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(Securities code: 2742)  
May 11, 2021

**To Shareholders with Voting Rights:**

Toshiyuki Sato  
President and Chief Executive Officer  
Halows Co., Ltd.  
6-26-7, Minamizao-cho, Fukuyama-shi, Hiroshima, Japan  
(Headquarters: 3270-1, Hayashima, Hayashima-cho,  
Tsukubo-gun, Okayama, Japan)

**Notice of the 63rd Annual General Meeting of Shareholders**

We are pleased to inform you that the 63rd Annual General Meeting of Shareholders (the “Meeting”) of Halows Co., Ltd. (the “Company”) will be held for the purposes described below.

In order to prevent the spread of the novel coronavirus, irrespective of the health of shareholders, we respectfully request that you refrain from attending the Meeting and instead exercise your voting rights prior to the Meeting either in writing (by mail) or via the Internet.

**Accordingly, please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 6:30 p.m. Japan time on Wednesday, May 26, 2021.**

[When exercising your voting rights in writing (by mail)]

Please indicate your approval or disapproval for the proposals on the enclosed Voting Rights Exercise Form and return it so that it is received by the abovementioned deadline.

[When exercising your voting rights via the Internet]

Please access the Company’s designated website for the exercise of voting rights (<https://evote.tr.mufg.jp/>) using the “Login ID ” and “Password” shown on the enclosed Voting Rights Exercise Form, follow the on-screen guidance, and indicate your approval or disapproval for the proposals by the abovementioned deadline.

Please refer to the “Guidance on Methods for Exercise of Voting Rights” on pages 3 to 4 (Japanese only) when voting via the Internet.

1. **Date and time:** Thursday, May 27, 2021 at 10 a.m. Japan time
2. **Venue:** Large conference room, 2F, the Company’s Headquarters  
3270-1, Hayashima, Hayashima-cho, Tsukubo-gun, Okayama
3. **Meeting Agenda:**
  - Matters to be reported:** Business report and non-consolidated financial statements for the 63rd fiscal year (March 1, 2020 to February 28, 2021)
  - Matters to be resolved:**
    - Proposal 1:** Distribution of Surplus
    - Proposal 2:** Partial Amendments to the Articles of Incorporation
    - Proposal 3:** Election of Ten (10) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)
    - Proposal 4:** Election of Five (5) Directors Serving as Audit and Supervisory Committee Members
    - Proposal 5:** Determination of Amount of Compensation, etc. for Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)

- Proposal 6:** Determination of Amount of Compensation, etc. for Directors Serving as Audit and Supervisory Committee Members
- Proposal 7:** Determination of Specific Details for Compensation, etc. Pertaining to Stock Compensation-type Stock Options for Directors (Excluding Directors Serving as Audit and Supervisory Committee Members and Outside Directors)
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- Together with this Notice, please also refer to the enclosed “Prevention Measures for the Spread of the Novel Coronavirus at the General Meeting of Shareholders.” (Japanese only)
- If you attend the Meeting, please hand in the enclosed Voting Rights Exercise Form at the reception of the Meeting.
- Any revisions to the business report, non-consolidated financial statements and Reference Documents for the General Meeting of Shareholders will be posted on the Company’s website. (<https://www.halows.com/>)

## Reference Documents for the General Meeting of Shareholders

### Proposals and References

#### Proposal 1: Distribution of Surplus

Striving to enhance internal reserves to prepare for active future business development and comprehensively taking into account the needs to maintain stable dividend payments and return profit to shareholders appropriately, the Company proposes to distribute surplus as follows.

##### 1. Year-end dividend

In order to commemorate the achievement of 150.0 billion yen in operating revenue in the 63<sup>rd</sup> fiscal year, the Company proposes year-end dividend of 18 yen for the fiscal year under review, adding a commemorative dividend of 2 yen to the ordinary dividend of 16 yen.

Combined with the interim dividend of 16 yen per share that the Company paid in November 2020, the annual dividends will amount to 34 yen per share.

##### (1) Type of dividend property

Cash

##### (2) Allotment of dividend property to shareholders and its total amount

18 yen per share of the Company's common stock

Total amount: 384,287,094 yen

##### (3) Effective date of the dividend of surplus

May 28, 2021

##### 2. Other matters concerning distribution of surplus

To further strengthen its financial standing taking into account future business environment with the aim of developing its business soundly, the Company proposes to distribute surplus as follows:

##### (1) Item and amount of surplus to increase

General reserve 3,800,000,000 yen

##### (2) Item and amount of surplus to decrease

Retained earnings brought forward 3,800,000,000 yen

**Proposal 2:** Partial Amendments to the Articles of Incorporation

1. Reasons for the amendments

- (1) In order to further strengthen audit and supervisory functions by establishing an Audit and Supervisory Committee and giving voting rights at meetings of the Board of Directors to officers who conduct audits, new regulations pertaining to the Audit and Supervisory Committee and Audit and Supervisory Committee Members will be established, and regulations pertaining to the Audit & Supervisory Board and Audit & Supervisory Board Members will be abolished. At the same time, a supplementary provision will be established as a transitional measure in association with the abolition of the regulation pertaining to the exemption of liability of Audit & Supervisory Board Members.
- (2) Changes will be made to the effect that dividends of surplus, etc. may be executed by resolution of the Board of Directors to enable the flexible implementation of capital policies and dividend policies.
- (3) Transferring the delegation of authority from the Board of Directors to Directors will improve the flexibility of decision making and business execution with the aim of further improving management efficiency and strengthening supervisory functions over business execution.
- (4) Necessary changes such as alterations to wording, adjustments to sentences for the purpose of clarification and revisions to the Article numbering will be made in view of the establishment, amendment, and abolition of the articles as outlined above.

2. Details of the amendments

Details of the amendments are as follows.

Amendments to the Articles of Incorporation contained in this Proposal will take effect at the conclusion of this Annual General Meeting of Shareholders.

Current Articles of Incorporation	Proposed Amendments
<p>(Purpose) Article 2 The purpose of the Company shall be to engage in the following business. (1) to (19) (Omitted) (Newly established) (20) Worker dispatching business (21) Management guidance and outsourcing for various companies (22) Recycling of resources, etc. (23) All business incidental to the preceding items</p> <p>(Newly established)</p> <p>(Method of Notification) Article 4 (Omitted) (Total Number of Authorized Shares) Article 5 (Omitted) (Acquisition of Treasury Stock) Article 6 (Omitted) (Number of Shares Per Unit) Article 7 (Omitted) (Restrictions on Rights Concerning Shares Less than One Unit) Article 8 (Omitted) (Shareholder Registry Administrator) Article 9 (Omitted) (Share Handling Rules) Article 10 (Omitted) (Record Date) Article 11 (Omitted)</p> <p>Chapter III General Meeting of Shareholders</p> <p>(Convocation) Article 12 (Omitted)</p> <p>(Convener and Chairperson) Article 13 The General Meeting of Shareholders shall, unless otherwise prescribed by laws and regulations, be convened by the <u>President and Representative Director, Chief Executive Officer</u> by resolution of the Board of Directors. In the event that an accident befalls the <u>President and Representative Director, Chief Executive Officer</u>, the meeting shall be convened by another Director in an order predetermined by the Board of Directors. 2. The General Meeting of Shareholders shall be chaired by the <u>President and Representative Director, Chief Executive Officer</u>. In the event that an accident befalls the <u>President and Representative Director, Chief Executive Officer</u>, the meeting shall be chaired by another Director in an order predetermined by the Board of Directors.</p>	<p>(Purpose) Article 2 The purpose of the Company shall be to engage in the following business. (1) to (19) (Unchanged) (20) <u>Handling of in-house e-money (HALOCA)</u> (21) Worker dispatching business (22) Management guidance and outsourcing for various companies (23) Recycling of resources, etc. (24) All business incidental to the preceding items</p> <p>(Organizations) <u>Article 4 The Company will become a company with an Audit and Supervisory Committee and, in addition to the General Meeting of Shareholders and Directors, shall establish the following organizations.</u> (1) <u>Board of Directors</u> (2) <u>Audit and Supervisory Committee</u> (3) <u>Accounting Auditor</u></p> <p>(Method of Notification) Article 5 (Unchanged) (Total Number of Authorized Shares) Article 6 (Unchanged) (Acquisition of Treasury Stock) Article 7 (Unchanged) (Number of Shares Per Unit) Article 8 (Unchanged) (Restrictions on Rights Concerning Shares Less than One Unit) Article 9 (Unchanged) (Shareholder Registry Administrator) Article 10 (Unchanged) (Share Handling Rules) Article 11 (Unchanged) (Record Date) Article 12 (Unchanged)</p> <p>Chapter III General Meeting of Shareholders</p> <p>(Convocation) Article 13 (Unchanged)</p> <p>(Convener and Chairperson) Article 14 The General Meeting of Shareholders shall, unless otherwise prescribed by laws and regulations, be convened by the <u>President and Director</u> by resolution of the Board of Directors. In the event that an accident befalls the <u>President and Director</u>, the meeting shall be convened by another Director in an order predetermined by the Board of Directors. 2. The General Meeting of Shareholders shall be chaired by the <u>President and Director</u>. In the event that an accident befalls the <u>President and Director</u>, the meeting shall be chaired by another Director in an order predetermined by the Board of Directors.</p>

Current Articles of Incorporation	Proposed Amendments
<p>(Disclosure via the Internet and Deemed Delivery of Reference Documents for the General Meeting of Shareholders) Article <u>14</u> (Omitted)  (Method of Resolution) Article <u>15</u> (Omitted)  (Exercise of Voting Rights by Proxy) Article <u>16</u> (Omitted)  (Minutes of Meetings) Article <u>17</u> (Omitted)</p> <p>Chapter IV Directors and the <u>Board of Directors</u></p> <p><u>(Establishment of the Board of Directors)</u>  Article 18 The Company shall establish a Board of Directors.</p> <p>(Number of Directors)  Article 19 The number of Directors of the Company <u>shall be not more than eleven (11)</u>.</p> <p>(Newly established)</p> <p>(Election of Directors)  Article 20 Directors of the Company shall be elected by resolution of the General Meeting of Shareholders.</p> <p>(Term of Office of Directors)  Article 21 The term of office of <u>Directors</u> shall expire upon the conclusion of the Annual General Meeting of Shareholders held with respect to the last business year ending within <u>two (2)</u> years following their election.</p> <p><u>2. The term of office of Directors elected to increase the number of Directors or as a substitute shall be the remainder of the term of office of other incumbent Directors.</u></p> <p>(Newly established)</p>	<p>(Disclosure via the Internet and Deemed Delivery of Reference Documents for the General Meeting of Shareholders) Article <u>15</u> (Unchanged)  (Method of Resolution) Article <u>16</u> (Unchanged)  (Exercise of Voting Rights by Proxy) Article <u>17</u> (Unchanged)  (Minutes of Meetings) Article <u>18</u> (Unchanged)</p> <p>Chapter IV Directors and the <u>Board of Directors and Audit and Supervisory Committee</u></p> <p>(Deleted)</p> <p>(Number of Directors)  Article 19 The number of Directors of the Company <u>(including Directors serving as Audit and Supervisory Committee Members) shall be not more than fifteen (15)</u>.  <u>2. The number of Directors of the Company serving as Audit and Supervisory Committee Members shall be not more than three (3)</u>.</p> <p>(Election of Directors)  Article 20 Directors of the Company shall be elected by resolution of the General Meeting of Shareholders, <u>differentiating Directors (excluding Directors serving as Audit and Supervisory Committee Members) from Directors serving as Audit and Supervisory Committee Members</u>.</p> <p>(Term of Office of Directors)  Article 21 The term of office of <u>Directors (excluding Directors serving as Audit and Supervisory Committee Members)</u> shall expire upon the conclusion of the Annual General Meeting of Shareholders held with respect to the last business year ending within <u>one (1)</u> year following their election.</p> <p><u>2. The term of office of Directors serving as Audit and Supervisory Committee Members shall expire upon the conclusion of the Annual General Meeting of Shareholders held with respect to the last business year ending within two (2) years following their election.</u>  <u>3. The term of office of Directors serving as Audit and Supervisory Committee Members who have been elected as substitutes for Directors serving as Audit and Supervisory Committee Members who retired prior to the expiration of their term of office shall be the remainder of the term of office of the retiring Directors serving as Audit and Supervisory Committee Members.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>(Representative Directors and Directors with Titles) Article 22 The Company shall appoint Representative Directors by resolution of the Board of Directors.</p> <p>2. Representative Directors shall represent the Company and execute the business of the Company.</p> <p>3. The Board of Directors shall, by resolution, appoint one (1) <u>President and Representative Director, Chief Executive Officer from among Directors</u> and, in addition, may appoint one (1) Chairperson and Director <u>and</u> several Executive Vice Presidents, Senior Managing Directors, and Executive Managing Directors, as necessary.</p>	<p>(Representative Directors and Directors with Titles) Article 22 The Company shall appoint Representative Directors <u>from among Directors (excluding Directors serving as Audit and Supervisory Committee Members)</u> by resolution of the Board of Directors.</p> <p>2. Representative Directors shall represent the Company and execute the business of the Company.</p> <p>3. The Board of Directors shall, by resolution, appoint one (1) <u>President and Director from among Directors (excluding Directors serving as Audit and Supervisory Committee Members)</u> and, in addition, may appoint one (1) Chairperson and Director <u>and</u> several <u>Executive Vice Chairpersons</u>, Executive Vice Presidents, Senior Managing Directors, and Executive Managing Directors, as necessary.</p>
<p>(Convener and Chairperson of Meetings of the Board of Directors) Article 23 Meetings of the Board of Directors shall, unless otherwise prescribed by laws and regulations, be convened and chaired by the <u>President and Representative Director, Chief Executive Officer</u>. In the event that an accident befalls the <u>President and Representative Director, Chief Executive Officer</u>, the meeting shall be convened and chaired by another Director in an order predetermined by the Board of Directors.</p>	<p>(Convener and Chairperson of Meetings of the Board of Directors) Article 23 Meetings of the Board of Directors shall, unless otherwise prescribed by laws and regulations, be convened and chaired by the <u>President and Director</u>. In the event that an accident befalls the <u>President and Director</u>, the meeting shall be convened and chaired by another Director in an order predetermined by the Board of Directors.</p>
<p>(Notice of Convocation for Meetings of the Board of Directors) Article 24 Notice of convocation for meetings of the Board of Directors shall be issued to each Director <u>and Audit &amp; Supervisory Board Member</u> at least three (3) days prior to the date of the meeting. However, this period may be shortened in cases of urgency. (Newly established)</p>	<p>(Notice of Convocation for Meetings of the Board of Directors) Article 24 Notice of convocation for meetings of the Board of Directors shall be issued to each Director at least three (3) days prior to the date of the meeting. However, this period may be shortened in cases of urgency. <u>2. Meetings of the Board of Directors may be held without going through the convocation procedures with the unanimous consent of all Directors.</u></p>
<p>(Method of Resolution by the Board of Directors) Article 25 (Omitted)</p>	<p>(Method of Resolution by the Board of Directors) Article 25 (Unchanged)</p>
<p>(Omission of Resolution by the Board of Directors) Article 26 The Company shall, with the unanimous agreement of Directors in writing or by electromagnetic means on matters to be resolved by the Board of Directors, deem said matters for resolution to have been approved. <u>However, this shall not apply if there is any objection by an Audit &amp; Supervisory Board Member.</u></p>	<p>(Omission of Resolution by the Board of Directors) Article 26 The Company shall, with the unanimous agreement of Directors in writing or by electromagnetic means on matters to be resolved by the Board of Directors, deem said matters for resolution to have been approved.</p>

Current Articles of Incorporation	Proposed Amendments
<p>(Newly established)</p> <p>(Minutes of Meetings of the Board of Directors) Article <u>27</u> The outline of proceedings and results of meetings of the Board of Directors, and other items prescribed by laws and regulations shall be stated or recorded in the minutes, and the Directors <u>and Audit &amp; Supervisory Board Members</u> in attendance at the meeting shall affix their name and seal or digital signature to them.</p> <p>(Rules of the Board of Directors) Article <u>28</u> (Omitted)</p> <p>(Compensation, etc. for Directors) Article <u>29</u> Compensation, etc. for Directors shall be determined by resolution of the General Meeting of Shareholders.</p> <p>(Exemption of Liability of Directors) Article <u>30</u> (Omitted)</p> <p><u>Chapter V Audit &amp; Supervisory Board Members and Audit &amp; Supervisory Board</u></p> <p><u>(Establishment of Audit &amp; Supervisory Board Members and Audit &amp; Supervisory Board)</u> Article <u>31</u> The Company shall establish <u>Audit &amp; Supervisory Board Members and the Audit &amp; Supervisory Board.</u></p> <p><u>(Number of Audit &amp; Supervisory Board Members)</u> Article <u>32</u> The number of <u>Audit &amp; Supervisory Board Members</u> of the Company shall be not more than four (4).</p> <p><u>(Election of Audit &amp; Supervisory Board Members)</u> Article <u>33</u> <u>Audit &amp; Supervisory Board Members of the Company shall be elected by resolution of the General Meeting of Shareholders.</u> <u>2. Resolutions for the election of Audit &amp; Supervisory Board Members shall be made by attendance of shareholders holding one-third of voting rights owned by shareholders eligible for exercising their voting rights and affirmatives by a simple majority of voting rights held by the shareholders in attendance.</u></p>	<p><u>(Delegation to Directors)</u> Article <u>27</u> Pursuant to Article 399-13, Paragraph 6 of the Companies Act, the Board of Directors may, by resolution, delegate all or part of decisions on the execution of important business matters (excluding matters stipulated in each item of Article 399-13, Paragraph 5 of the same Act) to Directors.</p> <p>(Minutes of Meetings of the Board of Directors) Article <u>28</u> The outline of proceedings and results of meetings of the Board of Directors, and other items prescribed by laws and regulations shall be stated or recorded in the minutes, and the Directors in attendance at the meeting shall affix their name and seal or digital signature to them.</p> <p>(Rules of the Board of Directors) Article <u>29</u> (Unchanged)</p> <p>(Compensation, etc. for Directors) Article <u>30</u> Compensation, etc. for Directors shall be determined by resolution of the General Meeting of Shareholders, <u>differentiating Directors (excluding Directors serving as Audit and Supervisory Committee Members) from Directors serving as Audit and Supervisory Committee Members.</u></p> <p>(Exemption of Liability of Directors) Article <u>31</u> (Unchanged)</p> <p>(Deleted)</p> <p>(Articles 31 to 33 Deleted)</p>



Current Articles of Incorporation	Proposed Amendments
<p><u>(Term of Office of Audit &amp; Supervisory Board Members)</u>  <u>Article 34</u> The term of office of Audit &amp; Supervisory Board Members shall expire upon the conclusion of the Annual General Meeting of Shareholders held with respect to the last business year ending within four (4) years following their election.  <u>2.</u>The term of office of Audit &amp; Supervisory Board Members who have been elected as substitutes shall be the remainder of the term of office of the retiring Audit &amp; Supervisory Board Members.</p> <p><u>(Full-time Audit &amp; Supervisory Board Members)</u>  <u>Article 35</u> The Audit &amp; Supervisory Board shall appoint full-time Audit &amp; Supervisory Board Members from among Audit &amp; Supervisory Board Members.</p> <p>(Newly established)</p> <p><u>(Notice of Convocation for Meetings of the Audit &amp; Supervisory Board)</u>  <u>Article 36</u> Notice of convocation for meetings of the <u>Audit &amp; Supervisory Board</u> shall be issued to each <u>Audit &amp; Supervisory Board Member</u> at least three (3) days prior to the date of the meeting. However, this period may be shortened in cases of urgency.</p> <p>(Newly established)</p> <p><u>(Method of Resolution by the Audit &amp; Supervisory Board)</u>  <u>Article 37</u> Resolutions by the Audit &amp; Supervisory Board shall, unless otherwise prescribed by laws and regulations, be adopted by a majority of Audit &amp; Supervisory Board Members.</p> <p><u>(Minutes of Meetings of the Audit &amp; Supervisory Board)</u>  <u>Article 38</u> The outline of proceedings and results of meetings of the <u>Audit &amp; Supervisory Board</u>, and other items prescribed by laws and regulations shall be stated or recorded in the minutes, and the <u>Audit &amp; Supervisory Board Members</u> in attendance at the meeting shall affix their name and seal or digital signature to them.</p>	<p>(Articles 34 to 35 Deleted)</p> <p><u>(Full-time Audit and Supervisory Committee Members)</u>  <u>Article 32</u> The Audit and Supervisory Committee may, by resolution, appoint full-time Audit and Supervisory Committee Members.</p> <p><u>(Notice of Convocation for Meetings of the Audit and Supervisory Committee)</u>  <u>Article 33</u> Notice of convocation for meetings of the <u>Audit and Supervisory Committee</u> shall be issued to each <u>Audit and Supervisory Committee Member</u> at least three (3) days prior to the date of the meeting. However, this period may be shortened in cases of urgency.  <u>2.</u> Meetings of the Audit and Supervisory Committee may be held without going through the convocation procedures with the unanimous consent of all Audit and Supervisory Committee Members.</p> <p>(Deleted)</p> <p><u>(Minutes of Meetings of the Audit and Supervisory Committee)</u>  <u>Article 34</u> The outline of proceedings and results of meetings of the <u>Audit and Supervisory Committee</u>, and other items prescribed by laws and regulations shall be stated or recorded in the minutes, and the <u>Audit and Supervisory Committee Members</u> in attendance at the meeting shall affix their name and seal or digital signature to them.</p>

Current Articles of Incorporation	Proposed Amendments
<p>(Rules of the <u>Audit &amp; Supervisory Board</u>)  Article <u>39</u> Matters concerning the <u>Audit &amp; Supervisory Board</u> shall be governed by laws and regulations, the Articles of Incorporation, and the Rules of the <u>Audit &amp; Supervisory Board</u> established by the <u>Audit &amp; Supervisory Board</u>.</p>	<p>(Rules of the <u>Audit and Supervisory Committee</u>)  Article <u>35</u> Matters concerning the <u>Audit and Supervisory Committee</u> shall be governed by laws and regulations, the Articles of Incorporation, and the Rules of the <u>Audit and Supervisory Committee</u> established by the <u>Audit and Supervisory Committee</u>.</p>
<p>(<u>Compensation, etc. for Audit &amp; Supervisory Board Members</u>)  Article <u>40</u> <u>Compensation, etc. for Audit &amp; Supervisory Board Members shall be determined by resolution of the General Meeting of Shareholders.</u></p>	<p>(Deleted)</p>
<p>(<u>Exemption of Liability of Audit &amp; Supervisory Board Members</u>)  Article <u>41</u> <u>Pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, the Company may, by resolution of the Board of Directors, exempt Audit &amp; Supervisory Board Members (including former Audit &amp; Supervisory Board Members) from liability for damages due to negligence to the extent provided for by laws and regulations.</u>  <u>2. Pursuant to the provisions of Article 427, Article 1 of the Companies Act, the Company may enter into agreements with Audit &amp; Supervisory Board Members to limit their liability for damages due to negligence of duties. However, the limit of liability under such agreements shall be the amount provided for by laws and regulations.</u></p>	<p>(Deleted)</p>
<p style="text-align: center;">Chapter <u>VI</u> Accounting Auditor</p> <p>(Establishment of Accounting Auditor)  Article <u>42</u> (Omitted)</p> <p>(Election of Accounting Auditor)  Article <u>43</u> (Omitted)</p> <p>(Term of Office of Accounting Auditor)  Article <u>44</u> (Omitted)</p> <p>(Compensation, etc. for Accounting Auditor)  Article <u>45</u> Compensation, etc. for the Accounting Auditor shall be determined by Representative Directors with the consent of the <u>Audit &amp; Supervisory Board</u>.</p>	<p style="text-align: center;">Chapter <u>V</u> Accounting Auditor</p> <p>(Establishment of Accounting Auditor)  Article <u>36</u> (Unchanged)</p> <p>(Election of Accounting Auditor)  Article <u>37</u> (Unchanged)</p> <p>(Term of Office of Accounting Auditor)  Article <u>38</u> (Unchanged)</p> <p>(Compensation, etc. for Accounting Auditor)  Article <u>39</u> Compensation, etc. for the Accounting Auditor shall be determined by Representative Directors with the consent of the <u>Audit and Supervisory Committee</u>.</p>
<p style="text-align: center;">Chapter <u>VII</u> Calculations</p> <p>(Business Year)  Article <u>46</u> (Omitted)</p>	<p style="text-align: center;">Chapter <u>VI</u> Calculations</p> <p>(Business Year)  Article <u>40</u> (Unchanged)</p>

Current Articles of Incorporation	Proposed Amendments
<p>(Newly established)</p> <p>(Year-end Dividend) Article 47 The Company may, <u>by resolution of the General Meeting of Shareholders</u>, make payment of dividend of surplus in the form of cash (hereinafter, “Year-end Dividend”) to shareholders or registered share pledgees listed or recorded in the latest shareholder registry as of the last day of February each year.</p> <p>(Interim Dividend) Article 48 The Company may, <u>by resolution of the Board of Directors</u>, make payment of dividend of surplus <u>as stipulated in Article 454, Paragraph 5 of the Companies Act</u> (hereinafter, “Interim Dividend”) to shareholders or registered share pledgees listed or recorded in the latest shareholder registry as of August 31 each year.</p> <p>(Period of Exclusion of Payment of Dividends) Article 49 (Omitted)</p> <p>(Newly established)</p>	<p><u>(Organization to Determine Dividend of Surplus)</u> Article 41 The Company may, by resolution of the <u>Board of Directors</u>, determine matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act, unless otherwise provided for by laws and regulations.</p> <p>(Year-end Dividend) Article 42 The Company may make payment of dividend of surplus in the form of cash (hereinafter, “Year-end Dividend”) to shareholders or registered share pledgees listed or recorded in the latest shareholder registry as of the last day of February each year.</p> <p>(Interim Dividend) Article 43 The Company may make payment of dividend of surplus <u>in the form of cash</u> (hereinafter, “Interim Dividend”) to shareholders or registered share pledgees listed or recorded in the latest shareholder registry as of August 31 each year.</p> <p>(Period of Exclusion of Payment of Dividends) Article 44 (Unchanged)</p> <p style="text-align: center;"><u>Supplementary Provisions</u></p> <p><u>(Transitional Measure Regarding Liability Limitation Agreements for Outside Audit &amp; Supervisory Board Members)</u> Article 1 Pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, the Company may, <u>by resolution of the Board of Directors</u>, exempt <u>Outside Audit &amp; Supervisory Board Members (including former Outside Audit &amp; Supervisory Board Members) from liability for damages under Article 423, Paragraph 1 of the Companies Act, prior to the conclusion of the Annual General Meeting of Shareholders held with respect to the business year ended February 28, 2021, to the extent provided for by laws and regulations.</u></p>

**Proposal 3:** Election of Ten (10) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)

If Proposal 2 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the Company will become a company with an Audit and Supervisory Committee. All of the eleven (11) Directors will retire as their terms of office will expire when the amendments to the Articles of Incorporation take effect. Accordingly, the Company proposes the election of ten (10) Directors (excluding Directors serving as Audit and Supervisory Committee Members) after the transition to a company with an Audit and Supervisory Committee.

This Proposal shall take effect on condition that the amendments to the Articles of Incorporation presented in Proposal 2 “Partial Amendments to the Articles of Incorporation” take effect.

The candidates for Directors (excluding Directors serving as Audit and Supervisory Committee Members) are shown on pages 13 to 16.

No.	Name	Positions and responsibilities at the Company
1	<u>Reappointment</u> Toshiyuki Sato	<u>President and Chief Executive Officer</u> <u>Nomination and Compensation Committee Member</u>
2	<u>Reappointment</u> Taishi Sato	Executive Vice President, in charge of sales and responsible for Corporate Planning Dept.
3	<u>Reappointment</u> Hironori Kojima	Senior Managing Director, responsible for Development Div.
4	<u>Reappointment</u> Hidenori Hanaoka	Executive Managing Director, General Manager, Administrative Groups and General Manager, General Affairs Div.
5	<u>Reappointment</u> Masana Takahashi	Executive Managing Director, Deputy General Manager, Merchandise Groups and General Manager, Merchandise Div., responsible for Logistics Div.
6	<u>Reappointment</u> Tomiko Koshio	Director, General Manager, President’s Office
7	<u>Reappointment</u> Kenji Suemitsu	Director, Deputy General Manager, Store Operation Groups and Area Manager, Shikoku Area
8	<u>New appointment</u> Kenji Sunada	Executive Officer, General Manager, Personnel and Education Div., Administrative Groups
9	<u>Reappointment</u> <u>Outside Independent</u> Yoshinori Fujii	<u>Outside Director</u> <u>Nomination and Compensation Committee Member</u>
10	<u>Reappointment</u> <u>Outside Independent</u> Chiaki Ikeda	<u>Outside Director</u> <u>Nomination and Compensation Committee Member</u>

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
1	<u>Reappointment</u> Toshiyuki Sato (January 27, 1949)	<p>October 1971    Joined the Company</p> <p>July 1991        President and Chief Executive Officer (to present)</p> <p>October 2012    Director, General incorporated foundation HALOWS Foundation (presently, Public-interest incorporated foundation HALOWS Foundation) (to present)</p> <p>September 2016 President and Representative Director, Saijo Plaza K.K. (to present)</p> <p>December 2020   Nomination and Compensation Committee Member, the Company (to present)</p> <p>[Significant concurrent positions]</p> <ul style="list-style-type: none"> <li>• Director, Public-interest incorporated foundation HALOWS Foundation</li> <li>• President and Representative Director, Saijo Plaza K.K.</li> </ul>	2,488,010 shares
<p>[Reasons for candidacy as Director]</p> <p>He has taken charge of management of the Company as President and Chief Executive Officer. His track record of driving the whole Company with strong leadership, abundant insight into management in general, and strong sense of duty will contribute to growing the Company and further strengthening of the functions of the Board of Directors. Therefore, the Company deems he is suitable as Director and has nominated him.</p>			
2	<u>Reappointment</u> Taishi Sato (September 2, 1952)	<p>September 1975    Joined the Company</p> <p>June 1990          General Manager, Business Administration Div.</p> <p>July 1995            Director, General Manager, Merchandise Div.</p> <p>July 1999            Executive Managing Director, General Manager, Merchandise Groups</p> <p>March 2007         Executive Managing Director, General Manager, Merchandise Groups and General Manager, Merchandise Div.</p> <p>May 2009            Executive Vice President, responsible for Corporate Planning Div. and Merchandise Groups</p> <p>May 2011            Executive Vice President, General Manager, Administrative Groups</p> <p>October 2012        Executive Vice President, General Manager, Corporate Planning Dept. and General Manager, Administrative Groups</p> <p>March 2019         Executive Vice President, General Manager, Corporate Planning Dept.</p> <p>September 2019    Executive Vice President, in charge of sales and responsible for Corporate Planning Dept. (to present)</p>	755,000 shares
<p>[Reasons for candidacy as Director]</p> <p>He has taken charge of management of the Company as Executive Vice President. Based on his track record of holding positions such as General Manager of Merchandise Div., Administrative Groups, and Corporate Planning Dept. as well as his abundant professional experience in management in general, the Company deems he is suitable as Director and has nominated him.</p>			

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
3	<u>Reappointment</u> Hironori Kojima (September 10, 1958)	<p>April 1979      Joined Aisawa Construction Ltd.  May 1982      Joined the Company  April 1999      General Manager, Store Operation Div.  May 2002      Director, General Manager, Store Operation Div.  March 2004      Director, General Manager, Sales Planning Div.  March 2005      Director, General Manager, Development Div.  May 2009      Executive Managing Director, General Manager, Development Div.  April 2014      Senior Managing Director, General Manager, Development Div.  June 2014      Senior Managing Director, Deputy General Manager, Administrative Groups and General Manager, Development Div.  March 2019      Senior Managing Director, General Manager, Development Div.  September 2019      Senior Managing Director, responsible for Development Div. (to present)</p>	105,000 shares
<p>[Reasons for candidacy as Director]  Based on his track record of driving the development of neighborhood shopping centers, including opening stores and attracting tenants, and developing competitive store formats as the head of store development, the Company deems he is suitable as Director and has nominated him.</p>			
4	<u>Reappointment</u> Hidenori Hanaoka (July 2, 1956)	<p>April 1979      Joined OKANO FOOD K.K.  February 1981      Joined the Company  November 1998      General Manager, Merchandise Div.  September 2001      General Manager, Store Operation Div.  June 2002      Executive Officer, General Manager, Store Operation Div.  November 2006      Executive Officer, General Manager, Store Operation Div. and Area Manager, Fukuyama Area  March 2007      Executive Officer, General Manager, SV Div.  May 2009      Director, General Manager, Merchandise Groups and General Manager, Merchandise Div.  October 2012      Director, General Manager, Merchandise Groups  June 2013      Director, General Manager, Merchandise Div., Merchandise Groups  April 2014      Executive Managing Director, Deputy General Manager, Merchandise Groups and General Manager, Perishables Div.  March 2019      Executive Managing Director, General Manager, Administrative Groups  September 2019      Executive Managing Director, General Manager, Administrative Groups and General Manager, General Affairs Div. (to present)</p>	197,000 shares
<p>[Reasons for candidacy as Director]  Based on his practical experience as the head of the Company's store operation and merchandise divisions and his track record of performing duties such as making decisions on important managerial matters and supervising his responsible divisions, the Company deems he is suitable as Director and has nominated him.</p>			

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
5	<u>Reappointment</u> Masana Takahashi (March 14, 1959)	<p>March 1981      Joined the Company</p> <p>November 1998    General Manager, Merchandise Div.</p> <p>June 2002        Executive Officer, General Manager, Merchandise Div.</p> <p>November 2006    Executive Officer, General Manager, Perishable Merchandise Div.</p> <p>March 2007        Executive Officer, General Manager, Distribution Planning Div.</p> <p>May 2009         Director, General Manager, Distribution Planning Div.</p> <p>March 2011        Director, General Manager, Distribution Div. and General Manager, Distribution Center</p> <p>June 2013         Director, General Manager, Logistics Div., Merchandise Groups</p> <p>April 2014         Executive Managing Director, Deputy General Manager, Merchandise Groups and General Manager, Dry Div., responsible for Logistics Div.</p> <p>March 2019        Executive Managing Director, Deputy General Manager, Merchandise Groups and General Manager, Merchandise Div., responsible for Logistics Div. (to present)</p>	45,000 shares
<p>[Reasons for candidacy as Director]</p> <p>Based on his track record of making a significant contribution to the procurement of merchandise and the creation of distribution systems as the head of the Company's merchandise and distribution divisions, the Company deems he is suitable as Director and has nominated him.</p>			
6	<u>Reappointment</u> Tomiko Koshio (June 10, 1942)	<p>June 1974        Joined the Company</p> <p>June 1981        General Manager, General Affairs Div.</p> <p>July 1995         Director, General Manager, General Affairs Div.</p> <p>July 1999         Executive Managing Director, General Manager, Administrative Groups</p> <p>March 2007        Executive Managing Director, General Manager, Administrative Groups and General Manager, Finance and Accounting Div.</p> <p>May 2009         Director, General Manager, President's Office (to present)</p>	210,400 shares
<p>[Reasons for candidacy as Director]</p> <p>Based on her track record of making a significant contribution to the management of the Company as the head of the Company's finance and accounting division, administrative divisions in general, and the President's Office, the Company deems she is suitable as Director and has nominated her.</p>			
7	<u>Reappointment</u> Kenji Suemitsu (August 28, 1961)	<p>March 1984        Joined the Company</p> <p>November 2007    General Manager, Store Operation Div., Store Operation Groups</p> <p>May 2011         Director, General Manager, Store Operation Div.</p> <p>June 2013         Director, Deputy General Manager, Store Operation Groups and Area Manager, Shikoku Area (to present)</p>	9,800 shares
<p>[Reasons for candidacy as Director]</p> <p>Based on his track record of driving the front lines of sales and taking charge of entering and expanding in new markets as the head of the Company's store operation division, the Company deems he is suitable as Director and has nominated him.</p>			

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
8	<u>New appointment</u> Kenji Sunada (January 1, 1972)	April 1996      Joined the Company April 2014      General Manager, Personnel and Education Div., Administrative Groups March 2016      Executive Officer, General Manager, Personnel and Education Div., Administrative Groups (to present)	19,000 shares
[Reasons for candidacy as Director] Based on his track record of managing store operations as a store manager and engaging in personnel and education affairs in general of the Company as General Manager of Personnel and Education Div., as well as his practical experience serving as an Executive Officer, the Company deems he is suitable as Director and has nominated him.			
9	<u>Reappointment</u> <u>Outside</u> <u>Independent</u> Yoshinori Fujii (October 2, 1970)	October 1994      Joined Hiroshima Office, Asahi Audit Corp. (presently KPMG AZSA LLC) April 1998      Registered as a certified public accountant July 2006      Established Fujii Yoshinori CPA Office (presently BIZLINK CPA Joint Office) (to present) November 2006      Established BIZLINK ADVISORY CO., LTD., Director July 2008      Representative Director (to present) April 2011      Established Ibuki Tax Accountant Office, Representative Partner (to present) June 2011      Auditor, Ryoubi Shinyo Kumiai (to present) October 2012      Auditor, Public-interest incorporated foundation HALOWS Foundation (to present) May 2015      Director, the Company (to present) June 2016      Director, PhoenixBio Co., Ltd. (to present) September 2018      Auditor, KAAZ CORPORATION (to present) December 2020      Nomination and Compensation Committee Member, the Company (to present)	-
[Reasons for candidacy as Outside Director and roles he is expected to assume] Expecting that his superior insight based on the expertise and experience he cultivated as a certified public accountant will contribute to further strengthening internal control and other functions of the Board of Directors of the Company, the Company deems he is suitable as Outside Director and has nominated him.			
10	<u>Reappointment</u> <u>Outside</u> <u>Independent</u> Chiaki Ikeda (July 26, 1978)	April 2006      Legal apprentice, the Supreme Court October 2007      Registered as an attorney-at-law (joined Okayama Bar Association and Itano Law Office) (to present) May 2015      Director, the Company (to present) December 2020      Nomination and Compensation Committee Member (to present)	-
[Reasons for candidacy as Outside Director, why the Company deems that the candidate can perform duties as such appropriately, and roles she is expected to assume] Expecting that her superior insight based on the expertise and experience she cultivated as an attorney-at-law will contribute to further strengthening compliance systems and other functions of the Board of Directors of the Company, the Company deems she is suitable as Outside Director and has nominated her.			

Notes:

1. There are no special interests between any of the candidates and the Company.
2. Yoshinori Fujii and Chiaki Ikeda are candidates for Outside Directors.
3. Yoshinori Fujii and Chiaki Ikeda will have served as Outside Directors for six (6) years at the close of the Meeting.



4. The Company has filed Yoshinori Fujii and Chiaki Ikeda with the Tokyo Stock Exchange as independent directors stipulated by the Exchange. If they are reelected, they will continue to be independent directors.
5. The Company has entered into liability limitation agreements with Yoshinori Fujii and Chiaki Ikeda pursuant to Article 427, Paragraph 1 of the Companies Act to limit their liability under Article 423, Paragraph 1 of the Act to the minimum amount stipulated in Article 425, Paragraph 1 of the Act, provided that they have performed their duties in good faith and without gross negligence. If they are reelected, the Company intends to extend the agreements with them.
6. The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, paragraph 1 of the Companies Act with an insurance company. The said insurance agreement shall compensate for legal damages and litigation expenses to be borne by the insureds. As a measure to prevent the appropriateness of the professional conducts of the insureds from being impaired, damages, etc. caused by criminal acts by the insureds will not be covered by the insurance.

Each candidate for Director (excluding the candidate for a new Director) is included in the insureds of the said insurance contract as Director of the Company, and will continue to be included in the insureds if reelected. If the candidate for a new Director is elected, he or she will be included in the insureds of the said contract. In addition, the Company plans to renew the said insurance contract during the terms of office of the Directors regarding this Proposal.

**Proposal 4:** Election of Five (5) Directors Serving as Audit and Supervisory Committee Members

If Proposal 2 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the Company will become a company with an Audit and Supervisory Committee, and the terms of office of all of the Audit & Supervisory Board Members will expire. Accordingly, the Company proposes the election of five (5) Directors serving as Audit and Supervisory Committee Members.

This Proposal shall take effect on condition that the amendments to the Articles of Incorporation presented in Proposal 2 “Partial Amendments to the Articles of Incorporation” take effect.

The candidates for Directors serving as Audit and Supervisory Committee Members are shown on pages 19 to 20.

No.	Name	Positions and responsibilities at the Company
1	<input type="checkbox"/> New <input type="checkbox"/> appointment Syunji Oda	Senior Managing Director, General Manager, Store Operation Groups and General Manager, Back Office Dept.
2	<input type="checkbox"/> New <input type="checkbox"/> appointment <input type="checkbox"/> Outside <input type="checkbox"/> Independent Kazumasa Ozaki	-
3	<input type="checkbox"/> New <input type="checkbox"/> appointment <input type="checkbox"/> Outside <input type="checkbox"/> Independent Hitoshi Okamoto	Audit & Supervisory Board Member (full-time)
4	<input type="checkbox"/> New <input type="checkbox"/> appointment <input type="checkbox"/> Outside <input type="checkbox"/> Independent Yasukuni Inafuku	Audit & Supervisory Board Member
5	<input type="checkbox"/> New <input type="checkbox"/> appointment <input type="checkbox"/> Outside <input type="checkbox"/> Independent Masakazu Kobayashi	Audit & Supervisory Board Member

No.	Name (Date of birth)	Career summary, positions and significant concurrent positions	Number of shares of the Company held
1	<p data-bbox="284 539 475 640"> <u>New appointment</u>            Syunji Oda            (March 8, 1953)         </p>	<p data-bbox="501 266 1270 913">           March 1976    Joined Miyauchi Supermarkets K.K.            October 1979    Joined the Company            June 1981    General Manager, Merchandise Div.            June 1986    General Manager, Store Operation Div.            July 1995    Director, General Manager, Store Operation Div.            July 1999    Executive Managing Director, General Manager,                              Store Operation Groups            March 2007    Executive Managing Director, General Manager,                              Store Operation Groups and General Manager,                              Store Operation Div.            November 2007    Executive Managing Director, General Manager,                              Store Operation Groups            May 2009    Senior Managing Director, General Manager,                              Store Operation Groups and General Manager,                              SV Div.            June 2013    Senior Managing Director, General Manager,                              Store Operation Groups            September 2017    Senior Managing Director, General Manager,                              Store Operation Groups and General Manager,                              Back Office Dept. (to present)         </p>	123,000 shares
<p data-bbox="261 927 1410 1075">           [Reasons for candidacy as Director serving as Audit and Supervisory Committee Member]            He has supervised the sales divisions and developed a structure for growth as the head of the Company's store operation division. He has also cultivated insight through management of the Company as a Director. The Company deems that he will execute the duties of Audit and Supervisory Committee Member appropriately, and thus requests his election.         </p>			
2	<p data-bbox="284 1216 475 1375"> <u>New appointment</u>  <u>Outside</u>  <u>Independent</u>            Kazumasa Ozaki            (January 5, 1958)         </p>	<p data-bbox="501 1088 1270 1500">           July 2006    Financial Securities Inspector, Planning and                              Management Division, Inspection Bureau,                              Financial Services Agency            July 2008    General Manager, Financial Supervision Section                              II, Finance Department, Chugoku Local Finance                              Bureau, Ministry of Finance            July 2010    General Manager, Personnel Section, Planning                              and Management Department, Chugoku Local                              Finance Bureau            June 2015    Corporate Auditor (full-time), TOMATO BANK,                              LTD.            June 2019    President and Director, TOMATO BUSINESS,                              LTD.         </p>	-
<p data-bbox="261 1514 1410 1662">           [Reasons for candidacy as Outside Director serving as Audit and Supervisory Committee Member]            He has a broad range of insight and considerable knowledge on finance and accounting cultivated at the Financial Services Agency and financial institutions. The Company deems that he will utilize them in auditing at the Company and strengthening supervision of the management from an independent standpoint, and thus requests his election.         </p>			

No.	Name (Date of birth)	Career summary, positions and significant concurrent positions		Number of shares of the Company held
3	<div style="border: 1px solid black; display: inline-block; padding: 2px;">New appointment</div> <div style="border: 1px solid black; display: inline-block; padding: 2px;">Outside</div> <div style="border: 1px solid black; display: inline-block; padding: 2px;">Independent</div> Hitoshi Okamoto (February 13, 1956)	February 2012	Director, General Manager, General Affairs Div., TOMATO BANK, LTD.	2,000 shares
		May 2013	Audit & Supervisory Board Member, the Company (to present)	
<p>[Reasons for candidacy as Outside Director serving as Audit and Supervisory Committee Member] He has abundant experience and a broad range of insight cultivated at a financial institution, and has audited as Audit &amp; Supervisory Board Member of the Company from a wide and professional perspective. The Company deems that he will contribute to ensuring soundness and transparency of the management, and thus requests his election.</p>				
4	<div style="border: 1px solid black; display: inline-block; padding: 2px;">New appointment</div> <div style="border: 1px solid black; display: inline-block; padding: 2px;">Outside</div> <div style="border: 1px solid black; display: inline-block; padding: 2px;">Independent</div> Yasukuni Inafuku (July 5, 1944)	May 1970	Joined Kitagawa Corporation	16,400 shares
		April 1992	General Manager, Accounting Section	
<p>[Reasons for candidacy as Outside Director serving as Audit and Supervisory Committee Member, why the Company deems that the candidate can perform duties appropriately, and roles he is expected to assume] He has abundant experience serving at an accounting division in a listed company and a broad range of insight, and has audited as Audit &amp; Supervisory Board Member of the Company from a wide and professional perspective. The Company deems that he will contribute to ensuring soundness and transparency of the management, and thus requests his election.</p>				
5	<div style="border: 1px solid black; display: inline-block; padding: 2px;">New appointment</div> <div style="border: 1px solid black; display: inline-block; padding: 2px;">Outside</div> <div style="border: 1px solid black; display: inline-block; padding: 2px;">Independent</div> Masakazu Kobayashi (February 7, 1958)	April 1981	Joined Fukuyama Gas Co., Ltd.	2,900 shares
		April 2000	Established Office Do Plus (to present)	
		April 2003	Lecturer, Faculty of Economics, Fukuyama University	
		September 2005	Part-time Lecturer, Fukuyama City Junior College for Women (presently Fukuyama City University)	
		May 2007	Audit & Supervisory Board Member, the Company (to present)	
		April 2008	Associate Professor, Faculty of Economics, Fukuyama University	
		April 2013	Part-time Lecturer, Fukuyama Polytechnic College	
<p>[Reasons for candidacy as Outside Directors serving as Audit and Supervisory Committee Member, why the Company deems that the candidate can perform duties appropriately, and roles he is expected to assume] He has several qualifications, such as MBA (Kobe University Graduate School of Business Administration) and SMEC (Small and Medium Enterprise Management Consultant) and considerable knowledge on finance and accounting in addition to expertise gained in academia. He has also provided useful and candid opinions as Audit &amp; Supervisory Board Member of the Company based on his abundant experience in business diagnosis and management consulting. The Company deems that he will contribute to ensuring soundness of the management, and thus requests his election.</p>				

Notes:

1. There are no special interests between any of the candidates and the Company.
2. Kazumasa Ozaki, Hitoshi Okamoto, Yasukuni Inafuku, and Masakazu Kobayashi are candidates for Outside Directors serving as Audit and Supervisory Committee Members.
3. If Kazumasa Ozaki is elected, the Company will file him with the Tokyo Stock Exchange as independent director stipulated by the Exchange.
4. The Company has filed Hitoshi Okamoto, Yasukuni Inafuku, and Masakazu Kobayashi with the

Tokyo Stock Exchange as independent directors stipulated by the Exchange. If they are reelected, they will continue to be independent directors.

5. If Kazumasa Ozaki is elected, the Company will enter into liability limitation agreements with him pursuant to Article 427, Paragraph 1 of the Companies Act to limit his liability under Article 423, Paragraph 1 of the Act to the minimum amount stipulated in Article 425, Paragraph 1 of the Act provided that he has performed his duties in good faith and without gross negligence.
6. The Company has entered into liability limitation agreements with Hitoshi Okamoto, Yasukuni Inafuku, and Masakazu Kobayashi pursuant to Article 427, Paragraph 1 of the Companies Act to limit their liability under Article 423, Paragraph 1 of the Act to the minimum amount stipulated in Article 425, Paragraph 1 of the Act, provided that they have performed their duties in good faith and without gross negligence. If they are reelected, the Company intends to extend the agreements with them.
7. The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The said insurance agreement shall compensate for legal damages and litigation expenses to be borne by the insureds. As a measure to prevent the appropriateness of the professional conducts of the insureds from being impaired, damages, etc. caused by criminal acts by the insureds will not be covered by the insurance.

Each candidate for Director (excluding the candidate for a new Director) is included in the insureds of the said insurance contract as Director or Audit & Supervisory Board Member of the Company, and will continue to be included in the insureds if reelected. If the candidate for a new Director is elected, he or she will be included in the insureds of the said contract. In addition, the Company plans to renew the said insurance contract during the terms of office of the Directors regarding this Proposal.

**Proposal 5:** Determination of Amount of Compensation, etc. for Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)

It was approved that the maximum amount of compensation for the Company's Board Members shall be 200 million yen per year at the General Meeting of Shareholders held on July 21, 1999, and that the maximum amount of compensation for Audit & Supervisory Board Members shall be 30 million yen per year at the General Meeting of Shareholders held on May 25, 2001. Consequently, it was approved that the amount of compensation, etc. for Directors of the Company shall be ¥170 million or less per year. As the Company will become a company with an Audit and Supervisory Committee, the Company proposes that the amount of compensation, etc. for Directors (excluding Directors serving as Audit and Supervisory Committee Members) be 300 million yen or less per year.

The policy regarding the determination of the amount of compensation, etc. for Directors of the Company (excluding Directors serving as Audit and Supervisory Committee Members) or the calculation method thereof shall be deliberated by the Board of Directors by examining the matters discussed by the Nomination and Compensation Committee, which is attended by Outside Directors, in consideration of the business performance of the Company and the job description and performance of each Director within the limit of the total amount of compensation determined by the General Meeting of Shareholders. Taking into consideration this policy and various circumstances, such as recent economic climate, the Company deems it reasonable to set the amount of compensation, etc. for Directors (excluding Directors serving as Audit and Supervisory Committee Members) at 300 million yen or less per year. The specific amount, timing, etc. of the payment for each Director (excluding Director serving as Audit and Supervisory Committee Member) shall be determined by a resolution of the Board of Directors.

The compensation, etc. shall not include a salary portion of the compensation payable to Directors concurrently serving as employees.

The number of Directors is currently eleven (11) (including two (2) Outside Directors). If Proposal 2 "Partial Amendments to the Articles of Incorporation" and Proposal 3 "Election of ten (10) Directors (Excluding Directors serving as Audit and Supervisory Committee Members)" are approved as originally proposed, the number of Directors (excluding Directors serving as Audit and Supervisory Committee Members) will be ten (10) (including two (2) Outside Directors).

This Proposal shall take effect on condition that the amendments to the Articles of Incorporation presented in Proposal 2 “Partial Amendments to the Articles of Incorporation” take effect.

**Proposal 6:** Determination of Amount of Compensation, etc. for Directors Serving as Audit and Supervisory Committee Members

It was approved that the maximum amount of compensation for Audit & Supervisory Board Members of the Company shall be 30 million yen or less per year at the General Meeting of Shareholders held on May 25, 2001. As the Company will become a company with an Audit and Supervisory Committee, the Company proposes that the amount of compensation, etc. for Directors serving as Audit and Supervisory Committee Members be 50 million yen or less per year.

The policy regarding the determination of the amount of compensation, etc. for Directors serving as Audit and Supervisory Committee Members of the Company or the calculation method thereof shall be determined through deliberations by Directors serving as Audit and Supervisory Committee Members, in consideration of the job descriptions of each Audit and Supervisory Committee Member within the limit of the total amount of compensation determined by a General Meeting of Shareholders. Taking into consideration this policy and various circumstances, such as recent economic climate, the Company deems it reasonable to set the amount of compensation, etc. for Directors serving as Audit and Supervisory Committee Members at 50 million yen or less per year.

If Proposal 2 “Partial Amendments to the Articles of Incorporation” and Proposal 4 “Election of Five (5) Directors Serving as Audit and Supervisory Committee Members” are approved as originally proposed, the number of Directors serving as Audit and Supervisory Committee Members will be five (5) (including four (4) Outside Directors).

This Proposal shall take effect on condition that the amendments to the Articles of Incorporation presented in Proposal 2 “Partial Amendments to the Articles of Incorporation” take effect.

**Proposal 7:** Determination of Specific Details for Compensation, etc. Pertaining to Stock Compensation-type Stock Options for Directors (Excluding Directors Serving as Audit and Supervisory Committee Members and Outside Directors)

In order to further increase the motivation and morale of Directors (excluding Outside Directors) to contribute to the improvement of the medium- to long-term performance of the Company and enhancement of corporate value, the Company received approval at the Annual General Meeting of Shareholders held on May 26, 2016 to allot stock acquisition rights as stock compensation -type stock options for Directors (excluding Outside Directors) within the range of 70 million yen per year. Since the Company will become a company with an Audit and Supervisory Committee, separate from Proposal 5: Determination of Amount of Compensation, etc. for Directors (Excluding Directors serving as Audit and Supervisory Committee Members), the Company once again requests approval to allot stock acquisition rights as stock compensation -type stock options for Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors; hereinafter, “Eligible Directors”) within the range of 70 million yen per year.

The policy regarding the determination of the amount of compensation, etc. pertaining to stock compensation-type stock options for Eligible Directors of the Company and the calculation method thereof shall be deliberated by the Board of Directors by examining the matters discussed by the Nomination and Compensation Committee, which is attended by Outside Directors. Taking into consideration this policy and various circumstances, such as recent economic climate, the Company deems it reasonable to set the amount of compensation, etc. pertaining to stock compensation-type stock options for Eligible Directors at not more than 70 million yen per year.

This stock compensation-type stock option plan will grant stock acquisition rights as stock compensation-type stock options provided that Eligible Directors hold a position as Director of the Company on the resolution date for subscription matters for the stock acquisition rights and provided that Eligible Directors enter into a stock acquisition rights allotment agreement that includes the contents described below.

With regard to the granting of stock compensation-type stock options, the same amount of

compensation as the payment amount will be granted to Directors who have been allotted stock acquisition rights, offsetting said compensation receivable with the payment amount for said stock acquisition rights to allow Eligible Directors to acquire the stock acquisition rights. The amount of stock option compensation, etc. will be the amount obtained by multiplying the fair price per stock acquisition right calculated on the day of allotment of the stock acquisition rights by the total number of stock acquisition rights to be allotted.

Currently, there are eleven (11) Directors (including two (2) Outside Directors). If Proposal 2: Partial Amendments to the Articles of Incorporation and Proposal 3: Election of ten (10) Directors (Excluding Directors serving as Audit and Supervisory Committee Members) are approved as originally proposed, the number of Directors (excluding Directors serving as Audit and Supervisory Committee Members) will be ten (10) (including two Outside Directors), and the number of Eligible Directors will be eight (8).

## Notes

### Details of Stock Acquisition Rights as Stock Compensation-type Stock Options for Eligible Directors of the Company

#### 1. Class and Number of Shares Subject to Stock Acquisition Rights

The class of shares subject to stock acquisition rights shall be the common stock of the Company and the number of shares subject to stock acquisition rights (hereinafter, the “Number of Shares Granted”) shall be 100 shares per unit.

However, in the event that the Company conducts a share split of the Company’s common stock (including the gratis allotment of the Company’s common stock; hereinafter, the same shall apply when a share split is stated) or share consolidation of the Company’s common stock after the date of resolution of this General Meeting of Shareholders, the Number of Shares Granted shall be adjusted in accordance with the following formula.

$$\text{Number of Shares Granted after adjustment} = \frac{\text{Number of Shares Granted before adjustment}}{\text{Ratio of share split or share consolidation}} \times$$

In addition to the above, in the event of unavoidable reasons necessitating adjustments to the Number of Shares Granted, the Company may adjust the Number of Shares Granted as deemed necessary by the Board of Directors of the Company.

Any fraction less than one (1) share resulting from the aforementioned adjustment shall be rounded down.

#### 2. Total Number of Stock Acquisition Rights

The maximum number of stock acquisition rights to be allotted within one (1) year from the date of the Annual General Meeting of Shareholders with respect to each fiscal year shall be 400 units.

#### 3. Payment Amount for Stock Acquisition Rights

The amount to be paid for each unit of stock acquisition rights shall be the amount determined by the Board of Directors based on the fair price of the stock acquisition rights calculated by means of a fair calculation method, such as the Black-Scholes Model, when allotting stock acquisition rights. Instead of a monetary payment, the payment amount for the stock acquisition rights shall be offset against the compensation receivable, which doesn’t require persons who have received an allotment of stock acquisition rights (hereinafter, “Holder(s) of Stock Acquisition Rights”) to make a monetary payment.

#### 4. Amount of Assets to be Contributed upon Exercise of Stock Acquisition Rights

The amount of assets to be contributed upon exercise of stock acquisition rights shall be the amount obtained by multiplying 1 yen for each share that can be received through the exercise of the stock acquisition rights by the Number of Shares Granted.

5. Period during which Stock Acquisition Rights May be Exercised

The period during which stock acquisition rights may be exercised shall be a period within thirty (30) years from the day following the allotment day of the stock acquisition rights (however, if the last day of the period is a public holiday, the preceding business day shall be the final day), which shall be determined by the Company's Board of Directors.

6. Conditions for the Exercise of Stock Acquisition Rights

Holders of Stock Acquisition Rights may exercise all (but not part) of the stock acquisition rights within a period of ten (10) days from the day following the day on which a Holder of Stock Acquisition Rights loses his or her position as Director of the Company (in the event that the tenth day is a public holiday, the following business day shall apply). Other conditions for the exercise of stock acquisition rights shall be determined by the Board of Directors, which decides subscription matters for stock acquisition rights.

7. Restrictions on the Acquisition of Stock Acquisition Rights by Means of Transfer

Acquisitions of stock acquisition rights by means of transfer shall require the approval of the Board of Directors of the Company.

8. Provisions for Acquisition of Stock Acquisition Rights

(1) In the event that stock acquisition rights cannot be exercised due to the provisions in 6. above or due to the provisions of the stock acquisition rights allotment agreement before the Holder of Stock Acquisition Rights exercises the rights, the Company may acquire said stock acquisition rights without consideration on the date separately determined by the Board of Directors of the Company.

(2) In the event that proposals a), b), c), d), or e) below are approved by the General Meeting of Shareholders of the Company (if resolution by the General Meeting of Shareholders is not required, by the Board of Directors) the Company may acquire the stock acquisition rights without consideration on the date separately determined by the Board of Directors of the Company.

- a) A proposal for the approval of a merger agreement in which the Company becomes the non-surviving company
- b) A proposal for the approval of a company split agreement or a company split plan in which the Company becomes the split company
- c) A proposal for the approval of a share exchange agreement or a share transfer plan in which the Company becomes the wholly owned subsidiary
- d) A proposal for approval of an amendment to the Articles of Incorporation to make provisions that require approval by the Company for the acquisition of shares by transfer with respect to all shares issued by the Company
- e) A proposal for approval of an amendment to the Articles of Incorporation to make provisions that require approval by the Company for the acquisition of shares by transfer with respect to the classes of Company's shares underlying stock acquisition rights, or that the Company may acquire all said class of shares by resolution of the General Meeting of Shareholders of the Company

9. Other Details of Stock Acquisition Rights

Other details regarding stock acquisition rights shall be determined by the Board of Directors, which decides subscription matters for stock acquisition rights.

This Proposal shall take effect on condition that the amendments to the Articles of Incorporation presented in Proposal 2 "Partial Amendments to the Articles of Incorporation" take effect.

END