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(Stock Code 7984)

March 8, 2021

To Shareholders with Voting Rights:

Hidekuni Kuroda
Representative Director
KOKUYO Co., Ltd.
6-1-1 Oimazato-minami
Higashinari-ku, Osaka

NOTICE OF CONVOCATION OF THE 74TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 74th Annual General Meeting of Shareholders of KOKUYO Co., Ltd. (the “Company”). The meeting will be held for the purposes as described below.

In order to prevent the spread of COVID-19, the Company strongly recommends that you exercise your voting rights in writing or via the Internet.

Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by following the instructions on page 3 under “Information on Exercising Voting Rights.” Please exercise your voting rights by 5 p.m. on Monday, March 29, 2021 (Japan time). The Company will stream a video of the meeting on its website at a later date.

Meeting Details

- 1. Date and time:** 10 a.m. on Tuesday, March 30, 2021 (Japan time)
- 2. Place:** The Hō, 2F, Hotel New Otani Osaka
1-4-1 Shiromi, Chuo-ku, Osaka, Japan

3. Meeting Agenda:

Matters to be reported:

1. The Business Report and the Consolidated Financial Statements for the Company’s 74th Fiscal Year (from January 1, 2020 to December 31, 2020) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Board of Auditors
2. Non-consolidated Financial Statements for the Company’s 74th Fiscal Year (from January 1, 2020 to December 31, 2020)

Matters to be resolved:

- Proposal 1:** Appropriation of surplus
- Proposal 2:** Election of seven (7) Directors
- Proposal 3:** Election of two (2) Auditors
- Proposal 4:** Election of one (1) substitute Auditor

Information

- When attending on the day of the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk. Additionally, to conserve resources, please bring this “Notice” with you.
- Pursuant to Article 17 of the Company’s Articles of Incorporation, you may exercise your voting rights by designating one proxy to attend the meeting, who must be another shareholder possessing voting rights. Please note that the proxy will be required to submit a written verification of the proxy’s rights when attending the meeting.
- Of the documents to be provided with this Notice, “Consolidated Statement of Changes in Shareholders’ Equity” and “Notes to the Consolidated Financial Statements” in the Consolidated Financial Statements and “Non-consolidated Statement of Changes in Shareholders’ Equity” and “Notes to the Non-consolidated Financial Statements” in the Non-consolidated Financial Statements are posted on the Company’s website (<https://www.kokuyo.co.jp/>) in accordance with laws and regulations and Article 16 of the Company’s Articles of Incorporation, and are thus not included in the attached documents in this Notice. These items are included in the Consolidated and Non-consolidated Financial Statements that were audited during the course of preparation of the Audit Report by the Auditors and the Accounting Audit Report by the Accounting Auditor.
- Should the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements require any revision, the revised items will be posted on the Company’s website (<https://www.kokuyo.co.jp/>).
- The Company may be forced to change the venue and start time depending on the COVID-19 situation. In that case, the Company will post an announcement on its website (<https://www.kokuyo.co.jp/>). The Company asks that you make sure to check its website in advance even if you will attend the meeting.

Information on Exercising Voting Rights

- **Exercising your voting rights by attending the Annual General Meeting of Shareholders**
Please submit the enclosed Voting Rights Exercise Form at the reception desk.

Date and Time: 10 a.m. on Tuesday, March 30, 2021 (Japan time)

- **Exercising your voting rights if you are not able to attend the Annual General Meeting of Shareholders**

- **Exercising your voting rights in writing (with the Voting Rights Exercise Form)**
Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and send it so that it arrives by 5 p.m. on Monday, March 29, 2021.

Deadline for Voting: The Company must receive your form by 5 p.m. on Monday, March 29, 2021 (Japan time)

- **Exercising your voting rights via the Internet**
Please access the designated website (<https://www.web54.net>) and cast your vote for or against the proposals.

Deadline for Voting: The Company must receive your instructions by 5 p.m. on Monday, March 29, 2021 (Japan time)

IMPORTANT

- If you exercise your voting rights more than once, both by mail and via the Internet, only the vote via the Internet will be deemed to be valid. If you exercise your voting rights multiple times via the Internet, only the last vote will be deemed to be valid.

Information on Exercise of Voting Rights via the Internet (omitted)
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Reference Documents for the General Meeting of Shareholders

Proposals and Reference Information

Proposal 1: Appropriation of surplus

As per its basic profit allocation policy, the Company will strive for sustainable business growth and work to improve profit allocation to all shareholders in an effort to maximize corporate value over the medium and long term. In addition, the Company will strive to return profits to shareholders and will do this by continuing to stably distribute dividends with the aim of a dividend payout ratio of 40% by 2021 as the policy of returning profits to shareholders.

The year-end dividends for the 74th fiscal year, as provided below, were determined by taking into account such factors as consolidated performance for the year and future business development.

Matters Regarding Year-End Dividends

1. Type of dividend property
Cash
2. Matters concerning allocation of dividend property to shareholders and the total amount
19.5 yen per share of the Company's common stock
Total dividend amount: 2,307,407,408 yen
As a result, annual dividends, including interim dividends of 19.5 yen per share, will be 39 yen per share.
3. Effective date of distribution of dividends
March 31, 2021

Proposal 2: Election of seven (7) Directors

The terms of office of all seven (7) Directors—Hidekuni Kuroda, Kozo Sakagami, Takuya Morikawa, Nobuyuki Miyagaki, Hiroshi Hamada, Taketsugu Fujiwara, and Mika Masuyama—will expire at the conclusion of this year’s Annual General Meeting of Shareholders.

Accordingly, the Company proposes to elect seven (7) Directors including four (4) Outside Directors. The purpose of this is to strengthen the execution structure, and the functions of the Board of Directors which oversees execution, toward further improving corporate value.

The candidates for Directors are as follows:

Number	Name	Current position at the Company	Attendance at Meetings of the Board of Directors
1	Hidekuni Kuroda Re-election	Representative Director, President	100% (12 out of 12 times)
2	Kozo Sakagami Re-election	Representative Director and Executive Vice President, Head of Spatial Value Domain	100% (10 out of 10 times)
3	Toshio Naito New	Executive Officer, Managing Officer of the Corporate Planning Division	–
4	Hiroshi Hamada Re-election Outside Independent	Director	100% (12 out of 12 times)
5	Taketsugu Fujiwara Re-election Outside Independent	Director	100% (12 out of 12 times)
6	Mika Masuyama Re-election Outside Independent	Director	100% (12 out of 12 times)
7	Takehiro Kamigama New Outside Independent	–	–

Note: The attendance at meetings of the Board of Directors for Mr. Kozo Sakagami is given for meetings held after he took up his post on March 27, 2020.

No.	Name (Date of birth)	Career summary, position and responsibilities and significant concurrent positions outside the Company	Number of the Company's shares owned
1	Hidekuni Kuroda (January 10, 1976) Re-election Number of years in office (at the conclusion of this General Meeting of Shareholders): 7 Attendance at meetings of the Board of Directors: 100% (12 out of 12 times)	April 2001 Joined the Company July 2005 Director and Executive Officer, KOKUYO Office System Co., Ltd. June 2007 Director and Managing Executive Officer, KOKUYO Office System Co., Ltd. March 2009 Director, the Company March 2009 Representative Director and President, KOKUYO Furniture Co., Ltd. March 2011 Managing Executive Officer, the Company March 2014 Director and Senior Managing Executive Officer, the Company March 2015 Representative Director and President and CEO, the Company January 2019 Representative Director and President, the Company (incumbent)	89,278 shares
2	Kozo Sakagami (March 9, 1958) Re-election Number of years in office (at the conclusion of this General Meeting of Shareholders): 1 Attendance at meetings of the Board of Directors: 100% (10 out of 10 times)	April 1981 Joined the Company April 2002 Manager of International Procurement Division, the Company (Service in Hong Kong) October 2004 Representative Director and President, KOKUYO International Co., Ltd. January 2011 Director and Executive Officer, Managing Officer of International Business Division, KOKUYO Furniture Co., Ltd. March 2015 Group Executive Officer, Managing Officer of Furniture Business Division, the Company March 2015 Representative Director and President, KOKUYO Furniture Co., Ltd. January 2019 Senior Executive Officer, Managing Officer of Furniture Business Division, the Company January 2020 Senior Executive Officer, Head of Spatial Value Domain, the Company March 2020 Representative Director and Executive Vice President, Head of Spatial Value Domain, the Company (incumbent)	8,205 shares

No.	Name (Date of birth)	Career summary, position and responsibilities and significant concurrent positions outside the Company	Number of the Company's shares owned
3	<p style="text-align: center;">Toshio Naito (November 28, 1961) New</p>	<p>April 1985 Joined the Company</p> <p>August 2011 Manager of the Planning Department, Corporate Management Division, KOKUYO Furniture Co., Ltd.</p> <p>January 2014 Deputy General Manager of the Corporate Management Division, KOKUYO Furniture Co., Ltd.</p> <p>October 2016 General Manager of the Business Administration Department, Furniture Business Division, the Company</p> <p>April 2017 General Manager of the Business Administration & Strategy Department, Furniture Business Division, the Company</p> <p>January 2018 General Manager of the Corporate Development Office, the Company</p> <p>January 2019 Executive Officer and General Manager of the Corporate Development Office, the Company</p> <p>January 2021 Executive Officer and Managing Officer of the Corporate Planning Division, the Company (incumbent)</p>	8,588 shares
4	<p style="text-align: center;">Hiroschi Hamada (May 30, 1959) Re-election Outside Independent</p> <p style="text-align: center;">Number of years in office (at the conclusion of this General Meeting of Shareholders): 7</p> <p style="text-align: center;">Attendance at meetings of the Board of Directors: 100% (12 out of 12 times)</p>	<p>April 1982 Joined Yamashita-Shinnihon Steamship Co., Ltd. (currently Mitsui O.S.K. Lines, Ltd.)</p> <p>January 1995 Joined Dell Computer Inc. (currently Dell Japan Inc.)</p> <p>August 2000 Representative Director, President, Dell Japan Inc. and Vice President, Dell Computer Corporation</p> <p>May 2006 Representative Partner, Revamp Corporation</p> <p>April 2008 Executive Officer, President and Chief Operating Officer, HOYA CORPORATION</p> <p>November 2011 Director, Representative Executive Officer, President and Chief Operating Officer, HOYA CORPORATION</p> <p>March 2014 Outside Director, the Company (incumbent)</p> <p>May 2015 Chairman, Representative Director and CEO, ARUHI Group Corporation (currently ARUHI Corporation) (incumbent)</p> <p>September 2015 Chairman, President, Representative Director, CEO and COO, ARUHI Group Corporation (incumbent)</p> <p>Significant concurrent positions: Chairman, President, Representative Director, CEO and COO, ARUHI Group Corporation</p>	-

No.	Name (Date of birth)	Career summary, position and responsibilities and significant concurrent positions outside the Company	Number of the Company's shares owned
5	<p>Taketsugu Fujiwara (February 19, 1947) Re-election Outside Independent</p> <p>Number of years in office (at the conclusion of this General Meeting of Shareholders): 6</p> <p>Attendance at meetings of the Board of Directors: 100% (12 out of 12 times)</p>	<p>April 1969 Joined Asahi Chemical Industry Co., Ltd. (currently Asahi Kasei Corporation)</p> <p>June 2000 Director, Asahi Kasei Corporation</p> <p>June 2003 Senior Executive Officer, Asahi Kasei Corporation</p> <p>October 2003 Presidential Executive Officer, Asahi Kasei Chemicals Corporation</p> <p>June 2009 Director, Vice-Presidential Executive Officer, Asahi Kasei Corporation</p> <p>April 2010 President and Representative Director, Presidential Executive Officer, Asahi Kasei Corporation</p> <p>June 2014 Vice Chairman, Asahi Kasei Corporation</p> <p>March 2015 Outside Director, the Company (incumbent)</p> <p>June 2015 Outside Director, IHI Corporation (incumbent)</p> <p>June 2018 Counsellor, Asahi Kasei Corporation Outside Director, Konica Minolta, Inc. (incumbent)</p> <p>June 2020 Special Advisor, Asahi Kasei Corporation (incumbent)</p> <p>Significant concurrent positions: Outside Director, IHI Corporation Outside Director, Konica Minolta, Inc.</p>	-
6	<p>Mika Masuyama (January 6, 1963) Re-election Outside Independent</p> <p>Number of years in office (at the conclusion of this General Meeting of Shareholders): 2</p> <p>Attendance at meetings of the Board of Directors: 100% (12 out of 12 times)</p>	<p>April 1985 Joined the Bank of Japan</p> <p>September 1991 International Marketing Director, Cap Gemini Sogeti</p> <p>November 1992 Senior Consultant, Gemini Consulting Japan</p> <p>June 1997 Joined Egon Zehnder</p> <p>January 2004 Partner, Egon Zehnder</p> <p>October 2016 President and Representative Partner at Incorporation, Masuyama & Company LLC. (incumbent)</p> <p>March 2017 Outside Director (Audit and Supervisory Committee Member), Suntory Beverage & Food Limited (incumbent)</p> <p>March 2019 Outside Director, the Company (incumbent)</p> <p>June 2019 Outside Director, Konoike Transport Co., Ltd. (incumbent)</p> <p>Significant concurrent positions: President and Representative Partner, Masuyama & Company LLC. Outside Director (Audit and Supervisory Committee Member), Suntory Beverage & Food Limited Outside Director, Konoike Transport Co., Ltd.</p>	-

(Notes)

1. There are no special conflicts of interest between the candidates and the Company.
2. Mr. Toshio Naito and Mr. Takehiro Kamigama are new candidates.
3. Candidates Mr. Hidekuni Kuroda, Mr. Kozo Sakagami, and Mr. Toshio Naito have abundant business experience as listed in the section “Career summary, position and responsibilities and significant concurrent positions outside the Company.” The Company has nominated these three candidates for Directors, as it has determined through a comprehensive review of their knowledge, expertise and ability to make objective managerial decisions that they would be able to properly carry out the duties of Directors.
4. Candidates Mr. Hiroshi Hamada, Mr. Taketsugu Fujiwara, Ms. Mika Masuyama and Mr. Takehiro Kamigama are the candidates for Outside Directors.
5. Special notes on the candidates for Outside Directors are as follows:
 - (1) Reasons for nominating the candidates for Outside Directors

Mr. Hiroshi Hamada is expected to continue to contribute further to the Company’s management with his abundant knowledge and experience, cultivated from his career as Representative Director and Executive Officer of business companies, as well as his track record of high performance, including offering objective, valuable remarks based on his extensive expertise.

Mr. Taketsugu Fujiwara is expected to continue to contribute further to the Company’s management with his abundant knowledge and experience, cultivated from his career as Representative Director and Executive Officer of business companies, as well as his track record of high performance, including offering objective, valuable remarks based on his extensive expertise.

Ms. Mika Masuyama is expected to continue to contribute further to the Company’s management with her abundant consulting experience and knowledge and with her extensive management and economics expertise, which she cultivated during her career in areas such as corporate governance, human resources and organizations, and M&A.

Mr. Takehiro Kamigama has a wealth of knowledge and experience cultivated through his career as Representative Director and Executive Officer of business companies. He also has a wide range of insights in the technology field. Therefore, the Company has determined that he will significantly contribute to its management, in regard to its efforts to strengthen its governance structure and to ensure management transparency, from an objective and neutral perspective which he would adopt in the Company’s management and its Board of Directors.
 - (2) Facts concerning inappropriate business execution by candidates for Outside Directors in the past five years during their tenure as Director, Executive Officer or Auditor at other stock companies

IHI Corporation, where Mr. Taketsugu Fujiwara has served as an Outside Director since June 2015, was ordered under the Aircraft Manufacturing Industry Act to repair aircraft engines with an approved method of repair by the Ministry of Economy, Trade and Industry in March 2019 in relation to its commercial aircraft engine maintenance business. It was also ordered to improve its business under the Civil Aeronautics Act by the Ministry of Land, Infrastructure, Transport and Tourism in April 2019. After that, it received a business improvement order based on the Civil Aeronautics Act from the Ministry of Land, Infrastructure, Transport and Tourism in relation to the aforementioned business in April 2020. Mr. Taketsugu Fujiwara was not aware of the facts giving rise to the orders and relevant matters in advance. However, he has made appropriate recommendations concerning the importance of legal compliance and the need for its full enforcement at meetings of the Board of Directors on a regular basis and as deemed necessary.

TDK Corporation, where Mr. Takehiro Kamigama served as Chairman and Representative Director until June 2018, was recognized by the Japan Fair Trade Commission to have violated the Anti-Monopoly Act in relation to HDD suspension transactions in February 2018. TDK and the TDK Group applied for the application of the leniency policy and were exempted from financial penalties due to its application. Moreover, TDK did not receive a cease and desist order. Mr. Takehiro Kamigama strived to ensure thorough compliance on an everyday basis. However, after grasping the facts of this incident, he has been working to further strengthen the compliance structure (including compliance with the Anti-Monopoly Act) and recurrence prevention structure as well as to strengthen internal controls.
 - (3) Time served as Outside Directors

At the conclusion of the general meeting of shareholders, Mr. Hiroshi Hamada will have served 7 years as an Outside Director of the Company.

At the conclusion of the general meeting of shareholders, Mr. Taketsugu Fujiwara will have served 6 years as an Outside Director of the Company.

At the conclusion of the general meeting of shareholders, Ms. Mika Masuyama will have served 2 years as an Outside Director of the Company.

(4) Contracts for limitation of liability with the candidates for Outside Directors

Pursuant to the Articles of Incorporation, the Company has concluded agreements with Mr. Hiroshi Hamada, Mr. Taketsugu Fujiwara, and Ms. Mika Masuyama to limit their liability for damages as provided in Article 423, paragraph 1 of the Companies Act, in accordance with Article 427, paragraph 1 of the Companies Act. The monetary limits on liability for damages under said agreements are the amounts stipulated by laws and regulations.

If candidate Mr. Takehiro Kamigama is elected Outside Director of the Company, the Company plans to enter into a similar agreement with him.

6. The Company registered candidates Mr. Hiroshi Hamada, Mr. Taketsugu Fujiwara, and Ms. Mika Masuyama as its independent officers with the notification required by the regulations of the Tokyo Stock Exchange, Inc., on which the Company's stock is listed.

If candidate Mr. Takehiro Kamigama is elected Outside Director of the Company, the Company plans to register him as its independent officer with the notification required by the regulations of the Tokyo Stock Exchange, Inc., on which the Company's stock is listed.

7. The Company has entered into an officers' and directors' liability insurance agreement as stipulated in Article 430-3, paragraph 1 of the Companies Act with an insurance company. This insurance agreement covers the damages and litigation costs to be borne by the insured parties. The Company plans to make the candidates for Directors insured parties under that insurance agreement if they are elected Directors of the Company.

Proposal 3: Election of two (2) Auditors

Of the three (3) current Auditors, Kazutoshi Maeda and Hideyuki Yasue will retire with the expiration of their term in office at the conclusion of this year's Annual General Meeting of Shareholders.

Accordingly, the Company proposes to elect two (2) Auditors.

The Board of Auditors has previously given its approval to this proposal.

The candidates for Auditors are as follows:

No.	Name (Date of birth)	Career summary, position, and significant concurrent positions outside the Company	Number of the Company's shares owned
1	Katsuaki Tojo (March 8, 1976) New	<p>April 2000 Joined RICOH LEASING COMPANY, LTD.</p> <p>August 2006 Joined the Company</p> <p>April 2015 General Manager of the Board of Directors Office, the Company</p> <p>January 2019 Executive Officer and General Manager of the Domain Strategy Office, the Company</p> <p>January 2021 Executive Officer and General Manager of the Board of Directors Office, the Company (incumbent)</p>	4,088 shares
2	Fukutaka Hashimoto (July 6, 1954) New Outside Independent	<p>April 1979 Admitted as an attorney in Japan. Joined Shinya Takeru Law Office(currently Tokyo Hatchobori Law Office)</p> <p>April 2000 Vice President, Daini Tokyo Bar Association</p> <p>April 2006 Executive Governor, Japan Federation of Bar Associations</p> <p>January 2008 Representative Partner Attorney and Director, Tokyo Hatchobori Law Office (incumbent)</p> <p>April 2012 President, Daini Tokyo Bar Association Vice-President, Japan Federation of Bar Associations</p> <p>March 2014 Outside Audit & Supervisory Board Member, Kirin Holdings Company, Limited</p> <p>June 2015 Outside Audit & Supervisory Board Member, Sompo Japan Nipponkoa Insurance Inc. (currently Sompo Japan Insurance Inc.) (incumbent)</p> <p>June 2020 Outside Director (Audit & Supervisory Board Member), Isetan Mitsukoshi Holdings Ltd. (incumbent)</p> <p>Significant concurrent positions: Outside Audit & Supervisory Board Member, Sompo Japan Insurance Inc. Outside Director (Audit & Supervisory Board Member), Isetan Mitsukoshi Holdings Ltd.</p>	—

(Notes)

1. There are no special conflicts of interest between the candidates and the Company.
2. Mr. Katsuaki Tojo is a candidate for a new Auditor.
3. Mr. Fukutaka Hashimoto is a candidate for a new Outside Auditor.
4. Special notes on the candidate for Outside Auditor are as follows:
 - (1) Reasons for nominating the candidates for Outside Auditors
Mr. Fukutaka Hashimoto has insights based on the wealth of experience he has cultivated through his career as an outside audit & supervisory board member in a manufacturing company and as a member of the Legislative Council of the Ministry of Justice in addition to having expertise as an attorney. Therefore, the Company expects he will conduct audits from a broad perspective making use of that experience and expertise.
 - (2) Reason for judging that the candidate for Outside Auditor is capable of properly carrying out the duties as an Outside Auditor, even without past experience in corporate management
Although Mr. Fukutaka Hashimoto has no experience of direct involvement in corporate management other than his past service as an Outside Officer, for the reasons outlined in (1) above, the Company has determined that he would be able to properly carry out the duties of an Outside Auditor.
 - (3) Contract for limitation of liability with the candidate for Outside Auditor
If candidate Mr. Fukutaka Hashimoto assumes office as an Outside Auditor, pursuant to the Articles of Incorporation, the Company will conclude an agreement with him to limit his liability for damages as provided in Article 423, paragraph 1 of the Companies Act, in accordance with Article 427, paragraph 1 of the Companies Act. The monetary limits on liability for damages under said agreement will be the amounts stipulated by laws and regulations.
5. The Company will register Mr. Fukutaka Hashimoto as its independent officer with the notification required by the regulations of the Tokyo Stock Exchange, Inc., on which the Company's stock is listed.
6. The Company has entered into an officers' and directors' liability insurance agreement as stipulated in Article 430-3, paragraph 1 of the Companies Act with an insurance company. This insurance agreement covers the damages and litigation costs to be borne by the insured parties. The Company plans to make the candidates for Auditors insured parties under that insurance agreement if they are elected Auditors of the Company.

Proposal 4: Election of one (1) substitute Auditor

The Company proposes to elect one (1) substitute Auditor to prepare for any possible vacancy in the legally stipulated number of Auditors.

The Board of Auditors has previously given its approval to this proposal.

The candidate for substitute Auditor is as follows:

Name (Date of birth)	Career summary and position (Significant concurrent positions outside the Company)	Number of the Company's shares owned
Kentaro Naruse (August 10, 1976) New Outside Independent	October 2004 Admitted as an attorney	-
	October 2004 Joined Nishimura & Partners (currently Nishimura & Asahi)	
	April 2009 Joined Marunouchi Sogo Law Office	
	January 2016 Partner, Marunouchi Sogo Law Office (incumbent)	
	October 2019 Civil Conciliator (Part-time Judge), Tokyo District Court (incumbent)	
	June 2020 Outside Director (Audit & Supervisory Committee Member), Nippon Flour Mills Co., Ltd. (currently NIPPON CORPORATION) (incumbent)	
	Significant concurrent positions: Partner and Attorney, Marunouchi Sogo Law Office Outside Director (Audit & Supervisory Committee Member), NIPPON CORPORATION	

(Notes)

1. There are no special conflicts of interest between the candidate and the Company.
2. Candidate Mr. Kentaro Naruse is the candidate for substitute Outside Auditor.
3. Special notes on the candidate for substitute Outside Auditor are as follows:
 - (1) Reason for nominating the candidate for substitute Outside Auditor
Mr. Kentaro Naruse has expertise cultivated in his career as an attorney, as well as abundant knowledge and experience, along with extensive expertise, as an outside officer of business companies. He is expected to fully leverage his expertise and insights as an outsider auditor within the auditing organization if appointed as an Outside Auditor.
 - (2) Reason for judging that the candidate for substitute Outside Auditor is capable of properly carrying out the duties as an Outside Auditor, even without past experience in corporate management
Although Mr. Kentaro Naruse has no experience of direct involvement in corporate management other than his past service as an Outside Officer, for the reasons outlined in (1) above, the Company determined that he would be able to properly carry out the duties of an Outside Auditor.
 - (3) Contract for limitation of liability with the candidate for substitute Outside Auditor
If Mr. Kentaro Naruse assumes office as an Outside Auditor, pursuant to the Articles of Incorporation, the Company will conclude an agreement with him to limit his liability for damages as provided in Article 423, paragraph 1 of the Companies Act, in accordance with Article 427, paragraph 1 of the Companies Act. The monetary limits on liability for damages under said agreement will be the amounts stipulated by laws and regulations.
4. If candidate Mr. Kentaro Naruse assumes office as an Outside Auditor, the Company will register him as its independent officer with the notification required by the regulations of the Tokyo Stock Exchange, Inc., on which the Company's stock is listed.
5. The Company has entered into an officers' and directors' liability insurance agreement as stipulated in Article 430-3, paragraph 1 of the Companies Act with an insurance company. This insurance agreement covers the damages and litigation costs to be borne by the insured parties. The Company plans to make Mr. Kentaro Naruse an insured party under that insurance agreement if he is elected Outside Auditor of the Company.

End

Reference

The independence requirements for the Outside Officers of the Company are as follows.

Independence Requirements for Outside Officers

1. The independence requirements for Outside Directors or Outside Auditors (hereinafter collectively referred to as “Outside Officers”) shall be defined as follows.
 - (1) He/she shall not have been a business executor (refers to a business executing director, executive officer or employee; hereinafter the same) or full-time auditor of the KOKUYO Group within the past 10 years
 - (2) His/her family (spouse, children, and blood relatives and relatives by marriage within the second degree) shall not have been a business executor or full-time auditor of the KOKUYO Group within the past 3 years
 - (3) He/she shall not be a major shareholder of the KOKUYO Group (a person who holds shares with 10% or more of the total voting rights) or a business executor or full-time auditor of such a shareholder
 - (4) He/she shall not be a business executor or full-time auditor of a major business partner of the KOKUYO Group (a company for which the amount paid or received in dealings with the KOKUYO Group accounts for 2% or more of the consolidated sales of the KOKUYO Group or the business partner’s group)
 - (5) He/she shall not have been a representative partner or non-representative partner of an accounting auditor of the KOKUYO Group within the past 3 years
 - (6) He/she shall not have been a partner of a law firm, legal professional corporation, accounting firm, audit firm or other company providing consulting services that receives compensation over 25 million yen per year for professional advice and services and he/she shall not have received compensation over 25 million yen per year for professional advice and services performed by himself/herself personally in addition to his/her executive compensation from the KOKUYO Group over the past 3 years
 - (7) There shall be no mutual dispatch of directors, corporate officers or executive officers between the place where he/she holds a concurrent post and the KOKUYO Group
 - (8) He/she shall not receive a donation/contribution, financing or loan guarantee of 10 million yen or more per year from the KOKUYO Group
 - (9) He/she shall have no other significant interests with the KOKUYO Group
2. Outside Officers must strive to continue to ensure the independence requirements defined in Paragraph 1 until retirement.

End