

June 10, 2021

Dear Shareholders,

On June 5, 2021, Glass Lewis & Co., LLC (“Glass Lewis”) published its analysis and recommendation regarding our upcoming 96th Ordinary General Meeting of Shareholders scheduled for June 25, 2021.

In response, we provide our opinion as follows:

**1. Glass Lewis’ view**

Glass Lewis recommends voting AGAINST proposal No. 4, which proposes the election of nominee Mr. Koji Imai as one of two Audit & Supervisory Board members to be elected, because the majority of the board of company auditors should not consist of any independent outside statutory auditors.

**2. Our view on the recommendation against Mr. Imai’s nomination**

The Company believes that our Audit & Supervisory Board is optimally composed for retaining its independence and conducting effective audits, and that Glass Lewis’ view is not pertinent.

In accordance with the Companies Act, half of our Audit & Supervisory Board members are from outside the Company. At the same time, the Company’s policy is to elect internal Audit & Supervisory Board members (full-time from within the Company) who are well informed about the business of the Company’s group to ensure effective audits throughout the Company. Internal Audit & Supervisory Board members are able to conduct effective audits due to their ability to collect information within the Company in an appropriate and timely manner. Outside Audit & Supervisory Board members conduct audits independently from the Company’s management by utilizing their specialized knowledge in various fields and multilateral viewpoints. The Company believes that they improve the efficiency and effectiveness, and keep independence of the Company’s audits by maintaining close coordination among Audit & Supervisory Board members. We believe that all Audit & Supervisory Board members have systems in place to perform audits systematically and efficiently, and that they are fully able to perform their rigorous auditing functions by cooperating with one another both internally and externally.

If you have any questions or would like to arrange a call, please contact the Legal Dept.  
at +81-3-3436-7704 or via the following URL: <https://www.smm.co.jp/en/contact/>

Sincerely,



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Akira Nozaki

President and Director