

** Caution: Please kindly be advised that this English document is a partial translation of MEDLEY, INC's Notice of Convocation of the 12th Annual General Meeting of Shareholders for the reference purposes only. In case of any inconsistency between the Japanese original version and this English version, Japanese original version governs.*

Securities Code No.4480

March 10, 2021

To Our Shareholders

Kohei Takiguchi
President and Chief Executive Officer
MEDLEY, INC.
3-2-1 Roppongi, Minato-ku, Tokyo,
106-6222, Japan

Notice of Convocation of The 12th Annual General Meeting of Shareholders

You are cordially invited to attend the 12th Annual General Meeting of Shareholders of Medley Inc. (the “Company”), which will be held as indicated below.

After careful consideration, the Company has decided to hold the meeting at a considerably reduced size while taking all appropriate measures to prevent the spread of infection of the Novel Coronavirus Disease (COVID-19).

We will kindly ask your cooperation to exercise your voting rights in writing or via the Internet etc. in advance and refrain from attending the meeting on the day. We will implement a limit on admission to the venue of the meeting (pre-registration & lottery).

Please review the following documents entitled “Reference Documents for the General Meeting of Shareholders”, and exercise your voting rights by 18:00 p.m. Thursday, March 25, 2021(JST).

Particulars

1. **Date and Time** Friday, March 26th, 2021 at 13:00 pm (JST)
(The reception desk is scheduled to open at 12:30 p.m.)
2. **Venue** Room A • B, Bellesalle Roppongi Grand Conference Center,
9F Sumitomo Fudosan Roppongi Grand Tower, 3-2-1 Roppongi, Minato-ku,
Tokyo, 106-6222, Japan
3. **Purpose of Meeting**

Matters to be Reported

1. The Business Report, the Consolidated Financial Statements and the results of audits of the Consolidated Financial Statements by the Independent Auditor and the Audit & Supervisory Board for the 12th fiscal year (January 1, 2020 to December 31, 2020)
2. The Non-consolidated Financial Statements for the 12th fiscal year (January 1, 2020 to December 31, 2020)

Matters to be Resolved

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| Proposal No.1 | Partial Amendment to the Articles of Incorporation |
| Proposal No.2 | Election of Eleven (11) Directors |
| Proposal No.3 | Determination of Compensation for Granting Transfer-Restricted Stocks to Directors |

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- If you attend this Annual General Meeting of Shareholders, please present the enclosed voting form and the “Attendance Confirmation Notice” received via e-mail at the reception desk. We also respectfully request the shareholders who will attend this Annual General Meeting of Shareholders, to bring this booklet as meeting material.

- We do not prepare any gifts for shareholders attending this Annual General Meeting of Shareholders. We appreciate your understanding.

- In accordance with the applicable laws and regulations and the provisions of Article 15 of the Company's Articles of Incorporation, we have posted on our website the matters concerning the Company's stock acquisition rights, the matters concerning the development of systems to ensure the properness of operations, the consolidated statement of changes in equity, the Notes to the Consolidated Financial Statements, the statement of changes in equity, and the Notes to the Non-Consolidated Financial Statements, and thus are not included in this Notice of Convocation. The Consolidated Financial Statements and Non-Consolidated Financial Statements described in the attached documents to this Notice of Convocation are part of the Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Independent Auditor and Audit & Supervisory Board Members in preparing the accounting audit reports and audit reports.

- If any amendments are made to matters contained in Reference Documents for the General Meeting of Shareholders, Business Report, or to Non-Consolidated Financial Statements and the Consolidated Financial Statements, such amendments will be posted on the Company's web site (<https://www.medley.jp/en/ir/>)

- The results of the resolution of this Annual General Meeting of Shareholders will be posted on the Company's website after the conclusion of this Annual General Meeting of Shareholders, instead of sending a written notice of the resolution.

[Detailed instructions on how to exercise the voting rights at the venue of this Annual General Meeting of Shareholders and via mail or the Internet are omitted from the English translation.]

Reference Documents for the General Meeting of Shareholders

Proposal and Reference Material

Proposal No.1 Partial Amendment to the Articles of Incorporation

1. Reasons for the Proposal

- (1) The Company will revise the Article 2 (Purpose) of the current Articles of Incorporation of the Company in order to clarify the business activities in line with the current status of the Company and its subsidiaries.
- (2) The Company will increase the maximum number of Directors as stipulated in the Article 19 (Number of Directors) of the current Articles of Incorporation of the Company from ten (10) to twelve (12) in order to reinforce the Company’s management structure.

2. Details of the Proposed Amendment.

(Underline indicates amended portions)

Current Articles of Incorporation	Proposed Amendment
Article 2.(Purpose) The purpose of the Company shall be to engage in the following businesses.	Article 2.(Purpose) The purpose of the Company shall be to engage in the following businesses.
1.-15. (omitted) (New)	1.-15. (The same as the current provisions) <u>16. To control and manage the business activities of the companies that engage in various businesses and the foreign companies through acquisition and holding of shares or equity interests in the companies.</u>
<u>16.</u> Any businesses incidental to or related to any of the preceding items.	<u>17.</u> Any and all businesses related to the preceding items.

Article 19 (Number of Directors) The number of Directors shall not exceed <u>ten (10)</u> .	Article 19 (Number of Directors) The number of Directors shall not exceed <u>twelve (12)</u> .
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Proposal No.2 Election of Eleven (11) Directors

The tenure of the office of all eight (8) members of the Board of Directors will expire upon the conclusion of this Annual General Meeting of Shareholders. Accordingly, we hereby propose the appointment of eleven (11) members of the Board of Directors including three (3) new candidates in order to reinforce the Company's management structure, subject to the approval of Proposal No.1. Partial Amendment to the Articles of Incorporation.

The Medley Group aims to maximize long-term cash flow and increase corporate value over the long term by reviewing its organizational structure as appropriate in line with expansion of its businesses and by ensuring efficient operation of each organizational division and clarifying the scope of responsibilities thereof. The Company has decided to propose the election of seven (7) internal directors, including one (1) new candidate at this General Meeting of Shareholders in order to avoid deterioration in the Company's currently strong growth momentum and establish a system wherein each director is able to optimally execute their duties in their respective areas of responsibility.

In addition, the Board of Directors has decided to propose the election of four (4) external directors, including two (2) new candidates in order to reinforce the Company's corporate governance system by increasing the number of external directors.

The director candidates and the reasons for their nominations are as follows.

Number	Name	Type of Nomination	Current position and responsibilities at the Company
1	Kohei Takiguchi	Re-nomination	President and Chief Executive Officer
2	Goichiro Toyoda	Re-nomination	Director, Head of Business Collaboration Promotion Department
3	Yosuke Ishizaki	Re-nomination	Director, Head of Business Headquarters
4	Sosuke Hirayama	Re-nomination	Director, CTO, and Head of Incubation Headquarters
5	Yuta Tamaru	Re-nomination	Director, Head of Corporate Headquarters
6	Ryo Kawahara	Re-nomination	Director, CFO, and Head of IR and Financial Affairs
7	Yusuke Shima	New nomination	Executive Officer Head of Business Planning Division, Incubation Headquarter(current position)
8	Hidetoshi Takano	Re-nomination, External Independent	External Director
9	Noboru Kotani	Re-nomination, External Independent	External Director
10	Daisuke Iwase	New nomination, External Independent	
11	Kenichi Hoshi	New nomination, External Independent	

Candidate Number	Name (Date of Birth)	Career summary, Positions, and Significant concurrent positions	Number of the Company's Shares owned
1	Kohei Takiguchi (May 16, 1984)	April 2002 Established Gemeinschaft, Inc., June 2009 Established the Company. President and Chief Executive Officer (current position)	5,962,600
Re-nomination	<p>【Reason for nomination as Director】</p> <p>Since establishing the Company in June 2009, Mr. Takiguchi has been responsible for management of the Company in the positions of President and Chief Executive Officer and contributed to growth in corporate value. The Company has determined that, based on his management experience and leadership skills, Mr. Takiguchi is expected to contribute to further growth in the corporate value of the Medley Group and proposes that he be re-elected as Director.</p>		

Candidate Number	Name (Date of Birth)	Career summary, Positions, and Significant concurrent positions	Number of the Company’s Shares owned
2 Re-nomination	Goichiro Toyoda (May 23, 1984)	April 2009 Joined Seirei Hamamatsu General Hospital April 2011 Joined NTT Medical Center Tokyo October 2012 Became Research Fellow at Children's Hospital of Michigan September 2013 Joined McKinsey & Company February 2015 Became Representative Director (Doctor) of the Company March 2019 Became Head of Business Collaboration Promotion Department (current position) February 2021 Became Director of the Company(current position)	3,455,800
	【Reason for nomination as Director】 Since joining the Company in 2015, Mr. Toyoda has contributed to growth of corporate value by building relationships and acting as a driving force behind collaboration with a wide range of stakeholders in the field of healthcare. The Company has determined that, based on his insight into the field of healthcare and relationships with stakeholders, Mr. Toyoda is expected to contribute to further growth in the corporate value of the Medley Group and proposes that he be re-elected as Director.		

Candidate Number	Name (Date of Birth)	Career summary, Positions, and Significant concurrent positions	Number of the Company's Shares owned
3 Re-nomination	Yosuke Ishizaki (August 23, 1982)	January 2006 Joined AUN CONSULTING, Inc. April 2007 Joined Hatena Co., Ltd. September 2011 Joined GREE Inc. April 2014 Became Representative Director at Platinum Factory April 2015 Became Director of the Company (current position) February 2020 Became Head of Business Headquarters (current position)	165,100
		【Reason for nomination as Director】 Since joining the Company in 2015, Mr. Ishizaki has contributed to growth of corporate value by growing our businesses in his capacity as Director in charge of the Recruitment Platform Business and the Medical Platform Business. The Company has determined that, based on his experience and insight into Internet-related businesses and his leadership skills, Mr. Ishizaki is expected to contribute to further growth in the corporate value of the Medley Group and proposes that he be re-elected as Director.	

Candidate Number	Name (Date of Birth)	Career summary, Positions, and Significant concurrent positions	Number of the Company’s Shares owned
4 Re-nomination	Sosuke Hirayama (February 4, 1982)	April 2005 Joined Hitachi Software Engineering, Co., Ltd. April 2009 Joined GREE Inc. February 2012 Joined Livesense Inc. July 2015 Joined the Company January 2016 Became Director and CTO of the Company(current position) February 2020 Became Head of Incubation Headquarters (current position)	123,100
		【Reason for nomination as Director】 Since joining the Company in 2015, Mr. Hirayama has contributed to growth of corporate value by acting as a driving force behind product development and the construction of our engineering team and in his role as Director since 2016. The Company has determined that, based on his experience and insight into a wide-variety of technologies and his leadership skills, Mr. Hirayama is expected to contribute to further growth in the corporate value of the Medley Group and proposes that he be re-elected as Director.	

Candidate Number	Name (Date of Birth)	Career summary, Positions, and Significant concurrent positions	Number of the Company’s Shares owned
5 Re-nomination	Yuta Tamaru (March 1, 1985)	August 2008 Registered as an Attorney at law September 2008 Joined Paul Hastings LLP May 2011 Joined White & Case LLP May 2016 Joined the Company April 2017 Became Head of Corporate Headquarters (current position) January 2018 Became Director of the Company (current position)	102,300
		【Reason for nomination as Director】 Since joining the Company in 2016, Mr. Tamaru has contributed to growth of corporate value by acting as a driving force behind the construction of a corporate structure in line with corporate growth and in his role as a Director since 2018. The Company has determined that, based on his experience and insight into fields including law, corporate governance, and M&A and his leadership skills, Mr. Tamaru is expected to contribute to further growth in the corporate value of the Medley Group and proposes that he be re-elected as Director.	

Candidate Number	Name (Date of Birth)	Career summary, Positions, and Significant concurrent positions	Number of the Company's Shares owned
6	Ryo Kawahara (October 9, 1984)	July 2007 Joined J.P.Morgan Securities July 2016 Became Director of the Company and CFO (current position) January 2021 Became Head of IR and Financial Affairs (current position)	320,800
Re-nomination	【Reason for nomination as Director】 Since joining the Company in 2016, Mr. Kawahara has contributed to growth of corporate value by acting as a driving force behind growth from a financial perspective in his role as CFO. The Company has determined that, based on his experience and insight into the field of finance, Mr. Kawahara is expected to contribute to further growth in the corporate value of the Medley Group and proposes that he be re-elected as Director.		

Candidate Number	Name (Date of Birth)	Career summary, Positions, and Significant concurrent positions	Number of the Company's Shares owned
7 New-nomination	Yusuke Shima (May 27, 1984)	<p>April 2009 Joined The University of Tokyo Medical School Hospital</p> <p>April 2011 Joined Department of Gastroenterology, Japanese Red Cross Society Medical Center</p> <p>April 2014 Joined Department of Gastroenterology, Tokyo University Medical School Hospital</p> <p>April 2015 Joined Boston Consulting Group</p> <p>April 2016 Joined the Company as Executive Officer (current position)</p> <p>December 2020 Joined Pacific System Co., Ltd.as Representative Director (Doctor)(current position)</p> <p>January 2021 Became Head of Business Planning Division, Incubation Headquarter (current position)</p>	223,600
<p>【Reason for nomination as Director】</p> <p>Since joining the Company in 2016, Mr. Shima has contributed to growth of corporate value by acting as a driving force behind new businesses and M&A in the Medical Platform Business. The Company has determined that, based on his insight into healthcare and his leadership skills, Mr. Shima is expected to contribute to further growth in the corporate value of the Medley Group and proposes that he be elected as Director.</p>			

Candidate Number	Name (Date of Birth)	Career summary, Positions, and Significant concurrent positions	Number of the Company's Shares owned
8 Re-nomination External Independent	Hidetoshi Takano (March 12, 1976)	April 1999 Joined Intelligence, Inc. January Established and became 2005 Representative Director of Key Players, Inc. (current position) June 2009 Became External Director of the Company (current position) November Became External Director at 2011 CrowdWorks, Inc. December Established and became 2017 Representative Director of Agent Seven (current position)	373,700
		【Reason for nomination as External Director】 Since being appointed External Director of the Company in 2009, Mr. Takano has used his experience and insight in the fields of recruitment and human resources to assist the Company in decision making, providing consultation especially in the Recruitment Platform Business and regarding organizational systems. He also serves as a member of the Company's voluntary advisory committee for director compensation and the Company proposes his re-election as External Director to further reinforce the Company's management structure of the Medley Group.	

Candidate Number	Name (Date of Birth)	Career summary, Positions, and Significant concurrent positions	Number of the Company's Shares owned
9 Re-nomination External Independent	Noboru Kotani (November 13, 1956)	<p>April 1981 Joined Boston Consulting Group</p> <p>December 1999 Joined Became Senior Vice President at Boston Consulting Group</p> <p>June 2000 Established and became Representative Director of Dream Incubator Inc.</p> <p>March 2005 Became Representative Director of Vehicle (current position)</p> <p>June 2005 Became External Director of Santen Pharmaceutical Co., Ltd.</p> <p>June 2005 Became External Director of Combi Corporation (current position)</p> <p>June 2005 Joined University of Tsukuba Graduate School as Part-time Lecturer and Visiting Professor</p> <p>November 2006 Became External Director of JIN Co., Ltd. (currently JINS Holdings Inc., current position)</p> <p>March 2012 Became External Auditor of Bilcom Inc.</p> <p>March 2013 Became External Director of SanBio Co., Ltd., (current</p>	42,000

		<p>position)</p> <p>March 2015 Became External Director of Bilcom Inc. (current position)</p> <p>March 2018 Became External Director of the Company (current position)</p> <p>July 2019 Became External Director at Innophys Co.,Ltd. (current position)</p>	
	<p>【Reason for nomination as External Director】</p> <p>Since being appointed External Director of the Company in 2018, Mr. Kotani has used his management experience in the field of consulting and experience serving as External Director at listed corporations to assist the Company in decision making, providing consultation especially in the areas of strengthening governance and management strategy. He also serves as a member of the Company’s voluntary advisory committee for director compensation and the Company proposes his re-election as External Director to further reinforce the Company’s management structure of the Medley Group.</p>		

Candidate Number	Name (Date of Birth)	Career summary, Positions, and Significant concurrent positions	Number of the Company's Shares owned
10 New-nomination External Independent	Daisuke Iwase (March 17, 1976)	<p>April 1998 Joined Boston Consulting Group</p> <p>December Joined Ripplewood Japan</p> <p>2001</p> <p>October Joined Net Life (currently Lifenet</p> <p>2006 Insurance Company) and became</p> <p>Director and Vice President</p> <p>February Became Representative Director</p> <p>2009 and Vice President of Lifenet</p> <p>Insurance Company</p> <p>June 2013 Became External Director at</p> <p>Benesse Holdings, Inc.</p> <p>Became Representative Director</p> <p>and COO of Lifenet Insurance</p> <p>Company</p> <p>June 2016 Became Representative Director</p> <p>and President of Lifenet Insurance</p> <p>Company</p> <p>June 2018 Became Chairman of the Board of</p> <p>Directors of Lifenet Insurance</p> <p>Became Group Chief Digital</p> <p>Officer (CDO) at AIA Group</p> <p>Limited</p>	-

		<p>June 2020 Became External Director at Benesse Holdings, Inc. (current position)</p> <p>August 2020Became Managing Partner at Spiral Capital (current position)</p>	
	<p>【Reason for nomination as External Director】</p> <p>The Company expects Mr. Iwase to use his management experience and insight gained working with Japanese and global companies to assist the Company in the areas of management strategy and management systems as well as assisting with decision making and therefore proposes his election as a new External Director.</p>		

Candidate Number	Name (Date of Birth)	Career summary, Positions, and Significant concurrent positions	Number of the Company's Shares owned
11 New-nomination External Independent	Kenichi Hoshi (January 17, 1967)	April 1989 Joined Juki Corporation February Joined Misumi Corporation 2005 June 2008 Joined Amazon Japan G.K. November Established kenhoshi & Company 2019 (current position) February Became COO of Oisix ra daichi 2020 Inc. (current position) June 2020 Became External Director at PopSicle (current position)	-
		【Reason for nomination as External Director】 The Company expects Mr. Hoshi to use his experience and insight gained working with global companies to assist the Company in the areas of organizational management and business strategy as well as assisting with decision making and therefore proposes his election as a new External Director.	

(Notes)

1. The Company has entered into outsourcing agreements with Key Players Co., Ltd. and Agent Seven Co., Ltd. where Hidetoshi Takano serves as Representative Director related to recruitment services. In cases wherein the Company hires persons recruited by these companies, this could result in transactions that could be deemed a conflict of interest with the Company. Therefore, any such transactions shall be evaluated to determine their necessity and the appropriateness of transaction conditions and approved on a case-by-case basis via a resolution of the Board of Directors in accordance with the Companies Act of Japan. There were no transactions between the Company and the abovementioned companies in the fiscal year ended December 31, 2020 (FY2020).
2. There is no conflict of interest between the other candidates and the Company.
3. Hidetoshi Takano, Noboru Kotani, Daisuke Iwase, and Kenichi Hoshi are candidates for the position of External Director.
4. As of the conclusion of this Shareholders Meeting, Director Hidetoshi Takano will have served in the position of External Director of the Company for a period of twelve (12) years. Also, as of the conclusion of this Shareholders Meeting, Director Noboru Kotani will have served in the position of External Director of the Company for a period of three (3) years.
5. The Company has entered into a liability limitation agreement with Hidetoshi Takano and Noboru Kotani to the effect that, with respect to the liability stipulated in Article 423, Paragraph 1 of the Companies Act of Japan, if they have performed their duties in good faith and without gross negligence, the Company shall assume the liability for damages up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act. If the reappointments of Hidetoshi Takano and Noboru Kotani are approved, the Company plans to continue said liability limitation agreement with them. In addition, if the appointments of Daisuke Iwase and Kenichi Hoshi are approved, the Company plans to enter similar liability limitation agreements with them.
6. The Company has entered into a liability insurance contract with an insurance company for Directors, etc. as stipulated in Article 430-3, Paragraph 1 of the Companies Act of Japan. The insurance contract covers the legal damages and litigation expenses as specified below to be borne by insured persons to shareholders, investors, employees and other third parties as a result of the insured's responsibility for the performance of duties (breach of duty of care, error in management judgment, etc.). The candidates shall be included among the insured persons in said liability insurance contract and the Company plans to renew said contract during their terms of service.
 - (1) Those legal damages and litigation expenses incurred in the event that an insured individual, such as a Director or Auditor, is subject to claims for damages due to an act committed based on his or her position.
 - (2) Expenses related to compensation paid by the Company in the event that the Company compensates for damage suffered by an insured individual (company compensation).
7. If the re-appointments of Hidetoshi Takano and Noboru Kotani and the new appointments of Daisuke Iwase and Kenichi Hoshi are approved, the Company plans to submit the notification to the Tokyo Stock Exchange that Noboru Kotani has been reappointed as independent director and that Hidetoshi Takano, Daisuke Iwase, and Kenichi Hoshi have been appointed as independent directors in accordance with the regulations of the Tokyo Stock Exchange.
8. Figures provided under “Number of the Company’s shares held” are the number of shares held as of December 31, 2020.

Proposal No.3 Determination of Compensation for Granting Transfer-Restricted Stocks to Directors

At the 6th Ordinary General Meeting of Shareholders convened on March 30, 2015, the aggregate compensation payable to Directors was approved to be no more than 200 million yen per year (excluding the portion of employees' salaries for Directors who concurrently serve as employees).

The Company asks for the approval of its shareholders for the plan (hereinafter, "the Proposed Plan") to grant Directors of the Company (excluding External Directors, hereinafter "the Eligible Directors") transfer-restricted stocks as compensation separately from the abovementioned compensation limitation for the purpose of more closely aligning the interests of the Eligible Directors with those of shareholders by providing compensation linked to the Company's share price.

While the company currently has six (6) Eligible Directors if Proposal No. 2 is approved as proposed, the company will have seven (7) Eligible Directors. Even if Mr. Goichiro Toyoda is elected Director as a result of the approval of Proposal No. 2, no transfer-restricted stocks under the Proposed Plan shall be granted to him during the fiscal year ending December 31, 2021.

1. Method of issuance or disposal of transfer-restricted stocks

Issuance or disposal of transfer-restricted stocks under the Proposed Plan shall be conducted by one of the following methods based on the resolution of the Board of Directors regarding the issuance and the disposal.

- (1) Method to issue or dispose of common shares of the Company as compensation to Eligible Directors without payment of money or delivery of property contributed in kind (hereinafter, "Granting without Contribution").
- (2) Method to issue or dispose of common shares of the Company in exchange for in-kind contribution of all monetary compensation claims, which are granted by the Company as compensation to Eligible Directors (hereinafter, "Granting with in-kind Contribution").

2. Maximum number and amount of transfer-restricted stocks to be granted to Eligible Directors

The total number of common stocks of the Company to be issued or disposed of under the Proposed Plan shall not exceed 30,000 shares per year (However, after the date of the approval of this Proposed Plan, in the event of a stock split (including gratis allotment) or reverse stock split of the Company's common stock, the total number of shares to be issued or disposed of may be adjusted in accordance with the stock split ratio or the reverse stock split ratio).

Also, total amount of transfer-restricted stocks granted under the Proposed Plan shall be no more than 200 million yen per year. In the case of Granting without Contribution, while no payment of money is required, the amount of compensation for Eligible Directors shall be calculated based on the closing price per share of the Company's common stock on the Tokyo Stock Exchange on the business day preceding date of each resolution of the Board of Directors (in cases no transactions of the Company's common stock have been executed on said date, the amount of compensation shall be calculated based on the closing price of the most recent trading day). In the case of Granting with in-kind Contribution, issuance or disposition of the Company's common stock shall be conducted in exchange for in-kind contribution of monetary compensation claims, which are granted to Eligible Directors as in-kind contribution within the scope of the above amount, and the amount per share to be paid by the Eligible Directors shall be determined by the Board of Directors to the extent that does not constitute a particularly advantageous amount for the Eligible Directors, based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day preceding date of each resolution of the Board of Directors (in cases no transactions of the Company's common stock have been executed on said date, the amount of compensation shall be calculated based on the closing price of the most recent trading day).

Details of allocations to each Eligible Director shall be decided by the Board of Directors.

3. Outline of transfer-restricted stocks to be granted to Eligible Directors

When transfer-restricted stocks are granted under the Proposed Plan, the Company and Eligible Directors shall conclude a restricted share allocation agreement (hereinafter “the Allocation Agreement”) which shall include the following items.

- (1) Eligible Directors shall not transfer, create security interest on, or otherwise dispose of (hereinafter, “Transfer Restrictions”) the Company's common stocks allocated under the Allocation Agreement (hereinafter, “the Allocated Stocks”) for a period of two to five years as determined by the Board of Directors (hereinafter, “the Transfer-Restriction Period”).
- (2) In the event of loss by an Eligible Director of the position of Director of the Company or any other position determined by the Board of Directors before the expiration of the Transfer-Restriction Period, the Company will acquire the Allocated Stocks without providing compensation, except for the case where Transfer Restrictions will be lifted in accordance with (4) below.
- (3) If an Eligible Director continuously serves in a position specified in (2) above during the Transfer-Restriction Period, the Company will lift Transfer Restrictions for all of the Allocated Stocks at the time of

expiration of the Transfer-Restriction Period.

(4) Notwithstanding the provisions of (2) above, if, before the expiry of the Transfer-Restriction Period, due to a reason deemed as justifiable by the Board of Directors in (2) above, an Eligible Director loses a position determined in (2) above, the Company may lift Transfer Restrictions applicable to Allocated Stocks. In such cases, the number of Allocated Stocks for which Transfer Restrictions are lifted and the timing of said lifting of restrictions shall be reasonably adjusted as deemed necessary.

(5) The Company will, as a matter of course, acquire the Allocated Stocks with no compensation in cases where the Transfer Restriction has not been lifted in accordance with (3) and (4) above at the time of expiration of the Transfer- Restriction Period.

(6) The Company will, as a matter of course, acquire the Allocated Stocks with no compensation in case of violation of laws, the Company's internal rules, the terms of the Allocation Agreement, or any event determined by the Board of Directors of the Company to be an event in response to which it is reasonable to acquire the Allocated Stocks with no compensation.

(7) Notwithstanding the provisions of (1) above, in the event that, during the Transfer-Restriction Period, a merger agreement in which the Company will be the absorbed company, a share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary of another company, or matter regarding any other restructuring measure is approved at a General Meeting of Shareholders (or by a resolution of the Company's Board of Directors if the approval of the General Meeting of Shareholders is not required), the Company will, by resolution of the Company's Board of Directors, before the effective date of said restructuring measures, lift Transfer Restrictions on a number of Allocated Stocks reasonably determined based on the period from the start date of the Transfer-Restriction Period to the date of approval of said restructuring measure, etc.

(8) In case specified in (7) above, the Company will, as a matter of course, acquire with no compensation Allocated Stocks for which Transfer Restriction is not lifted as of the time immediately after lifting of Transfer Restriction in accordance with (7) above.

(9) The method of indicating intentions and issuing notifications under the Allocation Agreement, the method of amending the Allocation Agreement and other matters to be determined by the Board of Directors shall be included in the Allocation Agreement.

4. Reason why granting of transfer-restricted stocks is reasonable

Granting of transfer-restricted stocks based on this Proposal is intended to align more closely the interests of the Eligible Directors with those of shareholders by providing compensation linked to the Company's share price in addition to executive compensation of Eligible Director.

At the Company's Board of Directors meeting held on February 26, 2021, a policy for determining the compensation for each individual director was resolved and such policy includes a basic policy for Executive Directors' compensation that the compensation shall provide appropriate incentives to increase the Company's corporate value over the medium-to-long term. Based on this basic plan, stock-based compensation will be granted to align the interests of Directors with those of shareholders and the amount of stock-based compensation shall be determined by taking into account the need to secure growth potential.

The granting of transfer-restricted stocks in the Proposed Plan is consistent with the abovementioned policy. Also, the amount of the transfer-restricted stocks under this Proposal valued at the market price on the date of the resolution of the Board of Directors pertaining to the allotment does not exceed the maximum annual amount described in 2. above. In addition, the maximum number of transfer-restricted stocks that may be granted based on this Proposal does not exceed a number of shares equal to 0.1% of total number of shares issued by the Company and the dilutive effect by this granting on the value of the Company's shares would therefore be minor. The Company therefore considers that the granting of transfer-restricted stocks based on the Proposed Plan is reasonable.