

May 23, 2019

Dear Shareholders,

NIPPO LTD.

Yasuchika Iwasa, Representative Director and President

The background and purpose behind “Proposal No.3: Continuation of countermeasures to large-scale purchases of the Company's shares (takeover defense measures)”

Upon delivering the convocation notice of the 68th ordinary general meeting of shareholders of the Company, in the first place, we profusely apologize for the considerable amount of net loss recorded for the last consolidated financial year.

As we reported in the summary of financial statements published on May 14, 2019, we anticipate the consolidated results for the 69th term ending March 2020 to recover. We will exert our best efforts to become able to pay the dividends, which are still undecided.

The Company's board of directors (the “Board”) would like to make a proposal “Continuation of countermeasures to large-scale purchases of the Company's shares (takeover defense measures)” (the “Proposal”) at the 68th ordinary general meeting of shareholders of the Company (the “General Meeting of Shareholders”) to be held on June 21, 2019.

Recently, the Company has selected its three markets as growth areas, namely, the automobile, precision medical equipment, and electronics markets and has focused on development of products that fit within these selected growth areas. As a result, the Company has come to possess a large amount of customers' technical and other confidential information regarding critical automobile security parts and precision medical equipment among other things.

If a large-scale purchase of the Company Shares is executed suddenly under such circumstances, the resulting transfer of control of the Company without taking sufficient consideration, coupled with the risk of leakage of such confidential information, could seriously damage the good relationships between the Company and its customers, and also the Company's corporate values and shareholders' common interests. The Board has therefore decided to make the Proposal to the General Meeting of Shareholders.

If the Proposal is approved and passed at the General Meeting of Shareholders, the Company will be able to secure a process to have a large-scale purchaser provide information on the large-scale purchase, and allow the Board to consider and assess the proposed purchase sufficiently, and to secure necessary and sufficient information and time for the shareholders to make appropriate evaluation of whether such proposal would protect and enhance the corporate value and the common interests of shareholders of the Company.

We sincerely trust that our shareholders understand the background and purpose above that led to the Board's conclusion that it should make the Proposal to the General Meeting of Shareholders.

END