

May 29, 2020

Dear Shareholders,

On May 26, 2020, Institutional Shareholder Services, Inc. (“ISS”) 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. ISS’s view**

ISS recommends voting AGAINST proposal No. 3, which proposes the election of nominee Mr. Wataru Yoshida as one of three Audit & Supervisory Board Members to be elected, because the nominee fails to meet ISS criteria on independence, especially the criterion that individuals who work or worked at the main lenders/banks to the company in question be independent.

**2. Our view**

Mr. Yoshida left the Japan Bank for International Cooperation in September 2008, and 11 years and 9 months will have passed by the time of his election. Since leaving the bank, he has not been involved in its operation in any capacity and is not in a position to affect transactions between the company and the Bank in any manner. Therefore, we believe that a sufficient “cooling-off” period has passed to resolve any conflicts of interest involving him. Further, there is no concern with the status of his independence from the perspective of minority shareholder interests. 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 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,



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Akira Nozaki

President and Director