

[Translation]

June 17, 2020

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

Shareholders' Committee for the Better Corporate Governance of TENMA

**Question of Misunderstanding of the Relevant Facts in the Report  
Published as of June 16, 2020 by Proxy-Advisory Firm Glass Lewis**

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").

This Proposal is submitted as proposal No. 5 at the Meeting, which was stated on pages 22 to 26 of the convocation notice of the Meeting.

As you can see from the details of proposal No. 5 of the Meeting, the Shareholders' Committee has included in a shareholders' proposal a request to appoint eight director candidates, i.e., Yukio Haruyama (Executive Officer), Kazuharu Tateno (Managing Executive Officer), Yoshiyuki Yanagisawa (Executive Officer), Ichiro Sakai (Executive Officer), Shuji Kawamura (Managing Executive Officer), Nobunoshin Tsutsuno (Executive Officer), Tomohisa Egawa (Executive Officer), and Keisuke Fuchigami (Executive Officer), as directors of TENMA (non-members of the Audit and Supervisory Committee), in the Meeting. However, in the reports as of June 16, 2020 by a prominent proxy-advisory firm, Glass Lewis & Co., LLC ("Glass Lewis Report"), although it recommended voting FOR the appointment of three candidates, i.e., Mr. Yukio Haruyama, Mr. Kazuharu Tateno, and Mr. Ichiro Sakai as directors of TENMA, we learned that, among the six candidates who have agreed to assume the position of directors at this moment out of the above eight candidates, it states that, because the percentage of independent outside directors out of the board of directors will decrease if the number of the directors appointed from the candidates for

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directors of TENMA (non-members of the Audit and Supervisory Committee) in this Proposal is not limited to three persons, Glass Lewis recommends voting AGAINST three candidates, i.e., Mr. Yoshiyuki Yanagisawa, Mr. Nobunoshin Tsutsuno, and Mr. Tomohisa Egawa, taking into account their experiences and other factors. However, although the intent of the Glass Lewis Report is relatively unclear, we believe that it is based on a misunderstanding of the relevant facts regarding this point. Therefore, we will explain this point below.

Notice

1 Current percentage of outside directors in TENMA and percentage of independent outside directors in the case where six candidates out of the candidates pertaining to this Proposal are appointed

Currently, TENMA’s board of directors consists of nine directors, and since there are three independent outside directors, Mr. Jiro Kitano, Mr. Yoshimasa Kataoka, and Mr. Junichi Fujimoto, Audit and Supervisory Committee members who are not subject to re-election, **one third of the total number of directors will be independent outside directors.** In other words, **there are no independent outside directors who are not Audit and Supervisory Committee members.**

In contrast to this, in the Glass Lewis Report, since it recommended voting FOR three candidates, Mr. Hirohiko Hirono, Mr. Yuichi Nagai, and Mr. Shiro Hayashi, who are the candidates for internal directors as well as two candidates, Mr. Hirofumi Kurahashi and Mr. Shoji Matsuyama, who are the candidates for outside directors, from the proposal on the appointment of directors of TENMA (non-members of the Audit and Supervisory Committee) pertaining to the proposal from the management (proposal No. 2), and also recommended voting FOR the proposal of appointing Mr. Koichi Kan as a director of TENMA (a member of Audit and Supervisory Committee) (proposal No. 3), **the percentage of independent outside directors in TENMA’s proposed board of directors will be six out of fifteen (i.e., the independent outside directors will be Mr. Hirofumi**

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**Kurahashi, Mr. Shoji Matsuyama, and Mr. Koichi Kan<sup>1</sup>, as well as Mr. Jiro Kitano, Mr. Yoshimasa Kataoka, and Mr. Junichi Fujimoto, who are not subject to re-election), and it exceeds the percentage of independent outside directors in the current board of directors (one third), even if all six candidates who have agreed to assume the position of directors (they are all candidates for internal directors) at this moment are appointed as directors** out of the eight candidates of directors of TENMA (non members of the Audit and Supervisory Committee) pertaining to this Proposal.

- 2 Proportion of independent outside directors in the case where the upper limit on the number of members of directors of TENMA (non-members of the Audit and Supervisory Committee) under the Articles of Incorporation is taken into consideration

In addition, **from the proposal on the appointment of directors of TENMA (non-members of the Audit and Supervisory Committee) pertaining to the proposal from the management in the Glass Lewis Report, if we assume that all five candidates who are recommended voting FOR will be appointed, and if we take into account that, in TENMA's case, under the Article of Incorporation, the upper limit of the number of directors of TENMA (non-members of the Audit and Supervisory Committee) is nine and the upper limit of the number of directors of TENMA (members of the Audit and Supervisory Committee) is four, four candidates from the candidates for internal directors pertaining to this Proposal can be appointed under laws and regulations as well as the Articles of Incorporation, and the percentage of independent outside directors of TENMA's proposed board of directors in the case where such four candidates are appointed will be six out of thirteen (i.e., the independent outside directors will be Mr. Hirofumi Kurahashi, Mr. Shoji Matsuyama, and Mr. Koichi Kan, as well as Mr. Jiro Kitano, Mr. Yoshimasa Kataoka, and Mr. Junichi Fujimoto, who**

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<sup>1</sup> (Although it is unknown if it is an error), it is not specified that Mr. Koichi Kan should be registered as an independent officer with Tokyo Stock Exchange under the convocation notice pertaining to the Meeting, because it is obvious that he objectively satisfies the requirements of an independent officer under the provisions of Tokyo Stock Exchange and the independency standards uniquely specified by Glass Lewis, and we understand that he will naturally be registered as an independent officer with Tokyo Stock Exchange if he is appointed as a director.

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**are not subject to re-election), and this percentage is well over the percentage of independent outside directors in the current board of directors (one third).** In this case, the percentage of independent outside directors from among directors who are not Audit and Supervisory Committee members will be two out of nine, and this is high above the current 0%.

Accordingly, since the Glass Lewis Report overlooks the fact that “Audit and Supervisory Committee members” are also members of board of directors in TENMA, which is a company with an Audit and Supervisory Committee, unlike with auditors in a company with a Board of Company Auditors, **if we assume that all five candidates who are recommended voting FOR will be appointed from the proposal on the appointment of directors of TENMA (non-members of the Audit and Supervisory Committee) pertaining to the proposal from the management in the report, we believe that it has not been fully taken into account that at least four candidates from the candidates for internal directors pertaining to this Proposal can be appointed under the laws and regulations as well as the Articles of Incorporation, while increasing the percentage of independent outside directors in TENMA’s current board of directors.**

### 3 Conclusion

Therefore, **as the Shareholders’ Committee,** we think that **at least it is reasonable to appoint all six candidates who have agreed to assume the positions of TENMA’s directors at this moment out of the eight candidates of directors of TENMA (non-members of the Audit and Supervisory Committee) in this Proposal, even if we take the position of increasing the percentage of independent outside directors in the board of directors.**

In this regard, **even in the report by a prominent proxy-advisory firm, Institutional Shareholder Services Inc. (“ISS”), revised as of Jun 16, 2020, it recommends voting FOR at least the proposal on appointment of all six candidates who have agreed to assume positions of directors at this moment out of the eight candidates of directors of**

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**TENMA (non members of the Audit and Supervisory Committee) in this Proposal, including Mr. Kazuharu Tateno and Mr. Yukio Haruyama.**

We would like to ask all of our fellow shareholders to exercise their voting rights with due consideration based on the above when exercising their voting rights regarding proposal No. 5 of the Meeting.

End

Contact for media inquiries

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