

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

(Stock Exchange Code 6140)

June 7, 2023

(Date of commencement of electronic provision measures: May 31, 2023)

**To Shareholders with Voting Rights:**

Kazuki Kataoka  
President and Representative Director  
Asahi Diamond Industrial Co., Ltd.  
4-1, Kioi-cho, Chiyoda-ku, Tokyo

**NOTICE OF  
THE 104th ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

We are pleased to inform you that the 104th Annual General Meeting of Shareholders of Asahi Diamond Industrial Co., Ltd. (the “Company”) will be held for the purposes as described below.

In convening this general meeting of shareholders, the Company has taken measures for providing information in electronic format (the “electronic provision measures”) and has posted matters subject to the electronic provision measures on the following Company website as the “NOTICE OF THE 104th ANNUAL GENERAL MEETING OF SHAREHOLDERS” and “Other matters of the 104th annual general meeting of shareholders subject to the electronic provision measures (matters excluded from paper-based documents delivered).”

The Company website:

<https://www.asahidia.co.jp/eng/ir/>

In addition to the website shown above, the Company has posted this information on the website shown below.

The Tokyo Stock Exchange (TSE) website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

To view the information, please access the TSE website (Listed Company Search) above, enter the issue name (company name) or stock exchange code, and click on “Search,” and then click on “Basic information” and select “Documents for public inspection/PR information.”

Shareholders’ meeting web portal (Sumitomo Mitsui Trust Bank, Limited)

<https://www.soukai-portal.net>

Read the QR code on the enclosed Voting Rights Exercise Form, or enter the login ID and password.

If you are unable to attend the meeting, we encourage you to exercise your voting rights in advance in writing or via the Internet, etc. Please review the Reference Documents for the General Meeting of Shareholders contained in the matters subject to the electronic provision measures, and exercise your voting rights by 5:30 p.m. on Monday, June 26, 2023, Japan time.

- 1. Date and Time:** Tuesday, June 27, 2023 at 10:00 a.m. Japan time  
(Reception desk opens at 9:00 a.m.)
- 2. Place:** Conference room Orizuru Rei, The Main Bldg. Arcade Floor, Hotel New Otani  
at 4-1, Kioi-cho, Chiyoda-ku, Tokyo, Japan
- 3. Meeting Agenda:**
- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company's 104th Fiscal Year (April 1, 2022 - March 31, 2023) and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
  2. Non-consolidated Financial Statements for the Company's 104th Fiscal Year (April 1, 2022 - March 31, 2023)
- Proposals to be resolved:**
- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Election of Nine (9) Directors
- Proposal 3:** Election of One (1) Substitute Audit & Supervisory Board Member

- ◎ Pursuant to laws and regulations as well as Article 19 of the Articles of Incorporation of the Company, the documents mailed to shareholders who made a request for delivery of paper-based documents do not contain the Consolidated Statements of Changes in Net Assets and the Notes to the Consolidated Financial Statements related to the Consolidated Financial Statements, and the Non-consolidated Statements of Changes in Net Assets and the Notes to the Non-consolidated Financial Statements related to the Non-consolidated Financial Statements. Please note that the Consolidated Statements of Changes in Net Assets and the Notes to the Consolidated Financial Statements related to the Consolidated Financial Statements, and the Non-consolidated Statements of Changes in Net Assets and the Notes to the Non-consolidated Financial Statements related to the Non-consolidated Financial Statements have been audited by the Accounting Auditor and Audit & Supervisory Board Members as part of the Consolidated Financial Statements and the Non-consolidated Financial Statements when preparing the Independent Auditor's Report and the Audit Report, respectively.
- ◎ If any amendments are made to the matters subject to the electronic provision measures, such amendments will be posted on the respective websites where these matters are posted.
- ◎ Any significant changes to the operation of the General Meeting of Shareholders will be posted on the Company's website (<https://www.asahidia.co.jp/eng/>).
- ◎ The respective websites stated above may be temporarily inaccessible due to scheduled maintenance or other reasons. If you are unable to view the website, please access other websites or try again later.

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### **Proposal 1:** Appropriation of Surplus

It is proposed that the surplus be appropriated as follows:

#### **Matters concerning year-end dividends**

The Company intends to achieve future business development and improve corporate value by aiming to increase capital efficiency while securing financial stability.

The Company pays dividends pursuant to its dividend policy with the focus on distributing profits according to consolidated performance and maintaining a stable dividend.

The Company proposes a year-end dividend of ¥15 per share pursuant to its dividend policy, comprehensively taking into account its performance, financial situation, and other factors for the fiscal year under review.

As a result, the annual dividends for the year, including the interim dividend of ¥11, will amount to ¥26 per share.

1. Type of dividend property  
Cash
2. Allocation of dividend property to shareholders and total amount thereof  
¥15 per share of common stock of the Company  
Total amount of dividends: ¥808,141,815
3. Effective date of dividends from surplus  
June 28, 2023

**Proposal 2: Election of Nine (9) Directors**

The term of office of a Director of the Company is stipulated to be one (1) year. The terms of office of all nine (9) Directors will expire at the conclusion of this Annual General Meeting of Shareholders.

In order to further strengthen corporate governance, the Company has newly nominated Ms. Eriko Kawajiri as a candidate for External Director, and proposes the election of nine (9) Directors (of whom three (3) are External Directors).

Meanwhile, the Company intends to further revitalize the Board of Directors by nominating more than one female candidates for Director.

The candidates for Director are as below.

The Company has nominated the candidates after consulting with the Nomination and Remuneration Advisory Committee and receiving a report from said Committee.

No.		Name (gender)	Current positions and responsibilities	Attendance at Board of Directors' meetings	Attendance at Nomination and Remuneration Advisory Committee meetings
1	Reelection	Kazuki Kataoka (male)	President and Representative Director	10/10	8/8
2	Reelection	Tomohiko Hara (male)	Representative Managing Director; Production Director and Mie Factory General Manager	10/10	—
3	Reelection Non-Japanese	Ming-Shong Lan (male)	Managing Director	10/10	—
4	Reelection	Toshimasa Hagiwara (male)	Director; Marketing Division Director and East Japan Regional General Manager	10/10	—
5	Reelection	Hideo Abe (male)	Director; Engineering Director and Chiba Factory General Manager	10/10	—
6	Reelection	Junichi Matsuda (male)	Director; Group Companies Management Division Director	8/8	—
7	Reelection Candidate for External Director Independent Director	Osamu Koyama (male)	Director (External Director)	10/10	8/8
8	Reelection Candidate for External Director Independent Director	Yuko Ichikawa (female)	Director (External Director)	10/10	8/8
9	New Election Candidate for External Director Independent Director	Eriko Kawajiri (female)	—	—	—

(Note)

The attendance applicable to Mr. Junichi Matsuda is different from that for other candidates because he was newly elected as Director at the 103rd Annual General Meeting of Shareholders held on June 24, 2022.

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
1	<p>Kazuki Kataoka (March 5, 1952)</p> <p>Reelection</p> <p>No. of years served as Director: 15 years</p> <p>Attendance at Board of Directors' meetings: 10/10</p> <p>Attendance at Nomination and Remuneration Advisory Committee meetings: 8/8</p>	<p>April 1976</p> <p>July 2005</p> <p>June 2008</p> <p>June 2011</p> <p>June 2013</p> <p>June 2015</p> <p>July 2019</p> <p>[Significant concurrent positions]</p>	<p>Joined the Company</p> <p>General Manager, Engineering Department, Marketing Division</p> <p>Director; Marketing Division Deputy Director</p> <p>Managing Director; Business Planning Division Director and Marketing Division Deputy Director</p> <p>Representative Executive Managing Director; Marketing Division Director</p> <p>President and Representative Director (present)</p> <p>Nomination and Remuneration Advisory Committee Member (present)</p> <p>President, Industrial Diamond Association of Japan</p>	157,183
<p>[Reasons for nomination as a candidate for Director]</p> <p>After joining the Company, Mr. Kazuki Kataoka was involved in marketing, management strategy, R&amp;D, etc. He has a wealth of business knowledge, great experience, outstanding capabilities concerning the diamond tool business and a character suitable for a person serving as a Director of the Company.</p> <p>As the President and Representative Director since June 2015, Mr. Kataoka has been responsible for the Company's management and has been performing his duties appropriately. Thus, the Company judges that he satisfies the "Criteria for Appointing Directors" (see page 12) and is a suitable person to serve as a Director of the Company. We, therefore, have nominated him for reelection as a candidate for Director.</p>				
2	<p>Tomohiko Hara (January 10, 1958)</p> <p>Reelection</p> <p>No. of years served as Director: 4 years</p> <p>Attendance at Board of Directors' meetings: 10/10</p>	<p>April 1980</p> <p>July 2010</p> <p>February 2013</p> <p>June 2013</p> <p>July 2017</p> <p>June 2019</p> <p>June 2021</p> <p>June 2022</p>	<p>Joined the Company</p> <p>General Manager, Manufacturing Department No. 2, Tamagawa Factory</p> <p>International Department General Manager (temporarily transferred to P.T. Asahi Diamond Industrial Indonesia)</p> <p>Executive Officer; President, P.T. Asahi Diamond Industrial Indonesia</p> <p>Executive Officer; International Division; Chief Officer for Regional Operations (ASEAN and Australia) (President, P.T. Asahi Diamond Industrial Indonesia)</p> <p>Director; Mie Factory General Manager</p> <p>Director; Production Director and Mie Factory General Manager</p> <p>Representative Managing Director; Production Director and Mie Factory General Manager (present)</p>	31,998
<p>[Reasons for nomination as a candidate for Director]</p> <p>After joining the Company, Mr. Tomohiko Hara was involved in production and engineering, etc., and served as the President of an overseas subsidiary. He has a wealth of business knowledge, great experience, outstanding capabilities concerning the diamond tool business and a character suitable for a person serving as a Director of the Company.</p> <p>As a Representative Managing Director of the Company since June 2022, Mr. Hara has been performing his duties appropriately. Thus, the Company judges that he satisfies the "Criteria for Appointing Directors" (see page 12) and is a suitable person to serve as a Director of the Company. We, therefore, have nominated him for reelection as a candidate for Director.</p>				

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
3	Ming-Shong Lan (March 4, 1953)  Reelection Non-Japanese  No. of years served as Director: 18 years  Attendance at Board of Directors' meetings: 10/10	September 1994 Joined the Company; Deputy General Manager Reporting to Managing Division Director (Left the Company in July 1996) August 1996 President, Taiwan Asahi Diamond Industrial Co., Ltd. (present) June 2005 Director; International Department, the Company July 2017 Director; International Division Director June 2019 Managing Director; International Division Director November 2019 Managing Director; Global Business Management Division Director January 2021 Managing Director; Group Companies Management Division Director June 2022 Managing Director (present) [Significant concurrent positions] President, Taiwan Asahi Diamond Industrial Co., Ltd.	56,524
[Reasons for nomination as a candidate for Director] After joining the Company, Mr. Ming-Shong Lan was involved in management strategy and serves as the President of an overseas subsidiary. He has a wealth of business knowledge, great experience, outstanding capabilities concerning the diamond tool business and a character suitable for a person serving as a Director of the Company. As a non-Japanese Director of the Company since June 2005, Mr. Lan has been performing his duties appropriately. Thus, the Company judges that he satisfies the "Criteria for Appointing Directors" (see page 12) and is a suitable person to serve as a Director of the Company. We, therefore, have nominated him for reelection as a candidate for Director.			
4	Toshimasa Hagiwara (November 10, 1959)  Reelection  No. of years served as Director: 9 years  Attendance at Board of Directors' meetings: 10/10	April 1982 Joined the Company December 2004 Nagoya Branch Deputy General Manager June 2009 Executive Officer; Nagoya Branch General Manager June 2014 Director; Nagoya Branch General Manager April 2015 Director; Representative of China Division (President, Shanghai XuHui Diamond Industrial Co., Ltd.) July 2017 Director; International Division; Chief Officer for Regional Operations (China and Taiwan) (President, Shanghai XuHui Diamond Industrial Co., Ltd.) November 2019 Director; Global Business Management Division; Chief Officer for Regional Operations (China and Taiwan) (President, Shanghai XuHui Diamond Industrial Co., Ltd.) January 2021 Director (President, Shanghai XuHui Diamond Industrial Co., Ltd.) June 2021 Director; Marketing Division Deputy Director and East Japan Regional General Manager June 2022 Director; Marketing Division Director and East Japan Regional General Manager (present)	50,120
[Reasons for nomination as a candidate for Director] After joining the Company, Mr. Toshimasa Hagiwara was involved in marketing and served as the President of an overseas subsidiary. He has a wealth of business knowledge, great experience, outstanding capabilities concerning the diamond tool business and a character suitable for a person serving as a Director of the Company. As a Director of the Company since June 2014, Mr. Hagiwara has been performing his duties appropriately. Thus, the Company judges that he satisfies the "Criteria for Appointing Directors" (see page 12) and is a suitable person to serve as a Director of the Company. We, therefore, have nominated him for reelection as a candidate for Director.			

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
5	Hideo Abe (July 15, 1957)  Reelection  No. of years served as Director: 4 years  Attendance at Board of Directors' meetings: 10/10	April 1980 July 2010  June 2013 June 2019 January 2021  June 2021	Joined the Company General Manager, Manufacturing Department No. 1, Tamagawa Factory Executive Officer; Tamagawa Factory General Manager Director; Tamagawa Factory General Manager Director; Tamagawa Factory General Manager; Engineering and Development Center Director Director; Engineering Director and Chiba Factory General Manager (present)	24,041
<p>[Reasons for nomination as a candidate for Director] After joining the Company, Mr. Hideo Abe was involved in production and engineering, etc. He has a wealth of business knowledge, great experience, outstanding capabilities concerning the diamond tool business and a character suitable for a person serving as a Director of the Company. As a Director of the Company since June 2019, Mr. Abe has been performing his duties appropriately. Thus, the Company judges that he satisfies the "Criteria for Appointing Directors" (see page 12) and is a suitable person to serve as a Director of the Company. We, therefore, have nominated him for reelection as a candidate for Director.</p>				
6	Junichi Matsuda (April 11, 1961)  Reelection  No. of years served as Director: 1 year  Attendance at Board of Directors' meetings: 8/8	April 1986 July 2009 June 2013 June 2015 October 2018  November 2019 January 2021  June 2022	Joined the Company Research and Development Center Director Executive Officer; Research and Development Center Director Executive Officer; Business Planning Division Director Executive Officer; Management Strategy Division Director and International Department General Manager Executive Officer; Management Strategy Division Director Executive Officer; Management Strategy Division Director and Group Companies Management Division Overseas Dept. Director Director; Group Companies Management Division Director (present)	12,529
<p>[Reasons for nomination as a candidate for Director] After joining the Company, Mr. Junichi Matsuda was involved in R&amp;D, management strategy, overseas business, etc. He has a wealth of business knowledge, great experience, outstanding capabilities concerning the diamond tool business and a character suitable for a person serving as a Director of the Company. As a Director of the Company since June 2022, Mr. Matsuda has been performing his duties appropriately. Thus, the Company judges that he satisfies the "Criteria for Appointing Directors" (see page 12) and is a suitable person to serve as a Director of the Company. We, therefore, have nominated him for reelection as a candidate for Director.</p>				

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
	<p>Osamu Koyama (August 8, 1948)</p> <p>Reelection Candidate for External Director Independent Director</p> <p>No. of years served as Director: 9 years</p> <p>Attendance at Board of Directors' meetings: 10/10</p> <p>Attendance at Nomination and Remuneration Advisory Committee meetings: 8/8</p>	<p>April 2005</p> <p>April 2009</p> <p>January 2013</p> <p>June 2014</p> <p>April 2017</p> <p>July 2019</p>	<p>Executive Officer, Mitsui &amp; Co., Ltd. and Executive Vice President, Mitsui &amp; Co. (U.S.A.), Inc.</p> <p>Executive Managing Officer, Mitsui &amp; Co., Ltd. and President &amp; CEO, Mitsui Global Strategic Studies Institute (retired from these two companies in March 2012)</p> <p>Director, Keimei Gakuen (retired in March 2022)</p> <p>Director of the Company (External Director) (present)</p> <p>Auditor, International University of Japan (present)</p> <p>Member of Nomination and Remuneration Advisory Committee of the Company (present)</p>	0
7	<p>[Reasons for nomination as a candidate for External Director and expected roles] Having served as Executive Managing Officer, Mitsui &amp; Co., Ltd. and President &amp; CEO, Mitsui Global Strategic Studies Institute, Mr. Osamu Koyama has great experience and profound insight as a manager and is expected to fulfill the role and responsibilities of an External Director, including management oversight and provision of advice on overall management. Thus, the Company judges that he satisfies the "Criteria for Appointing Directors" and the "Criteria for Appointing External Directors" (see page 12) and is a suitable person to serve as a Director of the Company. We, therefore, have nominated him for reelection as a candidate for External Director.</p>			
	<p>[Matters concerning independence] Mr. Osamu Koyama has no potential conflicts of interest with general shareholders of the Company because there is no offering or receiving of money between Mr. Koyama and the Company other than Director remuneration. While Mr. Koyama previously served as Executive Managing Officer, Mitsui &amp; Co., Ltd. and President &amp; CEO, Mitsui Global Strategic Studies Institute, the Company and the Mitsui Group have no cross-shareholding, and although the Company procures raw materials from the Mitsui Group, the amount of such transactions was equal to approximately 0.003% of consolidated net sales of Mitsui &amp; Co., Ltd. Mr. Koyama previously served as a Director of Keimei Gakuen and currently serves as an Auditor of the International University of Japan. However, no special interest exists between these educational corporations and the Company. Therefore, Mr. Koyama satisfies the "Independence Criteria for External Directors and External Audit &amp; Supervisory Board Members" (see page 13) and is judged to be independent.</p>			
	<p>[Liability limitation agreement] The Company has entered into an agreement with Mr. Osamu Koyama to limit his liability pursuant to Article 423, Paragraph 1 of the Companies Act so that he can fulfill his expected role. The maximum amount of liability pursuant to the agreement is the amount stipulated by laws and regulations. If his reelection is approved, the Company intends to renew the liability limitation agreement with him.</p>			



No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
	<p>Yuko Ichikawa (December 26, 1970)</p> <p>Reelection Candidate for External Director Independent Director</p> <p>No. of years served as Director: 2 years</p> <p>Attendance at Board of Directors' meetings: 10/10</p> <p>Attendance at Nomination and Remuneration Advisory Committee meetings: 8/8</p>	<p>June 2016</p> <p>March 2018</p> <p>May 2019</p> <p>March 2020</p> <p>June 2021</p> <p>June 2021</p>	<p>General Manager, Investor Relations Department, Rakuten, Inc. (current Rakuten Group, Inc.) (Left the company in June 2017)</p> <p>External Director, Allied Architects, Inc.</p> <p>Founded Market River Corporation; Representative Director, Market River Corporation (present)</p> <p>External Director (Audit &amp; Supervisory Board Member), Allied Architects, Inc. (retired in March 2022)</p> <p>Director of the Company (External Director) (present)</p> <p>Member of Nomination and Remuneration Advisory Committee of the Company (present)</p>	<p>0</p>
8	<p>[Reasons for nomination as a candidate for External Director and expected roles]</p> <p>Ms. Yuko Ichikawa, as the General Manager of Investor Relations Department at Rakuten, Inc., established an IR team and prepared for the listing on the first section of the Tokyo Stock Exchange. She also has experience of having served as a member of the Study Group on Long-term Investment (Investment evaluating ESG Factors and Intangible Assets) toward Sustainable Growth (Ito Report 2.0) of the Ministry of Economy, Trade and Industry, and thus she has extensive knowledge about investor relations and corporate governance. She is expected to fulfill the role and responsibilities expected of an External Director, including management oversight and provision of advice on overall management. The Company judges that she satisfies the “Criteria for Appointing Directors” and “Criteria for Appointing External Directors” (see page 12) and is a suitable person to serve as a Director of the Company. We, therefore, have nominated her for reelection as a candidate for External Director.</p>			
	<p>[Matters concerning independence]</p> <p>Ms. Yuko Ichikawa has no potential conflicts of interest with general shareholders of the Company because there is no offering or receiving of money between Ms. Ichikawa and the Company other than Director remuneration.</p> <p>Ms. Ichikawa previously served as the General Manager of Investor Relations Department at Rakuten, Inc. and External Director (Audit &amp; Supervisory Board Member) of Allied Architects, Inc., and currently serves as Representative Director of Market River Corporation. However, no special interest exists between these companies and the Company. Therefore, Ms. Ichikawa satisfies the “Independence Criteria for External Directors and External Audit &amp; Supervisory Board Members” (see page 13) of the Company and is judged to be independent.</p>			
	<p>[Liability limitation agreement]</p> <p>The Company has entered into an agreement with Ms. Yuko Ichikawa to limit her liability pursuant to Article 423, Paragraph 1 of the Companies Act so that she can fulfill her expected role. The maximum amount of liability pursuant to the agreement is the amount stipulated by laws and regulations.</p> <p>If her reelection is approved, the Company intends to renew the liability limitation agreement with her.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
	Eriko Kawajiri (August 18, 1975)  New election Candidate for External Director Independent Director	October 2003 Assistant Judge, Tokyo District Court April 2008 Public Prosecutor July 2011 Assistant Judge, Tokyo District Court; Judge, Tokyo Summary Court April 2012 Assistant Judge, Morioka District/Family Court; Chief of Branch, Miyako Branch of Morioka District/Family Court; Judge, Morioka Summary Court October 2013 Judge, Morioka District/Family Court; Chief of Branch, Miyako Branch of Morioka District/Family Court; Judge, Morioka Summary Court May 2015 Registered as Lawyer and joined HARRO Law Office (present) July 2019 External Director, GiG Works AddValue Inc. (present) June 2020 External Director, HCS HOLDINGS Co., LTD. (present)	0
9	<p>[Reasons for nomination as a candidate for External Director and expected roles] Ms. Eriko Kawajiri has experience as a judge and an external director of other companies, as well as high-level legal expertise as a lawyer, and is expected to fulfill the role and responsibilities of an External Director including management oversight and provision of advice on overall management. Thus, the Company judges that she satisfies the “Criteria for Appointing Directors” and “Criteria for Appointing External Directors” (see page 12) and is a suitable person to serve as a Director of the Company. We, therefore, have newly nominated her for election as a candidate for External Director.</p> <p>[Matters concerning independence] Ms. Eriko Kawajiri has no potential conflicts of interest with general shareholders of the Company because there is no offering or receiving of money between Ms. Kawajiri and the Company. Ms. Kawajiri currently serves as a lawyer of HARRO Law Office, External Director of GiG Works AddValue Inc. and External Director of HCS HOLDINGS CO., LTD. However, no special interest exists between these three organizations and the Company. Therefore, Ms. Kawajiri satisfies the “Independence Criteria for External Directors and External Audit &amp; Supervisory Board Members” (see page 13) of the Company and is judged to be independent. The Company has designated her as an independent director/auditor prescribed in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.</p> <p>[Liability limitation agreement] If the election of Ms. Eriko Kawajiri is approved, the Company intends to enter into an agreement with her to limit her liability pursuant to Article 423, Paragraph 1 of the Companies Act so that she can fulfill her expected role. The maximum amount of liability pursuant to the agreement will be the amount stipulated by laws and regulations.</p>		

(Notes)

1. Special interest between candidates for Director and the Company
  - 1) Mr. Ming-Shong Lan, a candidate for Director, also serves as the president of Taiwan Asahi Diamond Industrial Co., Ltd., a subsidiary of the Company, with which the Company has a business relationship, including sales of products.
  - 2) No special interest exists between the other candidates for Director and the Company.
2. Mr. Osamu Koyama and Ms. Yuko Ichikawa and Eriko Kawajiri are candidates for External Directors, and the Company has designated them as independent directors/auditors prescribed by Tokyo Stock Exchange, Inc.
3. If Proposal No. 2 is approved as proposed, Ms. Eriko Kawajiri will become a Director and therefore she is deemed to have resigned from the post of the Substitute Audit & Supervisory Board Member.
4. The Company has entered into a directors and officers liability insurance agreement as prescribed in Article 430-3, Paragraph 1 of the Companies Act with an insurance company to cover damage that may arise as a result of the insured assuming liability for the execution of his or her duties or receiving a claim related to the pursuit of such liability. However, there are exemptions, such as no compensation to be paid for any damage caused intentionally or by gross negligence. The insurance premiums are borne in their entirety by the Company. At the time of renewal, the Company intends to renew the insurance agreement through the resolution of the Board of Directors. If these candidates become Directors, they will be insured under this insurance agreement.
5. The number of years served as a Director is the number of years that will have been served at the conclusion of this Annual General Meeting of Shareholders.
6. The number of shares of the Company held by each candidate for Director is the number held as of March 31, 2023, and includes the number of shares held through the Executive Shareholding Association.

**Proposal 3: Election of One (1) Substitute Audit & Supervisory Board Member**

To prepare for the event that the number of Audit & Supervisory Board Members falls below the number required by laws and regulations, the Company proposes the election of one (1) Substitute Audit & Supervisory Board Member.

The consent of the Audit & Supervisory Board has been obtained for the submission of this proposal. The nomination of the candidate for Substitute Audit & Supervisory Board Member was approved by the Board of Directors after consultation with the Nomination and Remuneration Advisory Committee with at least half of the members being External Directors, and the receipt of a report from said Committee.

The candidate for Substitute Audit & Supervisory Board Member is as follows.

Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held
Hideki Tsukada (June 5, 1972)	April 1996      Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) April 1999      Registered as Certified Public Accountant October 1999    Joined PricewaterhouseCoopers Tax Department (currently PwC Tax Japan) October 2004    Stationed at PricewaterhouseCoopers (currently PwC) Guangzhou Office October 2007    Established Tsukada Accounting Office, Director (present) October 2015    Outside Audit & Supervisory Board Member of Link-U Inc. (present) November 2020   External Audit & Supervisory Board Member of Yayoi Co., Ltd. (present) March 2022      Established Crea Audit Corporation, Partner (present)	0
<p>[Reasons for nomination as a candidate for Substitute Audit &amp; Supervisory Board Member]            Mr. Hideki Tsukada has experience as a certified public accountant and an external audit &amp; supervisory board member of other companies, as well as high-level expertise on accounting and audit and is expected to fulfill the role and responsibilities of an External Audit &amp; Supervisory Board Member. Thus, the Company judges that he satisfies the “Criteria for Appointing Audit &amp; Supervisory Board Members” and the “Criteria for Appointing External Audit &amp; Supervisory Board Members” (see page 13) and is a suitable person to serve as an Audit &amp; Supervisory Board Member of the Company. We, therefore, have nominated him for election as a candidate for Substitute Audit &amp; Supervisory Board Member.</p>		
<p>[Matters concerning independence]            Mr. Hideki Tsukada has no potential conflicts of interest with general shareholders of the Company because there is no offering or receiving of money between Mr. Tsukada and the Company.            Mr. Tsukada currently serves as Director of the Tsukada Accounting Office, Partner of Crea Audit Corporation, Outside Audit &amp; Supervisory Board Member of Link-U Inc., and External Audit &amp; Supervisory Board Member of Yayoi Co., Ltd. However, no special interest exists between these four organizations and the Company. Therefore, Mr. Tsukada satisfies the “Independence Criteria for External Directors and External Audit &amp; Supervisory Board Members” (see page 13) of the Company and is judged to be independent.            If he becomes an Audit &amp; Supervisory Board Member, the Company intends to designate him as an independent director/auditor prescribed in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc. and register him as such with the said Stock Exchange.</p>		
<p>[Liability limitation agreement]            If Mr. Hideki Tsukada becomes an Audit &amp; Supervisory Board Member, the Company intends to enter into an agreement with him to limit his liability pursuant to Article 423, Paragraph 1 of the Companies Act so that he can fulfill his expected role. The maximum amount of liability pursuant to the agreement will be the amount stipulated by laws and regulations.</p>		

## (Notes)

1. No special interest exists between Mr. Hideki Tsukada and the Company.
2. Mr. Hideki Tsukada is a candidate for Substitute Audit & Supervisory Board Member.
3. If Mr. Tsukada becomes an Audit & Supervisory Board Member, his term of office will expire when his predecessor’s term of office expires as prescribed in the Company’s Articles of Incorporation.
4. The Company has entered into a directors and officers liability insurance agreement as prescribed in Article 430-3, Paragraph 1 of the Companies Act with an insurance company to cover damage that may arise as a result of the insured assuming liability for the execution of his or her duties or receiving a claim related to the pursuit of such liability. However, there are exemptions, such as no compensation to be paid for any damage caused intentionally or by gross negligence. The insurance premiums are borne in their entirety by the Company. At the time of renewal, the Company intends to renew the insurance agreement through the resolution of the Board of Directors. If Mr. Hideki Tsukada becomes an Audit & Supervisory Board Member, he will be insured under this insurance agreement.

**(Reference)**

**Policies and Procedures for Nominating Candidates for Director  
and Audit & Supervisory Board Member**

The Company has established the “Nomination and Remuneration Advisory Committee” as a voluntary advisory body to the Board of Directors on July 31, 2019 in order to ensure transparency and objectivity in the procedures concerning the nominations and remuneration, as well as to further enhance the corporate governance system.

The Nomination and Remuneration Advisory Committee consists of three or more Directors appointed by the Board of Directors, and the majority of them are independent External Directors. The chairman was appointed from the committee members who are independent External Directors through the resolution of the “Nomination and Remuneration Advisory Committee.”

This committee deliberates on matters concerning nominations and remuneration in response to requests from the Board of Directors, submit reports to the Board of Directors, and has set the “Criteria for Appointing and Dismissing Directors.”

The committee attaches the greatest importance to the independence in the election of External Directors and External Audit & Supervisory Board Members, and has set forth its own “Independence Criteria” as follows.

**Criteria for Appointing and Dismissing Directors**

1. Criteria for Appointing Directors
  - 1) There is no significant impediment to the execution of duties as a Director, including mental and physical health.
  - 2) There is no violation of laws, regulations, or the Articles of Incorporations, etc.
  - 3) A person who possesses knowledge, capabilities, ethical standards required as a Director.
  - 4) A person who has experience required for a Director and maintain a high level of foresight.
  - 5) A person who can contribute to improvement in the Company’s business performance and corporate value through the creation of a management plan, execution of duties in the area under their supervision or the division in charge.
2. Criteria for Appointing External Directors
  - 1) A person who satisfies the independence criteria stipulated by the Company.
  - 2) A person who can provide fair and highly transparent advice and recommendations for decision-making by the Board of Directors from an independent and objective standpoint.
  - 3) A person who can supervise the Company’s management through the appointment and dismissal of management executives as well as other important decision-making by the Board of Directors from an independent and objective standpoint.
  - 4) A person who can oversee conflicts of interests among the Company, management executives, and controlling shareholders from an independent and objective standpoint.
  - 5) A person who can reflect opinions of stakeholders including non-controlling shareholders to the Board of Directors from an independent and objective standpoint.
3. Criteria for Dismissing Directors
  - 1) In the case where the Director has committed an act that offends against public order and decency
  - 2) In the case where the Director has violated laws and regulations, the Articles of Incorporation or any other rules of the Group, causing significant losses or business interruption to the Group
  - 3) In the case where the Director has significant difficulties in performing duties

## **Criteria for Appointing and Dismissing Audit & Supervisory Board Members**

1. Criteria for Appointing Audit & Supervisory Board Members
  - 1) There is no significant impediment to the execution of duties as an Audit & Supervisory Board Member, including mental and physical health.
  - 2) There is no violation of laws and regulations, the Articles of Incorporations, etc.
  - 3) A person who possesses knowledge, capabilities, ethical standards required as an Audit & Supervisory Board Member.
  - 4) At least one Audit & Supervisory Board Member in the Audit & Supervisory Board must possess extensive knowledge about finance and accounting.
2. Criteria for Appointing External Audit & Supervisory Board Members
  - 1) A person who satisfies the independence criteria stipulated by the Company.
  - 2) A person who can audit and make recommendations on reasonableness and appropriateness of the Board of Directors from an independent and objective standpoint.
3. Criteria for Dismissing Audit & Supervisory Board Members
  - 1) In the case where the Audit & Supervisory Board Member has committed an act that offends against public order and decency
  - 2) In the case where the Audit & Supervisory Board Member has violated laws and regulations, the Articles of Incorporation or any other rules of the Group, causing significant losses or business interruption to the Group
  - 3) In the case where the Audit & Supervisory Board Member has significant difficulties in performing duties

## **Independence Criteria for External Directors and External Audit & Supervisory Board Members**

If none of the following attributes applies to an External Director or External Audit & Supervisory Board Member, the Company judges that such person is independent from the Company.

- (1) A person affiliated with a major shareholder that substantially holds 10% or more of the voting rights of the Company
- (2) A person affiliated with an entity that substantially holds 10% or more of the voting rights of the Company
- (3) A person affiliated with a business partner whose purchases from the Company accounted for 3% or more of the Company's consolidated net sales for the previous year
- (4) A person affiliated with a business partner whose annual sales to the Company accounted for 3% or more of the business partner's consolidated net sales for the previous year
- (5) A person affiliated with a financial institution that is indispensable for the Company's financing and on whom the Company is dependent to the extent that it is irreplaceable
- (6) A consultant, an accounting professional or a legal professional who received money or other assets amounting to 10 million yen or more from the Company in the previous year other than the Director's or Audit & Supervisory Board Member's remuneration (If the person receiving money, etc. is an organization such as a legal entity, a person affiliated with such organization)
- (7) A person affiliated with a legal entity that received donations amounting to 10 million yen or more from the Company in the previous year
- (8) A person to whom any of (1) to (7) above applied in the past three years
- (9) The spouse or relative in the second degree of kinship of a person to whom any of (1) to (8) above apply

(Reference)

**Skills Matrix of the Expertise and Experience of the Directors and Audit & Supervisory Board Members, Subject to Approval of Proposal 2**

Name		Major Expertise and Experience of Directors and Audit & Supervisory Board Members							
		Management & strategy	Production & engineering	Research & development	Sales & marketing	Global	Finance & accounting	Legal & risk management	Governance
Directors	Kazuki Kataoka	○	○	○	○	○			○
	Tomohiko Hara	○	○	○	○	○			○
	Ming-Shong Lan	○	○		○	○			○
	Toshimasa Hagiwara	○	○		○	○			
	Hideo Abe	○	○	○					
	Junichi Matsuda	○		○		○		○	○
	Osamu Koyama	○			○	○			
	Yuko Ichikawa	○					○		○
	Eriko Kawajiri	○						○	○
Audit & Supervisory Board Members	Takemi Matsuzaki						○	○	○
	Morio Kayama						○	○	○
	Yukio Otaka				○	○	○	○	
	Masahito Kawashima	○				○	○	○	○

(Note)

Representative skills of each Director or Audit & Supervisory Board Member are shown, and not all knowledge and experience are listed.