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Securities Code: 7649

April 28, 2022

Dear Shareholders,

1-8-4, Mikawaanjo-cho, Anjo City, Aichi Prefecture, Japan

Sugi Holdings Co., Ltd.

Katsunori Sugiura, Representative Director & President

NOTICE OF THE 40th ORDINARY GENERAL MEETING OF SHAREHOLDERS

We have the pleasure of informing you that the 40th Ordinary General Meeting of Shareholders (the “Meeting”) of Sugi Holdings Co., Ltd. (the “Company”) will be held as described below.

With a view to preventing the spread of COVID-19 infections, you are kindly advised, in deciding your attendance, to check the epidemic situation and your own health condition as of the day the Meeting is held. In lieu of attending on the day of the Meeting, you can exercise your voting rights either by using the Voting Rights Exercise Form (for submission by post) or via the Internet. You are therefore requested to review the Reference Documents for the Meeting and exercise your voting rights by 6:00 p.m., Thursday, May 19, 2022 (Japan time) according to the methods described below.

1. Date and Time: Friday, May 20, 2022 at 10:00 a.m. (Reception starts at 9:00 a.m.)
2. Venue: Grand Hall, Kariya Cultural Center Iris, 2-104 Wakamatsu-cho, Kariya City, Aichi Prefecture
3. Meeting Agenda:
Matters to be reported:
 1. Business Report, Consolidated Financial Statements for the Company’s 40th Fiscal Year (March 1, 2021 to February 28, 2022), and the results of an audit by the Accounting Auditors and the Board of Corporate Auditors of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company’s 40th Fiscal Year (March 1, 2021 to February 28, 2022).

Proposals to be resolved:

- | | |
|-------------|---|
| Proposal 1: | Partial Amendment to the Articles of Incorporation |
| Proposal 2: | Election of Five (5) Directors |
| Proposal 3: | Election of One (1) Corporate Auditor |
| Proposal 4: | Determination of Remuneration for Granting Restricted Stock to Directors (Excluding External Directors) |

- For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the Meeting. Also, please bring this Notice with you as the materials for the Meeting.
- Pursuant to laws and ordinances as well as the provisions of Article 18 of the Articles of Incorporation of the Company, the System and Policy of the Company and Notes to Consolidated Financial Statements and Non-Consolidated Financial Statements are disclosed on the Company’s website (<https://www.sugi-hd.co.jp/>) in lieu of disclosure in this Notice.
- In the event that the Company finds any correction(s) that should be made in the Reference Documents for the Meeting, the Business Report, Consolidated Financial Statements and/or Non-consolidated Financial Statements, such correction(s) will be specified through the Company’s website (<https://www.sugi-hd.co.jp/>).

REFERENCE DOCUMENTS FOR THE MEETING

Proposal 1:

Partial Amendment to the Articles of Incorporation

1. Reasons for the proposal

- (1) Following the enforcement of the Act Partially Amending the Act on Strengthening Industrial Competitiveness (Act No. 70 of 2021) on June 16, 2021, listed companies are allowed to hold a general meeting of shareholders without a physical venue (so-called virtual-only general meeting of shareholders) provided that it is stipulated in the articles of incorporation and certain other requirements have been satisfied. Based on the understanding that having wider options regarding the method of holding a general meeting of shareholders will further the interest of our shareholders particularly in the event of a large-scale disaster, such as a pandemic or natural disaster, given the progress of digitalization in the society, the Company will propose to add Article 12, paragraph 2 to the current articles of incorporation to enable the Company to hold a general meeting of shareholders without a physical venue.

Provided that this proposal will be approved, the Board of Directors of the company will determine the holding method for each general meeting of shareholders, taking into consideration the interest of our shareholders to a maximum extent. This decision will be made carefully by the Board of Directors through deliberations that prioritize the protection of rights and safety of our shareholder and reflect measures to control infectious diseases, such as COVID-19, and other social requirements, the opinions of our stakeholders, and the opinions of independent outside officers of the Company provided based on their objective perspectives. Pursuant to the provisions of Order of the Ministry of Economy, Trade and Industry and Ministry of Justice Order, Article 12, paragraph 2 of the articles of incorporation shall be subject to the confirmation of the Minister of Economy, Trade and Industry and the Minister of Justice that the general meeting of shareholders of the Company without a physical venue satisfies the relevant requirements of Order of the Ministry of Economy, Trade and Industry and Ministry of Justice Order as falling under the case where such a general meeting of shareholders contributes to the strengthening of industrial competitiveness, while taking into consideration the protection of shareholders' interest and shall take effect on the day of the confirmation, provided that this proposal will have been approved.

- (2) The amendment provisions of the proviso clause of Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) will take effect on September 1, 2022. Pursuant to these provisions, the Company will propose to establish new provisions in its articles of incorporation to prescribe that the Company shall take measures to provide in an electronic format such information that should otherwise be included in the reference documents, etc. for general meeting of shareholders and to limit the scope of matters to be included in a paper document delivered to a shareholder who has requested the delivery of materials in a paper-based format. At the same time, the Company will propose to delete the existing provision for Internet disclosure and deemed provision of reference documents, etc. for general meeting of shareholders and establish supplementary provisions on the effective date of these amendments.

2. Specific amendments to the articles of incorporation

Specific amendments to the articles of incorporation as proposed are as follows:

(Amended text is underlined)

Current articles of incorporation	Proposed amendments
<p>(Convocation of a General Meeting of Shareholders)</p> <p>Article 12 The ordinary general meeting of shareholders of the Company shall be convened in May each year. An extraordinary general meeting of shareholders may be convened from time to time whenever necessary.</p> <p>(New provision)</p> <p>(Internet Disclosure and Deemed Provision of Reference Documents, etc. for General Meeting of Shareholders)</p> <p>Article 18 When the Company gives notice of a general meeting of shareholders, if the information that should be included or presented in the reference documents for the general meeting of shareholders, business report, financial statements and/or consolidated financial statements is disclosed by the Company through the Internet in accordance with the provisions prescribed by Ministry of Justice Order, such information may be deemed to have been provided by the Company to its shareholders.</p> <p>(New provision)</p> <p>(New provision)</p>	<p>(Convocation of a General Meeting of Shareholders)</p> <p>Article 12 (Not changed)</p> <p>2. The general meeting of shareholders of the Company may be held in the form of a general meeting of shareholders without a physical venue.</p> <p>(Deleted)</p> <p>(Measures to Provide Information in an Electronic Format)</p> <p>Article 18 In convening a general meeting of shareholders, the Company shall take measures to provide in an electronic format the information that should otherwise be included in the reference documents, etc. for general meeting of shareholders.</p> <p>2. When a shareholder has requested the delivery of materials in a paper-based format by the record date of voting rights, the Company may choose not to include in the paper document to be delivered to the shareholder the whole or part of matters prescribed in Ministry of Justice Order if they are provided in an electronic format.</p> <p>(Supplementary Provisions)</p> <p>1. The deletion of Article 18 (Internet Disclosure and Deemed Provision of Reference Documents, etc. of General Meetings of Shareholders) of the current articles of incorporation and the new establishment of Article 18 (Measures to Provide Information in an Electronic Format) of the proposed amendment shall take effect on the effective date of the amendments prescribed in the proviso clause of Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as "Effective Date").</p> <p>2. Notwithstanding the provisions of the preceding paragraph, the provisions of Article 18 of the current articles of incorporation shall remain in full force and effect for any general meeting of shareholders held within six (6) months from the Effective Date.</p> <p>3. These Supplementary Provisions shall be deleted on the later of the day on which six (6) months have passed since the Effective Date and the day on which three (3) months have passed since the date of the general meeting of shareholders referred to in the preceding paragraph.</p>

Proposal 2: Election of Five (5) Directors

The terms of office of all six (6) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the election of five (5) Directors is proposed.

The candidates for Directors are as follows.

Candidate Number	Name	Current Position, etc. in the Company	Attendance at Board of Directors' Meetings in This Fiscal Year	Characteristics
1	Eiichi Sakakibara	Representative Director & Chairperson	100% (12 out of 12 meetings)	Reappointed
2	Katsunori Sugiura	Representative Director & President	100% (12 out of 12 meetings)	Reappointed
3	Shinya Sugiura	Director	100% (12 out of 12 meetings)	Reappointed
4	Shigeyuki Kamino	Director	100% (12 out of 12 meetings)	Reappointed External Independent
5	Yoshiko Hayama	Director	100% (12 out of 12 meetings)	Reappointed External Independent



Reappointed

Number of shares of the
Company held:

152,000

Years served as Director:

24 years (upon the close of the
Meeting)

Attendance at Board of
Directors' meetings:

12 out of 12 meetings (100%)

■ Career summary, positions and responsibilities at the Company

September 1986 Joined the Company
September 2008 Managing Director, Sugi Pharmacy Co., Ltd.
March 2011 Representative Director & President, Sugi Pharmacy Co., Ltd.
March 2017 Representative Director & Chairperson, Sugi Pharmacy Co., Ltd. (to date)
May 2017 Representative Director & President, Sugi Holdings Co., Ltd.
May 2021 Representative Director & Chairperson, Sugi Holdings Co., Ltd. (to date)

■ Significant concurrent positions:

Representative Director & Chairperson, Sugi Pharmacy Co., Ltd.

■ Reasons for nomination as a candidate for Director

Mr. Eiichi Sakakibara, as Representative Director of the Company and Sugi Pharmacy Co., Ltd., has led the Group of the Company and carried on its management philosophy, while fulfilling his responsibilities with his profound insights and intensive experience in the drugstore industry by actively working on, for example, the selection of items and the creation of stores that suit the lifestyle of consumers that have changed under the COVID-19 pandemic and the improvement of customer services. Based on the judgment that his track record in business management, broad business knowledge, and leadership for sustainable improvement of corporate value will significantly contribute to further development and expansion of the Group of the Company, we propose his reappointment as Director.



Reappointed

Number of shares of the
Company held:

1,892,000

Years served as Director:

5 years (upon the close of the
Meeting)

Attendance at Board of
Directors' meetings:

12 out of 12 meetings (100%)

■ Career summary, positions and responsibilities at the Company

March 2006	Joined the Company
March 2011	Managing Director, Sugi Pharmacy Co., Ltd.
March 2014	Representative Director & President, Sugi Smile Ltd. (to date)
March 2017	Representative Director & President, Sugi Pharmacy Co., Ltd. (to date)
May 2018	Representative Director & Senior Vice President, Sugi Medical Co., Ltd.
May 2021	Representative Director & President, Sugi Holdings Co., Ltd. (to date)

■ Significant concurrent positions:

Representative Director & President, Sugi Pharmacy Co., Ltd.
Representative Director & President, Sugi Smile Ltd.

■ Reasons for nomination as a candidate for Director

Mr. Katsunori Sugiura, as Representative Director of the Company and Sugi Pharmacy Co., Ltd., has been involved in management, while fulfilling his responsibilities by actively working on, for example, the formulation of a business strategy to realize a “total health care strategy” that is designed to provide comprehensive support to customers from the maintenance of health and prevention of disease to nursing care and terminal care, DX (digital transformation) strategy, new businesses both in Japan and overseas, and corporate value improvement through the promotion of SDGs. Based on the judgment that his business knowledge and leadership for sustainable improvement of corporate value will significantly contribute to further development and expansion of the Group of the Company, we propose his reappointment as Director.



Reappointed

Number of shares of the
Company held:

1,892,000

Years served as Director:

5 years (upon the close of the
Meeting)

Attendance at Board of
Directors' meetings:

12 out of 12 meetings (100%)

Career summary, positions and responsibilities at the Company

April 2004	Joined the Company
March 2010	Director and General Manager, Home Medical Care Division, Sugi Pharmacy Co., Ltd.
March 2011	Director, Sugi Medical Co., Ltd.
March 2017	Managing Director, Sugi Pharmacy Co., Ltd. (to date)
May 2017	Director, Sugi Holdings Co., Ltd. (to date)
May 2021	Representative Director & President, Sugi Medical Co., Ltd. (to date)
December 2021	Representative Director & President, Sugi Nursing Care Co., Ltd. (to date)

Significant concurrent positions:

Managing Director, Sugi Pharmacy Co., Ltd.
Representative Director & President, Sugi Medical Co., Ltd.
Representative Director & President, Sugi Nursing Care Co., Ltd.

Reasons for nomination as a candidate for Director

Mr. Shinya Sugiura, as Managing Director of Sugi Pharmacy Co., Ltd., supervises the sales division, while fulfilling his responsibilities by actively working on, as Representative Director of Sugi Medical Co., Ltd. and Sugi Nursing Care Co., Ltd., the formulation of medium- to long-term strategy for the healthcare business of the Group of the Company and leading various related collaborative initiatives with companies in other industries and the improvement of value-added of the pharmacies with the function of prescription dispensing, leveraging his experience and knowledge in the area of healthcare business. Based on the judgment that his knowledge and experience will significantly contribute to development of the core business of the Group of the Company going forward, we propose his reappointment as Director.



Reappointed

External

Independent

Number of shares of the
Company held:

Nil

Years served as Director:

7 years (upon the close of the
Meeting)

Attendance at Board of
Directors' meetings:

12 out of 12 meetings (100%)

■ Career summary, positions and responsibilities at the Company

April 1970	Joined Nagoya Railroad Co., Ltd.
May 2007	Representative Director, Mie Industry Co., Ltd. (to date)
June 2008	Representative Director and Executive Vice President, Nagoya Railroad Co., Ltd.
April 2009	Representative Director and President, Meitetsu Department Store Co., Ltd.
May 2012	President of Chubu Department Stores Association
May 2015	Director of the Company (to date)
June 2021	External Director, AT-Group Co., Ltd. (to date)

■ Significant concurrent positions:

Representative Director, Mie Industry Co., Ltd.
External Director, AT-Group Co., Ltd.

■ Reasons for nomination as a candidate for Director and an outline of the expected role of the candidate

Mr. Shigeyuki Kamino has been involved in the management of other companies for many years. Based on his abundant experience in and knowledge of management, he has actively made remarks and recommendations during deliberations of the Board of Directors' meetings. He also serves as Chair of the Nominating/Remuneration Committee. Based on the judgment that his appropriate supervision and advice from a high-level, independent standpoint supported by his profound insights and supervisory capability in the areas of corporate management, business strategies, and organizational and human resource management will significantly contribute to further development and expansion of the Group of the Company, we propose his reappointment as Director.



Reappointed

External

Independent

Number of shares of the
Company held:

Nil

Years served as Director:

6 years (upon the close of the
Meeting)

Attendance at Board of
Directors' meetings:

12 out of 12 meetings (100%)

■ Career summary, positions and responsibilities at the Company

April 1983	Joined The Fuji Bank, Limited (currently, Mizuho Bank, Ltd.)
March 1994	Registered as a Certified Public Accountant
January 2015	Representative, Hayama Yoshiko Certified Public Accountant Office (to date)
May 2016	Director of the Company (to date)
August 2016	Fellow Member, the Japanese Institute of Certified Public Accountants (to date)
June 2017	External Director, COCO'S JAPAN CO., LTD.
May 2018	External Corporate Auditor, Adastria Co., Ltd. (to date)
March 2020	External Director, Dynac Holdings Corporation (Member of the Audit and Supervisory Committee)
June 2020	External Director, Zensho Holdings Co., Ltd. (to date)

■ Significant concurrent positions:

Representative, Hayama Yoshiko Certified Public Accountant Office
Fellow Member, the Japanese Institute of Certified Public Accountants
External Corporate Auditor, Adastria Co., Ltd.
External Director, Zensho Holdings Co., Ltd.

■ Reasons for nomination as a candidate for Director and an outline of the expected role of the candidate

Ms. Yoshiko Hayama has abundant experience and professional knowledge developed by serving as a certified public accountant, and an external director and external corporate auditor of listed companies. She has also actively made remarks and recommendations during deliberations of the Board of Directors' meetings. As Ms. Hayama has strong expertise in finance and accounting and profound insights in the areas of legal affairs, compliance, and risk management, we expect from Ms. Hayama appropriate supervision and advice from the viewpoint of an independent officer, and thus propose her reappointment as External Director. Although she has not been involved in management of a company in the past other than being an external director, we have judged that she is capable of appropriately fulfilling her responsibilities as an External Director for the above-mentioned reasons.

Notes:

1. No special conflict of interest exists between the Company and any of the above candidates for Director.
2. Mr. Shigeyuki Kamino and Ms. Yoshiko Hayama are the candidates for External Directors. The Company has currently registered them as Independent Directors with the Tokyo Stock Exchange and the Nagoya Stock Exchange. If both of them are reelected as External Directors as originally proposed, the Company will re-register them as Independent Directors.
3. Mr. Shigeyuki Kamino and Ms. Yoshiko Hayama are currently External Directors of the Company. At the end of the Meeting, Mr. Shigeyuki Kamino will have been in office as External Director for seven years, and Ms. Yoshiko Hayama for six years.
4. In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into a contract with Mr. Shigeyuki Kamino and Ms. Yoshiko Hayama, respectively, to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act, insofar as they have performed their duties in good faith and without gross negligence. In such case, the limit for liabilities shall be the previously designated amount which is five million (5,000,000) yen or more, or the minimum liability limit stipulated by laws and ordinances, whichever is higher. If the reappointment of both of them as External Directors is approved, the Company will continue such a contract with both of them.
5. The Company has entered into an officers' liability insurance contract prescribed in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. When each of the candidates for Director listed above is elected and has assumed office, they will be included in the insured persons under this insurance contract. The Company will renew the contract under the same terms and conditions on the next renewal date.

Proposal 3: Election of One (1) Corporate Auditor

The term of office of Ms. Kana Yasuda, Corporate Auditor, will expire at the conclusion of the Meeting. Accordingly, the election of one (1) Corporate Auditor is proposed.

The Board of Corporate Auditors has given its consent to this proposal.

The candidate for Corporate Auditor is as follows:

Name	Current position in the Company	Attendance at Board of Directors' Meetings in This Fiscal Year	Attendance at Board of Corporate Auditors' Meetings in This Fiscal Year	Characteristics
Kana Yasuda	Corporate Auditor	100% (12 out of 12 meetings)	100% (13 out of 13 meetings)	Reappointed
				External Independent

Kana Yasuda

(Date of Birth: April 10, 1969)



Reappointed

External

Independent

Number of shares of the
Company held:
1,600

Years served as Corporate
Auditor:
12 years (upon the close of the
Meeting)

Attendance at Board of
Directors' meetings:
12 out of 12 meetings (100%)

Attendance at Board of
Auditors' meetings
13 out of 13 meetings (100%)

Career summary and positions at the Company

October 1993	Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC)
April 1997	Registered as a Certified Public Accountant
March 2000	Founder and Representative of Yasuda Accounting Firm (to date)
March 2004	Registered as Licensed Tax Accountant
September 2009	External Corporate Auditor, Shinpo Co., Ltd.
May 2010	Corporate Auditor of the Company (to date)
June 2016	External Director, Geo Holdings Corporation (to date)
June 2019	External Director, Chuo Spring Co., Ltd. (to date)
June 2020	External Director, Kondotec Inc. (Member of the Audit and Supervisory Committee) (to date)
September 2021	External Director, Monogatari Corporation (to date)

Significant concurrent positions:

Representative, Yasuda Accounting Firm
External Director, Geo Holdings Corporation
External Director, Chuo Spring Co., Ltd.
External Director, Kondotec Inc. (Member of the Audit and Supervisory Committee)
External Director, Monogatari Corporation

Reasons for nomination as a candidate for Corporate Auditor and an outline of the expected role of the candidate

As a certified public accountant and licensed tax accountant, Ms. Kana Yasuda is active in a broad range of work areas, such as accounting audit of business and other organizations and serving as external corporate auditors and directors of listed companies. As we can expect Ms. Yasuda to conduct strict audit from an independent standpoint supported by her strong expertise in the areas of accounting and tax and abundant experience in the areas of legal affairs, compliance, and risk management, we propose her reappointment as Corporate Auditor.

Notes:

1. No special conflict of interest exists between the Company and any of the above candidate for Corporate Auditor.
2. Ms. Kana Yasuda is a candidate for External Corporate Auditor. The Company has currently registered Ms. Yasuda as an Independent Corporate Auditor with the Tokyo Stock Exchange and the Nagoya Stock Exchange. If she is reelected as External Corporate Auditor as originally proposed, the Company will re-register her as Independent Corporate Auditor.
3. Ms. Kana Yasuda is currently an External Corporate Auditor of the Company. At the end of the Meeting, she will have been in office as External Corporate Auditor for 12 years.
4. In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into a contract with Ms. Kana Yasuda to limit her liability for damages under Article 423, Paragraph 1 of the Companies Act, insofar as she has performed her duties in good faith and without gross negligence. In such case, the limit for liabilities shall be the previously designated amount which is five million (5,000,000) yen or more, or the minimum liability limit stipulated by laws and ordinances, whichever is higher. If the reappointment of her as External Corporate Auditor is approved, the Company will continue such a contract with her.
5. The Company has entered into an officers' liability insurance contract prescribed in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. When the candidate for Corporate Auditor is elected and has assumed office, she will be included in the insured persons under this insurance contract. The Company will renew the contract under the same terms and conditions on the next renewal date.

[Reference] Skills matrix of our officers after the conclusion of the Meeting

Provided that each candidate for Director and for Corporate Auditor will be elected at the Meeting, the skills matrix of our officers will be as follows:

		Corporate Management	Business Strategies	Organization / Human Resources	Legal / Compliance / Risk Management	Finance / Accounting	Healthcare
Directors	Eiichi Sakakibara	●	●				●
	Katsunori Sugiura	●	●				●
	Shinya Sugiura	●	●				●
	Shigeyuki Kamino	●	●	●			
	Yoshiko Hayama				●	●	
Corporate Auditors	Toshihiko Sakamoto				●	●	
	Kana Yasuda				●	●	
	Makoto Kamiya				●	●	

Note: The table above does not necessarily show all insights and experience that each candidate has.

Proposal 4:

Determination of Remuneration for Granting Restricted Stock to Directors (Excluding External Directors)

1. Reasons for the proposal

At the 25th Ordinary General Meeting of Shareholders held on May 24, 2007, it was approved that the annual total amount of remuneration of directors should not exceed 400 million yen (excluding salaries that directors who double as employees receive as an employee).

Separately from the upper limit on remuneration mentioned above and as part of the reform of its remuneration system for directors, the Company proposes to provide remuneration for granting restricted stock to its directors (excluding external directors; hereinafter, the “Eligible Directors”) for the purpose of providing them with an incentive for sustainable improvement in the Company’s corporate value and thereby promoting further value sharing with shareholders.

2. Amount and other specifics of remuneration

The type of remuneration provided to Eligible Directors based on this proposal for the purpose of granting restricted stock to them will be monetary claims, and the annual total amount of such monetary claims will not exceed 80 million yen (excluding salaries that directors who double as employees receive as an employee). The specific timing of provision and allocation of such remuneration to each of the Eligible Directors will be determined by the Board of Directors of the Company. The number of directors is currently six (including three external directors) and will be five (including two external directors) if Proposal 2 “Election of Five (5) Directors” is approved as proposed. As a result, the number of Eligible Directors will be three.

Pursuant to the resolution of the Board of Directors of the Company, Eligible Directors will receive the Company’s common shares that are newly issued or disposed of by the Company in exchange for the payment as property contributed in kind of all monetary claims provided to them based on this proposal. The annual total number of the Company’s common shares to be so issued or disposed will not exceed 10,000; provided, however, that if there is a stock split (including gratis allotment of the Company’s common stock) or reverse stock split of the Company’s common stock on or after the date of approval of this proposal or in other circumstances that require an adjustment of the total number of the Company’s common shares to be issued or disposed of as restricted stock, the total number will be adjusted accordingly to a reasonable extent.

The paid-in amount per share will be determined by the Board of Directors of the Company based on the closing price of the Company common shares on the Tokyo Stock Exchange on the business day immediately preceding the date of each resolution of the Board of Directors regarding the issuance or disposition of them (if they are not traded on that day, the closing price of the immediately preceding trading day) in a manner that the paid-in amount is not particularly advantageous to the Eligible Directors who will subscribe to these shares. The issuance or disposition of the Company’s common shares and the provision of monetary claims as property to be contributed in kind in exchange for them pursuant to such resolution will be on condition that an agreement for the allotment of restricted stock (hereinafter, the “Allotment Agreement”), which shall contain the terms and conditions outlined below, is entered into by and between the Company and Eligible Directors. The Company has determined that the upper limit on the amount of remuneration under this proposal, the total number of the Company’s common shares to be issued or disposed, and other conditions for granting restricted stock to Eligible Directors pursuant to this proposal are appropriate, provided that they will be determined in consideration of the purpose described above, the business conditions of the Company, the policy for determining the remuneration of individual directors of the Company (which shall be revised in a manner to ensure consistency with this proposal as approved if it is approved, as described in the Reference section below), and other various circumstances.

[Summary of Allotment Agreement]

(1) Restricted period

Eligible Directors shall not transfer, offer as security, or otherwise dispose of the Company's common shares allotted to them under the Allotment Agreement (hereinafter, the "Allotted Stock") during the period from the date of allotment under the Allotment Agreement until immediately after they resign or retire from all of those positions as an officer or employee of the Company or its subsidiary that are specified in advance by the Board of Directors of the Company (hereinafter, the "Restricted Period" and such restrictions are referred to as the "Restriction").

(2) Treatment at the time of resignation and/or retirement

When an Eligible Director resigns or retires from all of those positions as an officer or employee of the Company or its subsidiary that are specified in advance by the Board of Directors of the Company before the expiration of the period specified in advance by the Board of Directors of the Company (hereinafter, the "Service Period"), the Company shall automatically acquire the Allotted Stock from him or her without consideration, unless there is a legitimate reason, such as the expiration of the term of office or death, for the resignation and/or retirement.

(3) Lifting of transfer restrictions

Notwithstanding the provisions of (1) above, the Company will lift the Restriction upon the expiration of the Restricted Period for all shares of the Allotted Stock on condition that the relevant Eligible Director has continued, during the Service Period, to be in any of those positions as an officer or employee of the Company or its subsidiary that are specified in advance by the Board of Directors of the Company. When an Eligible Director resigns or retires from all of those positions as an officer or employee of the Company or its subsidiary that are specified in advance by the Board of Directors of the Company before the expiration of the Service Period for a legitimate reason prescribed in (2) above, such as the expiration of the term of office or death, the number of shares of Allotted Stock for which the Restriction is lifted and the timing of the lifting of the Restriction shall be adjusted reasonably as necessary. The Company shall automatically acquire without consideration any shares of Allotted Stock for which the Restriction has not been lifted immediately after the Restriction is lifted pursuant to the provision above.

(4) Treatment in case of reorganization and the like

Notwithstanding the provisions of (1) above, if a proposal for a merger agreement under which the Company will be the disappearing company, a share exchange agreement or a share transfer plan under which the Company will be a wholly-owned subsidiary of another company, or other reorganization and the like is approved by the General Meeting of Shareholders of the Company during the Restricted Period (or by the Board of Directors of the Company if such a reorganization and the like does not require the approval of the General Meeting of Shareholders of the Company), the Company shall, by the resolution of the Board of Directors of the Company, lift the Restriction for the number of shares of Allotted Stock determined reasonably based on the period from the start date of the Restricted Period to the date of approval of such a reorganization and the like, before the effective date of such a reorganization and the like. In this case, the Company shall automatically acquire without consideration any shares of Allotted Stock for which the Restriction has not been lifted immediately after the Restriction is lifted.

(5) Other matters

Any other matters concerning the Allotment Agreement shall be determined by the Board of Directors of the Company.

[Reference]

- (1) The Company plans to allot shares of the same restricted stock as prescribed above to the directors of some of its subsidiaries (excluding those who concurrently serve as a director of the Company) after the close of the Meeting.
- (2) Policy for determining the remuneration of individual directors
Subject to approval of Proposal 4, the Company will revise its “policy for determining the remunerations of individual officers” as outlined below.

The revised policy for determining the remunerations of individual officers will be as follows:

(a) Basic policy

For the remuneration of directors of the Company, the Company has established base amounts by position, which have been designed in consideration of the levels of remuneration at its industry peers as well as in other industries using remuneration data provided by external expert organizations and other publicly available data. More specifically, our basic policy is to ensure that the remuneration of directors other than external directors functions as an incentive for them to pursue sustainable improvement of the Company’s corporate value by adopting a remuneration package that includes performance-based remuneration based on the financial results of the Company for each year and non-monetary remuneration (restricted stock), as well as fixed remuneration. On the other hand, the remuneration of external directors consists only of fixed remuneration in view of their roles and independence. The remuneration of corporate auditors consists only of fixed remuneration (monthly fixed remuneration), which is deliberated by the Nominating/Remuneration Committee and determined through the consultation within the Board of Corporate Auditors within the limit on their remuneration approved by the General Meeting of Shareholders.

(b) Policy for determining the amount of fixed remuneration (monetary remuneration) of individual directors

The fixed remuneration of the directors of the Company shall be fixed monthly remuneration and shall be determined in accordance with each individual’s position, contribution, etc., and in comprehensive consideration of the levels of salaries and other remuneration of the employees of the Company as well as public standard.

(c) Policy for determining the contents and the calculation method of the amount or the quantity of performance-based remuneration

Performance-based remuneration shall be paid in cash. Its amount shall be determined in accordance with the degree of achievement of the consolidated ordinary income budget for each fiscal year and based on the base amount established for each position after adjusting the amount for each director’s contribution in the fiscal year. Any performance-based remuneration shall be paid at the same time each year.

We have chosen consolidated ordinary income as an indicator for performance-based remuneration because we recognize the importance of improving overall profitability including financing activities.

(d) Policy for determining the contents and the amount or quantity or the calculation method thereof of non-monetary remuneration

Non-monetary remuneration shall be provided in the form of restricted stock to the directors of the Company other than external directors for the purpose of providing them with an incentive for sustainable improvement in the Company’s corporate value and to promote further value sharing with shareholders. Restricted stock shall be granted in exchange for contribution in kind of monetary remuneration claims determined based on the base amount established for each position within the upper limit on such remuneration approved by the General Meeting of Shareholders. The timing of grant shall be determined as necessary by the Board of Directors in comprehensive consideration of the composition of the Board of Directors, the purpose as an incentive, the management conditions of the Company, and any other relevant matters. In principle, the restricted period of the restricted stock shall be the period until such directors resign or retire from all of those positions as an officer or employee of the Company or its subsidiary that are specified in advance by the Board of Directors of the Company.

- (e) Policy for determining the percentages of the amounts of monetary remuneration, performance-based remuneration, and non-monetary remuneration to the amount of remuneration of individual directors

The Company has voluntarily established the Nominating/Remuneration Committee as an advisory body to ensure objectivity and transparency for the remuneration of directors. The percentage of each component of the remuneration of directors is determined by the Nominating/Remuneration Committee after examining the remuneration of companies of a similar scale in the same industry and considering the Company's financial results each time such remuneration is paid.

- (f) Matters concerning the delegation of determination of the remuneration of individual directors

The determination of the specific amount of remuneration of each director shall be left to the discretion of Representative Director & President Katsunori Sugiura by the resolution of the Board of Directors. Under the delegation, the Representative Director & President shall determine the amounts of fixed remuneration and performance-based remuneration within the limit on such remuneration approved by the General Meeting of Shareholders. In order to ensure that the authority delegated as described above is exercised properly, the Company requires the Representative Director & President to respect the deliberation results of the Nominating/Remuneration Committee, the majority of which consists of independent external officers, in determining the specific amount of remuneration of each director.

The authority mentioned above is delegated to the Representative Director & President because the Company has determined that he is able to determine the specific amount of remuneration of each director in a comprehensive manner as he is familiar with the management conditions of the Company more than anybody else and is the most suitable person to evaluate the areas of responsibility and job responsibilities of each director, while examining the environment surrounding the Company and the overall financial results of the Company from a high-level viewpoint.

As for restricted stock remuneration as non-monetary remuneration, the specific number of shares allotted to each director and other necessary matters shall be determined by the Board of Directors based on the deliberation results of the Nominating/Remuneration Committee.