

Date: June 19, 2020

Company Name: Nihon Dempa Kogyo Co., Ltd.
Representative: Hiromi Katoh, Representative Director
and President
Code: 6779, First Section of the Tokyo
Stock Exchange
Contact: Michio Aoyama, Corporate Officer and
General Manager of Administration
Division
Tel: 03-5453-6711

Re: Issuance of Class Shares through Third-Party Allotment,
Reduction of Amounts of Capital Stock and Legal Capital Surplus
and Appropriation of Surplus, Partial Amendment to the Articles of Incorporation, and
Reduction of Amounts of Capital Stock and
Legal Capital Surplus on Issuance of Class Shares

Nihon Dempa Kogyo Co., Ltd. (“NDK” or “we”) hereby announces that the Board of Directors of NDK, at its meeting held today, passed a resolution for items 1. and 2. below.

1. NDK enters into a class share subscription agreement (the “Subscription Agreement”) with Japan Industrial Solutions Fund II (the “Planned Allottee”) to issue a total of 5,000,000,000 yen of the Class A Shares through third-party allotment to the Planned Allottee (the “Capital Increase through Third-Party Allotment”, for details, please see “I. The Capital Increase through Third-Party Allotment” below).
2. NDK will submit, to the 79th ordinary general meeting of shareholders scheduled to be held on July 31, 2020 (the “Ordinary General Meeting of Shareholders”), agendas regarding (i) the reduction of the amounts of capital stock and legal capital surplus, the transfer of such amounts to other capital surplus, and the cover of a deficit in retained earnings brought forward with other capital surplus after the transfer (the “Cover of Deficit, for details, please see “II. Cover of Deficit” below). (ii) the partial amendments to the Articles of Incorporation relating to the creation of the provisions for the Class A Shares, etc. (the “Amendments to the Articles of Incorporation”, for details, please see “III. Partial Amendments to the Articles of Incorporation” below); (iii) the Capital Increase through Third-Party Allotment; and (iv) the reduction of the amounts of capital stock and legal capital surplus after the Capital Increase through Third-Party Allotment, and the transfer of such amounts to other capital surplus to be conducted as of October 1, 2020, as the effective date, on the condition that the Capital Increase through Third-Party Allotment be effected (the “Reduction of the Amount of Capital Stock, etc.”, for details, please see “IV. Reduction of the Amount of Capital Stock, etc.” below).

I. The Capital Increase through Third-Party Allotment

1. Overview of the Offering

(1) Payment period	From August 1, 2020 to September 30, 2020 (Note)
(2) Number of shares to be issued	5,000 shares of Class A Shares
(3) Issue price	1,000,000 yen per share
(4) Total issue price	5,000,000,000 yen For the estimated amount less the estimated issuance expenses, please see “3. Amounts, Usage and Scheduled Timing of Use of the Funds to be Procured” below.
(5) Method of subscription or allotment (Planned Allottee)	All of the Class A Shares will be allotted to Japan Industrial Solutions Fund II through third-party allotment.
(6) Other	<p>For details, please see Appendix I “Terms and Conditions of Class A Shares.”</p> <p>There is no provisions regarding so-called preferred dividends with respect to the Class A Shares. The Class A Shareholders may receive the dividends in the amount per Class A Share, <i>pari passu</i> with common shareholders, equivalent to the amount obtained by multiplying (i) the amount of the dividends per a common share by (ii) the amount obtained by dividing (a) the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by 1.40 by (b) the acquisition price as set forth in III. (3) (ii) below.</p> <p>The right to request acquisition in exchange for common shares is attached to the Class A Shares. Although the Terms and Conditions of Class A Shares provides that, in principle, on or after August 1, 2020, each Class A Shareholder may at any time request NDK to acquire, in exchange for common shares, all or part of the Class A Shares, in accordance with the provisions of the Subscription Agreement, the Class A Shareholders may, only after July 1, 2023, exercise the right to request acquisition in exchange for common shares. In case of occurrence of the Conversion Restriction Removal Event (defined in III. (3) (ii) below), the Class A Shareholders may exercise the right to request acquisition in exchange for common shares of NDK even before July 1, 2023.</p> <p>The number of common shares delivered in case of exercise of the right to request acquisition in exchange for common shares attached to the Class A Shares shall be the number obtained by dividing the amount obtained</p>

	<p>by multiplying (a) the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by 1.40 by (b) the number of the Class A Shares concerning the exercise request, by the acquisition price as set forth in III. (3) (ii) below.</p> <p>NDK may at any time on and after August 1, 2020 acquire all or part of the Class A Shares in exchange for money. The amount of money to be delivered when the call options for money attached to the Class A shares are exercised will be, in principle, the amount calculated by multiplying (i) the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by the redemption factors as set forth in III. (3) (iii) below by (ii) the number of the Class A Shares in respect of the Redemption for Money.</p> <p>Although there are no voting rights or restrictions on transfer of the Class A Shares, pursuant to the Subscription Agreement, unless the Transfer Restriction Removal Event (defined in III. (3) (iv) below) occurs or unless approved by the Board of Directors of NDK, the Planned Allottee may not transfer the Class A Shares to a third party during the period until June 30, 2023 (inclusive).</p> <p>The issuance of the Class A Shares is subject to the conditions that approval of the following proposals is obtained at the Ordinary General Meeting of Shareholders: (i) the Cover of Deficit (ii) the Amendments to the Articles of Incorporation; (iii) the Capital Increase through Third-Party Allotment; (iv) the Reduction of the Amount of Capital Stock, etc.; and (v) the election of one (1) person designated by the Planned Allottee as an outside director of NDK (the "Election of Outside Director").</p>
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(Note) With respect to the Capital Increase through Third-Party Allotment, it was resolved that the payment period under the Companies Act shall be from August 1, 2020 to September 30, 2020. The resolution for such payment period was made because, regarding the satisfaction of a part of the conditions precedent for the payment obligation of the Planned Allottee related to the Class A Shares as set forth in the Subscription Agreement, the timing cannot be confirmed in advance. In addition, NDK and the Planned Allottee are in agreement that, in principle, the payment will be made on the date on which three (3) business days elapse after the date on which all of the conditions precedent are satisfied or waived (which is limited to a date during the payment period).

2. Purpose of and Reason for Offering
 - (1) Background to and purpose of offering

The NDK group companies (the “Group”) specialize in the manufacturing of quartz crystal devices for frequency control, selection, and detection, and share a founding philosophy of “contributing to the prosperity of society and world peace through our service to customers.” The Group has been supporting the development of the electronics industry from within since its establishment. The Group has made customer satisfaction its fundamental management policy, and has been leading industry through the development, manufacturing and sale of highly reliable products.

However, due to a significant slowdown in demand from both major smartphone manufacturers and emerging Chinese smartphone manufacturers in the fiscal year ended March 31, 2018, projected sales in the mobile telecommunications market fell considerably short of expectations. Furthermore, as a result of the production capacity expansion in the past in line with the management plan in place at the beginning of the period, costs increased and profitability worsened significantly. Consequently, for the fiscal year ended March 31, 2018, we recognized impairment losses of approximately 6.5 billion yen, mainly on production facilities for smartphone devices, such as TCXOs (temperature compensated crystal oscillators), crystal units with built-in temperature sensors, and SAW (surface acoustic wave) devices, and we were obliged to recognize a net loss of more than 10 billion yen. In order to address this situation, and aiming to restructure the operating foundations to ensure stable profit, NDK, in order to reduce costs through structural reforms, started structural reforms of reduction of the fixed costs through restructuring the production system from the fiscal year ended March 31, 2019, for the purpose of reducing fixed costs by selecting targeted product markets and improving the productivity and cost-competitiveness of the entire Group.

In the fiscal year ended March 31, 2020, we shifted our production line for small mass-produced products for mobile communications from the Sayama factory to our Hakodate factory in an effort to restructure our production system, and we have generally proceeded with the reduction of fixed costs as planned. However, due to the continuing China-US trade friction and effects from other factors, NDK was not able to improve the Group’s management environment, and, as a result, sales for automotive electronics and industrial equipment devices continued to fall short of expectations. Therefore, in November 2019, NDK resolved to implement new structural reforms. Specifically, in order to reduce fixed costs in addition to improving the efficiency of operation on a standalone basis of NDK, we offered voluntary early retirement to approximately 100 employees at NDK and a total of 129 employees retired. Accordingly, a structural reform expense of 2.5 billion yen, including special retirement expense for the voluntary retirees, was recognized as other operating expense. We also recorded an impairment loss of approximately 3.9 billion yen for the fiscal year ended March 31, 2020, in consideration of the effect of the spread of the COVID-19 on NDK’s performance. As a result, for the fiscal year ended March 31, 2020, we recorded an operating loss of 8.2 billion yen and a current loss of 8.7 billion yen. Consequently, NDK’s consolidated shareholders’ equity decreased by approximately 19.9 billion yen, from approximately 25.2 billion yen at the end

of the fiscal year ended March 31, 2017 to approximately 5.3 billion yen at the end of the fiscal year ended March 31, 2020. In the fiscal year ending March 31, 2021, global economic stagnation is expected to continue due to the worldwide outbreak of the COVID-19, and there are concerns about the impact of the pandemic on NDK's performance.

On the other hand, from the medium and long term perspective, along with the full-scale operation of the next-generation high-speed communication standard, "5G", the need for higher frequency devices has increased, and demand for higher-accuracy crystal devices is expected to increase more than ever before. NDK also expects growing demand for crystal devices equipped per vehicle due to the expected increase of installation of ADAS (Advanced Driver Assistance Systems) in automobile. We are on the verge of a huge business opportunity; therefore, in order to prepare for such business opportunity, NDK has formulated the mid-term management plan for the three (3) years commencing in the fiscal year ending March 31, 2021 (hereinafter the "Mid-Term Management Plan") of which the most important measures are (A) selective injection of resources in the upstream process, where NDK has competitive advantages, (B) improving productivity in the down-stream process (assembly), (C) continuation of structural reform and drastic reduction of fixed costs, (D) review sales mix of existing products and business portfolio and (E) improve NDK's financial position (for further details, see "Notice concerning NDK's Mid-Term Management Plan" dated June 19, 2020).

NDK reached a conclusion that, in order for NDK to emerge from the current difficult management environment and to unfailingly conduct each of the top priority matters listed in the Mid-Term Management Plan above, it is essential not only to secure the necessary funds and resources through the procurement of reliable capital funds and various business support from outside investors, but also to promptly improve its financial position by increasing capital and to resolve the financial and business issues faced by the Group quickly and fundamentally. With this in mind, in order to hold discussions with outside investors specifically and seek the possibility of raising funds on more favorable terms for NDK, NDK has asked several domestic and international financial investor to consider investing in the company as a potential sponsor, and has been searching for an outside investor who can provide capital to NDK since October 2019. As a result of such search, the Planned Allottee, in February 2020, expressed the possibility of providing capital; therefore, NDK appointed Nagashima Ohno & Tsunematsu as its legal advisor and Industrial Growth Platform, Inc. as its financial advisor. The Planned Allottee conducted due diligence from March to April 2020 and in April 2020, we entered into discussions with the Planned Allottee with respect to the specifics of the Planned Allottee's offer to NDK. Subsequently, we received a specific investment offer from the Planned Allottee based on the results of the due diligence and other factors. NDK has considered the Planned Allottee's track record of the investment in class shares, its characteristics as an investor and the details of the offer (size of the amount of issuance of class shares and other economic conditions), and concluded that the offer was the best possible option for NDK at the present time. Accordingly, NDK resolved to accept the Planned

Allottee's investment offer. The Planned Allottee is an investor who understands the business objectives and management policies of NDK, and highly appreciates the potential of NDK. Further, NDK resolved that the Planned Allottee would be its optimal partner to improve the corporate value of NDK since the Planned Allottee has experience in investing in class shares and has supported companies targeted for investments in its past investment projects, and would be able to provide necessary advice to NDK for achieving the objectives listed above and assistance in strengthening NDK's governance.

(2) Reason for Selecting the Capital Increase through Third-Party Allotment

Before deciding to pursue the Capital Increase through Third-Party Allotment, NDK compared and examined various funding approaches as described below. NDK considered that the most important factor was, to procure the necessary capital for establishing a competitive production system and to raise equity funds promptly and reliably within the time frame desired by NDK, in order to improve the financial position of NDK as soon as possible.

For example, considering the current difficult management environment surrounding NDK, the financial position and operating results of NDK, and NDK's share price, a capital increase through a public offering of common shares would not be a realistic option, and a large-scale capital increase through a third-party allotment of common shares would immediately cause a marked dilution of common shares, which could be disadvantageous to the existing shareholders. With respect to a gratis allotment of stock acquisition rights (rights offering) that would allocate the stock acquisition rights to the existing shareholders or a gratis allotment of shares that would allocate the shares to the existing shareholders, the amount that can be raised is uncertain because not all stock acquisition rights might be exercised due to determinations by shareholders in light of stock price trends and other factors and because it would not be clear whether all of the shareholders would respond to the shareholder allotment; and NDK reached the conclusion that it is currently not an appropriate option for NDK.

On the other hand, NDK believes that a capital increase through third-party allotment of class shares, by which NDK can undoubtedly procure the required amount, and which, depending on its design, would make it possible to avoid the marked dilution of shares or a change in the shareholder composition will be the most effective option for NDK if NDK selects an appropriate outside investor. Therefore, as described in (1) above, NDK continued to seek out an outside investor, and the Planned Allottee offered to conduct the Capital Increase through Third-Party Allotment. Accordingly, NDK resolved to issue the Class A Shares, which would restrain an extensive and marked dilution and would not cause an immediate change in the shareholder composition, to the Planned Allottee through the third-party allotment. In so resolving, NDK took into consideration the potential impact that conducting a capital increase through third-party allotment of common shares would have on stable business operations and the stock price of NDK. NDK reached a conclusion that conducting the Capital Increase through Third-Party Allotment would be the

best possible approach for NDK at present time to improve its financial position promptly and reliably and to establish a competitive production system.

If the Class A Shares are allotted to the Planned Allottee through the Capital Increase through Third-Party Allotment, on the assumption that the rights to request acquisition in exchange for common shares are exercised regarding all of the Class A Shares, the number of voting rights related to NDK's common shares to be distributed will be 192,837 units, and the ratio to the total number of 195,949 voting rights related to NDK's issued common shares based on the shareholders' register as of March 31, 2020 will be approximately 98.4%. As such, dilution of NDK's common shares would potentially occur to a certain extent by the Capital Increase through Third-Party Allotment. However, the number of shares of common stock to be issued upon the exercise of the right to acquire common stock as consideration is fixed from the outset, and the potential dilution rate will not increase depending on future share price trends and the timing of exercise, and, as described in (3) (ii) below, it has been agreed in the Subscription Agreement that unless the Conversion Restriction Removal Event (defined in (3) (ii) below) occurs, the Planned Allottee will not exercise the right to request acquisition in exchange for common shares until June 30, 2023 (inclusive), thereby avoiding early dilution of common shares and securing time to enhance corporate value through realization of the results of various measures, and, as described in (3) (iii) below, the Class A Shares are attached with call options for money that NDK is entitled to exercise at any time on or after August 1, 2020, and this scheme is designed in such a way that allows NDK to control the dilution caused by the exercise of the right to request acquisition in exchange for common shares to a certain extent by carrying out a mandatory redemption of the Class A Shares based on its own judgment. NDK has implemented measures to lessen the potential impact of dilution on the existing shareholders; therefore, in light of the fact that the Capital Increase through Third-Party Allotment contributes to the enhancement of NDK's corporate value, NDK believes that the extent of the dilution by the Capital Increase through Third-Party Allotment, which may affect the existing shareholders, will be within a reasonable amount.

(3) Overview of the Class A Shares

(i) Dividends of Surplus

There is no provisions with respect to the Class A Shares regarding so-called the preferred dividends. The Class A shareholders are entitled to receive dividends in cash per Class A Share, *pari passu* with common shareholders, equivalent to the amount obtained by multiplying (i) the amount of the dividends per a common share by (ii) the amount obtained by dividing (a) the amount obtained by multiplying the Amount Equivalent to Paid-in Amount of the Class A Shares by 1.40 by (b) the acquisition price.

(ii) Right to Request Acquisition in Exchange for Common Shares

The rights to request acquisition in exchange for common shares are

attached to the Class A Shares. Although the Terms and Conditions of the Class A Shares allow the Class A Shareholders to request that NDK, at any time on and after August 1, 2020, acquire all or part of the Class A Shares with common shares of NDK as consideration, the Planned Allottee is entitled to exercise the right to request acquisition in exchange for common shares only on or after July 1, 2023 in accordance with the provision of the Subscription Agreement. However, in case of occurrence of an event outlined below (the “Conversion Restriction Removal Event”), the Planned Allottee is entitled to exercise the right to request acquisition in exchange for common shares of NDK even before July 1, 2023.

- (1) If indebtedness of NDK under the loan agreement, etc. executed by NDK is accelerated (except the case where the creditors agree to maintain the outstanding balance of loans or suspension with respect to the relevant loan agreement, etc.);
- (2) If there is breach (limited to material breach) of any of the obligations or representations and warranties under the Subscription Agreement;
- (3) If NDK does not file an annual securities report or quarterly report pursuant to the Financial Instruments and Exchange Act by the statutory deadline;
- (4) If the total amount of the net asset of NDK on the non-consolidated balance sheet as of the year end for each fiscal year ending on or after March 31, 2021 falls below certain amount; and
- (5) If the amount of EBITDA of NDK for each fiscal year ending on or after March 31, 2022 calculated based on the following formula (“EBITDA”) falls under certain standard.

(Formula of EBITDA)

Gross profit - Selling, general and administrative expenses - Research and development expenses + Depreciation and amortization (total of the figures recorded in cost of sales, selling, general and administrative expenses, and research and development expenses)+ Impairment losses (total of the figures recorded in cost of sales, selling, general and administrative expenses,) (all of them are consolidated basis)

The number of common shares to be delivered when the rights to request acquisition in exchange for common shares attached to the Class A Shares are exercised will be the number obtained by multiplying the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by 1.40 by the number of the Class A Shares subject to the exercise request, and dividing that product by the acquisition price. The acquisition price is 363 yen (the “Initial Acquisition Price”) and the acquisition price will not be amended. The Initial Acquisition Price is the amount obtained by multiplying the average value of the Volume Weighted Average Price (the “VWAP”) in ordinary trading of the common shares of NDK, published by the Tokyo Stock Exchange, Inc. (the “TSE”), over 30 consecutive trading days prior to today by 90%.

(iii) Call Option for Money

Any time on or after August 1, 2020 upon coming of the date determined

separately by NDK’s Board of Directors (the “Date of Redemption for Money”), NDK may acquire all or part of Class A Shares (in the case of a partial acquisition, limited to the case in which the number of shares to be acquired will be the whole-number multiple of 1,000 shares) in exchange for a money consideration to the extent permitted by laws and regulations by giving a written notice (which shall be irrevocable) to the Class A Shareholders at least 10 days in advance of the Date of Redemption for Money (the date on which such written notice has been conducted shall be hereinafter referred to as the “Notice Date”).

The amount of money to be delivered when the call options for money attached to the Class A shares are exercised will be the amount calculated by multiplying (i) the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by the following redemption factors by (ii) the number of the Class A Shares in respect of the Redemption for Money (provided, however, if the Date of Redemption for Money is after July 1, 2023, (i) the aforementioned amount or (ii) the amount obtained by multiplying (a) the total amount of common shares distributed in exchange for the acquisition of the relevant Class A Shares calculated by deeming that the Request for Acquisition in Exchange for Common Shares is conducted as of the notice date with respect to the Class A Shares in respect of the relevant Redemption for Money by (b) the closing price of common shares of NDK at the TSE on the date prior to the notice date, whichever the higher).

Until June 30, 2021	: 1.13
From July 1, 2021 to June 30, 2022	: 1.25
From July 1, 2022 to June 30, 2023	: 1.38
From July 1, 2023 to June 30, 2024	: 1.52
From July 1, 2024 to June 30, 2025	: 1.68
From July 1, 2025 onward	: 1.85

(vi) Voting Rights and Restrictions on Transfer

Unless otherwise specified, no voting rights at general meetings of shareholders shall be attached to the Class A Shares.

Although there are no restrictions on transfer of the Class A Shares, pursuant to the Subscription Agreement, unless the event summarized below (the “Transfer Restriction Removal Event”) occurs or unless approved by the Board of Directors of NDK, the Planned Allottee may not transfer the Class A Shares to a third party during the period until June 30, 2023 (inclusive).

- (1) If indebtedness of NDK under the loan agreement, etc. executed by NDK is accelerated (except the case where the creditors agree to maintain the outstanding balance of loans or agree on suspension with respect to the relevant loan agreement, etc.);
- (2) If there is breach (limited to material breach) of any of the obligations or representations and warranties under the Subscription Agreement;
- (3) If NDK does not file an annual securities report or quarterly report pursuant to the Financial Instruments and Exchange Act by the statutory deadline;
- (4) If the total amount of the net asset of NDK on the non-consolidated

- balance sheet as of the year end for each fiscal year ending on or after March 2021 falls below certain amount; and
- (5) If the amount of EBITDA of NDK for each fiscal year ending on or after March 31, 2022 falls under certain standard.

For details of the Class A Shares, please see the Appendix I “Terms and Conditions of Class A Shares.”

3. Amounts, Usage and Scheduled Timing of Use of the Funds to be Procured

(1) Amounts of funds to be procured

(i) Total amount to be paid in	5,000,000,000 yen
(ii) Estimated issuance expenses	100,000,000 yen
(iii) Estimated retained balance	4,900,000,000 yen

* The “Estimated issuance expenses” is the amount equivalent to registration and license tax, legal fees and financial advisory fees.

(2) Specific usage of funds to be procured

Specific usage	Amount (million yen)	Scheduled timing of use
(i) Investment for renovations, increases in production and replacement of manufacturing facilities inside and outside Japan	3,350	October 2020 through September 2023
(ii) Investment related to research development and technology	360	October 2020 through September 2023
(iii) Other investments for maintaining existing manufacturing system	1,060	October 2020 through September 2023
(iv) Investment for construction of the new Suzhou plant	130	October 2020 through March 2021

As described in “2. Purpose and Reason for Offering, (1) Background to and purpose of offering” above, the proceeds from the Capital Increase through Third-Party Allotment will be allocated to the capital expenditure above in order to establish the competitive manufacturing system. Specifically, with respect to “(i) investments for renovations, increases in production and replacement of manufacturing facilities inside and outside Japan”, for the main purpose of realizing “(B) Improving productivity in the down-stream process” which is one of the most important measures in the Mid-Term Management Plan above, NDK will allocate 3,350 million yen to the adoption of a manufacturing system that includes a high speed line for automotive, mobile communication and industrial equipment. Next, with respect to “(ii) investments related to research development and technology”, NDK will mainly implement investments for research and development regarding photolithography processing actively, as a specific measures of “(A) Selective

injection of resources in the upstream process, where NDK has competitive advantages” which is another most important measure in the Mid-Term Management Plan and allocate 360 million yen thereto. In addition, as “(iii) other investments for maintaining existing manufacturing system”, NDK will allocate 1,060 million yen to the maintenance of production systems for the optical products and ultrasonic devices and to the information system-related investments and NDK will allocate 130 million yen to “(iv) investments for the construction of the new Suzhou plant” as announced in the “Decision on Factory Relocation Related to Chinese Subsidiary and Posting of Other Operating Income” dated March 25, 2019. In addition, NDK aims to improve its financial position promptly and reliably and to establish a competitive production system by conducting the Capital Increase through Third-Party Allotment and the measures above.

Although the funds will be managed in a dedicated bank account until they are actually to be disbursed, from the perspective of effective use of cash reserves the funds may, with the prior approval of the Planned Allottee, be temporarily used as working capital.

4. Views on the Reasonableness of the Usage of Funds

NDK will allocate the funds to be procured by the Capital Increase through Third-Party Allotment mainly for the funds for the capital expenditure for renovations, increases in production and replacement of manufacturing facilities inside and outside Japan in order to establish a cost-competitive manufacturing system (for specific details, please see “3. (2) Specific usage of funds to be procured” above) in order to obtain the mid-to long-term business opportunities of NDK. At the same time, NDK will work to increase equity capital and strengthen the financial base, with the aim to achieve stable and long-term growth of NDK’s business by establishing framework for maintaining and improving the flexibility of fund procurement, conducting continuous and stable transactions with financial institutions, and reducing the financial costs as well as by increasing cash reserves.

Thus, the implementation of the Capital Increase through Third-Party Allotment will contribute to further enhance NDK’s corporate value. Therefore, NDK believes that the usage of funds as indicated above is reasonable.

5. Reasonableness of the Terms and Conditions, etc. of Issuance

(1) Calculation grounds for amount to be paid in and the content of calculation

In order to realize the fund procurement on terms most favorable to NDK, after April 2020, taking into account matters such as NDK’s current severe management environment and financial position, NDK’s need to raise a large amount of capital funds and NDK’s current share price, NDK sincerely consulted with the Planned Allottee and negotiated the methods and details of the investment related to the Capital Increase through Third-Party Allotment. Particularly, in light of the merchantability of the Class A Shares with the right to request acquisition in exchange for common shares, as a result of the sincere negotiation regarding the Subscription Agreement, which includes the specific contents of the Conversion Restriction Removal Event in order to mitigate the

impact on the existing shareholders, NDK and the Planned Allottee agreed on contents in the middle of June 2020 that they determined are reasonable and therefore, the amount to be paid in per Class A Share was determined to be 1,000,000 yen. NDK believes that such amount to be paid in per Class A Share is reasonable taking into account comprehensively the facts such as that the Planned Allottee will bear substantial risk in the Capital Increase through Third-Party Allotment in light of the merchantability of the Class A Shares, as well as the above-mentioned background of negotiations and the situation surrounding NDK.

However, as there are various views regarding the valuation of class shares, NDK requested that PLUTUS CONSULTING Co., Ltd. (address: 2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo; representative: Mahito Noguchi, Representative Director) (“PLUTUS”), which is a third-party evaluation organ independent of NDK, analyze the value of the Class A Shares, and obtained a valuation report for the Class A Shares (the “Valuation Report”) from PLUTUS. In reference to certain assumptions concerning NDK’s actions (the exercise of the call option for money until the expected maturity date, or other actions) and certain assumptions concerning the Planned Allottee’s actions (the choice as to whether to exercise the right to request acquisition in exchange for common shares or not if NDK exercises the call option, or other actions), based on the terms and conditions attached to the Class A Shares and certain assumptions (the NDK’s common share value, the period until the expected maturity date (June 30, 2026), i.e., approximately 6 years, volatility, the call option, the right to request acquisition, etc.), PLUTUS has calculated the fair value of the Class A Shares using the Monte Carlo Simulation, which is a general valuation model for share options. The Valuation Report states that the price per Class A Share is approximately 1,360,000 yen.

As described above, NDK believes that the amount to be paid in for the Class A Shares is reasonable. However, in light of the above valuation results in the Valuation Report of PLUTUS, NDK must determine that the amount to be paid in for the Class A Shares (1,000,000 yen per share) is particularly favorable for the Planned Allottee under the Companies Act. Therefore, NDK decided to issue the Class A Shares on the condition that approval by a special resolution of the general meeting of shareholders regarding an issuance of shares with particularly favorable conditions be obtained, pursuant to Article 199, Paragraph 2 of the Companies Act, at the Ordinary General Meeting of Shareholders.

- (2) Grounds on which NDK determined that the number of shares to be issued and the size of the share dilution are reasonable

NDK is financing a total of 5,000,000,000 yen by issuing 5,000 shares of the Class A Shares. Considering the aforementioned purpose of issuing the Class A Shares and the usage of funds, NDK has determined that the number of the Class A Shares to be issued is reasonable.

Although the Class A Shares do not carry voting rights at general meetings of shareholders, existing shareholders may be affected by the impact of dilution due to exercise of the right to request acquisition in exchange for common

shares, which is attached to the Class A Shares.

If the Class A Shares are allotted to the Planned Allottee through the Capital Increase through Third-Party Allotment, assuming that the right to request acquisition in exchange for common shares are exercised regarding all of the Class A Shares, the ratio to the total number of 195,949 voting rights related to NDK's issued common shares based on the shareholders' register as of March 31, 2020 will be approximately 98.4%.

Although dilution of NDK's common shares would occur if the common shares of NDK are distributed by exercising the right to request acquisition in exchange for common shares, which is attached to the Class A Shares, as described above, in addition to the scheme, as described in 2. (2) above, which the number of common shares distributed by exercising the right to request acquisition in exchange for common shares is initially fixed and potential dilution ratio will not increase according to the future stock price trend or timing of exercise, as described in 2. (3) (ii) above, it has been agreed in the Subscription Agreement that unless the Conversion Restriction Removal Event occurs, the Planned Allottee will not exercise the right to request acquisition in exchange for common shares until June 30, 2023, thereby avoiding early dilution of common shares and securing time to enhance corporate value through realization of various measures and the Class A Shares are attached with call options for money that the Company is entitled to exercise at any time on or after August 1, 2020. Considering these, this scheme is designed in such a way that allows the Company to control the dilution caused by the exercise of the right to request acquisition in exchange for common shares to a certain extent by carrying out a mandatory redemption of the Class A Shares based on its own judgment. As shown by the above, in consideration that NDK implemented measures to lessen the potential impact of dilution on the existing shareholders and the Third Party Allotment contributes to improvement of corporate value of NDK, NDK believes that the extent of the dilution by the Capital Increase through Third-Party Allotment, which may affect the existing shareholders, will be within a reasonable amount.

6. Reasons, etc. for Selecting the Planned Allottee

(1) Outline of the Planned Allottee

(1) Name	Japan Industrial Solutions Fund II
(2) Location	2-2-2 Marunouchi, Chiyoda-ku, Tokyo
(3) Grounds, etc. for incorporation	Limited Partnership Act for Investment
(4) Purpose of formation	Acquisition, etc. of securities
(5) Partnership formation date	October 27, 2016
(6) Total amount of investment	105 billion yen

(7) Overview of limited liability partners	Development Bank of Japan Inc. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd.	
(8) Overview of operating partner (<i>Mugen Sekinin Kumiaiin</i>) (General Partner)	Name	Japan Industrial Solutions Co., Ltd.
	Location	2-2-2 Marunouchi, Chiyoda-ku, Tokyo
	Name and title of representative	Yuichi Hiromoto, President & CEO
	Description of business	Investment businesses etc.
	Capital	100,000,000 yen
(9) Relationships of NDK with the said fund and the operating partner	Relationship between NDK and the said fund	No direct or indirect contribution has been made to the said fund by NDK, parties concerned with NDK, or companies of NDK.
	Relationship between NDK and the operating partner	There are no capital, personal, or transactional relationships to be stated between NDK and the said company.

*1 Overview of limited liability partners describes the major limited liability partners. Capital contribution ratio of the limited liability partners is not shown as it is not disclosed by the Planned Allottee.

*2 In the Subscription Agreement, the Planned Allottee has made representations and warranties to the effect that the Planned Allottee and its unlimited liability partners have no relationships whatsoever with antisocial forces, and at the same time NDK obtained oral confirmation by the Planned Allottee that its limited liability partners do not fall under the antisocial forces. In addition, NDK has determined that, through the confirmation of the corporate history, officers, major shareholders and the status of establishment of the internal control system, etc. described in the annual securities report of each major limited liability partner of the Planned Allottee and through interviews of operating partners of the Planned Allottee, the Planned Allottee and its major limited liability partners have no relationships whatsoever with antisocial forces, and submitted a confirmation letter to that effect to the TSE.

(2) Reason for selecting the Planned Allottee

With respect to the reason for selecting the Planned Allottee, please see “2. Purpose and Reason for Offering”

NDK has agreed between the Planned Allottee with respect to the contributions to NDK and other certain matters in the Subscription Agreement, and the outline thereof is as follows.

(i) Matters NDK must comply with

NDK has made the following covenants to the Planned Allottee:

- (1) If NDK decides or conduct a certain matters (including organizational restructuring), NDK shall require prior written consent by the Planned Allottee (provided, however, the Planned Allottee may not unreasonably refuse such consent and shall notify whether or not it accept the relevant matter within a certain period) and shall preliminarily report to that effect in writing to the Planned Allottee;
- (2) For the period three (3) to six (6) months after the payment date, NDK shall formulate the action plan to be performed by the Group (including the measures regarding the management of cash flow; the “Action Plan”) upon consultation and agreement with the Planned Allottee; shall use its best effort to implement the mid-term management plan and the Action Plan; shall establish and hold the monitoring meeting regarding the implementation status of the mid-term management plan and the Action Plan; and shall report the summary of the results of the said meeting to the Board of Directors of NDK;
- (3) NDK shall employ a person appropriately perform the Group Risk Governance Enhancement Project and appoint such person to a position agreed with the Planned Allottee;
- (4) NDK shall use reasonable efforts to have an agenda to elect one (1) person designated by the Planned Allottee as the director of NDK approved at each NDK’s general meetings of shareholders, the agenda of which includes the appointment of directors, and shall permit a person designated by the Planned Allottee to attend at the monitoring meetings, the executive boards and other meetings of NDK; and
- (5) NDK shall manage the funds paid by the Planned Allottee though the Third-Party Allotment in the separate bank account and report the result of cash flow to the Planned Allottee at the request of the Planned Allottee.

- (ii) Restrictions on exercising the right to request acquisition in exchange for common shares

The Planned Allottee is not entitled to exercise the right to request acquisition in exchange for common shares attached to the Class A shares from the payment date until June 30, 2023 (inclusive), unless the Conversion Restriction Removal Event occurs.

- (iii) Restriction on transfer

Under the Subscription Agreement, unless the Transfer Restriction Removal Event occurs or unless approved by the Board of Directors of NDK, the Planned Allottee may not transfer the Class A Shares to a third party during the period until June 30, 2023 (inclusive).

- (iv) Conditions precedent to the payment obligation

The conditions precedent for the Planned Allottee’s obligation to pay for the Class A Shares are as follows:

- (1) All agenda necessary for the Capital Increase through Third-Party

Allotment including the Amendments to the Articles of Incorporation, the Reduction of the Amount of Capital Stock, etc., and the Election of Outside Director are approved at the Ordinary General Meeting of Shareholders.

- (2) No material event of default, etc. occurs or is likely to occur with respect to the material agreement to be executed by the Group.
- (3) NDK duly and validly files the securities report for the fiscal year ended March 31, 2020 under the Financial Instruments and Exchange Act (except the case where legal submission deadline has not arrived).
- (4) NDK duly and validly files the extraordinary report on the Capital Increase through Third-Party Allotment under the Financial Instruments and Exchange Act.
- (5) If NDK changes the Mid-Term Management Plan, the consent by the Planned Allottee on such changes is obtained.
- (6) NDK obtains necessary consent or provides necessary reports with respect to agreements requiring consent or agreements requiring report.
- (7) NDK and the counterparty financial institutions agree on the existing loan agreement, etc. with the contents reasonably satisfactory to the Planned Allottee and the Planned Allottee reasonably confirms that cash flow of the Group after the Capital Increase through Third-Party Allotment will be stable.
- (8) After the execution of the Subscription Agreement, no such event occurs nor is reasonably expected to occur or to be discovered, which gives material adverse effect to the financial condition, operating results, cash flow, business, asset, debt or profit plan or the prospect thereof of the Group.

(3) Planned Allottee's policies for holding shares

NDK has received an explanation from the Planned Allottee that they plan to hold the Class A Shares over a medium term in principle.

The Planned Allottee is not entitled to exercise the rights to request acquisition in exchange for common shares attached to the Class A shares until June 30, 2023 (inclusive), unless the Conversion Restriction Removal Event occurs.

Although there are no restrictions on transfer of the Class A Shares, pursuant to the Subscription Agreement, unless the Transfer Restriction Removal Event occurs or unless approved by the Board of Directors of NDK, the Planned Allottee may not transfer the Class A Shares to a third party during the period until June 30, 2023 (inclusive).

NDK plans to obtain written confirmations from the Planned Allottee by the payment date, to the effect that the Planned Allottee will agree that in the event the Planned Allottee transfer all or part of the Class A Shares, which are shares to be allotted, within two (2) years from the payment date, the Planned Allottee will report in writing the details of the said transfer, such as the name and address of the transferee, the number of transferred shares, the transfer date, the transfer price, the reason for transfer, and the method of transfer, to NDK without delay, and that NDK reports the said contents of the report to the TSE

and that the said details of the report will be made publicly available.

(4) Contents of confirmation with the Planned Allottee regarding funds required for the payment

NDK obtained a report that the Planned Allottee would be able to complete the preparation of funds required for the payment by the payment date. In addition, NDK judged that the Planned Allottee would be able to secure sufficient funds for the subscription to the shares to be allotted by the payment date, upon checking financial reports of each limited liability partner of the Planned Allottee.

7. Major Shareholders after the Offering and Their Shareholding Ratios

(1) Common shares

Before the Capital Increase through Third-Party Allotment (as of March 31, 2020)	After the Capital Increase through Third-Party Allotment
Resona Bank, Limited.	3.21%
Toshiaki Takeuchi	3.00%
Saitama Resona Bank, Limited	2.93%
Marusan Securities Co., Ltd.	2.82%
Japan Trustee Services Bank, Ltd (Trust account)	2.70%
Hiroshi Takeuchi	2.54%
The Master Trust Bank of Japan, Ltd. (Trust account)	2.34%
INTERNATIONAL CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	1.76%
Japan Trustee Services Bank, Ltd (Trust account 5)	1.75%
J. P. MORGAN SECURITIES PLC	1.55%

Same as on the left.

*1 Shareholding ratios in the table above are rounded down to the second decimal place using the figures on the shareholders' register as of March 31, 2020. There are 1,133 thousand shares of treasury stock held by NDK, while they are not described in the above table.

*2 The number of common shares to be distributed by exercising the right to request acquisition in exchange for common shares, which is attached to the Class A Shares (the number of dilutive shares of the Class A Shares) is not included in the calculation of the major shareholders and their shareholding ratios of the common shares after the Capital Increase through Third-Party Allotment, as it is difficult to reasonably estimate that number at this stage.

(2) Class A Shares

Before the Capital Increase through Third-Party Allotment (as of June 19, 2020)	After the Capital Increase through Third-Party Allotment
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Not applicable	Japan Industrial Solutions Fund II	100%
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8. Future Prospects

Although the funds to be raised as a result of the Capital Increase through Third-Party Allotment will be used for the capital expenditure of NDK, the specific impact on the performance of NDK is currently examining. Once the actual amount of the impact on the performance becomes clear, NDK will promptly disclose such information.

9. Procedures for Corporate Code of Conduct

The Capital Increase through Third-Party Allotment will result in the dilution rate of 25% or more. Consequently, NDK plans to obtain an approval by a special resolution at the Ordinary General Meeting of Shareholders as procedures for confirming the intent of shareholders as provided for in Article 432 of the Securities Listing Regulations set forth by the TSE.

10. Operating Results for and Status of Equity Finance Executed in the Past Three Years

(1) Operating results (consolidated) for the past three years

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	43,952 million yen	42,498 million yen	39,468 million yen
Operating income	(9,618) million yen	406 million yen	(8,286) million yen
Income before income tax	(9,640) million yen	(56) million yen	(8,644) million yen
Net income for the period	(10,202) million yen	(251) million yen	(8,709) million yen
Net income attributable to owners of the parent	(10,202) million yen	(251) million yen	(8,709) million yen
Net comprehensive income for the period attributable to owners of the parent	(9,732) million yen	(460) million yen	(9,376) million yen
Basic earnings per share attributable to owners of the parent	(519.87) yen	(12.80) yen	(443.79) yen
Dividend per share	10.00 yen	0.00 yen	0.00 yen

Equity per share attributable to owners of the parent	769.84 yen	750.37 yen	272.59 yen
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(2) Current number of issued shares and dilutive shares (as of June 19, 2020)

	Number of shares	Ratio to total number of issued shares
Number of issued shares	20,757,905 shares	100%
Number of dilutive shares at the current conversion price (exercise price)	-	-
Number of dilutive shares at minimum conversion price (exercise price)	-	-
Number of dilutive shares at maximum conversion price (exercise price)	-	-

(3) Recent share prices

(i) Share prices for the past three years

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Opening	817 yen	665 yen	401 yen
High	985 yen	707 yen	674 yen
Low	607 yen	319 yen	279 yen
Closing	666 yen	396 yen	339 yen

(ii) Share prices for the past six months

	December 2019	January 2020	February	March	April	May
Opening	645 yen	523 yen	473 yen	387 yen	335 yen	410 yen
High	674 yen	597 yen	526 yen	440 yen	408 yen	443 yen
Low	501 yen	477 yen	394 yen	279 yen	325 yen	384 yen
Closing	529 yen	497 yen	397 yen	339 yen	399 yen	416 yen

(iii) Share price on the business day immediately preceding the date of resolution authorizing the issuance

	June 18, 2020
Opening	394 yen
High	394 yen
Low	379 yen
Closing	382 yen

(4) Equity finance executed in the past three years

Not applicable.

11. Terms and Conditions of Issuance

Please see Appendix I “Terms and Conditions of Class A Shares.”

12. Schedule for Issuance of the Class Shares A

- | | |
|--|--|
| (1) Resolution of the Board of Directors and the execution of the Subscription Agreement | June 19, 2020 |
| (2) Resolution at the Ordinary General Meeting of Shareholders | July 31, 2020 (scheduled) |
| (3) Payment period | From August 1, 2020 through September 30, 2020 (scheduled) |
- (Note)With respect to the Capital Increase through Third-Party Allotment, it was resolved that the payment period under the Companies Act shall be from August 1, 2020 to September 30, 2020. The resolution for such payment period was made because, regarding the satisfaction of a part of the conditions precedent for the payment obligation of the Planned Allottee related to the Class A Shares as set forth in the Subscription Agreement, the timing cannot be confirmed. In addition, NDK and the Planned Allottee are in agreement that, in principle, the payment will be made on the date on which three (3) business days elapse after the date on which all of the conditions precedent are satisfied or waived or on a date (which is limited to a date during the payment period).

II. Cover of Deficit

1. Purpose of the Cover of Deficit

The amounts of capital stock and legal capital surplus and appropriation of surplus will be conducted in order to cover such deficit and coordinate the system to be able to early provide the resumption of dividends.

2. Detail of the Reduction of the Amount of Capital Stock and Legal Capital Surplus

After implementing the reduction of the amounts of capital stock and legal capital surplus in accordance with the provisions of Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act, NDK will transfer the reduced amounts of capital stock and legal capital surplus reduced to other capital surplus.

(1) Amount of capital stock to be reduced

The 10,649,469,744 yen of capital stock is to be reduced to 5,596,291,657 yen by 5,053,178,087 yen

(2) Item and amount of capital surplus to be reduced

Legal capital surplus

The 2,504,760,057 yen of legal capital surplus is to be reduced to 0 yen by 2,504,760,057 yen

(3) Item and amount of surplus to be increased

Other capital surplus

7,557,938,144 yen

3. Detail of the Appropriation of Surplus

After transferring other capital surplus to retained earnings brought forward in accordance with the provisions of Article 452 of the Companies Act, NDK will cover a deficit.

(1) Item and amount of surplus to be reduced

Other capital surplus

7,538,730,814 yen

(2) Item and amount of surplus to be increased

Retained earnings brought forward

7,538,730,814 yen

4. Schedule for the Cover of Deficit

- | | |
|--|---------------------------|
| (1) Resolution of the Board of Directors | June 19, 2020 |
| (2) Public notice with respect to statements of objection by creditors | June 25, 2020 (scheduled) |
| (3) Final deadline for statements of objection by creditors | July 25, 2020 (scheduled) |
| (4) Date of the resolution at the | July 31, 2020 (scheduled) |

Ordinary General Meeting of
Shareholders

(5) Effective date

July 31, 2020 (scheduled)

5. Future Prospects

The Cover of Deficit is a process of transferring to the accounts in the “net assets section” and will not change the amount of profit or loss and net assets of NDK, and there will be no impact on the operating results.

III. Partial Amendments to the Articles of Incorporation

1. Reasons for Amendments to the Articles of Incorporation

In order to allow the Class A Shares to be issued, we will create the Class A Shares as a new class of shares of NDK and establish new provisions regarding the Class A Shares in the Articles of Incorporation. The Articles of Incorporation will increase the total number of authorized common shares and the class shares in preparation for the issuance of common shares by exercising the right to request acquisition in exchange for common shares, which is attached to the Class A Shares.

The Amendments to the Articles of Incorporation is subject to the conditions that necessary approval of the following proposals is obtained at the Ordinary General Meeting of Shareholders: (i) the Cover of Deficit (ii) the Capital Increase through Third-Party Allotment, (iii) the Reduction of the Amount of Capital Stock, etc. and (iv) the Election of Outside Director.

2. Contents of Amendments to the Articles of Incorporation

The contents of amendments to the Articles of Incorporation are as described in Appendix II “Contents of Amendments to the Articles of Incorporation.”

3. Schedule for Amendments to the Articles of Incorporation

- | | |
|--|---------------------------|
| (1) Resolution of the Board of Directors | June 19, 2020 |
| (2) Resolution at the Ordinary General Meeting of Shareholders | July 31, 2020 (scheduled) |
| (3) Effective date | July 31, 2020 (scheduled) |

IV. The Reduction of the Amount of Capital Stock, etc.

1. Purpose of the Reduction of the Amount of Capital Stock, etc.

In order to establish a healthy financial position early and prepare for an agile and flexible capital policy in the future, NDK decided on the Reduction of the Amount of Capital Stock, etc. in conjunction with the issuance of the Class A Shares and to transfer the amount to other capital surplus which constitutes the distributable amount.

The Reduction of the Amount of Capital Stock, etc. is subject to the conditions that the payment with respect to the Capital Increase through Third-Party Allotment is made, and that necessary approval of the following proposals is obtained at the Ordinary General Meeting of Shareholders: (i) the Cover of Deficit, (ii) the Amendments to the Articles of Incorporation, (iii) the Capital Increase through Third-Party Allotment and (iv) the Election of Outside Director.

2. Detail of the Reduction of the Amount of Capital Stock-, etc.

After implementing the reduction of the amounts of capital stock and legal capital surplus in accordance with the provisions of Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act, NDK will transfer the reduced amounts of capital stock and legal capital surplus reduced to other capital surplus.

(1) Amount of capital stock to be reduced

The 8,096,291,657 yen of capital stock after the Cover of Deficit and the Capital Increase through Third-Party Allotment is to be reduced to 5,596,291,657 yen by 2,500,000,000 yen

(2) Item and amount of capital surplus to be reduced

Legal capital surplus

The 2,500,000,000 yen of capital stock after the Cover of Deficit and the Capital Increase through Third-Party Allotment is to be reduced to 0 yen by 2,500,000,000 yen

(3) Item and amount of surplus to be increased

Other capital surplus

5,000,000,000 yen

3. Schedule for the Reduction of the Amount of Capital Stock, etc.

(1) Resolution of the Board of Directors June 19, 2020

(2) Public notice with respect to statements of objection by creditors June 25, 2020 (scheduled)

(3) Final deadline for statements of objection by creditors July 25, 2020 (scheduled) (planned)

(4) Date of the resolution at the Ordinary General Meeting of Shareholders July 31, 2020 (scheduled)

(4) Effective date

October 1, 2020 (scheduled)

4. Future Prospects

The Reduction of the Amount of Capital Stock, etc. is a process of transferring to the accounts in the “net assets section” and will not change the amount of profit or loss and net assets of NDK, and there will be no impact on the operating results.

End

This translation is provided only to assist our English-speaking stakeholders in better understanding of our original press release. Since this might include slight variation in meaning due to translation, please refer to the original linked to: <https://twitter.com/usedhonda>.

Appendix I

Terms and Conditions of Class A Shares

1. Name of Shares
Nihon Dempa Kogyo Co., Ltd. Class A Shares (the “Class A Shares”)
2. Number of Shares Offered for Subscription
5,000 shares
3. Amount to be Paid in for Shares Offered for Subscription
1,000,000 yen per share
4. Capital Stock and Legal Capital Surplus to be Increased
Capital Stock 2,500,000,000 yen (500,000 yen per share)
Legal Capital Surplus 2,500,000,000 yen (500,000 yen per share)
5. Total Amount to be Paid in
5,000,000,000 yen
6. Payment Period
From August 1, 2020 to September 30, 2020
7. Method of Issuance
Through third-party allotment, all of the Class A Shares will be allotted to Japan Industrial Solutions Fund II.
8. Dividends of Surplus
If NDK is to distribute dividends out of surplus to the holders of the common shares (the “Common Shareholders”) or the registered pledgees of the common shares (together with the Common Shareholders, the “Common Shareholders/Pledgees”), NDK shall make pecuniary distribution to the holders of the Class A Shares (the “Class A Shareholders”) or the registered pledgees of the Class A Shares (together with the Class A Shareholders, the “Class A Shareholders/Pledgees”) entered or recorded in the latest shareholders’ register as at the record date for the distribution of the relevant dividends (the “Dividend Record Date”) in the amount per Class A Share, *pari passu* with common shareholders, equivalent to the amount obtained by multiplying (i) the amount of the dividends per a common share by (ii) the amount obtained by dividing (a) the amount obtained by multiplying 1,000,000 yen (the “Amount Equivalent to Paid-in Amount per Class A Share”) by 1.40 by (b) the acquisition price as set forth in 11. (3) and (4) below as of the Dividend Record Date (the “Class A Dividend Amount”). If the amount obtained by multiplying the Class A Dividend Amount by the number of Class A Shares to which each Class A Shareholder/Pledgee is entitled includes any fraction less than one (1) yen, such fraction shall be rounded down.
9. Distribution of Residual Assets
 - (1) Distribution of Residual Assets
If NDK distributes its residual assets, NDK shall pay to each Class A Shareholder/Pledgee the amount per Class A Share obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by the Redemption

Factor as set forth in 12. below per Class A Share (the “Class A Residual Assets Distribution Amount”) in cash prior to the Common Shareholders/Pledgees. In addition, in this 9., the Redemption Factor is to be calculated by replacing the “Date of Redemption for Money” in the calculation of the Redemption Factor with the “Residual Assets Distribution Date.” If the amount obtained by multiplying the Class A Residual Assets Distribution Amount by the number of the Class A Shares to which each Class A Shareholder/Pledgee is entitled includes any fraction less than one (1) yen, such fraction shall be rounded down.

- (2) Non-participation Clause
NDK shall not make distribution of residual assets to the Class A Shareholders/Pledgees other than as provided for in (1) above.

10. Voting Rights

Unless otherwise provided for by law, the Class A Shareholders shall not be entitled to vote at general meetings of shareholders.

11. Right to Request Acquisition in Exchange for Common Shares

- (1) Right to Request Acquisition in Exchange for Common Shares
On or after August 1, 2020, each Class A Shareholder may at any time request NDK to acquire, in exchange for the delivery of such number of common shares as specified in (2) below (the “Common Shares subject to Request”), all or part of the Class A Shares held by that Class A Shareholder (the “Request for Acquisition in Exchange for Common Shares”), and NDK shall deliver the Common Shares subject to Request to the relevant Class A Shareholder in exchange for the acquisition of the Class A Shares to which the relevant Request for Acquisition in Exchange for Common Shares is related, to the extent permitted by laws and regulations.
- (2) Number of Common Shares Delivered in Exchange for Acquisition of Class A Shares
The number of common shares delivered in exchange for the acquisition of the Class A Shares shall be the number obtained by dividing the amount obtained by multiplying (a) the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by 1.40 by (b) the number of the Class A Shares concerning the Request for Acquisition in Exchange for Common Shares, by the acquisition price as set forth in (3) and (4) below. If the total number of common shares delivered in exchange for the acquisition of the Class A Shares to which the Request for Acquisition in Exchange for Common Shares is related includes any fraction less than one (1) share, such fraction shall be rounded down. In such case, NDK shall not make the delivery of money as provided for in Article 167, Paragraph 3 of the Companies Act.
- (3) Initial Acquisition Price
363 yen
- (4) Adjustment of Acquisition Price
 - (a) Upon the occurrence of any of the events listed below, the acquisition price shall be adjusted as follows:
 - (i) If NDK is to implement a share split of its common shares or gratis

allotment of its common shares, the acquisition price shall be adjusted in accordance with the formula below. In the case of a gratis allotment of shares, “Number of issued common shares before split” and “Number of issued common shares after split” in the formula below shall be respectively deemed to be replaced with “Number of issued common shares before gratis allotment (excluding the common shares then held by NDK)” and “Number of issued common shares after gratis allotment (excluding the common shares then held by NDK).”

$$\text{Acquisition price after adjustment} = \text{Acquisition price before adjustment} \times \frac{\text{Number of issued common shares before split}}{\text{Number of issued common shares after split}}$$

The acquisition price after adjustment shall apply as from the day following the record date for the share split or as from the effective date of the gratis allotment of shares (or if the record date for the gratis allotment has been set, as from the day following such record date), as the case may be.

- (ii) If NDK consolidates its common shares, the acquisition price shall be adjusted in accordance with the formula below.

$$\text{Acquisition price after adjustment} = \text{Acquisition price before adjustment} \times \frac{\text{Number of issued common shares before consolidation}}{\text{Number of issued common shares after consolidation}}$$

The acquisition price after adjustment shall apply as from the effective date of the consolidation of shares.

- (iii) If NDK issues common shares or disposes of any of the common shares held by NDK at a paid-in amount below the market value per common share as specified in (d) below (excluding by way of gratis allotment of shares, acquisition of shares or stock acquisition rights (including those attached to bonds with stock acquisition rights; hereafter the same in this (4)) in exchange for the delivery of common shares, exercise of stock acquisition rights to acquire common shares, or delivery of common shares by virtue of merger, share exchange (*kabushiki kokan*) or demerger), the acquisition price shall be adjusted in accordance with the formula below (the “Acquisition Price Adjustment Formula”). If any property other than money is contributed, “Paid-in amount per share” in the Acquisition Price Adjustment Formula shall be the appropriately appraised value of such property. The acquisition price after adjustment shall apply as from the day following the payment date (or if a payment period has been set, the last day of such payment period), or if a record date for the allotment to shareholders has been set, as from the day following such record date (the “Shareholder Allotment Date”), as the case may be. If NDK is to dispose of any of the common shares held by it, “Number of newly issued common shares” and “Number of common shares held by NDK” in the formula below shall be respectively deemed to be replaced with “The number of common shares held by NDK to be disposed of” and

“The number of common shares held by NDK before the disposition.”

$$\begin{array}{l}
 \text{Acquisition price} \\
 \text{after adjustment}
 \end{array}
 =
 \begin{array}{l}
 \text{Acquisition price} \\
 \text{before adjustment}
 \end{array}
 \times
 \frac{
 \begin{array}{l}
 \text{Number of newly} \\
 \text{issued common shares}
 \end{array}
 \times
 \begin{array}{l}
 \text{Paid-in} \\
 \text{amount per} \\
 \text{share}
 \end{array}
 +
 \frac{
 \begin{array}{l}
 \text{(Number of issued common shares} \\
 \text{- Number of common shares held} \\
 \text{by the Company)}
 \end{array}
 }{
 \begin{array}{l}
 \text{Market value per common share}
 \end{array}
 }{
 \begin{array}{l}
 \text{(Number of issued common shares- Number of common shares held by the Company)} \\
 \text{+ Number of newly issued common shares}
 \end{array}
 }
 \end{array}$$

- (iv) If NDK makes an issuance or disposal of shares (including gratis allotment of shares) which entitles the holders thereof to receive, by having or letting NDK acquire such shares, the delivery of common shares at an acquisition price per common share below the market value per common share as set forth in (d) below, the acquisition price after adjustment shall be the amount calculated by causing “Paid-in amount per share” in the Acquisition Price Adjustment Formula to be substituted by the amount determined by deeming that all of the shares issued or disposed of have been acquired in accordance with the initial terms and conditions and common shares have been delivered on the payment date for such shares (if a payment period has been set, on the last day of such payment period; hereafter the same in this (iv)), or on the effective date of gratis allotment of shares (or if a record date for gratis allotment of shares has been set, on such record date; hereafter the same in this (iv)), or on the Shareholder Allotment Date, if any, as the case may be. The acquisition price after adjustment shall apply as from the day following the payment date, or as from the day following the effective date of gratis allotment of shares, or as from the day following the Shareholder Allotment Date, if any, as the case may be. Notwithstanding the foregoing, if the consideration for the common shares delivered upon the acquisition has not been determined at the above-mentioned time point, the acquisition price after adjustment shall be calculated by deeming that at the time of determination of such consideration, all of the shares issued or disposed of will have been acquired in accordance with the terms and conditions as of the time of determination of such consideration and common shares will have been delivered, and such acquisition price after adjustment shall apply as from the day following the date on which such consideration has been determined.
- (v) If NDK makes an issuance of stock acquisition rights (including gratis allotment of stock acquisition rights) which entitles the holders thereof to receive, by exercising or having NDK acquire such stock acquisition rights, to receive the delivery of common shares at a price wherein the sum of the paid-in amount of such stock acquisition right per common share and the amount per common share of the property contributed upon the exercise of such stock acquisition rights (if any property other than money is contributed, the appropriately appraised value of such property; hereafter the same in this (v)) is less than the market value

per common share as set forth in (d) below, the acquisition price after adjustment shall be the amount calculated by causing “Paid-in amount per share” in the Acquisition Price Adjustment Formula to be substituted by the sum of the paid-in amount of stock acquisition right per common share and the amount per common share of the property contributed upon the exercise of stock acquisition rights, deeming that all of the stock acquisition rights issued have been exercised or acquired in accordance with the initial terms and conditions and common shares have been delivered on the allotment date of such stock acquisition rights, on the effective date of gratis allotment of stock acquisition rights (or if a record date for gratis allotment of stock acquisition rights has been set, on such record date; hereafter the same in this (v)), or on the Shareholder Allotment Date, if any, as the case may be. The acquisition price after adjustment shall apply as from the day following the allotment date of such stock acquisition rights, as from the day following the effective date of the gratis allotment of stock acquisition rights, or as from the day following the Shareholder Allotment Date, if any, as the case may be. Notwithstanding the foregoing, if the consideration for the common shares delivered upon the acquisition or exercise has not been determined at the above-mentioned time point, the acquisition price after adjustment shall be calculated by deeming that at the time of determination of such consideration, all of the stock acquisition rights issued will have been exercised or acquired in accordance with the terms and conditions as of the time of determination of such consideration and common shares will have been delivered, and such acquisition price after adjustment shall apply as from the day following the date on which such consideration has been determined. Provided, however, that the adjustment of the acquisition price under this (v) shall not apply to any stock acquisition rights to acquire common shares that are issued for the purpose of granting stock options to any of the directors, statutory auditors (*kansayaku*), executive officers (*shikkoyaku*) or other officers or employees of NDK or any subsidiary of NDK.

- (b) In addition to the events set forth in (a) above, if there is any circumstance falling under any of (i) through (iii) below, NDK shall submit to the Class A Shareholders/Pledgees a prior written notification to that effect, stating the acquisition price after adjustment, the date of application and any other necessary matters, and shall appropriately adjust the acquisition price.
 - (i) If an adjustment of the acquisition price is required for a merger, share exchange (*kabushiki kokan*), acquisition of all issued shares in another stock company (*kabushiki kaisha*) by way of share exchange (*kabushiki kokan*), share transfer (*kabushiki iten*), absorption-type demerger (*kyushu bunkatsu*), succession of all or part of the rights and obligations held by another company in relation to its business by way of absorption-type demerger (*kyushu bunkatsu*) or incorporation-type demerger (*shinsetsu bunkatsu*);
 - (ii) Where two (2) or more events requiring adjustment of the acquisition

- price have occurred in succession, if the determination of the market value to be used in the calculation of the acquisition price after adjustment for one of the events needs to take into consideration the effects of the other event(s); or
- (iii) If an adjustment of the acquisition price is otherwise required owing to a change in the number of issued common shares (excluding the number of common shares held by NDK) or the occurrence of any event which may result in such a change.
- (c) In the calculations needed for an adjustment of the acquisition price, the price shall be calculated to the second decimal place below one (1) yen and rounded to the first decimal place.
 - (d) The market value per common share as used in the Acquisition Price Adjustment Formula shall be the average value (calculated to the second decimal place below one (1) yen and rounded to the first decimal place; hereinafter the same) of the Volume Weighted Average Price (the “VWAP”) in ordinary trading of NDK’s common shares published by Tokyo Stock Exchange, Inc. (the “TSE”) over 30 consecutive Trading Days prior to the day from which the acquisition price after adjustment applies (or if any event requiring an adjustment of the acquisition price is published through NDK announcements disclosure service provided by the TSE, the date of such publication). “Trading Day” means a day on which ordinary trade in NDK’s common shares is conducted on the TSE, and it does not include days where there is no VWAP announcement.
 - (e) If the difference between the acquisition price after adjustment and the acquisition price before adjustment as calculated for the purpose of adjustment of the acquisition price is less than 0.1 yen, the acquisition price shall not be adjusted. Provided, however, that any adjustment deemed unnecessary under this (e) shall be carried over and taken into account in the subsequent calculations for the adjustment.
- (5) Place for Acceptance of Request for Acquisition in Exchange for Common Shares
 The shareholders register administrator’s office for handling of related affairs:
 4-1 Marunouchi 1-chome, Chiyoda-Ku, Tokyo
 Sumitomo Mitsui Trust Bank, Limited, Corporate Agency Division
- (6) Effectuation of Request for Acquisition in Exchange for Common Shares
 A Request for Acquisition in Exchange for Common Shares shall come into effect at the later of (i) the time when the documents necessary for the Request for Acquisition in Exchange for Common Shares reach the place for acceptance of the Request for Acquisition in Exchange for Common Shares as stated in (5) above or (ii) the intended effective date as stated in the above-mentioned documents.
- (7) Method of Delivery of Common Shares
 After the effectuation of the Request for Acquisition in Exchange for Common Shares, NDK shall deliver common shares to each Class A Shareholder which has made the Request for Acquisition in Exchange for Common Shares by recording an increase in the number of the book-entry transfer shares in the

“Shares Held” section of the transfer account book managed by Japan Securities Depository Center, Incorporated or of any account management institution designated by the relevant Class A Shareholder.

12. Call Option for Money

At any time on or after August 1, 2020, upon the arrival of the date separately specified by the Board of Directors of NDK (the “Date of Redemption for Money”), NDK may acquire all or part of the Class A Shares in exchange for money by giving written notice (which shall be irrevocable) to the Class A Shareholders/Pledgees at least 10 days prior to the Date of Redemption for Money (the “Notice Date”), to the extent permitted by laws and regulations (provided, however, that partial acquisitions may be made only in increments of 1,000 shares) (the “Redemption for Money”), and NDK shall, in exchange for the acquisition of the Class A Shares subject to the relevant Redemption for Money, deliver to the Class A Shareholders the amount of money calculated by multiplying (i) the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by the following redemption factors by (ii) the number of the Class A Shares in respect of the Redemption for Money (provided, however, if the Date of Redemption for Money is after July 1, 2023, (i) the aforementioned amount or (ii) the amount obtained by multiplying (a) the total amount of common shares distributed in exchange for the acquisition of the relevant Class A Shares calculated by deeming that the Request for Acquisition in Exchange for Common Shares is conducted as of the notice date with respect to the Class A Shares in respect of the relevant Redemption for Money by (b) the closing price of common shares of NDK at the TSE (if there is no closing price on the same day, the closing price on the immediately preceding day) on the date prior to the Notice Date, whichever the higher). If the money delivered in exchange for the acquisition of the Class A Shares subject to the Redemption for Money includes any fraction less than one (1) yen, such fraction shall be rounded down.

In the case of a partial acquisition of the Class A Shares, the number of Class A Shares to be acquired from each Class A Shareholder shall be determined on a pro rata basis or by any other reasonable method specified by the Board of Directors of NDK.

“Redemption Factor” means the rate corresponding to the relevant category set forth in the following items according to whether the Date of Redemption for Money falls within any of the periods listed below:

- | | | |
|-------|--------------------------------------|--------|
| (i) | From August 1, 2020 to June 30, 2021 | : 1.13 |
| (ii) | From July 1, 2021 to June 30, 2022 | : 1.25 |
| (iii) | From July 1, 2022 to June 30, 2023 | : 1.38 |
| (iv) | From July 1, 2023 to June 30, 2024 | : 1.52 |
| (v) | From July 1, 2024 to June 30, 2025 | : 1.68 |
| (vi) | From July 1, 2025 | : 1.85 |

13. Consolidation or Split of Shares; Allotment of Shares for Subscription

- (1) NDK shall not split or consolidate the Class A Shares.
- (2) NDK shall not grant the Class A Shareholders rights for allotment of shares for subscription or rights for allotment of stock acquisition rights for subscription.
- (3) NDK shall not make a gratis allotment of shares or gratis allotment of stock

acquisition rights to the Class A Shareholders.

END

Appendix II

Contents of Amendments to the Articles of Incorporation

(Amendments are underlined.)

Current Articles of Incorporation	Proposed amendment
Chapter II Shares	Chapter II Shares
<p>Article 6 Total Number of Authorized Shares</p> <p>The total number of shares that can be authorized for issue by the Company shall be <u>40,000,000</u>.</p> <p style="text-align: center;">(New)</p>	<p>Article 6 Total Number of Authorized Shares</p> <p>The total number of shares that can be authorized for issue by the Company shall be <u>50,000,000</u> and the total <u>number of class shares that can be authorized for issue by the Company shall be as follows.</u></p> <p><u>Common shares: 50,000,000 shares</u></p> <p><u>Class A Shares: 5,000 shares</u></p> <p><u>Article 6.2 Class A Shares</u></p> <p><u>1. The contents of the Class A Shares issued by the Company shall be set forth in the following paragraph to Paragraph 7.</u></p> <p><u>2. Dividends of Surplus</u></p> <p><u>If the Company is to distribute dividends out of surplus to the holders of the common shares (the “Common Shareholders”) or the registered pledgees of the common shares (together with the Common Shareholders, the “Common Shareholders/Pledgees”), the Company shall make pecuniary distribution to the holders of the Class A Shares (the “Class A Shareholders”) or the registered pledgees of the Class A Shares (together with the Class A Shareholders, the “Class A Shareholders/Pledgees”) entered or recorded in the latest shareholders’ register as at the record date for the distribution of the relevant dividends (the “Dividend Record Date”) in the</u></p>

amount per Class A Share, pari passu with common shareholders, equivalent to the amount obtained by multiplying (i) the amount of the dividends per a common share by (ii) the amount obtained by dividing (a) the amount obtained by multiplying 1,000,000 yen (the “Amount Equivalent to Paid-in Amount per Class A Share”) by 1.40 by (b) the acquisition price set forth in Paragraph 5, Items (3) and (4) of this article as of the Dividend Record Date (the “Class A Dividend Amount”). If the amount obtained by multiplying the Class A Dividend Amount by the number of Class A Shares to which each Class A Shareholder/Pledgee is entitled includes any fraction less than one (1) yen, such fraction shall be rounded down.

3. Distribution of Residual Assets

(1) Distribution of Residual Assets

If the Company distributes its residual assets, the Company shall pay to each Class A Shareholder/Pledgee the amount per Class A Share obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by the Redemption Factor set forth in Paragraph 6 of this article per Class A Share (the “Class A Residual Assets Distribution Amount”) in cash prior to the Common Shareholders/Pledgees. In addition, in this paragraph, the Redemption Factor is to be calculated by replacing the

“Date of Redemption for Money” in the calculation of the Redemption Factor with the “Residual Assets Distribution Date.” If the amount obtained by multiplying the Class A Residual Assets Distribution Amount by the number of the Class A Shares to which each Class A Shareholder/Pledgee is entitled includes any fraction less than one (1) yen, such fraction shall be rounded down.

(2) Non-participation Clause

The Company shall not make distribution of residual assets to the Class A Shareholders/Pledgees other than as provided for in the immediately preceding item.

4. Voting Rights

Unless otherwise provided for by law, the Class A Shareholders shall not be entitled to vote at general meetings of shareholders.

5. Right to Request Acquisition in Exchange for Common Shares

(1) Right to Request Acquisition in

Exchange for Common Shares
On or after August 1, 2020, each Class A Shareholder may at any time request the Company to acquire, in exchange for the delivery of such number of common shares as specified in the following item (the “Common Shares subject to Request”), all or part of the Class A Shares held by that Class A Shareholder (the “Request for Acquisition in Exchange for Common Shares”), and the Company shall deliver the Common Shares subject to Request to the

relevant Class A Shareholder in exchange for the acquisition of the Class A Shares to which the relevant Request for Acquisition in Exchange for Common Shares is related, to the extent permitted by laws and regulations.

(2) Number of Common Shares Delivered in Exchange for Acquisition of Class A Shares

The number of common shares delivered in exchange for the acquisition of the Class A Shares shall be the number obtained by dividing the amount obtained by multiplying (a) the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by 1.40 by (b) the number of the Class A Shares concerning the Request for Acquisition in Exchange for Common Shares, by the acquisition price set forth in Items (3) and (4) of this paragraph below. If the total number of common shares delivered in exchange for the acquisition of the Class A Shares to which the Request for Acquisition in Exchange for Common Shares is related includes any fraction less than one (1) share, such fraction shall be rounded down. In such case, the Company shall not make the delivery of money as provided for in Article 167, Paragraph 3 of the Companies Act.

(3) Initial Acquisition Price
363 yen

(4) Adjustment of Acquisition

Price

(a) Upon the occurrence of any of the events listed below, the acquisition price shall be adjusted as follows:

(i) If the Company is to implement a share split of its common shares or gratis allotment of its common shares, the acquisition price shall be adjusted in accordance with the formula below. In the case of a gratis allotment of shares, “Number of issued common shares before split” and “Number of issued common shares after split” in the formula below shall be respectively deemed to be replaced with “Number of issued common shares before gratis allotment (excluding the common shares then held by the Company)” and “Number of issued common shares after gratis allotment (excluding the common shares then held by the Company).”

$$\frac{\text{Acquisition price after adjustment}}{\text{Acquisition price before adjustment}} = \frac{\text{Acquisition price before adjustment}}{\text{Acquisition price before adjustment}} \times \frac{\text{Number of issued common shares before split}}{\text{Number of issued common shares after split}}$$

The acquisition price after adjustment shall apply as from the day following the record date for the share split

or as from the effective date of the gratis allotment of shares (or if the record date for the gratis allotment has been set, as from the day following such record date), as the case may be.

(ii) If the Company consolidates its common shares, the acquisition price shall be adjusted in accordance with the formula below.

$$\frac{\text{Acquisition price after adjustment}}{\text{Acquisition price before adjustment}} = \frac{\text{Acquisition price before adjustment} \times \frac{\text{Number of issued common shares before consolidation}}{\text{Number of issued common shares after consolidation}}}{\text{Acquisition price before adjustment}}$$

The acquisition price after adjustment shall apply as from the effective date of the consolidation of shares.

(iii) If the Company issues common shares or disposes of any of the common shares held by the Company at a paid-in amount below the market value per common share as specified in (d) of this item (excluding by way of gratis allotment of shares, acquisition of shares or stock acquisition rights (including those attached to bonds with stock acquisition rights;

	<p><u>hereafter the same in this item) in exchange for the delivery of common shares, exercise of stock acquisition rights to acquire common shares, or delivery of common shares by virtue of merger, share exchange (<i>kabushiki kokan</i>) or demerger), the acquisition price shall be adjusted in accordance with the formula below (the “Acquisition Price Adjustment Formula”). If any property other than money is contributed, “Paid-in amount per share” in the Acquisition Price Adjustment Formula shall be the appropriately appraised value of such property. The acquisition price after adjustment shall apply as from the day following the payment date (or if a payment period has been set, the last day of such payment period), or if a record date for the allotment to shareholders has been set, as from the day following such record date (the “Shareholder Allotment Date”), as the case may be. If the Company is to dispose of any of the common shares held by it, “Number of newly</u></p>
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issued common shares” and “Number of common shares held by the Company” in the formula below shall be respectively deemed to be replaced with “The number of common shares held by the Company to be disposed of” and “The number of common shares held by the Company before the disposition.”

Number of newly issued common shares

$$\frac{\text{(Number of issued common shares - Number of common shares held by the Company)}}{\text{Paid-in amount per share}} \times$$

Market value per common share

Acquisition price after adjustment

Acquisition price before adjustment

$$\frac{\text{(Number of issued common shares - Number of common shares held by the Company) + Number of newly issued common shares}}{\text{Market value per common share}}$$

(iv) If the Company makes an issuance or disposal of shares (including gratis allotment of shares) which entitles the holders thereof to receive, by having or letting the Company acquire such shares, the delivery of common shares at an acquisition price per common share below the market value per common share as set forth in (d) of this item, the acquisition price after adjustment shall be the amount calculated by causing “Paid-in amount per

	<p><u>share” in the Acquisition Price Adjustment Formula to be substituted by the amount determined by deeming that all of the shares issued or disposed of have been acquired in accordance with the initial terms and conditions and common shares have been delivered on the payment date for such shares (if a payment period has been set, on the last day of such payment period; hereafter the same in this (iv)), or on the effective date of gratis allotment of shares (or if a record date for gratis allotment of shares has been set, on such record date; hereafter the same in this (iv)), or on the Shareholder Allotment Date, if any, as the case may be. The acquisition price after adjustment shall apply as from the day following the payment date, or as from the day following the effective date of gratis allotment of shares, of as from the day following the Shareholder Allotment Date, if any, as the case may be. Notwithstanding the foregoing, if the consideration for the common shares</u></p>
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	<p><u>delivered upon the acquisition has not been determined at the above-mentioned time point, the acquisition price after adjustment shall be calculated by deeming that at the time of determination of such consideration, all of the shares issued or disposed of will have been acquired in accordance with the terms and conditions as of the time of determination of such consideration and common shares will have been delivered, and such acquisition price after adjustment shall apply as from the day following the date on which such consideration has been determined.</u></p> <p>(v) <u>If the Company makes an issuance of stock acquisition rights (including gratis allotment of stock acquisition rights) which entitles the holders thereof to receive, by exercising or having the Company acquire such stock acquisition rights, to receive the delivery of common shares at a price wherein the sum of the paid-in amount of such stock acquisition right per common share and the amount per common share of the</u></p>
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	<p><u>property contributed upon the exercise of such stock acquisition rights (if any property other than money is contributed, the appropriately appraised value of such property; hereafter the same in this (v)) is less than the market value per common share as set forth in (d) of this item, the acquisition price after adjustment shall be the amount calculated by causing “Paid-in amount per share” in the Acquisition Price Adjustment Formula to be substituted by the sum of the paid-in amount of stock acquisition right per common share and the amount per common share of the property contributed upon the exercise of stock acquisition rights, deeming that all of the stock acquisition rights issued have been exercised or acquired in accordance with the initial terms and conditions and common shares have been delivered on the allotment date of such stock acquisition rights, on the effective date of gratis allotment of stock acquisition rights (or if a record date for gratis allotment of stock acquisition rights has</u></p>
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	<p><u>been set, on such record date; hereafter the same in this (v)), or on the Shareholder Allotment Date, if any, as the case may be. The acquisition price after adjustment shall apply as from the day following the allotment date of such stock acquisition rights, as from the day following the effective date of the gratis allotment of stock acquisition rights, or as from the day following the Shareholder Allotment Date, if any, as the case may be. Notwithstanding the foregoing, if the consideration for the common shares delivered upon the acquisition or exercise has not been determined at the above-mentioned time point, the acquisition price after adjustment shall be calculated by deeming that at the time of determination of such consideration, all of the stock acquisition rights issued will have been exercised or acquired in accordance with the terms and conditions as of the time of determination of such consideration and common shares will have been delivered, and such acquisition price after adjustment</u></p>
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	<p><u>shall apply as from the day following the date on which such consideration has been determined. Provided, however, that the adjustment of the acquisition price under this (v) shall not apply to any stock acquisition rights to acquire common shares that are issued for the purpose of granting stock options to any of the directors, statutory auditors (<i>kansayaku</i>), executive officers (<i>shikkoyaku</i>) or other officers or employees of the Company or any subsidiary of the Company.</u></p> <p>(b) <u>In addition to the events set forth in (a) of this item, if there is any circumstance falling under any of (i) through (iii) below, the Company shall submit to the Class A Shareholders/Pledgees a prior written notification to that effect, stating the acquisition price after adjustment, the date of application and any other necessary matters, and shall appropriately adjust the acquisition price.</u></p> <p>(i) <u>If an adjustment of the acquisition price is required for a merger, share exchange (<i>kabushiki kokan</i>), acquisition of all issued shares in another stock company (<i>kabushiki</i></u></p>
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	<p><u>kaisha</u>) by way of share exchange (<u>kabushiki kokan</u>), share transfer (<u>kabushiki iten</u>), absorption-type demerger (<u>kyushu bunkatsu</u>), succession of all or part of the rights and obligations held by another company in relation to its business by way of absorption-type demerger (<u>kyushu bunkatsu</u>) or incorporation-type demerger (<u>shinsetsu bunkatsu</u>);</p> <p>(ii) <u>Where two (2) or more events requiring adjustment of the acquisition price have occurred in succession, if the determination of the market value to be used in the calculation of the acquisition price after adjustment for one of the events needs to take into consideration the effects of the other event(s); or</u></p> <p>(iii) <u>If an adjustment of the acquisition price is otherwise required owing to a change in the number of issued common shares (excluding the number of common shares held by the Company) or the occurrence of any event which may result in such a change.</u></p> <p>(c) <u>In the calculations needed for an adjustment of the acquisition price, the price</u></p>
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	<p><u>shall be calculated to the second decimal place below one (1) yen and rounded to the first decimal place.</u></p> <p><u>(d) The market value per common share as used in the Acquisition Price Adjustment Formula shall be the average value (calculated to the second decimal place below one (1) yen and rounded to the first decimal place; hereinafter the same) of the Volume Weighted Average Price (the “VWAP”) in ordinary trading of the Company’s common shares published by Tokyo Stock Exchange, Inc. (the “TSE”) over 30 consecutive Trading Days prior to the day from which the acquisition price after adjustment applies (or if any event requiring an adjustment of the acquisition price is published through the company announcements disclosure service provided by the TSE, the date of such publication). “Trading Day” means a day on which ordinary trade in the Company’s common shares is conducted on the TSE, and it does not include days where there is no VWAP announcement.</u></p> <p><u>(e) If the difference between the acquisition price after adjustment and the acquisition price before adjustment as calculated for the purpose of adjustment of the acquisition price is</u></p>
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	<p><u>less than 0.1 yen, the acquisition price shall not be adjusted. Provided, however, that any adjustment deemed unnecessary under this (e) shall be carried over and taken into account in the subsequent calculations for the adjustment.</u></p> <p><u>(5) Place for Acceptance of Request for Acquisition in Exchange for Common Shares</u> <u>The shareholders register administrator's office for handling of related affairs:</u> <u>4-1 Marunouchi 1-chome,</u> <u>Chiyoda-Ku, Tokyo</u> <u>Sumitomo Mitsui Trust Bank,</u> <u>Limited, Corporate Agency</u> <u>Division</u></p> <p><u>(6) Effectuation of Request for Acquisition in Exchange for Common Shares</u> <u>A Request for Acquisition in Exchange for Common Shares shall come into effect at the later of (i) the time when the documents necessary for the Request for Acquisition in Exchange for Common Shares reach the place for acceptance of the Request for Acquisition in Exchange for Common Shares as stated in the immediately preceding item or (ii) the intended effective date as stated in the above-mentioned documents.</u></p> <p><u>(7) Method of Delivery of Common Shares</u> <u>After the effectuation of the Request for Acquisition in Exchange for Common Shares, the Company shall deliver</u></p>
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common shares to each Class A Shareholder which has made the Request for Acquisition in Exchange for Common Shares by recording an increase in the number of the book-entry transfer shares in the “Shares Held” section of the transfer account book managed by Japan Securities Depository Center, Incorporated or of any account management institution designated by the relevant Class A Shareholder.

6. Call Option for Money

At any time on or after August 1, 2020, upon the arrival of the date separately specified by the Board of Directors of the Company (the “Date of Redemption for Money”), the Company may acquire all or part of the Class A Shares in exchange for money by giving written notice (which shall be irrevocable) to the Class A Shareholders/Pledgees at least 10 days prior to the Date of Redemption for Money (the “Notice Date”), to the extent permitted by laws and regulations (provided, however, that partial acquisitions may be made only in increments of 1,000 shares) (the “Redemption for Money”), and the Company shall, in exchange for the acquisition of the Class A Shares subject to the relevant Redemption for Money, deliver to the Class A Shareholders the amount of money calculated by multiplying (i) the amount obtained by multiplying the Amount Equivalent to Paid-in Amount per Class A Share by the following redemption factors by (ii) the number of the Class A Shares in respect of the

	<p><u>Redemption for Money (provided, however, if the Date of Redemption for Money is after July 1, 2023, (i) the aforementioned amount or (ii) the amount obtained by multiplying (a) the total amount of common shares distributed in exchange for the acquisition of the relevant Class A Shares calculated by deeming that the Request for Acquisition in Exchange for Common Shares is conducted as of the notice date with respect to the Class A Shares in respect of the relevant Redemption for Money by (b) the closing price of common shares of the Company at the TSE (if there is no closing price on the same day, the closing price on the immediately preceding day) on the date prior to the Notice Date, whichever the higher). If the money delivered in exchange for the acquisition of the Class A Shares subject to the Redemption for Money includes any fraction less than one (1) yen, such fraction shall be rounded down.</u></p> <p><u>In the case of a partial acquisition of the Class A Shares, the number of Class A Shares to be acquired from each Class A Shareholder shall be determined on a pro rata basis or by any other reasonable method specified by the Board of Directors of the Company.</u></p> <p><u>“Redemption Factor” means the rate corresponding to the relevant category set forth in (i) through (vi) below according to whether the Date of Redemption for Money falls within any of the periods listed (i) through (vi) below:</u></p> <p style="padding-left: 40px;"><u>(i) From August 1, 2020 to June 30, 2021 : 1.13</u></p> <p style="padding-left: 40px;"><u>(ii) From July 1, 2021 to</u></p>
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	<p><u>2 Provisions under Articles 15, 17 and 19 shall be applied mutatis mutandis to a meeting of class shareholders</u></p> <p><u>3 Provision under Article 16.1 and provision under Article 16.2 shall respectively be applied mutatis mutandis to the resolutions at a meeting of class shareholders as set forth in Article 324, Paragraph 1 of the Companies Act and the resolutions at a meeting of class shareholders as set forth in Article 324, Paragraph 2 of the Companies Act.</u></p>
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