MCJ
HOLDING COMPANY

June 10, 2020

Company name:	MCJ Co., Ltd.
Representative:	Yuji Takashima, Chairman & CEO
Stock code:	6670 TSE Second Section
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Supplementary Explanation Regarding a Proposal to Be Presented at the 22nd Annual General Meeting of Shareholders

Institutional Shareholder Services, Inc. (hereinafter referred to as “ISS”) has issued a recommendation to shareholders to vote against Proposal 3: “Introduction of a Performance-linked Stock Remuneration Plan for Directors,” to be presented at the Company’s 22nd Annual General Meeting of Shareholders (hereinafter “this General Meeting”).

MCJ Co., Ltd. (hereinafter “the Company”) would like to take this opportunity to present its view regarding this recommendation by ISS.

All shareholders are requested to confirm the supplementary explanation below, and give their full consideration to the proposal in question.

1. Details of the negative recommendation by ISS

ISS has recommended to vote against Proposal 3: “Introduction of a Performance-linked Stock Remuneration Plan for Directors,” to be presented at this General Meeting. The reasons given for this recommendation are the absence of a clear indication of specific performance hurdles for the grant of performance-linked remuneration, and the fact that shares will be transferred to eligible officers (excluding officers intending to retire) in less than three years after this General Meeting, even in the absence of any disclosure regarding specific performance hurdles.

2. The opinion of the Company

Because this General Meeting will be held in the second fiscal year of the current Mid-term Management Plan, the “initial” period of the stock remuneration plan will be the remaining two fiscal years, comprising the fiscal year ending on March 31, 2021, and the fiscal year ending on March 31, 2022. Thus, as ISS points out, shares will be transferred in less than three years. However, for periods commencing after the initial plan period has elapsed, each plan period will be three fiscal years, and the transfer of shares will also occur at three year intervals, in accordance with the original purpose of linking stock remuneration to medium to long term results; in other words, to the results and term of each Mid-term Management Plan.

Only the initial plan period has been set at two fiscal years, to coincide with the remaining term of the current Mid-term Management Plan. This is because the consolidated operating profit growth ratio and consolidated ROE targeted in the Mid-term Management Plan are used to calculate the results evaluation coefficient, as described below.

Under the Performance-linked Stock Remuneration Plan, shares of the Company will be granted according to factors such as growth in corporate value and shareholder value during the initial plan period and each subsequent plan period. The evaluation indices, mechanisms, and methods used to calculate the number of shares of the Company to be granted are shown below. Details of the Company's approach to allocating points for each rank, and the specific calculation method to be used for each index, will be provided in the Company's annual securities report, to be disclosed after the conclusion of this General Meeting.

- The number of shares to be granted will be calculated by multiplying a standard number of points based on rank, by the results evaluation coefficient.
- The results evaluation coefficient will be calculated from three evaluation indices: the consolidated operating profit growth ratio, consolidated ROE, and TSR (total shareholder return) against the TOPIX.

In this way, the proposal is aimed at increasing eligible officers' awareness of enhancing performance in the medium to long term and contributing to growing corporate value, by clarifying the link between eligible officers' remuneration and the Company's performance and share price, and allowing them to share with all shareholders in both the merits of increases in share price, and the risks of share price declines.

The Company considers the intention and details of the proposal are appropriate in view of this aim, and requests shareholders' understanding in this matter.