

June 5, 2020

Dear Shareholders,

On June 1, 2020, Glass Lewis & Co., LLC (“**Glass Lewis**”) published its analysis and recommendation regarding our upcoming 95th Ordinary General Meeting of Shareholders scheduled for June 26, 2020.

In response, we provide our opinion as follows:

1. Glass Lewis’ view

Glass Lewis recommends voting AGAINST proposal No. 3, which proposes the election of nominees Mr. Kazushi Ino and Mr. Wataru Yoshida as two of three 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 and Mr. Yoshida fails to meet Glass Lewis criteria on independence, especially the criterion that only individuals who do not have any material financial, familial or other relationship with the company be elected.

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

As a policy of the Company, at least half of the Audit & Supervisory Board members must be outside. At the same time, the Company shall 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 rigorous audits by their ability to collect information within the Company in an appropriate and timely manner. Outside Audit & Supervisory Board members conduct independent audits by utilizing their specialized knowledge in various fields and multilateral viewpoints. The Company believes that they improve the efficiency and effectiveness of the Company’s audits. We believe that all Audit & Supervisory Board members have a system 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.

3. Our view on the recommendation against Mr. Yoshida’s nomination

Mr. Yoshida left Nippon Usiminas Co.,Ltd. and NIPPON STEEL CORPORATION (formerly NIPPON STEEL & SUMITOMO METAL CORPORATION) in December 2019.

NIPPON STEEL CORPORATION is a business partner of the Company. During our 95th business year (ended March 31, 2020), the Company engaged in business with NIPPON STEEL CORPORATION in such areas as product sales, but the total sales of the Company to NIPPON STEEL CORPORATION amounted to ¥0.5 million, accounting for only 0.0% of the Company's nonconsolidated net sales. The Company did not make any purchases from NIPPON STEEL CORPORATION.

In addition, the Company held 2,929,006 shares of NIPPON STEEL CORPORATION but sold all of them by the end of March 2020. NIPPON STEEL CORPORATION also held shares of the Company but sold all of them as well.

As a result, there is no concern with the independence of Mr. Yoshida.

<Reference>

1. Relationship with Marubeni Corporation

Mr. Yoshida left Marubeni Corporation in February 2016.

Marubeni Corporation is a business partner of the Company. During our 95th business year (ended March 31, 2020), the Company engaged in business with Marubeni Corporation in such areas as the sales of electrolytic copper, and the total sales of the Company to Marubeni Corporation amounted to ¥10.428 billion, accounting for 1.4% of the Company's nonconsolidated net sales. The Company also engaged in business with Marubeni Corporation to purchase metal product materials, paying ¥12.759 billion, which accounted for 0.3% of Marubeni Corporation's nonconsolidated net sales.

2. Relationship with Nippon Usiminas Co.,Ltd.

The Company has no business relationship with Nippon Usiminas Co.,Ltd.

Mr. Yoshida complies with the requirements for outside directors provided for in the Companies Act of Japan, the criteria for independence prescribed by the Tokyo Stock Exchange, and the criteria for independence prescribed by the Company.

Therefore, we have already appointed him as an Independent Statutory Auditor who is unlikely to have any conflicts of interest with general investors as specified by the Tokyo Stock Exchange, and submitted notice of his appointment to the exchange.

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/E/contact/>

Sincerely,



Akira Nozaki

President and Director