

(Securities Code 1518)

May 30, 2019

Tsuneo Amano, Representative Director and President

**Mitsui Matsushima Holdings Co., Ltd.**

1-1-12 Otemon, Chuo-ku, Fukuoka City

Dear Shareholders,

**Convocation Notice of the 163<sup>rd</sup> Annual General Meeting of Shareholders**

We are pleased to inform you that the 163<sup>rd</sup> Annual General Meeting of Shareholders will be held as shown on the following page. You are respectfully requested to attend the meeting.

**If you are unable to attend the meeting, you may exercise your voting rights in writing or via the Internet. Please examine the Reference Material for the General Meeting of Shareholders enclosed herewith, and exercise your voting rights no later than 5:30 p.m. on June 20, 2019 (Thursday).**

Yours Faithfully,

Tsuneo Amano

Representative Director and President

## PARTICULARS

1. **Time and date:** 10:00 a.m., June 21, 2019 (Friday)
2. **Place:** Conference Room on the 2<sup>nd</sup> floor of Otemon Pine Building, 1-1-12 Otemon, Chuo-ku, Fukuoka City
3. **Agenda:**

### **Matters to be reported:**

- 1 The business report, consolidated financial statements for the 163<sup>rd</sup> fiscal year (from April 1, 2018 to March 31, 2019), and results of the audit of the consolidated financial statements by the accounting auditors and the Audit and Supervisory Committee
- 2 The non-consolidated financial statements for the 163<sup>rd</sup> fiscal year (from April 1, 2018 to March 31, 2019)

### **Matters to be resolved:**

- First Proposal:** Partial Amendments to the Articles of Incorporation
- Second Proposal:** Election of Four (4) Directors (excluding Directors who are Audit and Supervisory Committee Members)

## Matters to be resolved and Reference Information

### First Proposal: Partial Amendments to the Articles of Incorporation

#### 1. Reasons for the Proposal

In line with the Company's acquisition of Meiko Shokai Co., Ltd. as a subsidiary, the Company is adding the purpose of business of Meiko Shokai Co., Ltd. to the purpose of business of the Company and amending the respective provisions in the Articles of Incorporation.

#### 2. Details of the Amendments

Details of the amendments are as follows:

(Underlined parts are amended.)

Current Articles of Incorporation		Proposed amendments	
(Purpose) Article 2	The Company shall engage in the control and management of business activities performed by companies (including foreign companies), associations (including counterparts in foreign countries), and other entities engaged in the following businesses by holding their shares or equities, and itself also engage in the following businesses.	(Purpose) Article 2	<Not amended>
1. to 23.	<Provisions omitted>  <Newly established>	1. to 23.	<Not amended>
	<Newly established>	<u>24.</u>	Manufacturing, sales, repair and maintenance, collection, and recycling of office equipment and accessories including shredders, pouches, and voice call machinery
		<u>25.</u>	Planning, proposal, and distribution of solution services
<u>24.</u>	<Provisions omitted>	<u>26.</u>	<Not amended>
<u>25.</u>	<Provisions omitted>	<u>27.</u>	<Not amended>

**Second Proposal: Election of Four (4) Directors (excluding Directors who are Audit and Supervisory Committee Members)**

The terms of office of all four (4) Directors (excluding Directors who are Audit and Supervisory Committee Members) will expire at the close of this general meeting of shareholders. Therefore, the shareholders are asked to elect four (4) Directors (excluding Directors who are Audit and Supervisory Committee Members).

Director (excluding Directors who are Audit and Supervisory Committee Members) candidates are presented below:

No.	Name	Attendance at meetings of the Board of Directors	Title and responsibility at the Company and significant concurrent position(s)
1	Shinichiro Kushima <span style="border: 1px solid black; padding: 2px;">Re-nomin-ated</span>	100% (13 out of 13)	Representative Director and Chairman Director, Mitsui Matsushima International Pty. Ltd. Director, Meiko Shokai Co., Ltd.
2	Tsuneo Amano <span style="border: 1px solid black; padding: 2px;">Re-nomin-ated</span>	100% (13 out of 13)	Representative Director and President CEO, Mitsui Matsushima International Pty. Ltd. Representative Director and Chairman, Mitsui Matsushima Co., Ltd.
3	Shinji Koyanagi <span style="border: 1px solid black; padding: 2px;">Re-nomin-ated</span>	100% (13 out of 13)	Director and Senior Managing Executive Officer General Manager of Energy Business Division COO, Mitsui Matsushima International Pty. Ltd. Director, Mitsui Matsushima Australia Pty. Ltd. Representative Director and President, Mitsui Matsushima Co., Ltd.
4	Toshihiro Nomoto <span style="border: 1px solid black; padding: 2px;">Re-nomin-ated</span>	100% (13 out of 13)	Director and Senior Managing Executive Officer General Manager of Consumer Goods and Services Business Division Director, M&M Service Co., Ltd.

No.	Name (Date of birth)	Summary of career, title and responsibility, and important position at other organizations concurrently assumed		Candidate's shareholding in the Company
1	Shinichiro Kushima (June 4, 1951)	April 1975	Joined Mitsui Bank, Ltd. (presently Sumitomo Mitsui Banking Corporation) (the "Bank")	17,000 shares
		Feb. 1995	In charge of International Planning Department of the Bank and Vice President of Bank Sakura Swadharma	
		Oct. 1999	General Manager of Kagoshima Branch of the Bank	
		April 2004	Director and General Manager of Administration Division of Verde Kyushu Co., Ltd.	
		June 2005	Joined the Company as Director and Managing Executive Officer	
		June 2007	Director and Senior Managing Executive Officer	
		April 2008	Director, Executive Vice President and Executive Officer	
		Oct. 2008	Representative Director, President and Executive Officer	
		June 2014	Representative Director and Chairman (to present)	
		(Important positions at other organizations concurrently assumed) Director, Mitsui Matsushima International Pty. Ltd. Director, Meiko Shokai Co., Ltd.		
<p>(Reasons for nominating the candidate for Director)</p> <p>Mr. Shinichiro Kushima was the Representative Director and President of the Company and is now the Representative Director and Chairman of the Company. As a manager of an enterprise, he has contributed to stabilizing and diversifying revenues by promoting an improved and strengthened financial base, and aggressively launching new businesses through corporate acquisitions, etc., and has accomplished more effective corporate governance of the Group by leading and managing the Board of Directors of the Company.</p> <p>The Company will ask the shareholders to reelect him as Director because it believes that he has the experience and knowledge to enable precise and fair supervision of the overall management of the Group, and he has sufficient capabilities to fulfill a decision-making role on important matters and oversee operations and their execution for the Group.</p>				

No.	Name (Date of birth)	Summary of career, title and responsibility, and important position at other organizations concurrently assumed		Candidate's shareholding in the Company
2	Tsuneo Amano (July 8, 1958)	April 1981	Joined Kawasho Corporation (presently JFE Shoji Trade Corporation)	12,600 shares
		April 2001	General Manager of Raw Materials Division of Kawasho Corporation	
		Jan. 2004	Joined Corning International KK, General Manager of Optical Communication System Sales Department	
		Aug. 2008	Joined the Company, temporarily transferred to Mitsui Matsushima International Pty. Ltd.	
		June 2009	Executive Officer and General Manager of Fuel and Energy Business Division	
		June 2010	Director and Managing Executive Officer, General Manager of Fuel and Energy Business Division	
		April 2013	Director and Managing Executive Officer, General Manager of Fuel and Energy Business Division, in charge of Real Estate Business Division and Overseas Business Department	
		June 2014	Representative Director and President (to present)	
		(Important positions at other organizations concurrently assumed) CEO, Mitsui Matsushima International Pty. Ltd. Representative Director and Chairman, Mitsui Matsushima Co., Ltd.		
<p>(Reasons for nominating the candidate for Director)</p> <p>Mr. Tsuneo Amano has long-term experience in coal sales, having led the Energy Business of the Group since he joined the Company. After assuming the position of the Representative Director and President of the Company in June 2014, he has led and managed the Board of Directors of the Company and promoted the stabilization and diversification of the revenues of the Group as Chief Operating Officer.</p> <p>The Company will ask the shareholders to reelect him as Director because it believes that he has the experience and knowledge to enable precise and fair supervision of the overall management of the Group, and he has sufficient capabilities to fulfill a decision-making role on important matters and oversee operations and their execution for the Group.</p>				

No.	Name (Date of birth)	Summary of career, title and responsibility, and important position at other organizations concurrently assumed		Candidate's shareholding in the Company
3	Shinji Koyanagi (September 19, 1958)	April 1982	Joined the Company	9,400 shares
		July 2003	Executive Secretary	
		June 2006	Manager of Corporate Planning Office	
		June 2007	Executive Officer and Manager of Corporate Planning Office and General Manager of Overseas Business Department	
		June 2010	Managing Executive Officer, General Manager of Business Planning Department, in charge of Overseas Business Department	
		June 2011	Director and Managing Executive Officer, General Manager of Business Planning Department, in charge of Overseas Business Department	
		June 2014	Director and Senior Managing Executive Officer, in charge of General Affairs Department, Human Resources Department, Domestic-Related Business Department, Internal Audit Department and Real Estate Business Division	
		June 2016	Director and Senior Managing Executive Officer, General Manager of Energy Business Division, in charge of Consumer Goods and Services Business Division	
		April 2017	Director and Senior Managing Executive Officer, General Manager of Energy Business Division (to present)	
		(Important positions at other organizations concurrently assumed) COO, Mitsui Matsushima International Pty. Ltd. Director, Mitsui Matsushima Australia Pty. Ltd. Representative Director and President, Mitsui Matsushima Co., Ltd.		
<p>(Reasons for nominating the candidate for Director)</p> <p>Mr. Shinji Koyanagi has assumed the managerial positions in the coal business and corporate planning since he joined the Company. After having assumed the position of Director in June 2011, he has obtained experience in management of the administrative departments, including General Affairs, Human Resources, and Internal Audit, in addition to the above, demonstrating a wide range of knowledge and broad experience of the overall management of the Group.</p> <p>The Company will ask the shareholders to reelect him as Director because it believes that he has the experience and knowledge to enable precise and fair supervision of the overall management of the Group, and he has sufficient capabilities to fulfill a decision-making role on important matters and oversee operations and their execution for the Group.</p>				

No.	Name (Date of birth)	Summary of career, title and responsibility, and important position at other organizations concurrently assumed		Candidate's shareholding in the Company	
4	Toshihiro Nomoto (March 11, 1958)	April 1982	Joined Mitsui Bank, Ltd. (presently Sumitomo Mitsui Banking Corporation) (the "Bank")	5,900 shares	
		April 2004	General Manager, Kawaguchi Corporate Business Office of the Bank		
		April 2006	General Manager, Jiyugaoka Corporate Business Office of the Bank		
		April 2009	General Manager, Omori Corporate Business Office of the Bank		
		May 2011	Temporarily transferred to the Company, General Manager of Corporate Planning Department		
		May 2012	Joined the Company, Administration Officer, General Manager of Corporate Planning Department		
		April 2013	Executive Officer, General Manager of Corporate Planning Department, in charge of Accounting Department and Information System Department		
		June 2014	Director and Managing Executive Officer, General Manager of Corporate Planning Department, in charge of Accounting Department and Information System Department		
		June 2015	Director and Managing Executive Officer, General Manager of Corporate Planning Department and Accounting Department, in charge of System Planning Development Office		
		April 2017	Director and Managing Executive Officer, General Manager of and Accounting Department, in charge of Corporate Planning Department		
		April 2018	Director and Senior Managing Executive Officer General Manager of Consumer Goods and Services Business Division (to present)		
		(Important positions at other organizations concurrently assumed) Director, M&M Service Co., Ltd.			
		<p>(Reasons for nominating the candidate for Director)</p> <p>Mr. Toshihiro Nomoto, utilizing his long-term work experience in financial institutions, has contributed to improving and strengthening the financial standing of the Company, as well as accomplishing the stabilization and diversification of revenues of the Group, since joining the Company as the person mainly responsible for the corporate planning department, followed by assuming the position of Director in June 2014.</p> <p>The Company will ask the shareholders to reelect him as Director because it believes that he has the experience and knowledge to enable precise and fair supervision of the overall management of the Group, and he has sufficient capabilities to fulfill a decision-making role on important matters and oversee operations and their execution for the Group.</p>			

(Note) There is no special interest between the Company and any of the candidates.

The election and compensation of candidates for Directors (excluding Audit and Supervisory Committee Members) were determined to be appropriate as a result of deliberations of the Audit and Supervisory Committee.



## Reference Material

### Company Management Systems and Policies

- (1) Systems to ensure that the directors' performance of their duties is in compliance with laws, regulations and the Articles of Incorporation and other systems to ensure appropriateness of business activities:**

Pursuant to the provisions of the Companies Act and the Companies Act Enforcement Regulations, the Board of Directors of the Company has approved the following basic policies concerning the establishment of internal control systems.

Based on the basic policy, the Company ensures the appropriateness of business activities, and constantly reviews and improves the current systems for the purpose of establishing better internal control systems.

1. System to ensure that the directors' performance of their duties is in compliance with laws, regulations and the Articles of Incorporation:

The Company has established and enforces the Code of Behavior and Compliance Manual as the code of conduct for all members of the Company including directors and employees. With respect to the Board of Directors, the Regulations for the Board of Directors have been established so that its proper activities are ensured. The Board of Directors' Meetings are in principle held once a month and at any time necessary. Directors exchange opinions and mutually supervise the business execution, seek the opinions of legal counsel and other professionals as required, and take actions aimed at preventing violations of laws, regulations and the Articles of Incorporation.

The Company has an Audit and Supervisory Committee. The Audit and Supervisory Committee audits the performance of directors in accordance with auditing methods and divisions of responsibilities prescribed by the Audit and Supervisory Committee. If a director discovers a violation of laws, regulations or the Company's Articles of Incorporation by another director, he or she shall immediately report it to the Audit and Supervisory Committee and the Board of Directors so that corrective measures can be taken.

2. System for the storage and management of information concerning the directors' performance of their duties:

Information and documents concerning the directors' performance of their duties shall be properly stored and managed (including the disposal thereof) in accordance with the Company's internal rules, with the actual conditions of storage and management to be checked and the rules

to be reviewed and amended, as necessary.

3. Regulations and other systems concerning risk management of loss:
  - i. Based on the Risk Management Regulations that set forth the basic framework for risk management for the group of companies consisting of the Company and its subsidiaries (hereinafter referred to as the "Corporate Group"), the Company, mainly the Risk Management Committee, shall collect and assess risk information in an integrated and comprehensive manner, identify critical risks and address such risks according to their materiality.
  - ii. Risks inherent in significant decision-making for business execution shall be considered by each department in advance before further assessment by the Management Meeting and the Board of Directors to prevent losses from occurring.
  - iii. Risks in business activities in each department, such as risks in purchase and sale transactions, foreign exchange and interest rate fluctuations, and credit risks shall be assessed, settled or approved based on the Regulations for Delegating Job Responsibilities to avoid or prevent the risk of loss.
  - iv. The Internal Audit Department shall perform audits of the risk management system. The audited department shall promptly take corrective or improvement measures as needed.
4. System to ensure the efficient execution of directors' duties:
  - i. The Executive Officer system shall be introduced with the aim of prompt and efficient decision-making through the separation of the management function and business execution.
  - ii. As a decision-making body other than the Board of Directors, the Company has established the Management Meeting, which is comprised of the Representative Directors and Executive Officers, and delegate part of the authority to it, leaving only the most important matters for resolution by the Board of Directors, to ensure the efficient execution of directors' duties. The Company shall establish a system to ensure that all board members receive sufficient material in advance on the items on agenda presented to the Board of Directors in accordance with the principle of management decisions.
  - iii. In order to conduct daily business activities, authority shall be delegated to relevant departments based on the Regulations for Delegating Job Responsibilities and Regulations for the Assignment of Business Activities. In addition, the persons responsible for each level shall perform their jobs in accordance with the decision-making rules.
5. Systems to ensure that employees perform their duties in compliance with laws, regulations and the Articles of Incorporation:
  - i. In order to ensure that all employees of the Corporate Group thoroughly comply with laws,

regulations and the Articles of Incorporation, the Company has established the Compliance Committee chaired by the Representative Director and President and a system for all of the employees of the Corporate Group to internally report a violation of laws, regulations or the Articles of Incorporation under the Compliance Rules and Compliance Manual.

- ii. The Company has established a reporting system whereby the details of a situation related to compliance and proposals for appropriate countermeasures are reported to the Board of Directors and the Audit and Supervisory Committee via the Compliance Committee, in cases where any event with regard to compliance occurs.
  - iii. The Compliance Committee shall appoint a person-in-charge and a promoter in each department in accordance with the provisions of the Compliance Rules, and control and supervise adherence to the Compliance Manual.
  - iv. The Internal Audit Department shall perform audits of the status of compliance with laws, regulations, the Articles of Incorporation and internal regulations. The audited department shall promptly take corrective or improvement measures as needed.
6. System to ensure the appropriateness of business operations of the Corporate Group:
- i. The Company has established the Group Companies Management Rules, which specify the policy for the appropriate management of its subsidiaries, and the Company's Energy Business Division and Consumer Goods and Services Business Division administer the matters to be reported by the subsidiaries under control to the Company and the matters to be approved by the Company.
  - ii. Decision-making processes related to business execution of the subsidiaries shall be implemented according to the Regulations for Delegating Job Responsibilities of the Company and the subsidiaries. The Company shall ensure the appropriateness of business operations of the subsidiaries by maintaining certain involvement by the Company in the decision-making of the subsidiaries.
  - iii. The Internal Audit Department of the Company shall enter into an internal auditing agreement with its subsidiaries and shall conduct internal audits for the Group as a whole. The audit results shall be reported to relevant departments and the Board of Directors of the Company, and corrective and improvement measures shall be taken as needed.
  - iv. As members of society, the Company and the subsidiaries shall not have any relationship with antisocial forces or organizations that threaten the order and safety of civil society, and shall take a firm stance against such forces or organizations.
7. Matters concerning the appointment of employees to assist the Audit and Supervisory Committee in performing its duties:

The Company may assign employees to assist the Audit and Supervisory Committee in

performing its duties for required periods of time, if requested by the Audit and Supervisory Committee.

8. Matters concerning independence from the directors of employees assisting the Audit and Supervisory Committee in performing its duties and matters for ensuring the effectiveness of instructions given to such employees:
  - i. Consent of the Audit and Supervisory Committee is required to appoint or remove employees who assist the Audit and Supervisory Committee in performing its duties.
  - ii. An employee who assists the Audit and Supervisory Committee in performing its duties shall be subject to the direction and orders of the Audit and Supervisory Committee during the period of his or her services in assisting the Audit and Supervisory Committee.
  
9. System for directors and employees of the Corporate Group to report to the Audit and Supervisory Committee and other systems for reporting to the Audit and Supervisory Committee, as well as system to ensure that those who made reports to the Audit and Supervisory Committee do not receive any adverse treatment for having made such reports:
  - i. Directors and employees of the Corporate Group shall make a necessary report or provide necessary information upon an Audit and Supervisory Committee Member's request, in accordance with the decision of the Audit and Supervisory Committee.
  - ii. Matters to be reported or informed under the preceding paragraph shall mainly include the following:
    - Situation of activities of the departments involved in the establishment of the Corporate Group's internal control system
    - Situation of activities of the Audit & Supervisory Board Members and the Internal Audit Department or any equivalent departments of any of the Company's subsidiaries, etc.
    - The Corporate Group's significant accounting policy, accounting standards and changes thereof
    - Details of the announcement of the operating results of the Corporate Group or forecast thereof and other important disclosure documents of the Corporate Group
    - Operation of the internal reporting system of the Corporate Group and details of the reported information
    - Obligatory circulation of decision approval forms and minutes of meetings of the Corporate Group requested by Audit and Supervisory Committee Members
  - iii. The Company shall not adversely treat any person of the Corporate Group who made reports or provided information to the Audit and Supervisory Committee as described in this paragraph on the grounds that he or she made such reports or provided such information.

10. Matters concerning the procedure for advance payment or reimbursement of expenses incurred in relation to the execution of duties by Audit and Supervisory Committee Members and any other policy for settlement of costs and debts to be incurred in relation to the execution of their duties:
  - i. The Company shall include in its budget for each fiscal year a certain amount to reimburse expenses to be incurred in relation to the execution of duties by Audit and Supervisory Committee Members.
  - ii. If Audit and Supervisory Committee Members make a request for advance payment of expenses to be incurred in relation to the execution of their duties or other similar requests to the Company, then the Company shall settle such expenses or debts in a timely manner upon consideration by the relevant department unless it determines that the expenses or debts pertaining to such request are not necessary for the execution of their duties.
  
11. Other systems to ensure the effectiveness of audits by the Audit and Supervisory Committee:

The Audit and Supervisory Committee shall meet at least twice a year to hear from the Executive Directors in charge of each business operation and important employees individually (or at any time the Audit and Supervisory Committee deems necessary). In addition, periodic meetings shall be held for the Representative Directors and the accounting auditors to exchange opinions.
  
12. System to ensure the reliability of financial reports:

In order to ensure the reliability of financial reports, and to effectively and appropriately submit the internal control reports specified in Article 24-4-4 of the Financial Instruments and Exchange Act that was promulgated by the Financial Services Agency in June 2006, the Company, under the direction of the Representative Director and President, has established an internal control system, and along with continuously evaluating and making the necessary adjustments in order to ensure the appropriate functioning of its mechanisms, thereby the Company ensures compliance with the Financial Instruments and Exchange Act as well as other related laws and regulations.

**(2) Outline of the status of operation of the system to ensure appropriateness of business activities**

The Company transitioned to a Company with Audit and Supervisory Committee effective June 24, 2016, and has worked to strengthen the supervisory function of the Board of Directors and strengthen/enhance the Company's corporate governance.

The outline of the status of operation of the system to ensure the appropriateness of the business activities of the Corporate Group is as follows:

1. Directors' performance of their duties:

The Board of Directors of the Company consists of seven (7) directors (including three (3) Directors who are Audit and Supervisory Committee Members), and held Board of Directors'

Meetings thirteen (13) times during the period under review. The Board of Directors deliberates on important business execution and other important matters stipulated in the Regulations for the Board of Directors, and oversees the status of business execution.

The Company held the Management Meeting consisting of Representative Directors, Executive Officers and Audit and Supervisory Committee Members (observers) twelve (12) times during the period under review. At the Management Meeting, matters to be discussed at Board of Directors' Meetings as well as important matters related to business execution delegated by the Board of Directors are deliberated.

2. Risk management:

The Company held the Risk Management Committee Meeting chaired by the President and consisting of Executive Officers and the above persons, Manager of the Internal Audit Department, and Audit and Supervisory Committee Members (observers) two (2) times during the period under review. The Risk Management Committee evaluates all risks reported by all departments and subsidiaries of the Company, identifies critical risks, and then decides policies for measures against such risks, and confirms the progress of the measures. The Internal Audit Department performs audits of the risk management system and reports the audit results to the Risk Management Committee.

3. Compliance:

The Corporate Group has distributed the Compliance Manual to all employees and holds compliance promotion meetings regularly at all departments and subsidiaries of the Company to raise awareness of compliance and confirm adherence to the Compliance Manual.

Further, the Company held the Compliance Committee Meeting that is chaired by the President and consists of Executive Officers and the above persons, Manager of the Internal Audit Department, and Audit and Supervisory Committee Members (observers) three (3) times during the period under review. The Compliance Committee deliberates matters related to compliance or reports on internally reported matters, and confirms the progress of the measures.

The Internal Audit Department performs audits of the status of compliance with laws and regulations, the Articles of Incorporation, and internal rules/regulations, and provides guidance on correction and improvement as needed.

4. Subsidiary management system:

In accordance with the Group Companies Management Rules, the Energy Business Division or the Consumer Goods and Services Business Division in charge of managing subsidiaries receives reports on the business conditions from subsidiaries under control, and manages matters to be reported to the Company and matters to be approved according to the Regulations for Delegating

Job Responsibilities of the Company and the subsidiaries.

In order to ensure the appropriateness of the business operations of the subsidiaries, matters related to the management of the subsidiaries that are particularly important are deliberated and decided upon at the Board of Directors' Meetings or the Management Meeting of the Company. In addition, the Internal Audit Department has entered into an internal auditing agreement with subsidiaries and conducted internal audits for the subsidiaries.

5. Audit system of the Audit and Supervisory Committee:

The Audit and Supervisory Committee consists of three (3) Directors who are Audit and Supervisory Committee Members (including two (2) external directors) and appoints two (2) full-time Audit and Supervisory Committee Members through mutual voting by Audit and Supervisory Committee Members. In addition, the Company assigned one (1) employee to assist the Audit and Supervisory Committee in performing its duties based on a request from the Audit and Supervisory Committee.

The Company held an Audit and Supervisory Committee Meeting fourteen (14) times during the period under review and held discussions and made decisions based on audit results reported by each Audit and Supervisory Committee Member.

In accordance with the audit policies established and division of duties specified by the Audit and Supervisory Committee, each Audit and Supervisory Committee Member investigates the status of operations and assets/properties of the Company and subsidiaries, and audits the execution of duties of Directors. Specifically, Audit and Supervisory Committee Members attend important internal meetings including the Board of Directors' Meetings and exchange opinions with Representative Directors in order to ensure the effectiveness of audits. In addition, Audit and Supervisory Committee Members endeavor to work together with accounting auditors, the Internal Audit Department, and Audit & Supervisory Board Members of subsidiaries, as well as conduct interviews to hear from Executive Directors in charge of each business operation, important employees, and all subsidiaries individually.

**(3) Basic policy concerning the control of a stock company:**

1. Outline of basic policy:

The Company as a company whose shares are listed on financial instrument exchanges respects, free transactions of the Company's shares, etc. on markets and does not unconditionally refuse large-scale purchases of the Company's shares, etc. by a particular person, as far as they will facilitate the securement and enhancement of the corporate value of the Corporate Group and, in turn, the common interests of its shareholders. Furthermore, the Company considers that the decisions as to whether to accept a proposal of large-scale purchase by a large-scale purchaser, and agree to such large-scale purchase should ultimately be left to the judgment of shareholders.

However, there are certain proposals of large-scale purchases of shares, etc. that, if implemented, are likely to damage the corporate value of the Corporate Group and, in turn, the common interests of its shareholders, including those that could have an adverse effect on the maintenance of good relationships between the Corporate Group and its stakeholders, as well as those that might not fully reflect the value of the Corporate Group, and those that might not provide sufficient information necessary for shareholders to make a final decision.

The view of the Company's Board of Directors, as the directors entrusted with the management of the Company by its shareholders, is that its duty is to, in response to such proposals, secure the time and information necessary for the shareholders, to engage in negotiations with such persons who propose to make a large-scale purchase of shares, etc., and to conduct other necessary acts, thereby securing and enhancing the corporate value of the Corporate Group and, in turn, the common interests of its shareholders.

2. Outline of the effort to realize the basic policy:

Since its establishment in 1913, the Corporate Group has developed its business mainly focused on coal production by leveraging the expertise and experience in coal mining operations and sophisticated mining technologies that it has cultivated over the years, thereby contributing to the stable supply of energy in Japan.

Meanwhile, performance in the coal production business is greatly influenced by external factors such as coal prices and foreign exchange rates. And in recent years, we see signs of structural changes relating to energy resources, including the rising presence of renewable energy and shale gas, as well as the expected shrinkage of coal consumption in developed economies due to tightening CO2 emission controls.

In order to adapt to such future changes in the energy resource business and achieve a more stabilized and diversified revenue base, the Corporate Group continues to work in the area of coal production and also to develop and cultivate new businesses.

As to the continuous works in the area of coal production, the Corporate Group steadily promotes new ongoing projects with our superior coal-related expertise and technical capabilities and improves the profitability of the coal production business through cost-cutting measures for existing projects.

As to developing and cultivating new businesses, the Corporate Group has consistently promoted entry into new business fields in recent years, including contract services for recreational facilities and training centers, renewable energy, nursing care, beverage & food packages, fashion and electronic parts. These new business achievements undertaken by the Corporate Group so far have become increasingly visible in our performance. The Corporate Group continues to promote a more stabilized and diversified revenue base by expanding the new businesses that the Corporate Group has entered into and investing in new projects including



M&As.

As described above, the Corporate Group will continuously expand its aggressive investment activities against the backdrop of its robust financial base and promote sustainable growth and development by constructing and expanding a stable business portfolio.

3. Framework for preventing inappropriate parties, in light of this basic policy, from gaining control of the Company's financial and business policies:

At the Board of Directors' Meeting held on December 20, 2007, the Board of Directors of the Company resolved to introduce the "Countermeasures to Large-scale Purchase Actions (Takeover Defense Measures)" (hereinafter referred to as the "Measures"), which were in effect until the close of the 152<sup>nd</sup> Annual General Meeting of Shareholders in consideration of the importance of the Measures.

At the 152<sup>nd</sup> Annual General Meeting of Shareholders held on June 27, 2008, the 155<sup>th</sup> Annual General Meeting of Shareholders held on June 24, 2011, the 158<sup>th</sup> Annual General Meeting of Shareholders held on June 27, 2014, and the 161<sup>st</sup> Annual General Meeting of Shareholders held on June 23, 2017, each time it was proposed to extend the effective period of the Measures for three years, and such proposals were approved by the shareholders.

The Measures aim to require an individual or group that attempts to purchase at least 20% of the Company's shares without prior approval of the Board of Directors of the Company (hereinafter referred to as "Large-scale Purchaser") to abide by the Large-scale Purchase Rules of the Company in order for sufficient time and information to be secured, to allow the shareholders to properly decide whether to sell their shares to the Large-scale Purchaser. If the Large-scale Purchaser does not comply with the Large-scale Purchase Rules, or if it is reasonably decided that such purchase would be highly likely to be detrimental to the Company's corporate value and shareholder value, the Board of Directors of the Company may fulfill its obligation to the shareholders by taking countermeasures that are regarded as necessary and appropriate, including an allotment of share acquisition rights without contribution with the terms and conditions of the exercise, acquisition and exercise period thereof to be set taking into account its effectiveness as a defensive measure against such Large-Scale Purchaser.

The outline of the Measures is as described above. The details are published on the website of the Company. Please refer to "Countermeasures to Large-Scale Purchases of the Company's Shares (Takeover Defense Measures)" in "Basic policy concerning the control of a stock company" via the URL below.

(<https://www.mitsui-matsushima.co.jp/news/index.php>)

4. Decision of the Board of Directors on the framework described in Item 3 above:

The Board of Directors of the Company believes that the framework described in Item 3 above aims to ensure the enhancement of the Company's corporate value and shareholder value, as formulated in accordance with the basic policy concerning the control of the Company in Item 1 above, and the Board of Directors of the Company believes that the framework does not harm the common interests of the shareholders.

In addition, the Company believes that the framework has a mechanism for preventing arbitrary decisions and use of the defense mechanism solely for the purpose of protecting the positions of current directors for the following reasons. First, the Company has established a system in which the use of defensive measures should be decided taking into consideration the advice of the Independent Committee consisting of external directors or other external expert individuals who are independent from the management team that executes business of the Company. Second, the Measures can be terminated at any time at a general meeting of shareholders of the Company or by the Board of Directors, which is composed of directors elected by the shareholders at the annual general meeting of shareholders of the Company. Third, there are the requirements of the recommendation of the Independent Committee and reasonable and objective terms and conditions of the resolutions or decisions by the Board of Directors of the Company set forth with respect to its decisions about whether to use the defensive measures or to suspend or cease the Measures.

**(4) Policy concerning the determination of dividends, etc. distributed from retained earnings:**

The Company considers the return of profits to the shareholders as an important management priority, and has a basic policy of continuing to return profits to the shareholders in proportion to the operating results, retaining the necessary internal reserves for the stable growth of the Company and the financial flexibility necessary for responding to the changing business environment.

The Company's basic guideline is to pay a dividend from surplus once a year in the form of a year-end dividend. The target dividend payout ratio of 30% set under the Company's medium-term business plan is a rough indicator, and the ultimate decision will be made by the Board of Directors based on a comprehensive perspective.