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Securities Code: 6804
June 7, 2022

To Those Shareholders with Voting Rights

Kenji Furuhashi
President and Representative Director
Hosiden Corporation
4-33, Kitakyuhoji 1-Chome, Yao City,
Osaka

NOTICE OF THE 72ND ORDINARY GENERAL MEETING OF SHAREHOLDERS

- You are cordially invited to attend the 72nd Ordinary General Meeting of Shareholders of Hosiden Corporation (the "Company"). The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights by paper ballot or via the internet, etc. Please review the Reference Documents for the General Meeting of Shareholders, and exercise your voting rights by 5:00 p.m., Tuesday, June 28, 2022.

1. **Date and Time:** Wednesday, June 29, 2022 at 9:00 a.m. (Reception starting from 8:00 a.m.)
2. **Place:** Meeting room of Hosiden Corporation
4-33, Kitakyuhoji 1-Chome, Yao City, Osaka, Japan
3. **Agenda of the Meeting:**
 - Matters to be reported:**
 1. The Business Report, Consolidated Financial Statements for the 72nd Fiscal Term (from April 1, 2021 to March 31, 2022), and results of audits by the Accounting Auditor and the Board of Statutory Auditors of the Consolidated Financial Statements
 2. Non-Consolidated Financial Statements for the 72nd Fiscal Term (from April 1, 2021 to March 31, 2022)
 - Matters to be resolved:**
 - Proposal No. 1:** Appropriation of Surplus
 - Proposal No. 2:** Partial Amendments to the Articles of Incorporation
 - Proposal No. 3:** Election of Two Substitutes for Statutory Auditors
 - Proposal No. 4:** Determination of Compensation for Granting Restricted Stock to Directors (Excluding Outside Directors)
 - Proposal No. 5:** Payment of Bonuses to Directors

Measures to Prevent the Spread of Coronavirus Disease (COVID-19)

Requests to Shareholders

- (1) For preventing the spread of novel coronavirus infection, shareholders are kindly advised to refrain from attending the General Meeting of Shareholders as much as possible regardless of your physical condition.
- (2) Please exercise your voting rights in advance by using the enclosed Voting Rights Exercise Form or via the internet, etc.

Please refer to the following page for precautionary measures for prevention of the novel coronavirus infection to be taken by the Company on the day of the General Meeting of Shareholders.

Measures of the Company at the Meeting and Requests to Our Shareholders Attending the Meeting

The Company will take the following measures to prevent the novel coronavirus infection. We would like to ask all shareholders for their understanding and cooperation.

For shareholders attending the General Meeting of Shareholders

For shareholders considering attending the meeting, please fully confirm the situation of the infection on the day of the meeting and your physical condition such as not having a fever before leaving your home and ensure that you do not overextend yourself.

Measures to be taken at the venue of the General Meeting of Shareholders

- (1) We ask all shareholders attending the meeting to cooperate by wearing masks and using alcohol-based disinfectant, as well as taking your temperature.
- (2) The admission of shareholders who seem to be unwell, who have symptoms such as coughing and fever and/or who cannot cooperate our precautionary measures may be restricted.
- (3) Officers and operating staff will be wearing masks.
- (4) As we plan to make space between the seats, the number of seats available is limited. Therefore, even though you come to the meeting venue on the day of the meeting, your admission may be restricted.
- (5) In order to shorten the time for the shareholders attending the meeting, the meeting will be held in a smooth manner.
- (6) Please be noted that no souvenir and beverages, etc. will be served. We appreciate your understanding.

* The details of the measures may be changed due to future circumstances. In the event of any major changes in the operation of the General Meeting of Shareholders, the changes will be published on our website (<https://www.hosiden.com>).

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-For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting.

-The following matters, which should be provided together with this notice, are posted on our website (<https://www.hosiden.com>) pursuant to the provisions of laws and regulations and Article 14 of the Articles of Incorporation of the Company, and are therefore not included in the attachments to this notice.

1. Notes to Consolidated Financial Statements, which are part of the Consolidated Financial Statements
2. Notes to Non-consolidated Financial Statements, which are part of the Non-consolidated Financial Statements

Accordingly, the Consolidated Financial Statements and Non-consolidated Financial Statements included in the attachments to this notice are part of the consolidated financial statements and non-consolidated financial statements audited by the Accounting Auditor and the Statutory Auditors when preparing the audit reports.

-Any and all corrections that occurred with regard to the Reference Documents for the General Meeting of Shareholders, Business Report, Non-Consolidated and Consolidated Financial Statements will be published on our website (<https://www.hosiden.com>).

(REFERENCE)

Financial Highlights
(Year ended March 31)

		March 2018	March 2019	March 2020	March 2021	March 2022
I. Consolidated financial highlights						
Net sales	(Millions of yen)	299,440	233,435	211,912	233,934	207,608
Ordinary income (loss)	(Millions of yen)	10,548	13,357	11,353	13,401	15,786
Net income (loss)	(Millions of yen)	10,233	10,709	9,433	10,338	11,901
Comprehensive income	(Millions of yen)	10,928	9,516	8,178	11,932	13,469
Net assets	(Millions of yen)	86,992	94,113	100,767	109,250	119,533
Total assets	(Millions of yen)	138,192	133,470	150,161	161,894	171,525
Net assets per share	(Yen)	1,463.09	1,609.93	1,723.79	1,935.14	2,175.11
Net income (loss) per share	(Yen)	172.11	180.62	161.37	178.70	211.57
Diluted net income per share	(Yen)	165.35	168.70	150.38	166.28	196.32
Equity ratio	(%)	63.0	70.5	67.1	67.5	69.7
Return on equity	(%)	12.5	11.8	9.7	9.8	10.4
Cash flows from operating activities	(Millions of yen)	3,757	25,593	2,122	12,590	(1,230)
Cash flows from investing activities	(Millions of yen)	(5,673)	(5,168)	(4,775)	(2,360)	(3,059)
Cash flows from financing activities	(Millions of yen)	8,832	(4,544)	(2,147)	(3,860)	(3,748)
Cash and cash equivalents at year-end	(Millions of yen)	52,405	68,061	62,649	69,522	62,479
2. Non-Consolidated financial highlights						
Net sales	(Millions of yen)	239,879	186,942	167,075	197,085	161,003
Ordinary income (loss)	(Millions of yen)	7,143	8,811	5,701	8,381	11,424
Net income (loss)	(Millions of yen)	6,789	6,584	4,566	9,206	14,064
Common stock	(Millions of yen)	13,660	13,660	13,660	13,660	13,660
Total number of shares issued	(Thousand shares)	67,710	67,710	67,710	67,710	64,710
Net assets	(Millions of yen)	64,815	68,655	71,484	78,137	88,939
Total assets	(Millions of yen)	121,119	110,821	121,913	131,109	133,435
Net assets per share	(Yen)	1,090.09	1,174.45	1,222.87	1,384.03	1,618.40
Annual dividends per share [Interim dividends per share]	(Yen)	20 [5]	25 [10]	25 [10]	25 [10]	65 [10]
Net income (loss) per share	(Yen)	114.19	111.05	78.12	159.13	250.01
Diluted net income per share	(Yen)	109.66	103.63	72.68	148.05	232.03
Equity ratio	(%)	53.5	62.0	58.6	59.6	66.7
Return on equity	(%)	11.0	9.9	6.5	12.3	16.8
Payout ratio	(%)	17.5	22.3	32.0	15.5	25.5

Notes: 1. The financial highlights are not presented in the original Notice of the Ordinary General Meeting of Shareholders in Japanese.

2. Moreover, some of the figures in this document have been prepared based on financial statements, which are not included in the original Notice of the Ordinary General Meeting of Shareholders in Japanese.

3. Figures have been prepared in accordance with the accounting principles generally accepted in Japan, which are different in certain respects from application and disclosure requirements of the International Financial Reporting Standards.

Consolidated Balance Sheet

(As of March 31, 2022)

(Millions of yen)

Account item	Amount	Account item	Amount
Assets		Liabilities	
Current assets	145,572	Current liabilities	36,305
Cash and deposits	49,794	Notes payable and accounts payable—trade	23,614
Notes receivable—trade	1,253	Short-term borrowings	2,040
Accounts receivable—trade	24,611	Accrued income taxes	3,179
Short-term investment securities	13,699	Provision for directors' bonuses	155
Merchandise and finished goods	9,923	Other	7,315
Work in process	3,117	Long-term liabilities	15,686
Raw materials and supplies	38,526	Convertible bond-type bonds with subscription rights to shares	10,051
Operating accounts receivable	2,208	Deferred tax liabilities	1,253
Other	2,482	Net defined benefit liability	3,577
Allowance for doubtful accounts	(45)	Other	803
Fixed assets	25,952		
Tangible fixed assets	18,559	Total Liabilities	51,991
Buildings and Structures	5,840	Net assets	
Machinery and vehicles	6,221	Owners' equity	117,990
Land	3,290	Capital	13,660
Construction in progress	777	Additional paid-in capital	19,596
Other	2,429	Retained earnings	94,320
Intangible fixed assets	451	Treasury stock	(9,586)
Software and other	451	Accumulated other comprehensive income	1,542
Investments and other assets	6,942	Unrealized gains on available-for-sale securities	2,495
Investment securities	4,809	Exchange adjustment account	(1,334)
Net defined benefit asset	267	Re-measurements of defined benefit plans	381
Deferred tax assets	1,025		
Other	1,130	Total Net Assets	119,533
Allowance for doubtful accounts	(290)		
Total Assets	171,525	Total Liabilities and Net Assets	171,525

Consolidated Statement of Income
(From April 1, 2021 to March 31, 2022)

(Millions of yen)

Account item	Amount	
Net sales		207,608
Cost of sales		185,884
Gross profit		21,724
Selling, general and administrative expenses		9,999
Operating income		11,725
Non-operating income		
Interest and dividends income	221	
Exchange gain	3,558	
Subsidies for employment adjustment	192	
Other	150	4,122
Non-operating expenses		
Interest expenses	35	
Commission for syndicate loan	17	
Other	8	61
Ordinary income		15,786
Extraordinary income		
Profit on disposal of fixed assets	370	
Gain on sales of investment securities	225	
Other	1	598
Extraordinary losses		
Loss on disposal and sales of fixed assets	34	
Impairment loss	43	78
Income before income taxes		16,306
Income taxes—current		4,391
Income taxes—deferred		12
Net income		11,901
Profit attributable to non-controlling interests		-
Profit attributable to owners of parent		11,901

Consolidated Statement of Changes in Net Assets
(From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Owners' equity				
	Capital	Additional paid-in capital	Retained earnings	Treasury stock	Total owners' equity
Balance as of April 1, 2021	13,660	19,596	86,668	(10,649)	109,276
Changes during the fiscal year					
Dividends from surplus			(1,411)		(1,411)
Profit attributable to owners of parent			11,901		11,901
Acquisition of treasury stock				(1,775)	(1,775)
Cancellation of treasury stock			(2,838)	2,838	-
Net changes in items other than owners' equity during the fiscal year					
Total changes during the fiscal year	-	-	7,651	1,063	8,714
Balance as of March 31, 2022	13,660	19,596	94,320	(9,586)	117,990

	Accumulated other comprehensive income				Total Net Assets
	Unrealized gains on available-for-sale securities	Exchange adjustment account	Re-measurements of defined benefit plans	Total accumulated other comprehensive income	
Balance as of April 1, 2021	2,570	(2,951)	355	(25)	109,250
Changes during the fiscal year					
Dividends from surplus					(1,411)
Profit attributable to owners of parent					11,901
Acquisition of treasury stock					(1,775)
Cancellation of treasury stock					-
Net changes in items other than owners' equity during the fiscal year	(75)	1,616	26	1,567	1,567
Total changes during the fiscal year	(75)	1,616	26	1,567	10,282
Balance as of March 31, 2022	2,495	(1,334)	381	1,542	119,533

Non-Consolidated Balance Sheet

(As of March 31, 2022)

(Millions of yen)

Account item	Amount	Account item	Amount
Assets		Liabilities	
Current assets	111,012	Current liabilities	27,864
Cash and deposits	32,742	Notes payable—trade	2,249
Notes receivable—trade	1,252	Accounts payable—trade	13,967
Accounts receivable—trade	21,922	Short-term borrowings	1,050
Short-term investment securities	13,699	Accounts payable—other	687
Merchandise and finished goods	788	Accrued expenses	870
Work in process	1,310	Income taxes payable	2,199
Raw materials and supplies	25,165	Deposits received	5,770
Operating accounts receivable	12,638	Provision for directors' bonuses	50
Accounts receivable—other	1,004	Other	1,020
Other	487	Long-term liabilities	16,632
Fixed assets	22,423	Convertible bond-type bonds with subscription rights to shares	10,051
Tangible fixed assets	8,835	Reserve for retirement benefits	2,413
Buildings	1,931	Reserve for loss on guarantees of subsidiaries and affiliates	568
Structures	33	Reserve for loss on business of subsidiaries and affiliates	2,558
Machinery and equipment	2,302	Deferred tax liabilities	538
Vehicles and transportation equipment	5	Other	500
Tools, furniture and fixtures	594	Total Liabilities	44,496
Molds	274	Net assets	
Land	2,934	Owners' equity	86,443
Construction in progress	759	Capital	13,660
Intangible fixed assets	199	Additional paid-in capital	19,596
Software	181	Capital reserve	19,596
Other	18	Retained earnings	62,772
Investments and other assets	13,388	Legal reserve	1,049
Investment securities	4,809	Other retained earnings	61,723
Stocks of subsidiaries and affiliates	3,927	Reserve for dividends	200
Investments in equity of subsidiaries and affiliates	2,622	Reserve for advanced depreciation of fixed assets	437
Long-term loans receivable from subsidiaries and affiliates	3,657	Reserve for special account for advanced depreciation of fixed assets	105
Other	643	Reserve for open innovation promotion tax system	17
Allowance for doubtful accounts	(2,272)	General reserve	26,350
		Retained earnings brought forward	34,612
		Treasury stock	(9,586)
		Valuation and translation adjustments	2,495
		Unrealized gains on available-for-sale securities	2,495
		Total Net Assets	88,939
Total Assets	133,435	Total Liabilities and Net Assets	133,435

Non-Consolidated Statement of Income
(From April 1, 2021 to March 31, 2022)

(Millions of yen)

Account item	Amount	
Net sales		161,003
Cost of sales		149,307
Gross profit		11,695
Selling, general and administrative expenses		4,919
Operating income		6,775
Non-operating income		
Interest and dividends income	1,221	
Exchange gain	3,234	
Other	269	4,725
Non-operating expenses		
Interest expenses	4	
Rent expenses	48	
Other	23	76
Ordinary income		11,424
Extraordinary income		
Profit on disposal of fixed assets	1	
Gain on sales of investment securities	225	
Reversal of allowance for doubtful accounts for subsidiaries and associates	1,224	
Reversal of reserve for loss on guarantees of subsidiaries and affiliates	467	
Reversal of reserve for loss on guarantees of subsidiaries and affiliates	3,868	5,788
Extraordinary losses		
Loss on disposal of fixed assets	0	
Impairment loss	43	
Provision of allowance for doubtful accounts for subsidiaries and associates	39	
Other	0	83
Income before income taxes		17,129
Income taxes—current		3,024
Income taxes—deferred		40
Net income		14,064

Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Owners' equity									
	Capital	Additional paid-in capital			Retained earnings					
		Capital reserve	Total additional paid-in capital	Legal reserve	Other retained earnings					
					Reserve for special depreciation	Reserve for dividends	Reserve for advanced depreciation of fixed assets	Reserve for special account for advanced depreciation of fixed assets	Reserve for open innovation promotion tax system	General reserve
Balance as of April 1, 2021	13,660	19,596	19,596	1,049	0	200	445	105	-	26,350
Changes during the fiscal year										
Reversal of reserve for special depreciation					(0)					
Reversal of reserve for advanced depreciation of fixed assets							(8)			
Provision of reserve for special account for advanced depreciation of fixed assets										
Provision of reserve for open innovation promotion tax system									17	
Dividends from surplus										
Net income										
Acquisition of treasury stock										
Cancellation of treasury stock										
Net changes in items other than owners' equity during the fiscal year										
Changes during the fiscal year	-	-	-	-	(0)	-	(8)	-	17	-
Balance as of March 31, 2022	13,660	19,596	19,596	1,049	-	200	437	105	17	26,350

	Owners' equity				Valuation and translation adjustments	Total Net Assets
	Retained earnings		Treasury stock	Total owners' equity	Unrealized gains on available-for-sale securities	
	Other retained earnings	Total retained earnings				
	Retained earnings brought forward					
Balance as of April 1, 2021	24,806	52,958	(10,649)	75,566	2,570	78,137
Changes during the fiscal year						
Reversal of reserve for special depreciation	0	-		-		-
Reversal of reserve for advanced depreciation of fixed assets	8	-		-		-
Provision of reserve for special account for advanced depreciation of fixed assets		-		-		-
Provision of reserve for open innovation promotion tax system	(17)	-		-		-
Dividends from surplus	(1,411)	(1,411)		(1,411)		(1,411)
Net income	14,064	14,064		14,064		14,064
Acquisition of treasury stock			(1,775)	(1,775)		(1,775)
Cancellation of treasury stock	(2,838)	(2,838)	2,838	-		-
Net changes in items other than owners' equity during the fiscal year		-	-	-	(75)	(75)
Changes during the fiscal year	9,805	9,813	1,063	10,877	(75)	10,802

Balance as of March 31, 2022	34,612	62,772	(9,586)	86,443	2,495	88,939
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Reference Documents for the General Meeting of Shareholders

Proposals and references

Proposal No. 1: Appropriation of Surplus

Hosiden Corporation embraces providing returns to shareholders as one of our important corporate policies. Meanwhile, in order to increase the corporate value, research and development as well as investment in production equipment, etc. are necessary to cope with rapid technological innovation. To that end, the Company is working to increase business profits and reinforce its financial position by securing internal reserves from a long-term perspective. The Company aims to pay out dividends on an ongoing basis, assuming a stable business environment, and target a payout ratio of about 30% based on consolidated financial results.

Under this policy, the Company proposes the year-end dividend and other appropriation of surplus for the fiscal year as follows.

1. Types of dividend properties
Cash
2. Matters related to distribution of dividend properties and the amount
Shares of common stock of the Company: ¥55 per share
Aggregate amount: ¥3,022,527,365
The annual dividend for the term, along with the interim dividend of ¥10 per share, will be ¥65 per share.
3. Effective date of the dividend of surplus
June 30, 2022

Proposal No. 2: Partial Amendments to the Articles of Incorporation

1. Reasons for amendments

The amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) will be enforced on September 1, 2022.

Accordingly, in order to prepare for the introduction of the system for electronic provision of materials for general meetings of shareholders, the Articles of Incorporation of the Company shall be amended as follows.

- (1) The proposed Article 14, Paragraph 1 provides that information contained in the Reference Documents for the General Meeting of Shareholders, etc. shall be provided electronically.
- (2) The purpose of the proposed Article 14, Paragraph 2 is to establish a provision to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested it.
- (3) The provisions related to the internet disclosure and deemed provision of the Reference Documents for the General Meeting of Shareholders, etc. (Article 14 of the current Articles of Incorporation) will become unnecessary and will therefore be deleted.
- (4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. shall be established.

2. Details of amendments

The details of the amendments are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p><u>Article 14 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u></p> <p><u>The Company may, when convening a General Meeting of Shareholders, deem that it has provided information to shareholders pertaining to matters to be described or indicated in the Reference Documents for the General Meeting of Shareholders, Business Report, Non-Consolidated Financial Statements, and Consolidated Financial Statements, by disclosing such information through the internet in accordance with the provisions provided in the Ordinance of the Ministry of Justice.</u></p> <p><Newly established></p> <p><Newly established></p>	<p><Deleted></p> <p><u>Article 14 (Measures for Electronic Provision, Etc.)</u></p> <p><u>The Company shall, when convening a General Meeting of Shareholders, provide information contained in the Reference Documents for the General Meeting of Shareholders, etc. electronically.</u></p> <p><u>2. Among the matters to be provided electronically, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</u></p> <p><u>(Supplementary provisions)</u></p> <p><u>1. The deletion of Article 14 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) of the current Articles of Incorporation and the introduction of the proposed Article 14 (Measures for Electronic Provision, Etc.) shall come into effect on September 1, 2022, the date of enforcement of the amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (the “Effective Date”).</u></p> <p><u>2. Notwithstanding the provisions of the preceding paragraph, Article 14 of the current Articles of Incorporation shall remain in force with respect to a General Meeting of Shareholders to be held on a date within six months from the Effective Date.</u></p> <p><u>3. These supplementary provisions shall be deleted after the lapse of six months from the Effective Date or the lapse of three months from the date of the General Meeting of Shareholders set forth in the preceding paragraph, whichever is later.</u></p>

Proposal No. 3: Election of Two Substitutes for Statutory Auditors

The effect of electing Mr. Kazunori Nishimura and Mr. Masashi Mori, who were elected as substitutes for Statutory Auditors at the 71st Ordinary General Meeting of Shareholders, held on June 29, 2021, shall expire at the beginning of this General Meeting of Shareholders. In the case of a vacancy of Statutory Auditors, as stipulated by laws and regulations, we hereby propose that Mr. Kazunori Nishimura be elected as a substitute for Statutory Auditor Shinji Hombo and that Mr. Masashi Mori be elected as a substitute for Outside Statutory Auditor Takayuki Tanemura and Outside Statutory Auditor Masakatsu Maruyama.

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

The candidates for substitutes for Statutory Auditors are as follows:

Candidate No.	Name (Date of Birth)	Career summary and positions in the Company and important concurrent position	Number of shares of the Company held
1	Kazunori Nishimura November 3, 1958	April 1981 Joined Hosiden Corporation April 2017 General Manager, General Affairs Department (to the present)	4,200 shares
		[Reasons for nomination as a candidate] Mr. Nishimura has long engaged in administrative divisions since joining the Company. The Company believes that he will be able to fully perform his duties as a Statutory Auditor by utilizing his extensive experience cultivated over many years at the Company, and hereby proposes that he be elected as a substitute for Statutory Auditor.	
2	Masashi Mori March 4, 1956	April 1974 Joined Osaka Regional Taxation Bureau July 2008 District Director, Shingu District Tax Office July 2011 District Director, Itami District Tax Office July 2014 District Director, Joto District Tax Office August 2016 Established Masashi Mori Certified Tax Accountant Office (to the present)	0 shares
		[Important concurrent positions] • Director, Masashi Mori Certified Tax Accountant Office [Reasons for nomination as a candidate] Mr. Mori has considerable knowledge concerning finance and accounting due to his expertise as a certified tax accountant, as well as experience in serving in various positions including the head of taxation bureaus. The Company believes that Mr. Mori will be able to draw on his extensive knowledge and experience to objectively monitor the execution of duties by Directors as an Outside Statutory Auditor, and hereby proposes that he be elected as a substitute for Statutory Auditor.	

Notes: 1. No conflict of interest exists between the Company and the above candidates for substitutes for Statutory Auditors.

2. The matters concerning the candidate for substitute for Outside Statutory Auditors are described as follows:

- (1) Mr. Masashi Mori is a candidate for substitute for Outside Statutory Auditor. If he is appointed as an Outside Statutory Auditor, Mr. Mori will be notified to Tokyo Stock Exchange, Inc. as an independent officer, since he satisfies the requirements for independent officers as stipulated by the said exchange.
- (2) Although he has not directly participated in business management other than participation as an Outside Director or an Outside Statutory Auditor, the Company has judged that he will be able to fully perform his duties as an Outside Statutory Auditor for the above reasons.
- (3) In the event the election of Mr. Masashi Mori as a substitute for Statutory Auditor is approved and he assumes office as an Outside Statutory Auditor in the case of a vacancy of Statutory Auditors as stipulated by laws and regulations, the Company, pursuant to the provisions of its Articles of Incorporation and Article 427, Paragraph 1 of the Companies Act, will enter into an agreement with Mr. Masashi Mori to limit his liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act to the amount specified in laws and regulations.
- (4) The Company has entered into directors and officers liability insurance contract with an insurance

company. The insurance policy covers any damages that may result from the claim for damages arising from directors' and officers' acts in performing their duties, as well as litigation costs in relation to such claims. In the case of a vacancy of Statutory Auditors, as stipulated by laws and regulations, and the candidates for Statutory Auditor assume the office, the Statutory Auditor candidates will be included as the insured under the insurance policy. The Company will continue to enter into the insurance policy with the same content at the next renewal.

Proposal No. 4: Determination of Compensation for Granting Restricted Stock to Directors (Excluding Outside Directors)

At the Ordinary General Meeting of Shareholders held on June 28, 2007, the maximum amount of compensation for the Company's Directors is approved to be not more than ¥25 million per month. However, with the aim of incentivizing the Company's Directors to work for sustainable growth in corporate value, as well as promoting further sharing of values between the Directors and the shareholders, the Company requests approval for the introduction of a compensation system for granting restricted stock to the Company's Directors (excluding Outside Directors; hereinafter referred to as "Eligible Directors"). Accordingly, separately from the current maximum amount of compensation for Directors, the Company proposes to set the total amount of monetary compensation for granting restricted stock to the Eligible Directors at not more than ¥30 million per year, as an amount considered appropriate in light of the purpose described above, and set the total number of shares of the Company's common stock to be issued or disposed of under the system at not more than 50,000 shares per year (however, if the Company's common stock undergoes a stock split (including allotment of shares of the Company's common stock without contribution) or a stock consolidation after the approval date of this proposal or if the total number of shares of the Company's common stock to be issued or disposed of otherwise needs to be adjusted, the Company may reasonably adjust that total number.). In addition, the specific amounts to be allocated to individual Eligible Directors shall be determined by the Board of Directors after consultation with the Nomination and Compensation Committee.

The Company currently has four Eligible Directors.

In accordance with a resolution of the Company's Board of Directors, the Eligible Directors shall receive shares of the Company's common stock to be issued or disposed of by making in-kind contributions of all the monetary compensation claims to be granted based on this proposal. The amount to be paid in per such share shall be determined by the Board of Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the day preceding the business day on which the relevant resolution of the Board of Directors meeting is adopted (if no trades are executed on that day, the closing price of the most recent trading day prior to the date of resolution) in a range not particularly advantageous to the Eligible Directors. In addition, for this issuance or disposal of the Company's common stock, the Company shall enter into an agreement on allotment of restricted stock (hereinafter referred to as the "Allotment Agreement") with the Eligible Directors, which shall contain the details outlined below.

- (1) Eligible Directors must not transfer, create a security interest on, or otherwise dispose of the Company's common stock allotted under the Allotment Agreement (hereinafter referred to as "Allotted Shares") during a period from the delivery date of the restricted stock to the date on which they lose their position as the Company's Director (that period, the "Transfer Restriction Period") (that restriction, the "Transfer Restriction").
- (2) If an Eligible Director loses all the positions described in (1) above before expiration of a period separately determined by the Company's Board of Directors (hereinafter referred to as the "Service Period"), the Company shall automatically acquire the Allotted Shares without compensation unless there are grounds deemed justifiable by the Company's Board of Directors.
- (3) The Company shall lift the Transfer Restriction on all of the Allotted Shares at the expiration of the Transfer Restriction Period, on the condition that Eligible Directors continuously remain in Director or other positions of the Company determined by the Company's Board of Directors, during the Service Period; provided, however, that the number of Allotted Shares subject to the lifting of the Transfer Restriction and the timing of lifting the Transfer Restriction shall be adjusted as necessary if Eligible Directors lose all the positions described in (1) above for the grounds deemed justifiable by the Company as provided in (2) above.
- (4) The Company shall automatically acquire without compensation any Allotted Shares for which the Transfer Restriction has not been lifted under the provisions of (3) above at the expiration of the Transfer Restriction Period.
- (5) In the event that proposals regarding a merger agreement under which the Company is to become the disappearing company, a share exchange agreement or a share transfer plan under which the Company is to become a wholly-owned subsidiary, or other organizational restructuring, etc., are approved by a General Meeting of Shareholders of the Company (or by the Board of Directors of the Company if such organizational restructuring, etc. do not require approval of a General Meeting of Shareholders of the Company) during the Transfer Restriction Period, the Company shall, by resolution of the Company's Board of Directors, lift the Transfer Restriction prior to the effective date of such organizational restructuring, etc. for the number of Allotted Shares reasonably determined.
- (6) In the case of (5) above, the Company shall automatically acquire without compensation any Allotted Shares for which the Transfer Restriction has not been lifted immediately after the lifting of the Transfer Restriction pursuant to the provisions of (5) above.

- (7) In the event that the Company's Board of Directors judges that any of the events set forth by the Board of Directors, including a law violation, with respect to conduct and the like of Eligible Directors in office, has occurred, the Allotted Shares shall be clawed back (meaning the returning of Allotted Shares after lifting of the Transfer Restriction, or, if the relevant Director does not hold the Allotted Shares, the returning of money equivalent to the Allotted Shares).
- (8) The Allotment Agreement shall provide the methods of manifesting intentions and making notifications under the Allotment Agreement, and the method of revising the Allotment Agreement, and other matters established by the Board of Directors.

Subject to approval of this proposal, the Company will change its policy on determination of Director compensation, etc., which was set forth at the Board of Directors' meeting held on February 25, 2021, to be aligned with this proposal. The Company has judged that the granting of the Allotted Shares is reasonable because, as described above, the paid-in amount for the Allotted Shares is in a range not particularly advantageous and the dilution rate is insignificant.

Proposal No. 5: Payment of Bonuses to Directors

In consideration of factors such as the business results of the fiscal year, the Company requests approval for payment of ¥50,000,000 as bonuses to Directors for the four Directors in office, excluding Outside Directors, as of the end of the fiscal year.

Bonuses to be paid to Directors are not performance-linked compensation that are calculated based on the performance indicators. However, the Company resolved as a policy at the Board of Directors held on February 25, 2021 to resolve the aggregate amount at the General Meeting of Shareholders by comprehensively considering the business results for the fiscal year and the actual past payment amount, as well as situation of peer companies in the same industry. This proposal is in accordance with such policy, and the Company judges it to be appropriate.