Resigned from Sumitomo Mitsui Trust Bank, Limited Joined the Company, Manager of General Affairs Department Executive Officer, Manager of General Affairs Department of the Company Executive Officer, Assistant to President of the Company (current)
5	Shuji Kawamura (newly-appointed) Born on June 30, 1961	April 1981 April 2012 June 2016 June 2019	Joined the Company Manager belonging to General Affairs Department of the Company, CEO of TENMA PRECISION (ZHONGSHAN) CO., LTD. Managing Executive Officer of the Company, Chairman and CEO of TENMA PRECISION (ZHONGSHAN) CO., LTD. Managing Executive Officer of the Company Chairman and CEO of TENMA PRECISION (ZHONGSHAN) CO., LTD. (current)
6	Nobunoshin Tsutsuno (newly-appointed) Born on October 4, 1957	March 1980 January 2005 September 2006 June 2007 June 2014 June 2019	Joined the Company Manager of Technology Management Department Manager of Technology Department Executive Officer, Manager of Technology Department Manager of Technology Department Executive Officer, Manager of Technology Department (current)
7	Tomohisa Egawa (newly-appointed) Born on May 23, 1975	April 1998 April 2019 June 2019	Joined the Company Manager belonging to General Affairs Department of the Company, Chairman of TENMA PRECISION (SHENZHEN) CO., LTD. Executive Officer of the Company, Chairman of TENMA PRECISION (SHENZHEN) CO., LTD. (current)
8	Keisuke Fuchigami (newly-appointed)	August 1995 June 2016	Joined the Company Manager of Houseware Sales Department of

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	Born on January 29, 1972	June 2019	the Company Executive Officer, Manager of Houseware Sales Supervisory Department of the Company (current)
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*** Composition of *Society of Shareholders for Improving Tenma's Governance***

Name of Shareholders	Number of shares owned (1,000 shares)	Percentage of number of shares owned to total number of shares issued minus number of treasury stock and shares less than one unit (%) (Note)
Osamu Tsukasa	794	3.29
Tsukasa Enterprise Corporation Hisashi Tsukasa, Representative Director	1,978	8.18
KANEDA KOSAN CORPORATION Hisashi Kaneda, Representative Director	2,924	12.10
Hisashi Tsukasa	158	0.66
Sumiko Tsukasa	39	0.17
Total	5,895	24.39

(Note) As of March 31, 2020

<p>Contact for inquiries for news media <i>Society of Shareholders for Improving Tenma's Governance</i> Administrative Office: Tel 81-3-6721-5099 (Business trustee for media support: Pathfind Co.Ltd.) Homepage: http://tsukasanews.com</p>
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