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[Securities code: 2175]
June 8, 2022

To Our Shareholders

Natsuki Goto
Representative Director, President and CEO
SMS Co., Ltd.
2-11-1 Shibakoen, Minato-ku, Tokyo, Japan

Convocation Notice of the 19th Ordinary General Meeting of Shareholders

The 19th Ordinary General Meeting of Shareholders of SMS Co., Ltd. (hereinafter the “Company”) will be held as described below.

In order to prevent the spread of COVID-19, you are strongly encouraged to exercise your voting rights either in writing or via the Internet instead of attending the meeting in person. Please review the attached Reference Materials for the General Meeting of Shareholders and exercise your voting rights by **6:00 p.m. on Thursday, June 23, 2022 (JST)**.

1. Date and time: Friday, June 24, 2022, at 10:00 a.m. (JST)
(Reception opens at 9:30 a.m.)

2. Venue: HOTEL MIELPARQUE TOKYO, 5F Zuiun
2-5-20, Shibakoen, Minato-ku, Tokyo

3. Meeting agenda:
Matters to be reported: Business Report, Consolidated Financial Statements and Non-consolidated Financial Statements for the 19th fiscal year (from April 1, 2021 to March 31, 2022), and results of audits by the Accounting Auditor as well as the Audit and Supervisory Committee on Consolidated Financial Statements

Proposals to be resolved:

- Proposal 1: Appropriation of Surplus
- Proposal 2: Partial Amendments to the Articles of Incorporation
- Proposal 3: Election of Two (2) Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal 4: Election of Three (3) Directors who are Audit and Supervisory Committee Members
- Proposal 5: Election of One (1) Substitute Director who is an Audit and Supervisory Committee Member

4. Matters decided in connection with this convocation:

- (1) If you duplicate the vote by exercising the voting rights both in writing and via the Internet, only the Internet vote will be treated as valid.
- (2) If you exercise your voting rights multiple times via the Internet, only the last vote will be treated as valid.

© Should the Reference Materials for the General Meeting of Shareholders, the Business Report, Consolidated Financial Statements and Non-consolidated Financial Statements require revisions, the revised versions will be posted on the Company's website (<https://www.bm-sms.co.jp/ir/library/shareholders/>).

© Please note there will be no souvenirs for those attending the General Meeting of Shareholders in person.

Reference Materials for the General Meeting of Shareholders

Proposal 1: Appropriation of Surplus

The Company's basic policy is to place priority on growth investments, while taking financial conditions into account when determining dividend payouts to its shareholders. Based on this policy, the Company proposes to return surplus to the shareholders for this fiscal year in the form of dividends as follows:

Matters concerning year-end dividends:

- (1) Type of dividend property
Cash
- (2) Allotment of dividend property to shareholders and the total amount
10.50 yen per common share of the Company's stock
Total amount of 915,046,010 yen
- (3) Effective date of dividends
June 27, 2022

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the amendments

- (1) Introducing General Meetings of Shareholders without set venues (Article 13 of the proposed amendments)

Following the enforcement of the Act for Partially Amending the Industrial Competitiveness Enhancement Act and Other Related Acts (Act No.70 of 2021) on June 16, 2021, listed companies are now able to hold shareholders meetings without a designated location under certain circumstances, so-called “virtual-only shareholders meeting,” if such is stipulated in their articles of incorporation. Accordingly, the Company proposes to newly add paragraph 2 to Article 13 *Convocation* of the current Articles of Incorporation so that the Company can hold General Meetings of Shareholders without set venues for the following purposes: to make General Meetings of Shareholders become more active, efficient, and smooth by offering more accessible meetings for our shareholders, including those located remotely; and to mitigate risks caused by the spread of infectious diseases, natural disasters, and other large-scale crises. Prior to seeking your approval on the proposed amendment, the Company has already obtained confirmation from both the Ministry of Economy, Trade and Industry and the Ministry of Justice, which is a requirement when holding general meetings of shareholders without set venues.

- (2) Introducing measures to provide informational materials for General Meetings of Shareholders in an electronic format (Article 15 of the proposed amendments)

Since the revised provisions stipulated in a proviso to Article 1 pursuant to the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No.70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation in preparation for introducing measures to provide informational materials for General Meetings of Shareholders in an electronic format.

- 1) Paragraph 1 of Article 15 *Measures to Provide Information in an Electronic Format, etc.* will be newly established, as the Company is required to stipulate in the Articles of Incorporation that it will take measures to provide information in an electronic format for reference materials for General Meetings of Shareholders and other documents.
- 2) Paragraph 2 of Article 15 *Measures to Provide Information in an Electronic Format, etc.* will be newly established, so that the scope of matters to be included in paper copies, which are sent to shareholders upon their request, can be limited in accordance with the Ordinance of the Ministry of Justice when providing information on reference materials for General Meetings of Shareholders and other documents in an electronic format.
- 3) The current Article 15 *Internet Disclosure and Deemed Provision of Reference Materials for General Meeting of Shareholders, etc.* will be deleted, given that it is no longer relevant.
- 4) The Company proposes to set forth effective dates as for supplementary provisions for the above newly established and deleted provisions. Note that the supplementary provisions will be deleted after the effective dates.

2. Details of the amendments

Details of the amendments are as follows:

(Amendments are underlined.)

Current Articles of Incorporation	Proposed Amendments
Article 1–12 (Text omitted)	Article 1–12 (Unchanged)
<p>Article 13. <i>Convocation</i> An Ordinary General Meeting of Shareholders shall be convened within three (3) months after the end of each fiscal year and an Extraordinary General Meeting of Shareholders may be convened whenever necessary. (Newly established)</p>	<p>Article 13. <i>Convocation</i> An Ordinary General Meeting of Shareholders shall be convened within three (3) months after the end of each fiscal year and an Extraordinary General Meeting of Shareholders may be convened whenever necessary. 2) <u>The Company may hold General Meetings of Shareholders without set venues.</u></p>
Article 14 (Text omitted)	Article 14 (Unchanged)
<p><u>Article 15. Internet Disclosure and Deemed Provision of Reference Materials for General Meeting of Shareholders, etc.</u> <u>In convening a General Meeting of Shareholders, if the Company discloses information to be stated or indicated in reference materials for the General Meeting of Shareholders, business reports, financial statements, and consolidated financial statements via the Internet in compliance with the Ordinance of the Ministry of Justice, the Company shall be deemed to have provided such documents to the shareholders.</u> (Newly established)</p>	<p>(Deleted)</p> <p><u>Article 15. Measures to Provide Information in an Electronic Format, etc.</u> <u>When the Company convenes a General Meeting of Shareholders, it shall take measures to provide information on reference materials for General Meetings of Shareholders and other documents in an electronic format.</u> 2) <u>Among items for which measures to provide information in an electronic format will be taken, the Company may omit all or some of those items designated by the Ordinance of the Ministry of Justice from documents sent to shareholders who requested a delivery of paper-based documents by a record date of voting rights.</u></p>
Article 16–46 (Text omitted)	Article 16–46 (Unchanged)

Current Articles of Incorporation	Proposed Amendments
<i>Supplementary Provisions</i> (Text omitted)	<i>Supplementary Provisions</i> <u>Article 1</u> (Unchanged)
(Newly established)	<p><u>Article 2. Transitional Measures for the Provision of Informational Materials for General Meetings of Shareholders in an Electronic Format</u></p> <p>The deletion of Article 15 <i>Internet Disclosure and Deemed Provision of Reference Materials for General Meeting of Shareholders, etc.</i> and the new addition of Article 15 <i>Measures to Provide Information in an Electronic Format, etc.</i> will be effective from September 1, 2022.</p> <p>2) <u>Notwithstanding the provision of the preceding paragraph, Article 15 <i>Internet Disclosure and Deemed Provision of Reference Materials for General Meeting of Shareholders, etc.</i> shall remain effective for any General Meetings of Shareholders held within six (6) months from September 1, 2022.</u></p> <p>3) <u>Article 2 of the <i>Supplementary Provisions</i> shall be deleted on the date when six (6) months have passed from September 1, 2022, or three (3) months have passed from the date of the General Meeting of Shareholders stated in the preceding paragraph, whichever is later.</u></p>

Proposal 3: Election of Two (2) Directors (excluding Directors who are Audit and Supervisory Committee Members)

The terms of office of all two (2) Directors, excluding Directors who are Audit and Supervisory Committee members, will expire at the end of this General Meeting of Shareholders. Accordingly, the Company proposes the election of two (2) Directors.

The Nomination and Remuneration Advisory Committee, of which Independent Outside Directors account for the majority, has already been consulted about the proposal.

The Audit and Supervisory Committee has confirmed that it has no objection to the proposal.

The candidates are as follows:

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Candidate No.	Name (Date of birth)	Professional background, positions, responsibilities, and significant concurrent positions		Number of the Company's common shares held
1	<div>Reappointment Internal</div> <div>Natsuki Goto (February 25, 1976)</div> <div>Attendance at the Board meetings: 12/12</div>	Apr. 2004	Joined IBM Business Consulting Services KK (Currently, IBM Japan, Ltd.)	139,287 shares
		May 2007	Joined BayCurrent Consulting, Inc.	
		Dec. 2007	Joined SMS Co., Ltd.	
		Apr. 2008	General Manager of Corporate Planning	
		Mar. 2009	Director of Administration	
		Jun. 2009	Member of the Board	
		Apr. 2013	Director of Overseas Business	
		Apr. 2014	Representative Director, President and CEO (Current position)	
			Director of Elderly Care Business	
		Apr. 2017	Director of Business Development	
		Dec. 2018	Member of the Nomination and Remuneration Advisory Committee (Current position)	
			(Significant concurrent position) Member of the Board, M3 Career, Inc.	
[Reasons for nomination as a candidate for Director] Since becoming a board member in 2009, Mr. Natsuki Goto has led various divisions including administration section, overseas business, and elderly care business, and has diverse management experience. Since 2014, Mr. Goto has led the entire company as the Representative Director, achieving constant significant growth in both sales and profit. Accordingly, the Company has determined that Mr. Goto is a suitable candidate for enhancing the Company's corporate value in a sustainable manner, and has once again nominated him as a candidate for Director.				

Candidate No.	Name (Date of birth)	Professional background, positions, responsibilities, and significant concurrent positions		Number of the Company's common shares held
2	<div>Reappointment Internal</div> Masato Sugizaki (October 15, 1975) Attendance at the Board meetings: 12/12	Apr. 1998	Joined Mitsui Leasing & Development, Ltd. (Currently, JA Mitsui Leasing, Ltd.)	40,000 shares
		Mar. 2004	Joined ACCA Networks Co., Ltd. (Currently, SoftBank Corp.)	
		Apr. 2009	Joined SMS Co., Ltd.	
		Oct. 2009	General Manager of General Affairs	
		Apr. 2011	General Manager of Corporate Management	
		Apr. 2015	Director of Corporate Management (Current position)	
		Jun. 2016	Member of the Board (Current position)	
		(Significant concurrent position) Corporate Auditor, M3 Career, Inc.		
[Reasons for nomination as a candidate for Director] Since joining the Company in 2009, Mr. Masato Sugizaki has led and been committed to strengthening the corporate divisions as General Manager of General Affairs, General Manager of Corporate Management, and Director of Corporate Management. Since becoming a board member in 2016, he has also contributed to the Company's growth with his extensive experience. Accordingly, the Company has determined that Mr. Sugizaki is a suitable candidate for enhancing the Company's corporate value in a sustainable manner, and has once again nominated him as a candidate for Director.				

Notes:

1. There are no special conflicts of interests between each candidate and the Company.
2. The number of the shares held by Mr. Natsuki Goto includes those held through the Company's director stock ownership plan.
3. The Company has entered into a directors and officers liability insurance agreement with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The Company plans to renew the agreement with the same details in November 2022.

Proposal 4: Election of Three (3) Directors who are Audit and Supervisory Committee Members

The terms of office of all three (3) Directors who are Audit and Supervisory Committee members will expire at the end of this General Meeting of Shareholders. Accordingly, the Company proposes the election of three (3) Directors who are Audit and Supervisory Committee members.

The Nomination and Remuneration Advisory Committee, of which Independent Outside Directors account for the majority, has already been consulted about the proposal.

The Company has obtained an approval for the proposal from the Audit and Supervisory Committee.

The candidates are as follows:

Candidate No.	Name (Date of birth)	Professional background, positions, responsibilities, and significant concurrent positions		Number of the Company's common shares held
1	<div>Reappointment Outside Independent</div> Tomoki Matsubayashi (February 5, 1973) Attendance at the Board meetings: 12/12 Attendance at the Audit and Supervisory Committee meetings: 12/12	Apr. 2000	Registered as attorney-at-law (Daiichi Tokyo Bar Association) Joined Tanabe & Partners	1,505 shares
		Jul. 2002	Joined the Bank of Japan	
		Feb. 2004	Returned to Tanabe & Partners	
		Nov. 2007	Outside Director of SMS Co., Ltd.	
		Dec. 2007	Partner, Tanabe & Partners	
		Jun. 2010	Part-time Corporate Auditor of the Company	
		Jun. 2016	Outside Director (Member of the Audit and Supervisory Committee) of the Company (Current position) Chair of the Audit and Supervisory Committee of the Company (Current position)	
		Mar. 2017	Joined Nozomi Sogo Attorneys at Law	
		Apr. 2018	Partner, Nozomi Sogo Attorneys at Law (Current position)	
		Apr. 2019	Lead Independent Director of the Company (Current position)	
		May 2020	Chair of the Nomination and Remuneration Advisory Committee of the Company (Current position)	
		(Significant concurrent position) Partner, Nozomi Sogo Attorneys at Law		
		[Reasons for nomination as a candidate for Outside Director and overview of the expected roles] Mr. Tomoki Matsubayashi has been working as a lawyer for many years and has abundant knowledge and experience as well as broad insight as a legal professional. Prior to his appointment as an Outside Director who is a member of the Audit and Supervisory Committee of the Company, Mr. Matsubayashi served as an Outside Director and subsequently a part-time Corporate Auditor of the Company. With that combined, the total length of his tenure with the Company is 14 years and 7 months at the end of this General Meeting of Shareholders. The Company aims to achieve diversity in terms of the tenure for Outside Directors (Audit and Supervisory Committee members) to harmonize the experience of long-serving Directors with fresh perspectives brought by new Directors. In this regard, Mr. Matsubayashi plays an important role as an Outside Director (Audit and Supervisory Committee member). More specifically, he is the only Outside Director candidate who has been involved in the Company's management since an early stage of the Company, and deeply understands the Company's Philosophy and Principles as well as how the Company should contribute to its stakeholders, including shareholders, according to the Philosophy and Principles. With such experience and understanding, he is expected to play an irreplaceable role by effectively monitoring and supervising the management team to ensure that the team fulfill its responsibilities to realize the Philosophy and Principles and enhance corporate value over a long term. Furthermore, given that his tenure as Director is longer than that of our Representative Director, the Company believes that appropriate checks and balances against the Representative Director would be provided. Mr. Matsubayashi does not have any issues that may cause conflicts of interest with common shareholders and thus is expected to provide effective oversight and supervision on management from an		

independent standpoint. Accordingly, the Company has once again nominated Mr. Matsubayashi as a candidate for Outside Director.

for Outside Director.				
Candidate No.	Name (Date of birth)	Professional background, positions, responsibilities, and significant concurrent positions		Number of the Company's common shares held
2	<div>Reappointment Outside Independent</div> Toyotaro Suzumura (August 25, 1975) Attendance at the Board meetings: 12/12 Attendance at the Audit and Supervisory Committee meetings: 12/12	Apr. 2004	Research Staff Member, IBM Tokyo Research Laboratory (TRL) (Currently, IBM Research–Tokyo)	49 shares
		Apr. 2009	Visiting Associate Professor, Graduate School of Information Science and Engineering, Tokyo Institute of Technology	
		Apr. 2013	Visiting Associate Professor, University College Dublin	
		Oct. 2013	Research Staff Member, IBM Research–Ireland	
		Apr. 2015	Research Scientist, IBM T.J. Watson Research Center–IBM Research, New York	
		Apr. 2016	Visiting Full Professor, Barcelona Supercomputing Center, Spain (Current position)	
		Sep. 2018	Principal Investigator, MIT-IBM Watson AI Lab, Boston	
		Jun. 2020	Outside Director (Member of the Audit and Supervisory Committee) of the Company (Current position)	
		Apr. 2021	Professor, Graduate School of Information Science and Technology, The University of Tokyo (Current position)	
		(Significant concurrent position) Professor, Graduate School of Information Science and Technology, The University of Tokyo		

[Reasons for nomination as a candidate for Outside Director and overview of the expected roles]

Mr. Toyotaro Suzumura is an internationally recognized computer scientist, and has a wide range of knowledge and experience as well as broad insight in areas such as big data analysis and utilization. To realize the Company's mission of "providing information infrastructure for an aging society," it is crucial for the Company to utilize the vast amount of data related to medical care, elderly care, and healthcare accumulated through its domestic and overseas businesses. We believe that Mr. Suzumura's abundant knowledge, experience, and broad insight gained through his global career will allow him to effectively monitor and supervise the Company's management in promoting mission-driven activities and bring a valuable and insightful perspective to such activities. Mr. Suzumura does not have any issues that may cause conflicts of interest with common shareholders and thus is expected to provide effective oversight and supervision on management from an independent standpoint. Accordingly, the Company has once again nominated Mr. Suzumura as a candidate for Outside Director. Although he has not been directly involved in corporate management, we determine, for the above reasons, that he will be able to adequately fulfill the duties as an Outside Director.

Candidate No.	Name (Date of birth)	Professional background, positions, responsibilities, and significant concurrent positions		Number of the Company's common shares held
3	<div><div>New appointment</div><div>Outside</div><div>Independent</div></div> <div>Nobuko Takagi (The name on the family register: Nobuko Teraoka) (October 22, 1977)</div>	Oct. 2002	Joined Tohmatsu & Co. (Currently, Deloitte Touche Tohmatsu LLC)	—
		May 2006	Registered as a Japanese CPA	
		Aug. 2006	Joined Tohmatsu Tax Co. (Currently, Deloitte Tohmatsu Tax Co.)	
		Nov. 2007	Joined GCA Corporation (Currently, Houlihan Lokey Corporation)	
		Mar. 2011	Joined NEC Corporation	
		Jul. 2017	Representative, Nobuko Takagi Certified Public Accountants' Office (Current position) Outside Corporate Auditor, I-ne Co., Ltd.	
		Apr. 2018	CEO, COEING AND COMPANY Inc. (Current position)	
		Jun. 2018	Outside Director, USS Co., Ltd. (Current position)	
		(Significant concurrent positions) CEO, COEING AND COMPANY Inc. Representative, Nobuko Takagi Certified Public Accountants' Office		
		[Reasons for nomination as a candidate for Outside Director and overview of the expected roles] In addition to the working experience at an audit firm and tax accountant corporation as a Japanese CPA, Ms. Nobuko Takagi has provided M&A advisory services at an M&A advisory firm, offered strategic planning services in the industry, been on the management side of a management consulting firm, and served as an outside director at a listed company. Ms. Takagi has abundant knowledge, experience, and broad insight as an expert in finance and accounting as well as a management consultant. Ms. Takagi does not have any issues that may cause conflicts of interest with common shareholders and thus is expected to provide effective oversight and supervision on management from an independent standpoint leveraging her expertise. Accordingly, the Company has nominated Ms. Takagi as a candidate for Outside Director.		

Notes:

1. The Company has a business relationship relating to joint research with The University of Tokyo, which Mr. Toyotaro Suzumura currently belongs to. Neither Mr. Tomoki Matsubayashi nor Ms. Nobuko Takagi has any special conflicts of interests with the Company.
2. Mr. Matsubayashi, Mr. Suzumura, and Ms. Takagi are candidates for Outside Directors.
3. The Company has designated Mr. Matsubayashi as Independent Director pursuant to the provisions of the Tokyo Stock Exchange and submitted a notification to the Exchange. The Company has entered into a legal advisory contract with Tanabe & Partners, to which Mr. Matsubayashi previously belonged. However, the Company has determined that the contract between the Company and Tanabe & Partners does not affect Mr. Matsubayashi's independence as an Outside Director because (i) he has no history of being involved in any of the Company's cases at the law firm ever since he was appointed as the Outside Director in November 2007, (ii) he left the law firm at the end of February 2017, and (iii) transaction amounts between the Company and the law firm never exceeded 1% of annual consolidated sales of either party and was always less than 10 million yen every fiscal year. Further, there is no business relationship between the Company and Nozomi Sogo Attorneys at Law, which Mr. Matsubayashi currently belongs to. Mr. Matsubayashi is an incumbent Outside Director who serves as an Audit and Supervisory Committee member of the Company, and also used to be an Outside Director and a Part-time Corporate Auditor without being involved in business execution of the Company. At the end of this General Meeting of Shareholders, his tenure will be six years as an Audit and Supervisory Committee member and amounts to 14 years and 7 months by adding his term of office as Director with no involvement of business execution. As described in "Reasons for nomination as a candidate for Outside Director and overview of the expected roles" for Mr. Matsubayashi, the Company's view on the tenure of Outside Directors and expectations on Mr. Matsubayashi's role as an indispensable contributor to the Company justify that his long tenure as an Outside Director does not have a negative impact on his independence as an Outside Director, but rather contributes to his independence.

4. The Company has designated Mr. Toyotaro Suzumura as Independent Director pursuant to the provisions of the Tokyo Stock Exchange and submitted a notification to the Exchange. The Company has a business relationship with The University of Tokyo, which Mr. Suzumura currently belongs to, in relation to joint research, our recruiting advertisement service, and others. However, the Company has determined that the relationship between the Company and the university does not affect Mr. Suzumura's independence as an Outside Director because transaction amounts between the Company and the university never exceeded 1% of annual consolidated sales of either party and was always less than 10 million yen every fiscal year. Mr. Suzumura is an incumbent Outside Director who is an Audit and Supervisory Committee member of the Company, and his tenure will be two years at the end of this General Meeting of Shareholders.
5. If Ms. Nobuko Takagi is elected as proposed, the Company will designate her as an Independent Director pursuant to the provisions of the Tokyo Stock Exchange and submit a notification to the Exchange.
6. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with Mr. Tomoki Matsubayashi and Mr. Toyotaro Suzumura to limit their liability for damages under Article 423, Paragraph 1 of the same Act. The cap on the amount of liability under the said agreement shall be the minimum amount prescribed in Article 425, Paragraph 1 of the same Act. If each candidate is elected as Director who is an Audit and Supervisory Committee member, the Company plans to continue the above-mentioned agreement with Mr. Tomoki Matsubayashi and Mr. Toyotaro Suzumura, and sign the said agreement with the same details with Ms. Nobuko Takagi.
7. The number of the Company's shares held by Mr. Tomoki Matsubayashi and Mr. Toyotaro Suzumura includes those held through the Company's director stock ownership plan.
8. The Company has entered into a directors and officers liability insurance agreement with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. If Ms. Nobuko Takagi is elected as proposed, she will be newly insured under the same agreement. The Company plans to renew the agreement with the same details in November 2022.

Proposal 5: Election of One (1) Substitute Director who is an Audit and Supervisory Committee Member

To prepare for a case where the number of Directors who are Audit and Supervisory Committee members falls below the number required by laws and regulations, the Company proposes the election of one (1) Substitute Director who is an Audit and Supervisory Committee member in advance.

The Nomination and Remuneration Advisory Committee, of which Independent Outside Directors account for the majority, has already been consulted about the proposal.

The Company has obtained an approval for the submission of this proposal from the Audit and Supervisory Committee.

The candidate is as follows:

The candidate is as follows.

Name (Date of birth)	Professional background, positions, responsibilities, and significant concurrent positions		Number of the Company's common shares held
Taro Mizunuma (July 6, 1971)	Apr. 2000	Registered as Attorney at Law (Daini Tokyo Bar Association)	—
		Joined Miyakezaka Sogo Law Offices	
	Apr. 2009	Partner, Miyakezaka Sogo Law Offices	
	May 2012	Joined Shinsei Sogo Law Office	
	Sep. 2015	Joined Otake Law Office (Current position)	
	(Significant concurrent position) Attorney at Law, Otake Law Office		
[Reasons for nomination as a candidate for Substitute Outside Director and overview of expected roles] Mr. Taro Mizunuma has been working as a lawyer for many years and has an abundant knowledge and experience as well as broad insight as a legal professional. Specifically, he has rich experience in legal cases with medical institutions and is well-versed in the medical field, one of the Company's business domains. Mr. Mizunuma does not have any issues that may cause conflicts of interest with common shareholders and thus is expected to provide effective oversight and supervision on management from an independent standpoint. Accordingly, the Company has nominated Mr. Mizunuma as a candidate for Substitute Outside Director. Although Mr. Mizunuma has not been directly involved in corporate management, we determine, for the above reasons, that he will be able to adequately fulfill the duties as an Outside Director.			

Notes:

- There are no special conflicts of interests between Mr. Taro Mizunuma and the Company.
- Mr. Mizunuma is a candidate for Substitute Outside Director. If this proposal is approved and adopted and Mr. Mizunuma assumes the office of Outside Director, the Company will designate him as an Independent Director pursuant to the provisions of the Tokyo Stock Exchange and submit a notification to the Exchange.
- If Mr. Mizunuma assumes the office of Director who is an Audit and Supervisory Committee member, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company will enter into an agreement with him to limit his liability for damages under Article 423, Paragraph 1 of the same Act. The cap on the amount of liability under the said agreement shall be the minimum amount prescribed in Article 425, Paragraph 1 of the same Act.
- The Company has entered into a directors and officers liability insurance agreement with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. If Mr. Taro Mizunuma assumes the office of Director who is an Audit and Supervisory Committee member, he will be insured under the insurance agreement. The Company plans to renew the agreement with the same details in November 2022.

(Reference) Composition and Skill Matrix of the Board of Directors after the conclusion of this General Meeting of Shareholders

1. Composition of the Board of Directors

Three of the five Directors are Independent Outside Directors (including one female).

2. Skill Matrix of Directors

Name Position	Notable Knowledge and Experiences						
	Management	Business Knowledge	International Experience	Legal & Risk Management	Accounting & Tax	IT	ESG
<div>Reappointment</div> Natsuki Goto Representative Director and President (CEO)	●	●	●	●	●	●	●
<div>Reappointment</div> Masato Sugizaki Director	●	●	●	●	●	●	●
<div>Reappointment</div> <div>Outside</div> <div>Independent</div> Tomoki Matsubayashi Director (Member of the Audit and Supervisory Committee)		●		●			●
<div>Reappointment</div> <div>Outside</div> <div>Independent</div> Toyotaro Suzumura Director (Member of the Audit and Supervisory Committee)			●			●	●
<div>New appointment</div> <div>Outside</div> <div>Independent</div> Nobuko Takagi Director (Member of the Audit and Supervisory Committee)			●		●		●

(Reference) Criteria for the Independence of Outside Directors

The Company has set the following criteria to make an objective judgment on independence when designating Outside Directors as Independent Directors. Outside Directors are deemed to have sufficient independence from the Company if none of the following apply.

- (1) Person who engages in business execution of the Company or the Company's subsidiaries (collectively, the "Group"), or a person who engaged in business execution of the Group at any time in the past five (5) years.
- (2) Business partner of the Group, to which the Group's sales made in the most recent fiscal year exceeded 1% of the Group's annual sales on a consolidated basis, or a person who engages in business execution of the business partner.
- (3) Party for which the Group is a business partner and whose sales for the Group in the most recent fiscal year exceeds 1% of the Group's annual consolidated sales, or a person who engages in business execution of such business partner.
- (4) Attorney at law, certified public accountant, consultant or other specialist who obtains monetary consideration or other property exceeding 10 million yen from the Group besides his/her remuneration as Director. If the person obtaining such property belongs to an incorporated entity, partnership, or other organization, a transaction amount exceeding 1% of annual sales of either party on a consolidated basis or 10 million yen, whichever is applicable, shall be referred to as the criterion instead.
- (5) Major creditor of the Group or a person who engages in business execution of a financial institution and other large creditors, which is indispensable for the Group's financing and on which the Group is dependent without alternative options.
- (6) Major shareholder of the Company, holding 10% or more of voting rights, or a person who engages in business execution of such shareholder.
- (7) Person who received donations exceeding 10 million yen from the Group in the most recent fiscal year.
- (8) Accounting auditor or a practitioner who are engaged in the auditing work of the Group.
- (9) Person who engages in business execution of a company holding cross-directorships with the Group.
- (10) Person who falls under any of the above items from (2) to (9) at any time in the past three (3) years.
- (11) Spouse or relative within the second degree of kinship of a person who falls under any of the above items from (1) to (10), excluding those from (5) to (8) if not significant.
- (12) Notwithstanding with the criteria from (1) to (11) above, a person with specific reasons for not being able to perform his/her duties as an Independent Outside Director, including those with a potential conflict of interest with common shareholders.

The Company aims to achieve diversity in terms of tenure for Outside Directors (Audit and Supervisory Committee members) to harmonize the experience of long-serving Directors with fresh perspectives brought by new Directors. Accordingly, the Company does not set a specific criterion for tenure in number for Outside Directors.