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(Stock Exchange Code 7552)
June 1, 2022

To Shareholders with Voting Rights:

Seiichi Enomoto
President and Representative Director
HAPPINET CORPORATION
2-4-5, Komagata, Taito-ku, Tokyo

NOTICE OF THE 54th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

You are cordially notified of the 54th Ordinary General Meeting of Shareholders of HAPPINET CORPORATION (the “Company”). The meeting will be held for the purposes as described below.

In order to prevent the spread of COVID-19 infections, we request that, wherever possible, you exercise your voting rights in advance via the Internet or in writing and refrain from visiting the venue on the day of the General Meeting of Shareholders.

Please review the attached Reference Documents for the General Meeting of Shareholders, and exercise your voting rights by no later than 6:00 p.m. on Wednesday, June 22, 2022, Japan time.

1. Date and Time: Thursday, June 23, 2022, at 10:00 a.m. Japan time

2. Place: Akihabara Convention Hall (Akihabara Dai Building, 2F)
1-18-13, Sotokanda, Chiyoda-ku, Tokyo

3. Meeting Agenda:

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company’s 54th Fiscal Year (April 1, 2021–March 31, 2022) and results of audits by the accounting auditor and the Board of Auditors of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company’s 54th Fiscal Year (April 1, 2021–March 31, 2022)

Proposals to be resolved:

- Proposal 1:** Distribution of Surplus
Proposal 2: Partial Amendment to the Articles of Incorporation
Proposal 3: Election of Six (6) Directors
Proposal 4: Introduction of Performance-Based Stock Remuneration Plan for Directors (Excluding Outside Directors)
Proposal 5: Payment of Directors’ Bonuses

1. When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
2. Please note that persons who are not shareholders with voting rights, such as proxies who are not shareholders and accompanying persons, are not able to enter the venue.
3. We will not distribute any gifts and beverages at the General Meeting of Shareholders. Thank you for your understanding.
4. Of the documents to be provided with this Notice, the “Status of Subscription Rights to Shares, etc.,” “System to Ensure Proper Business Execution and its Operational Status,” “Consolidated Statements of Changes in Net Assets,” “Notes to Consolidated Financial Statements,” “Non-consolidated Statements of Changes in Net Assets,” and “Notes to Non-consolidated Financial Statements” are posted on the Company’s website below, and therefore are not included in the provided documents relating to matters to be reported, in accordance with the provisions of laws and regulations as well as Article 16 of the Company’s Articles of Incorporation.

Furthermore, the Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements provided with this Notice constitute part of the Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements audited by the accounting auditor and Auditors when preparing the Accounting Audit Report and Audit Reports.
5. In the event of revisions to the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements, or Non-consolidated Financial Statements, the revised versions will be posted on the Company’s website.

The Company’s website:

<https://www.happinet.co.jp>

Proposal 1: Distribution of Surplus

The Company proposes a distribution of surplus as follows.

Matters regarding the Year-end Dividend

The Company considers return of profits to shareholders as one of the key management indicators, and its basic policy is to pay appropriate dividends, while securing internal reserves to establish a stronger management base through active investment in areas with high future potential and profitability such as business alliances and development investment for new business development, based on comprehensive and medium- to long-term consideration of profit situation of each fiscal year and future business development.

Specifically, the Company will maintain a stable annual dividend of 50 yen per share and implement shareholder returns with a target consolidated dividend payout ratio of 40%.

In regard to the year-end dividend for the 54th fiscal year, the Company proposes to distribute as follows.

(1) Type of dividend property

Cash

(2) Items related to the allocation of dividend property and its total amount

40 yen per share of common stock

The total amount of dividend in this case will be 885,576,680 yen.

(3) Effective date of distribution of surplus

June 24, 2022



Proposal 2: Partial Amendment to the Articles of Incorporation

1. Reason for the proposal

In regard to a system for electronic provision of shareholder meeting documents, the effective date prescribed in the proviso to Article 1 of the Supplementary Provisions of the Act for Partially Amending the Companies Act (Act No. 70 of 2019) has been set as September 1, 2022. Accordingly, the Company proposes to stipulate in its Articles of Incorporation that it shall take measures to electronically provide information contained in the reference documents for general meetings of shareholders and other pertinent documents, and that it may limit the scope of items included in the paper copy to be delivered to the shareholders who have requested it.

In addition, as this will render unnecessary the current stipulations concerning the internet disclosure and deemed provision of reference documents for general meetings of shareholders and other pertinent documents, the Company proposes to delete these stipulations and add supplementary provisions concerning the effective date and other specifics of the amendment.

2. Details of the amendment

The details of the amendment is as set out below.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed amendment
<u>(Internet disclosure and deemed provision of reference documents for general meetings of shareholders and other pertinent documents)</u> <u>Article 16 The Company may, when convening a general meeting of shareholders, deem that it has provided information to shareholders pertaining to matters to be described or indicated in the reference documents for the general meeting of shareholders, business report, non-consolidated financial statements, and consolidated financial statements, by disclosing such information through the internet in accordance with the provisions provided in the Ordinance of the Ministry of Justice.</u> (Newly established) (Newly established)	 (Deleted) <u>(Measures for electronic provision, etc.)</u> <u>Article 16 When convening a general meeting of shareholders, the Company shall take measures to electronically provide information contained in the reference documents for the general meeting of shareholders and other pertinent documents.</u> <u>2. Among the matters to be provided electronically, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</u> <u>(Supplementary provisions)</u> <u>1. The deletion of the pre-amended Article 16 (Internet disclosure and deemed provision of reference documents for general meetings of shareholders and other pertinent documents) and the addition of the amended Article 16 (Measures for electronic provision, etc.) of the Articles of Incorporation shall come into effect on</u>

Current Articles of Incorporation	Proposed amendment
	<p data-bbox="852 228 1070 259"><u>September 1, 2022.</u></p> <p data-bbox="810 280 1406 535">2. <u>Notwithstanding the provisions of the preceding paragraph, the pre-amended Article 16 (Internet disclosure and deemed provision of reference documents for general meetings of shareholders and other pertinent documents) of the Articles of Incorporation shall remain in force with respect to a general meeting of shareholders to be held on or before February 28, 2023.</u></p> <p data-bbox="810 555 1406 710">3. <u>These supplementary provisions shall be deleted after March 1, 2023, or the date on which three months have elapsed from the date of the general meeting of shareholders referred to in the preceding paragraph, whichever is later.</u></p>

Proposal 3: Election of Six (6) Directors

The terms of office of all six (6) Directors will expire at the conclusion of this year's Ordinary General Meeting of Shareholders. Accordingly, it is proposed to elect six (6) Directors.

The candidates for Director are as follows:

No.		Name		Current positions and responsibilities in the Company	Attendance at the Board of Directors meetings
1	<u>Reappointment</u>	Kazuhiko Note		Representative Director, Chairman and Chief Executive Officer	13/13 (100%)
2	<u>Reappointment</u>	Seiichi Enomoto		Representative Director, President and Chief Operating Officer	13/13 (100%)
3	<u>Reappointment</u>	Hiroshi Ishimaru		Director, Executive Officer, Head of the Corporate Planning Office	13/13 (100%)
4	<u>Reappointment</u>	Mariko Tokuno	<u>Outside Independent</u>	Outside Director	11/13 (85%)
5	<u>Reappointment</u>	Shin Nagase	<u>Outside Independent</u>	Outside Director	13/13 (100%)
6	<u>Reappointment</u>	Toshiko Oka	<u>Outside Independent</u>	Outside Director	13/13 (100%)

(Note) In addition to the above number of the Board of Directors meetings held, one written resolution was passed, which shall be deemed to have been passed at the Board of Directors meeting, pursuant to the provisions of Article 370 of the Companies Act and Article 26 of the Company's Articles of Incorporation.

No.	Name (Date of birth)	Past experience, positions and responsibilities in the Company
1	Kazuhiko Note (Date of Birth Apr. 3, 1954) [Number of shares of the Company held] 219,700 [Reappointment]	Oct. 1976 Joined Tosho Ltd. (currently HAPPINET CORPORATION) May 1994 Director, Manager of the Sales Strategy Office Jul. 1995 Managing Director, Manager of the Sales Strategy Department Apr. 1999 President and Representative Director Jun. 2001 Representative Director, President and Chief Operating Officer Jun. 2015 Chairman and Representative Director Jun. 2016 Representative Director, Chairman and Chief Executive Officer (Current Position) [Significant concurrent positions] Mr. Kazuhiko Note does not hold any significant concurrent positions.
		[Reason for nomination as candidate for Director] Mr. Kazuhiko Note has participated in management at the Company over many years as Representative Director, and possesses abundant experience and achievements regarding management. In order for these experience and achievements as a manager to be further reflected in enhancing governance, the Company proposes his reelection as Director. Furthermore, Mr. Note is expected to take the role of Chairman, as Chief Executive Officer, after his election as Director. (Note) There are no special interests between the candidate and the Company.
2	Seiichi Enomoto (Date of Birth Apr. 23, 1960) [Number of shares of the Company held] 24,800 [Reappointment]	Oct. 1991 Joined HAPPINET CORPORATION Jul. 2003 Manager of the Sales Department of the Multimedia Business Division Apr. 2008 Executive Officer, Head of the Video Game Division Nov. 2009 Managing Executive Officer, Head of the Video Game Division Jun. 2014 Director, Managing Executive Officer, Head of Business Division #1 Jun. 2016 Representative Director, President and Chief Operating Officer (Current Position) [Significant concurrent positions] Mr. Seiichi Enomoto does not hold any significant concurrent positions.
		[Reason for nomination as candidate for Director] Mr. Seiichi Enomoto has participated in business promotion at the Company as manager of business departments over many years, in addition to participating in management as Representative Director, and possesses abundant experience and achievements. In order for these experience and achievements as a manager to be further reflected in enhancing governance, the Company proposes his reelection as Director. Furthermore, Mr. Enomoto is expected to take the role of President, as Chief Operating Officer, after his election as Director. (Note) There are no special interests between the candidate and the Company.

No.	Name (Date of birth)	Past experience, positions and responsibilities in the Company	
3	Hiroshi Ishimaru (Date of Birth Jun. 16, 1972) [Number of shares of the Company held] 5,900 [Reappointment]	Jun. 1998	Joined HAPPINET CORPORATION
		Apr. 2006	Manager of the Group Strategy team of the Management Strategy Department
		Oct. 2008	Manager of the Corporate Planning team of the Management Strategy Department of the Corporate Management Division
		Apr. 2014	Manager of the Corporate Planning Department of the Corporate Management Division
		Apr. 2019	Head of the Corporate Planning Division of the Corporate Management Division
		Apr. 2020	Head of the Corporate Planning Office
		Jun. 2020	Director, Executive Officer, Head of the Corporate Planning Office (Current Position)
		[Significant concurrent positions] Mr. Hiroshi Ishimaru does not hold any significant concurrent positions.	
		[Reason for nomination as candidate for Director] Mr. Hiroshi Ishimaru has participated in corporate planning and corporate management at the Company as manager of corporate planning departments over many years, and possesses abundant experience and achievements. In order for these experience to be further reflected in enhancing governance, the Company proposes his reelection as Director. (Note) There are no special interests between the candidate and the Company.	
4	Mariko Tokuno (Date of Birth Oct. 6, 1954) [Number of shares of the Company held] 8,800 [Reappointment] [Outside] [Independent]	Apr. 1978	Joined The Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.)
		Jan. 1994	Joined Louis Vuitton Japan KK
		Mar. 2004	Vice President, Tiffany & Co. Japan Inc.
		Aug. 2010	Representative Director and President, Christian Dior Japan KK
		Jun. 2013	Outside Director, HAPPINET CORPORATION (Current Position)
		Sep. 2013	President and CEO, Ferragamo Japan KK
		Oct. 2014	Representative Director, President and CEO, Ferragamo Japan KK
		Jun. 2016	Outside Director, Mitsubishi Materials Corporation (Current Position)
		Jun. 2017	Outside Director, YAMATO HOLDINGS CO., LTD. (Current Position)
		Mar. 2022	External Director, Shiseido Company, Limited (Current Position)
		[Significant concurrent positions] Outside Director, Mitsubishi Materials Corporation Outside Director, YAMATO HOLDINGS CO., LTD. External Director, Shiseido Company, Limited	
		[Reason for nomination as candidate for Outside Director and outline of expected role] Ms. Mariko Tokuno has participated in corporate management over many years, and possesses abundant experience and achievements regarding management. The Company expects that Ms. Tokuno will play a role, based on her management experience, in further enhancing the governance of the Company through objective supervision of the execution of duties by Executive Officers, etc. from an independent position. Therefore, the Company proposes her reelection as Outside Director. (Note) There are no special interests between the candidate and the Company.	

No.	Name (Date of birth)	Past experience, positions and responsibilities in the Company	
5	<p>Shin Nagase (Date of Birth Mar. 13, 1950)</p> <p>[Number of shares of the Company held] 7,100</p> <p>[Reappointment] [Outside] [Independent]</p>	<p>Apr. 1972 Joined All Nippon Airways CO., Ltd.</p> <p>Apr. 2009 Member of the Board of Directors, Senior Executive Vice President, All Nippon Airways CO., Ltd.</p> <p>Apr. 2012 President, CEO, ANA Strategic Research Institute Co., Ltd.</p> <p>Apr. 2016 Senior Advisor, ANA HOLDINGS INC.</p> <p>Jun. 2016 Outside Director, HAPPINET CORPORATION (Current Position)</p> <p>Jun. 2016 Outside Director, Mitsubishi Estate Co., Ltd. (Current Position)</p> <p>Jul. 2016 Outside Director, TOSHIBA TEC CORPORATION (Current Position)</p> <p>[Significant concurrent positions] Outside Director, Mitsubishi Estate Co., Ltd. Outside Director, TOSHIBA TEC CORPORATION</p>	<p>[Reason for nomination as candidate for Outside Director and outline of expected role] Mr. Shin Nagase has participated in corporate management over many years, and possesses abundant experience and achievements regarding management. The Company expects that Mr. Nagase will play a role, based on his management experience, in further enhancing the governance of the Company through objective supervision of the execution of duties by Executive Officers, etc. from an independent position. Therefore, the Company proposes his reelection as Outside Director. (Note) There are no special interests between the candidate and the Company.</p>
6	<p>Toshiko Oka (Date of Birth Mar. 7, 1964)</p> <p>[Number of shares of the Company held] 4,400</p> <p>[Reappointment] [Outside] [Independent]</p>	<p>Apr. 1986 Joined Tohmatsu Touche Ross Consulting Limited (currently Abeam Consulting, Ltd.)</p> <p>Jul. 2000 Joined Asahi Arthur Anderson Limited</p> <p>Sep. 2002 Principal, Deloitte Tohmatsu Consulting Co., Ltd. (currently Abeam Consulting Ltd.)</p> <p>Apr. 2005 President and Representative Director, Abeam Consulting, Ltd. After change of company name, Chief Executive Officer, PricewaterhouseCoopers Deals Advisory LLC</p> <p>Jun. 2015 Outside Auditor, HAPPINET CORPORATION</p> <p>Mar. 2016 Chief Executive Officer, PricewaterhouseCoopers Deals Advisory LLC</p> <p>Apr. 2016 Partner, PwC Advisory LLC</p> <p>Jun. 2018 Outside Director, Sony Corporation (currently Sony Group Corporation) (Current Position)</p> <p>Jun. 2019 Outside Director, HAPPINET CORPORATION (Current Position)</p> <p>Jun. 2020 Outside Director (Audit and Supervisory Committee Member), ENEOS Holdings, Inc. (Current Position)</p> <p>Apr. 2021 Professor, Graduate School of Global Business, Meiji University (Current Position)</p> <p>Jun. 2021 Outside Director, Hitachi Construction Machinery Co., Ltd. (Current Position)</p> <p>[Significant concurrent positions] Outside Director, Sony Group Corporation Outside Director (Audit and Supervisory Committee Member), ENEOS Holdings, Inc. Professor, Graduate School of Global Business, Meiji University Outside Director, Hitachi Construction Machinery Co., Ltd.</p>	<p>[Reason for nomination as candidate for Outside Director and outline of expected role] Ms. Toshiko Oka has participated in corporate management over many years, and possesses abundant experience and achievements regarding management. The Company expects that Ms. Oka will play a role, based on her management experience, in further enhancing the governance of the Company through objective supervision of the execution of duties by Executive Officers, etc. from an independent position. Therefore, the Company proposes her reelection as Outside Director. (Note) There are no special interests between the candidate and the Company.</p>

- (Notes)
1. Candidates for Director Ms. Mariko Tokuno, Mr. Shin Nagase, and Ms. Toshiko Oka are candidates for Outside Director. Furthermore, the Company has designated Ms. Tokuno, Mr. Nagase, and Ms. Oka as Independent Directors pursuant to the provisions of the Tokyo Stock Exchange, and has registered them with the Exchange. If the reelections of Ms. Tokuno, Mr. Nagase, and Ms. Oka are approved, the Company intends for all candidates to be Independent Directors.
 2. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into a liability limitation agreement with Ms. Mariko Tokuno, Mr. Shin Nagase, and Ms. Toshiko Oka in order to limit their liability for damages provided for in Article 423, Paragraph 1 of the Act. Under these agreements, their liability for such damages is limited to the minimum liability amount stipulated in laws and regulations. If the reelections of Ms. Tokuno, Mr. Nagase, and Ms. Oka are approved, the Company intends to continue these agreements.
 3. The Company has entered into a directors and officers (D&O) liability insurance contract with an insurance company, and the respective candidates for Director are insured thereunder. For further details of the insurance contract, see page 33 of this Notice. The insurance contract is scheduled to be renewed as is at the time of renewal.
 4. Ms. Toshiko Oka served as Outside Director at Hitachi Metals, Ltd. from June 2016 to June 2021. While she was in office, issues were identified, including misrepresentation of test results in the inspection reports submitted to customers with respect to certain products of Hitachi Metals, Ltd. and its subsidiaries. Ms. Oka had not been aware of these issues until they were identified, but she had made statements from the perspective of compliance at meetings of the Board of Directors and the Audit Committee of Hitachi Metals, Ltd. on a regular basis. After these issues were identified, she endeavored to further strengthen governance systems, including investigating the facts of these issues, uncovering the causes, and providing suggestions on prevention of reoccurrence.
 5. Ms. Mariko Tokuno, Mr. Shin Nagase, and Ms. Toshiko Oka are currently Outside Directors of the Company, and their terms of office as Outside Directors will be nine (9) years, six (6) years, and three (3) years, respectively, at the conclusion of this General Meeting of Shareholders.

Reference: Skills Matrix of Director Candidates and Auditors

If Proposal 3 is approved as originally proposed, the skills matrix of the Company's Directors and Auditors will be as shown below.

Position	Name	Corporate management	Sales and marketing	Environmental, social, and governance (ESG)	Finance and accounting	Legal affairs and risk management	Global	Knowledge about other companies
Representative Director	Kazuhiko Note	●	●	●				
Representative Director	Seiichi Enomoto	●	●	●				
Director	Hiroshi Ishimaru	●		●	●	●		
Outside Director	Mariko Tokuno	●	●	●			●	●
Outside Director	Shin Nagase	●	●	●			●	●
Outside Director	Toshiko Oka	●		●	●		●	●
Full-time Auditor	Hideo Asatsu	●			●	●		
Outside Auditor	Hideyuki Sakai					●	●	●
Outside Auditor	Katsunori Taniguchi				●			●

Proposal 4: Introduction of Performance-Based Stock Remuneration Plan for Directors (Excluding Outside Directors)

1. Reasons and rationale for the proposal

The proposal seeks shareholder approval on particular details of a new Board Benefit Trust performance-based stock remuneration plan (hereinafter referred to as the “Plan”), which the Company intends to introduce for its Directors (excluding Outside Directors; the same applies hereinafter in this proposal unless otherwise noted) and Executive Officers (including their equivalents) as well as some directors of the Company’s subsidiaries (excluding outside directors; hereinafter, the Company’s Directors, its Executive Officers and their equivalents, as well as some directors of the Company’s subsidiaries collectively referred to as “Eligible Officer(s)”). Such details include a specific method for calculating the amount of remuneration, etc. for the Company’s Directors and the maximum number of points (shares) to be awarded to them, which are required to pay remuneration to Directors under the Plan.

The proposed remuneration for Directors aims to further motivate Eligible Officers to contribute to better performance and greater enterprise value for the Group over the medium to long term, by making clearer the linkage between Eligible Officers’ remuneration and the Group’s performance and stock value and by having Eligible Officers share with the shareholders not only the benefit of share price increases but also the risk of share price declines. As the proposal conforms to the Company’s policies on determining the details of individual Directors’ remuneration and related matters (outlined later herein) and was deliberated by the Executive Appointment Committee, the Company believes that the content of the proposal is appropriate.

The proposed remuneration for Directors is outside the limit of remuneration for Directors that was approved at the 29th Ordinary General Meeting of Shareholders of June 23, 1997 (within 400 million yen per annum, not including salaries as employees). In regard to details of the Plan, the Company would like to leave them to the discretion of the Board of Directors within the framework proposed in 2. below.

The number of Directors eligible for the Plan will be three (3) if Proposal 3 is approved as originally proposed.

If this Proposal is approved, the Company will abolish the previously approved stock option remuneration scheme. Notwithstanding that abolition, the unexercised portion of the share acquisition rights already granted as stock option remuneration to Eligible Officers will remain exercisable.

2. Specific method for calculating the amount, and other particulars, of remuneration, etc. under the Plan

(1) Overview of the Plan

The Plan is a performance-based stock remuneration system. Under the Plan, shares in the Company are acquired through a trust (hereinafter, a trust created pursuant to the Plan is referred to as the “Trust”) that is funded by money contributed by the Company, and shares in the Company and the amount of money equal to the fair value of the Company’s shares (hereinafter collectively referred to as “Company Shares, etc.”) are granted to Eligible Officers through the Trust in accordance with Officer Stock Benefit Regulations to be laid down by the Company and its subsidiaries. In principle, Company Shares, etc. are granted to Eligible Officers upon their retirement from office.

(2) Persons eligible for the Plan

Those eligible for the Plan are Directors (Outside Directors and Auditors are ineligible for the Plan) and Executive Officers (including their equivalents) as well as some directors of the Company’s subsidiaries (excluding outside directors).

(3) Trust period

The Plan is tentatively scheduled to commence in July 2022 and will remain in force until the termination of the Trust. (In respect to its trust period, the Trust does not have a specific termination date and will remain in effect as long as the Plan is in force. The Plan will be terminated if the Company is delisted, the Officer Stock Benefit Regulations are abolished, or a similar event occurs.)

(4) Trust amount

If the proposal is approved, the Company will introduce the Plan that covers the three fiscal years from the fiscal year ending March 31, 2023, through the fiscal year ending March 31, 2025 (hereinafter, this three-fiscal-year period referred to as the “Initial Plan Period”; and the Initial Plan Period and each three-fiscal-year period commencing after the passage thereof referred to as a “Plan Period,” respectively), and respective Plan Periods thereafter. Then, the Company will contribute to the Trust the amount of money specified below so

that the Trust is funded to acquire shares in the Company and grant Company Shares, etc. to Eligible Officers. In principle, each Plan Period will be set to coincide with the corresponding Medium-Term Management Plan period of the Company. If the Company changes any of its Medium-Term Management Plan periods in the future, the relevant Plan Period will be changed accordingly.

At the time of creating the Trust (which is tentatively scheduled for July 2022), the Company will contribute the amount of money that is expected to be required to fund the Initial Plan Period. The maximum number of points to be awarded to Directors per fiscal year under the Plan is 83,700 (147,200 for all Eligible Officers) as specified in (6) below. This means that the maximum total number of points to be awarded to Directors for a three-fiscal-year Plan Period is 251,100 (441,600 for all Eligible Officers). Therefore, at the time of creating the Trust, the Company will contribute to it the funds that are reasonably expected to be required to acquire up to 441,600 shares for the three fiscal years, taking into account the most recent closing price of the Company's common stock in regular trading on the Tokyo Stock Exchange (441,600 being the maximum number of shares to be awarded to Eligible Officers and including 251,000 shares that is the maximum number of shares to be awarded to Directors). For reference, if the closing price on May 10, 2022, of 1,512 yen is applied, the aforementioned funds required would be approximately 379 million yen for Directors (about 667 million yen for all Eligible Officers).

Similarly, for each Plan Period after the passage of the Initial Plan Period, the Company will reasonably estimate the number of shares required to grant to Eligible Officers under the Plan and will additionally contribute to the Trust the funds deemed necessary for the Trust to acquire those shares in advance, until the termination of the Plan, in principle. An exception is a case where, at the time of the Company making such an additional contribution, the trust property still has some shares in the Company (excluding those shares that correspond to the number of points awarded to Eligible Officers for the preceding Plan Periods and have yet to be granted to the Eligible Officers) and money (hereinafter collectively referred to as "Residual Shares, etc."). In that case, the amount of the additional contribution is determined taking into account Residual Shares, etc. as they are allocated to fund the granting of shares, etc. pursuant to the Plan in the subsequent Plan Periods. If the Company decides to make an additional contribution, it will disclose the matter in a proper and timely manner.

Note: The amount of money the Company actually contributes to the Trust will be the total of the aforementioned funds to acquire shares and the estimated amount of trust fees and other necessary expenses.

(5) Method for the Trust to acquire shares in the Company and the number of such shares to be acquired

The Trust acquires shares in the Company either by purchasing them on the stock exchange or underwriting the disposal of treasury shares using funds contributed in accordance with (4) above. The maximum number of points to be awarded to Eligible Officers per fiscal year is 147,200 as specified in (6) below. Accordingly, the maximum number of shares in the Company to be acquired by the Trust is 441,600 for the Initial Plan Period and, for each Plan Period commencing after the passage of the Initial Plan Period, the maximum number of shares in the Company to be acquired by the Trust will be determined by multiplying the maximum number of points per fiscal year by the number of fiscal years in the Plan Period (which coincides with the corresponding Medium-Term Management Plan period, in principle). Details on the shares in the Company acquired by the Trust will be disclosed in a proper and timely manner.

(6) Maximum number of Company Shares, etc. to be granted to Eligible Officers

For each fiscal year, Eligible Officers are awarded the number of points that is determined by their position, as well as the number of points that correlates with the level of performance achieved and other factors, in accordance with the Officer Stock Benefit Regulations. The maximum total number of points to be awarded to Directors per fiscal year is 83,700 (147,200 for all Eligible Officers). This has been determined through a comprehensive assessment of the current level of remuneration paid to officers, trends in and outlook for the number of Eligible Officers, and other factors. Thus, the Company considers it appropriate.

The number of points awarded to Eligible Officers is translated into the number of shares of the Company's common stock at the rate of one share per point, when Company Shares, etc. are granted as outlined in (7) below. (However, if the Company carries out a share split, allotment of shares without contribution, consolidation of shares, or similar transaction after the approval of this proposal, it will reasonably adjust the maximum number of points, number of points already awarded, or the conversion rate, according to the split ratio and other parameters.)

The number of shares that corresponds to the maximum number of points to be awarded to Directors per fiscal year is 83,700, which accounts for approximately 0.38% of the Company's total number of shares issued, net of treasury shares, of 22,139,417 as of March 31, 2022 (147,200 shares for all Eligible Officers, accounting

for around 0.66%).

The number of points serving as the basis for granting Company Shares, etc. to an Eligible Officer in accordance with (7) below is the number of points awarded to the Eligible Officer by the time of their retirement from office, in principle (hereinafter, the number of points so determined referred to as the “Finalized Number of Points”).

(7) Granting of Company Shares, etc. and specific method for calculating the amount of remuneration, etc.

If Eligible Officers retiring from office meet the beneficiary requirements stipulated in the Officer Stock Benefit Regulations and complete the procedures required to confirm the beneficiary, the Trust will grant the Eligible Officers, upon their retirement from office, the number of shares in the Company that corresponds to the Finalized Number of Points determined as detailed in (6) above, in principle. For a certain portion of these points, Eligible Officers meeting the requirements stipulated in the Officer Stock Benefit Regulations may, instead of receiving the applicable number of shares in the Company, receive the amount of money equal to the fair value of those shares. In order to grant money, the Trust may sell shares in the Company.

Even if Eligible Officers are granted points, they will not become entitled to shares, etc. if, for example, the Company’s general meeting of shareholders or Board of Directors passes a resolution to dismiss them, they have resigned from office on account of certain illegal acts committed while in office, or that they have committed misconduct causing damage to the Company while in office.

The amount of remuneration, etc. for the Company’s Directors is based on the total number of points awarded to them multiplied by the book value per share of the Company’s stock held by the Trust at the time of awarding the respective points. (However, if the Company carries out a share split, allotment of shares without contribution, consolidation of shares, or similar transaction, it will make a reasonable adjustment according to the split ratio and other parameters.) Moreover, if it is deemed appropriate to grant a certain amount of money as an exception in accordance with the provisions of the Officer Stock Benefit Regulations, that amount of money will be added to the aforementioned amount of remuneration.

(8) Exercise of voting rights

The voting rights of shares in the Company held in the Trust account are waived in their entirety, in accordance with the instructions of the trust administrator. This is aimed at ensuring neutrality toward the management of the Company with respect to the exercise of voting rights of shares in the Company held in the Trust account.

(9) Handling of dividends

Dividends paid on shares in the Company held in the Trust account are received by the Trust and allocated to the funds for acquiring shares in the Company and paying trust fees and other expenses to the Trust’s trustee. The dividends and the like remaining in the Trust account upon termination of the Trust will be distributed to Eligible Officers in office at the time, on a pro rata basis according to the number of points they have, in accordance with the provisions of the Officer Stock Benefit Regulations.

(10) Handling of the Trust upon termination

The Trust will be terminated if the Company is delisted, the Officer Stock Benefit Regulations are abolished, or a similar event occurs. Of the residual assets of the Trust at the time of the termination, shares in the Company will all be acquired gratis by the Company and then cancelled after the adoption of a resolution to that effect by the Board of Directors, while money will be granted to the Company after deducting the amount to be distributed to Eligible Officers as described in (9) above.

Reference 1: Supplementary Explanation on the Board Benefit Trust Performance-Based Stock Remuneration Plan

1. Overview of the Board Benefit Trust

The Board Benefit Trust (hereinafter referred to as the “Plan”) is a performance-based stock remuneration system. Under the Plan, shares in the Company are acquired through a trust (hereinafter, a trust created pursuant to the Plan referred to as the “Trust”) that is funded by money contributed by the Company, and shares in the Company and the amount of money equal to the fair value of the Company’s shares (hereinafter collectively referred to as “Company Shares, etc.”) are granted to Eligible Officers through the Trust in accordance with Officer Stock Benefit Regulations to be laid down by the Company and its subsidiaries.

The stock option remuneration scheme that consisted of fixed pay only is replaced by the Plan, which features a two-tier structure consisting of fixed pay and performance-based pay. To quantify the performance-based pay portion, two indicators—ordinary profit and return on equity (ROE)—are employed to evaluate the level of performance achieved. The targets set by the Company’s Ninth Medium-Term Management Plan for the 55th to 57th fiscal years are an ordinary profit of 6.5 billion yen and an ROE of 7.5%–8.5%.

2. Method for calculating the number of points to be awarded to Eligible Officers under the Plan

For each fiscal year, on the date of the Ordinary General Meeting of Shareholders, Eligible Officers are awarded the number of points that is determined by their position (hereinafter referred to as “Fixed Points”), as well as the number of points that correlates with the level of performance achieved and other factors (hereinafter, the points correlating with the ordinary profit amount referred to as “Base Points A,” those correlating with ROE as “Base Points B,” a performance-based coefficient correlating with the ordinary profit amount as “Performance-Based Coefficient A,” and that correlating with ROE as “Performance-Based Coefficient B”). These points are calculated using the formula indicated below, and awarded in accordance with the Officer Stock Benefit Regulations. The maximum Performance-Based Coefficient A will be 2.0, which will be applied if the ordinary profit amount achieved is 200% or more of the target. The minimum Performance-Based Coefficient A will be 0.0, which will be applied if the ordinary profit amount achieved is less than 50% of the target; in that case, no Base Points A will be awarded. Similarly, the maximum Performance-Based Coefficient B will be 2.0, which will be applied if ROE achieved is 15.0% or more. The minimum Performance-Based Coefficient B will be 0.0, which will be applied if the ROE achieved is less than 5.0%; in that case, no Base Points B will be awarded. The number of points awarded to Eligible Officers is translated into the number of shares of the Company’s common stock at the rate of one share per point, when Company Shares, etc. are granted.

Formula: Fixed Points (see Table 1)

+ Base Points A (see Table 1) × Performance-Based Coefficient A (see Table 2)

+ Base Points B (see Table 1) × Performance-Based Coefficient B (see Table 3)

Table 1: Positions and points based thereon

Position or stage	Fixed Points	Base Points A (ordinary profit amount)	Base Points B (ROE)
Representative Director	1,100	5,200	5,200
Director	600	4,000	1,700
Executive Officer (or its equivalent)	300	1,800	400

Notes:

1. The consolidated figures shall be used for the ordinary profit amount and ROE.
2. If a person concurrently serves in multiple positions, the number of points corresponding to the most senior position shall be applied.

Table 2: Performance-Based Coefficient A (ordinary profit amount)

Degree of achievement of the target ordinary profit amount	Coefficient
200% or more	2.0
50% or more but less than 200%	Degree of achievement of the target \div 100
Less than 50%	0.0

Note: Numbers are rounded to the second decimal place.

Table 3: Performance-Based Coefficient B (ROE)

ROE	Coefficient
15.0% or more	2.0
10.0% or more but less than 15.0%	1.5
8.5% or more but less than 10.0%	1.3
7.5% or more but less than 8.5%	1.0
6.0% or more but less than 7.5%	0.7
5.0% or more but less than 6.0%	0.5
Less than 5.0%	0.0

Note: Numbers are rounded to the second decimal place.

Reference 2: Policies on Determining Details of Individual Directors' Remuneration and Related Matters after the Introduction of the Plan

The Company has adopted the below-stated policies on determining details of individual Directors' remuneration and related matters.

1. Basic policy

The Company makes it a basic policy to link Directors' remuneration to shareholder returns with the aim of sufficiently incentivizing them to strive for the sustained enhancement of enterprise value, and to set individual Directors' remuneration at an appropriate level in light of their duties.

Specifically, remuneration for Directors consists of fixed monthly remuneration, short-term performance-based remuneration, and nonmonetary remuneration, etc. To ensure objectivity and transparency, a mechanism is in place whereby the amount of their remuneration is first examined by the Executive Appointment Committee—a voluntary advisory body, the majority of which is comprised of Outside Directors (Independent Directors)—and then determined, within the aggregate amount approved by the General Meeting of Shareholders, by a Representative Director who is delegated the authority by the Board of Directors. Generally, the aforementioned types of remuneration are structured so that the percentages of fixed remuneration, short-term performance-based remuneration, and nonmonetary remuneration, etc. are roughly 50%, 25%, and 25%, respectively.

2. Policy on determining the amount of individuals' non-performance-based monetary remuneration (fixed remuneration)

Base remuneration for the Company's Directors is fixed monthly remuneration, the amount of which is determined through a comprehensive assessment of each Director's position and scope of responsibilities, the prevailing remuneration levels in the industry, balance with employee salaries, and other factors.

3. Policy on determining details, number or amount, and method for calculation, of performance-based monetary remuneration (short-term performance-based remuneration) and nonmonetary remuneration, etc.

Performance-based remuneration is composed of two elements: short-term performance-based remuneration, which is momentary and designed to serve as a short-term incentive; and nonmonetary remuneration, etc. through the Board Benefit Trust (BBT), which are designed to serve as a medium- to long-term incentive.

Short-term performance-based remuneration, which is monetary, is calculated based on levels of achievement of individual goals, as well as on consolidated and personal performance indicators set in accordance with the plan at the beginning of each fiscal year. The performance indicators targeted, which are ordinary profit and return on equity (ROE), are to be reviewed as appropriate in light of changes in the business environment, taking into account reports submitted by the Executive Appointment Committee.

Nonmonetary remuneration, etc. take the form of points, which are awarded under the BBT plan in accordance with the Officer Stock Benefit Regulations. The number of points to be awarded is determined based primarily on the level of performance achieved against the targets for the final fiscal year of the corresponding Medium-Term Management Plan. If Directors having retired from office meet the beneficiary requirements stipulated in the Officer Stock Benefit Regulations, the Trust will grant them the number of shares in the Company that corresponds to the number of points awarded to them.

4. Matters regarding delegation of authority to determine individual Directors' remuneration, etc.

The Company's Board of Directors, through its resolution, delegates the authority to determine the specific details of the amount of individual Directors' remuneration, to Representative Director, Chairman and Chief Executive Officer Kazuhiko Note.

The delegated authority is to seek the Executive Appointment Committee's opinion on remuneration and related matters, and specifically determine the amount of individual Directors' remuneration in view of that opinion.

The reason for the delegation to the Representative Director and Chairman is that he has been involved in the management of the Company over many years and is, therefore, the most qualified to evaluate each Director's responsibilities and duties while comprehensively viewing the Company's overall performance.

To ensure the proper exercise of the delegated authority, the Board of Directors is to consult with the Executive Appointment Committee prior to making a decision on the amount of individual Directors' remuneration.

Proposal 5: Payment of Directors' Bonuses

The Company proposes that, in light of its performance for the 54th fiscal year and other factors, directors' bonuses totaling 193 million yen be paid to the four (4) Directors (other than Outside Directors) who were in office at the end of the fiscal year.

For the 54th fiscal year, the Company recorded the highest consolidated net sales and ordinary profit since its founding, reaping the rewards of the efforts made during the period.

Based on these results, the Company proposes the amount above to be within 200% of each Director's fixed remuneration, and within the limit of 400 million yen per annum approved at the 29th Ordinary General Meeting of Shareholders of June 23, 1997. This proposal was deliberated by the Executive Appointment Committee—a voluntary advisory body, the majority of which is comprised of Outside Directors (Independent Directors)—and then resolved by the Board of Directors. Accordingly, the Company considers the content to be appropriate.

In regard to the amount to be paid to each Director, the Company intends for it to be based on its policies on determining details of individual Directors' remuneration and related matters.