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Securities code: 6613

June 6, 2023

(Starting date of the measures for electronic provision: June 5, 2023)

To Shareholders with Voting Rights:

Mitsuru Sugawara
President and CEO
QD Laser, Inc.
1-1 Minamiwatarida-cho,
Kawasaki-ku, Kawasaki,
Kanagawa, Japan

**NOTICE OF
THE 17TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

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

Please be informed that the 17th Annual General Meeting of Shareholders of QD Laser, Inc. (the “Company”) will be held as described below.

The Company has taken measures for the electronic provision in convening this General Meeting of Shareholders and posted the matters to be provided electronically on the following website as “Notice of the 17th Annual General Meeting of Shareholders.”

- The Company’s website: <https://www.qdlaser.com/en/ir/meeting/>

In addition to the above, the materials to be provided electronically are disclosed on the following websites. To view the information thus disclosed on the Tokyo Stock Exchange’s website, please access the website below, search for us by entering our issue name (QD Laser) or securities code (6613), and select “Basic information” and then “Documents for public inspection/PR information.”

- Tokyo Stock Exchange’s website:

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

- *Netto de Shoshu* website: <https://s.srdb.jp/6613/>

Shareholders who have requested the provision of a paper copy will receive one that contains the matters to be provided electronically as well. Pursuant to laws and regulations and provisions of Article 15 of the Articles of Incorporation of the Company, the following matter is not contained in said documents.

As such, said documents form a part of the documents audited by the Audit Committee and the Accounting Auditor in preparing the Audit Report.

- Notes to Financial Statements

You may exercise your voting rights by postal mail using the enclosed Voting Rights Exercise Form or via the Internet (see pages 4 and 5, in Japanese only). Please review the Reference Documents for the General Meeting of Shareholders included in the matters to be provided electronically and exercise your voting rights by Monday, June 26, 2023, 5:30 p.m. Japan time.

- 1. Date and Time:** Tuesday, June 27, 2023 at 10:00 a.m. Japan time
(Reception desk opens at 9:00 a.m.)
- 2. Place:** G403/404, 4th Floor, PACIFICO Yokohama North
1-1-2, Minato Mirai, Nishi-ku, Yokohama, Kanagawa, Japan
- 3. Meeting Agenda:**

Matters to be reported: The Business Report and Financial Statements for the Company's 17th Fiscal Year (April 1, 2022 - March 31, 2023)

Proposals to be resolved:

- | | |
|--------------------|---|
| Proposal 1: | Reduction of Share Capital and Legal Capital Surplus and Appropriation of Surplus |
| Proposal 2: | Election of Four (4) Directors (Excluding Directors Who Are Members of the Audit Committee) |
| Proposal 3: | Election of Three (3) Directors Who Are Members of the Audit Committee |
| Proposal 4: | Determination of Remuneration for the Allotment of Performance-Based Stock Compensation with Restrictions on Transfer to Directors (Excluding Directors Who Are Members of the Audit Committee and Outside Directors) |
| Proposal 5: | Determination of Remuneration for the Allotment of Shares with Restrictions on Transfer to Outside Directors Who Are Not Members of the Audit Committee and Directors Who Are Members of the Audit Committee |

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- If you will be attending the meeting on the day, please submit the enclosed Voting Rights Exercise Form at the reception desk.
 - Any revisions to the matters to be provided electronically will be posted on the relevant websites.
 - There will be no souvenirs provided on the day of the Annual General Meeting of Shareholders. We appreciate your understanding on this matter.

Reference Documents for the General Meeting of Shareholders

Proposal 1: Reduction of Share Capital and Legal Capital Surplus and Appropriation of Surplus

In order to improve financial soundness by making up the deficit in retained earnings currently recorded and ensure flexibility and mobility in future capital policies, including shareholder returns, the Company will reduce the amounts of share capital and legal capital surplus and then transfer the amounts of share capital and legal capital surplus to be reduced to other capital surplus pursuant to the provisions of Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act, and transfer the entire amount of other capital surplus after the increase to retained earnings brought forward pursuant to the provisions of Article 452 of the Companies Act.

This proposal will not affect the number of shares held by shareholders or the performance of the Company, as it will reduce the amounts of share capital and legal capital surplus without changing the total number of shares issued and outstanding.

The reduction in the amounts of share capital and legal capital surplus will not change the Company's net assets and, therefore, will not result in any change in net assets per share.

1. Details of the reduction of the amount of share capital

(1) Amount of share capital to be reduced

4,152,539,719 yen out of 4,162,539,719 yen for the total amount of share capital as of May 23, 2023, to be reduced to 10,000,000 yen

If the share acquisition rights issued by the Company are exercised by the effective date of the reduction of the amount of share capital, the amount of share capital and the amount of share capital after the reduction will fluctuate.

(2) Method to reduce the amount of share capital

The entire amount of share capital to be reduced will be transferred to other capital surplus.

(3) The date the reduction of the amount of share capital becomes effective

August 31, 2023 (subject to change)

2. Details of the reduction of the amount of legal capital surplus

(1) Amount of legal capital surplus to be reduced

439,330,086 yen out of 6,646,311,157 yen for the total amount of legal capital surplus as of May 23, 2023, to be reduced to 6,206,981,071 yen.

If the share acquisition rights issued by the Company are exercised by the effective date of the reduction of the amount of legal capital surplus, the amount of the legal capital surplus and the amount of legal capital surplus after the reduction will fluctuate.

(2) Method to reduce the amount of legal capital surplus

The entire amount of legal capital surplus to be reduced will be transferred to other capital surplus.

(3) The date the reduction of the amount of legal capital surplus becomes effective

August 31, 2023 (subject to change)

3. Details of appropriation of surplus

Provided that the reduction of the amount of share capital as described in 1. above and the reduction of the amount of legal capital surplus as described in 2. above become effective, the entire amount of other capital surplus to be increased as a result of said reductions, 4,591,869,805 yen, is transferred to retained earnings brought forward to make up the deficit.

- (1) Account item of surplus to be reduced and the amount thereof

Other capital surplus: 4,591,869,805 yen

- (2) Account item of surplus to be increased and the amount thereof

Retained earnings brought forward: 4,591,869,805 yen

- (3) The date the appropriation of surplus becomes effective

August 31, 2023 (subject to change)

Proposal 2: Election of Four (4) Directors (Excluding Directors Who Are Members of the Audit Committee)

The terms of office of all four (4) Directors (excluding Directors who are members of the Audit Committee) will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, the Company proposes the election of four (4) Directors (excluding Directors who are members of the Audit Committee).

Concerning this proposal, the Audit Committee of the Company has judged that all the candidates for Directors (excluding Directors who are members of the Audit Committee) are qualified.

The candidates for Directors (excluding Directors who are members of the Audit Committee) are as follows.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	Mitsuru Sugawara (November 27, 1958)	<p>April 1984 Joined Fujitsu Ltd</p> <p>April 2001 Seconded to Fujitsu Laboratory Ltd. General Manager, Photo Novel Technology Research Department, Photoelectronics Research Center, Fujitsu Laboratory Ltd.</p> <p>April 2005 Deputy General Manager, Nanotechnology Research Center</p> <p>April 2006 Established the Company President and CEO, the Company (current position)</p>	54,200
2	Shinji Kounoya (May 21, 1965)	<p>April 1991 Joined Fujitsu Ltd</p> <p>July 2015 Director, Corporate Planning and Strategy Office, Fujitsu Ltd and General Manager, Corporate Planning Office, the Company</p> <p>February 2016 Executive Officer, CFO and General Manager, Corporate Planning Office, the Company</p> <p>June 2016 Director, CFO and General Manager, Corporate Planning Office (current position)</p>	74,000

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
3	Tsutomu Yoshida (July 17, 1956)	<p>April 1980 Joined Mitsui & Co., Ltd.</p> <p>April 1997 Manager, New Industrial Technologies Department, Operations Division</p> <p>December 1999 Representative Partner, ACTIV Investment Partners, Ltd.</p> <p>November 2003 General Manager, Investment Business Department, Corporate Investment Development Division, Mitsui & Co., Ltd.</p> <p>September 2004 Senior Vice President & GM, Financial Markets Business Division, Mitsui & Co. (U.S.A.), Inc.</p> <p>April 2006 General Manager, Financial Market Operations Division, Mitsui & Co., Ltd.</p> <p>April 2008 General Manager, Corporate Investment Division</p> <p>October 2009 General Manager, M&A Promotion Division</p> <p>July 2013 Representative Director and President, Mitsui & Co. Global Investment, Inc.</p> <p>July 2013 Director, the Company (current position)</p> <p>April 2015 General Manager, Tokyo Branch, Mitsui & Co. Global Investment, Inc.</p> <p>October 2015 General Manager, Chairman's Office, Takata Corporation</p> <p>June 2016 Director and Executive Officer</p> <p>October 2018 Executive Officer, M&A Office, Corporate Strategy Division, Mitsubishi Chemical Holdings Corporation (currently Mitsubishi Chemical Group Corporation)</p> <p>April 2021 Executive Officer, Corporate Development Office, Corporate Strategy Division</p> <p>April 2022 Director, Corporate Development Department (current position)</p>	—
4	Kaoru Hatano (January 19, 1977)	<p>April 2001 Joined Semiconductor Energy Laboratory Co., Ltd.</p> <p>April 2013 Joined Thomson Reuters KK (currently Clarivate Analytics (Japan) Co., Ltd)</p> <p>May 2017 Jointly founded Section C Co Ltd. Representative Director</p> <p>October 2019 Jointly founded Cardio Intelligence Inc.</p> <p>July 2021 Department of Intellectual Property & New Business Development (current position)</p> <p>July 2021 Specially appointed professor, Tohoku University (current position)</p> <p>June 2022 Director, the Company (current position)</p>	—

Notes: 1. There are no special interests between any of the candidates and the Company.

2. Tsutomu Yoshida and Kaoru Hatano are candidates for Outside Directors.

3. Mitsuru Sugawara was nominated as a candidate for Director as he has demonstrated strong leadership skills as the founder of the Company. Furthermore, he has abundant knowledge and experience related to the laser industry, and fulfilled an extremely important role in the determination of the Company's management policy. As he can be expected to continue contributing to enhancement of the Company's corporate value and is deemed to be qualified for the position of Director, he has been nominated.

4. Shinji Kounoya was nominated as a candidate for Director as he has managed overseas subsidiaries at Fujitsu Ltd, engaged in venture investments and operations of General Meetings of Shareholders, and is a certified securities analyst. Based on these business experiences, he has

knowledge regarding the law, accounting, finance, and operations of General Meetings of Shareholders, as well as knowledge and insights regarding insider trading regulations, etc. Moreover, as he has continuously been in charge of the Company since its founding, he is thoroughly familiar with the Company's origins. As he can be expected to contribute to enhancement of the Company's corporate value from the governance and financial strategy aspects and is deemed to be qualified for the position of Director, he has been nominated.

5. Tsutomu Yoshida was nominated as a candidate for Outside Director as he has experience of being a corporate manager at multiple corporations. As he can be expected to contribute to ensuring the transparency, objectivity and appropriateness of management and is deemed to be qualified for the position of Outside Director, he has been nominated. He will have been in office as Outside Director of the Company for 10 years at the conclusion of this General Meeting.
6. Kaoru Hatano was nominated as a candidate for Outside Director as she has experience in intellectual property affairs at multiple research and development companies and foundation of companies. As she can be expected to contribute to enhancement of the Company's corporate value from the intellectual property aspect and is deemed to be qualified for the position of Outside Director, she has been nominated. She will have been in office as Outside Director of the Company for 1 year at the conclusion of this General Meeting.
7. The Company has entered into a Directors and Officers liability insurance contract (D&O insurance) with an insurance company. Under the said insurance contract, Directors shall be covered for liability borne from the performance of their duties or for damages arising from claims in pursuit of that liability to be borne by insured persons. The Company intends to renew the said contract. Each candidate is to be included as an insured person under the said insurance contract.
8. The Company has entered into an agreement with Outside Directors to limit their liability for damages pursuant to Article 423, Paragraph 1 of the Companies Act, in accordance with provisions of Article 427, Paragraph 1 of the same Act. If the election of Tsutomu Yoshida and Kaoru Hatano as Outside Directors is approved, the Company intends to continue the above agreement with them. In addition, the maximum amount of liability for damages under the said agreement is the minimum amount of liability stipulated by laws and regulations.
9. The Company has submitted a notice to the Tokyo Stock Exchange designating Tsutomu Yoshida and Kaoru Hatano as Independent Directors as stipulated in the said exchange's Securities Listing Regulations. If their election is approved, the Company intends to continue designating them as Independent Directors.
10. Regarding the criteria used in electing Independent Outside Directors of the Company, with reference to the criteria for independence stipulated by the Tokyo Stock Exchange, the Company has ensured that there are no interests between the candidate and the Company, and there is no risk of a conflict of interest between the candidate and general shareholders.
11. The number of shares of the Company held states the figure as of March 31, 2023.

Proposal 3: Election of Three (3) Directors Who Are Members of the Audit Committee

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

The Audit Committee has given its consent to this proposal.

The candidates for Directors who are members of the Audit Committee are as follows.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	Satoru Uchida (June 1, 1955)	<p>April 1979 Joined Nippon Oil Corporation</p> <p>July 2004 Director, Lubricant Business Division, Lubricant Business Headquarters, Nippon Oil Corporation</p> <p>April 2008 Director, Overseas Business Division, International Business Headquarters</p> <p>October 2010 Executive Officer, Director, Overseas Business Division, International Business Headquarters, JX Nippon Oil & Energy Corporation</p> <p>April 2011 Executive Officer, Americas, JX Nippon Oil & Energy Corporation, concurrently CEO, JX Nippon Oil & Energy USA Inc.</p> <p>April 2013 Executive Officer, concurrently Group CIO, JX Holdings, Inc.</p> <p>April 2014 President, JX IT Solution, Inc.</p> <p>May 2021 External Advisor, Special Corporation Sales Headquarters, PERSOL TEMPSTAFF CO., LTD.</p> <p>June 2021 Executive Advisor, knowledge piece Inc. (current position)</p>	-
2	Hiroyuki Yamada (October 20, 1964)	<p>November 2000 Established AZX Corporation (currently AZX Group Co., Ltd.) Representative Director</p> <p>July 2013 Corporate Auditor, Fringe81 Co., Ltd. (currently Unipos Inc.) (current position)</p> <p>June 2016 Corporate Auditor, the Company</p> <p>April 2019 Director who is a member of the Audit Committee (current position)</p> <p>January 2020 Established Axella Tax Accounting Office Representative (current position)</p> <p>June 2022 Director, Audit and Supervisory Committee Member, kaonavi, inc. (current position)</p>	20,000
3	Hiroki Mori (September 29, 1986)	<p>December 2012 Registered as an attorney-at-law Joined Kohwa Sohgo Law Offices</p> <p>May 2015 Securities Inspector, Securities Transactions Inspectors Division, Kanto Local Finance Bureau, the Ministry of Finance</p> <p>July 2017 Wholesale Compliance Division, Mizuho Securities Co., Ltd.</p> <p>March 2018 Company IPO Investment Bank Headquarters, SMBC Nikko Securities Inc.</p> <p>October 2020 Partner, Kohwa Sohgo Law Offices (current position)</p> <p>June 2021 Director who is a member of the Audit Committee, the Company (current position)</p>	-

Notes: 1. There are no special interests between any of the candidates and the Company.

2. Satoru Uchida, Hiroyuki Yamada, and Hiroki Mori are candidates for Outside Directors.

3. Satoru Uchida was nominated as a candidate for Outside Director who is a member of the Audit Committee, as he has served as a senior manager at multiple companies both in Japan and abroad. Based on his knowledge and experience, if he participates in deliberations and resolutions at the Company, which serves corporate customers in the U.S., Europe, China, and elsewhere, as a member of the Board of Directors with voting rights, he can be expected to contribute to ensuring the transparency, objectivity, and appropriateness of management. Therefore, the Company has nominated him for the position of Outside Director who is a member of the Audit Committee.
4. Hiroyuki Yamada was nominated as a candidate for Outside Director who is a member of the Audit Committee as he has served as an Outside Officer at multiple listed companies over the years. He has a high level of insight regarding finance, accounting, and tax operations, through his business experience as a tax accountant. Based on his knowledge and experience, if he participates in deliberations and resolutions as a member of the Board of Directors with voting rights, he can be expected to contribute to ensuring the transparency, objectivity, and appropriateness of management. Therefore, the Company deemed that he is qualified for the position of Outside Director who is a member of the Audit Committee, and he has been nominated. He is currently an Outside Director who is a member of the Audit Committee of the Company, and he will have been in office for 4 years at the conclusion of this General Meeting.
5. Hiroki Mori was nominated as a candidate for Outside Director who is a member of the Audit Committee as he has many years of experience as an attorney, and is equipped with the experience and insight as a Securities Inspector of Securities Transactions Inspectors Division at Kanto Local Finance Bureau, the Ministry of Finance. Based on his knowledge and experience, if he participates in deliberations and resolutions as a member of the Board of Directors with voting rights, he can be expected to contribute to ensuring the transparency, objectivity, and appropriateness of management. Therefore, the Company has nominated him for the position of Outside Director who is a member of the Audit Committee. Although previously, he has not been directly involved in corporate management, for the reasons above, the Company deemed that he is qualified for the position of Outside Director who is a member of the Audit Committee. He is currently an Outside Director who is a member of the Audit Committee of the Company, and he will have been in office for 2 years at the conclusion of this General Meeting.
6. The Company has entered into a Directors and Officers liability insurance contract (D&O insurance) with an insurance company. Under the said insurance contract, Directors, who are the insured persons, shall be covered for liability borne from the performance of their duties or for damages arising from claims in pursuit of that liability. The Company intends to renew the said contract. Each candidate is to be included as an insured person under the said insurance contract.
7. The Company has entered into an agreement with Outside Directors to limit their liability for damages pursuant to Article 423, Paragraph 1 of the Companies Act, in accordance with provisions of Article 427, Paragraph 1 of the same Act. If the election of Hiroyuki Yamada and Hiroki Mori as Outside Directors who are members of the Audit Committee is approved, the Company intends to continue the above agreement with them. If the election of Satoru Uchida as an Outside Director who is a member of the Audit Committee is approved, the Company intends to enter into the above agreement with him. In addition, the maximum amount of liability for damages under the said agreement is the minimum amount of liability stipulated by laws and regulations.
8. The Company has submitted notices to the Tokyo Stock Exchange designating Hiroyuki Yamada and Hiroki Mori as Independent Directors as stipulated in the said exchange's Securities Listing Regulations. If their election is approved, the Company intends to continue designating them as Independent Directors. If the election of Satoru Uchida is approved, the Company intends to submit a notice to the said exchange designating him as an Independent Director.

9. Regarding the criteria used in electing Independent Outside Directors of the Company, with reference to the criteria for independence stipulated by the Tokyo Stock Exchange, the Company has ensured that there are no interests between the candidate and the Company, and there is no risk of a conflict of interest between the candidate and general shareholders.
10. The number of shares of the Company held states the figure as of March 31, 2023.

<Reference> Skills Matrix

The skills matrix that lists the knowledge, experience, abilities, etc. possessed by each Director if Proposal 2 and Proposal 3 are approved is as follows.

Name	Positions	Corporate management/ Management strategy	Development/ Technology	Sales/ Marketing	Internationality/ Diversity	Financing/ Accounting/ Response to market	Legal affairs/ Risk management
Mitsuru Sugawara	President and CEO	○	○	○	○		
Shinji Kounoya	Director, CFO	○				○	○
Tsutomu Yoshida	Director (Outside)	○			○	○	○
Kaoru Hatano	Director (Outside)		○	○	○		
Satoru Uchida	Director, Member of the Audit Committee (Outside)	○		○	○		
Hiroyuki Yamada	Director, Member of the Audit Committee (Outside)	○				○	○
Hiroki Mori	Director, Member of the Audit Committee (Outside)						○

* “Governance” is not indicated in this table as it is required of all Directors.

Proposal 4: Determination of Remuneration for the Allotment of Performance-Based Stock Compensation with Restrictions on Transfer to Directors (Excluding Directors Who Are Members of the Audit Committee and Outside Directors)

At the 13th Annual General Meeting of Shareholders held on June 27, 2019, approval was granted for the amount of remuneration, etc. for Directors of the Company (excluding Directors who are members of the Audit Committee) to be set at a maximum of 200 million yen per annum (not inclusive of the amount pertaining to employee salaries for Directors who are concurrently employees).

The Company requests approval to introduce a performance-based stock compensation plan with restrictions on transfer using performance share units (hereinafter, the “Plan”) to the Company’s Directors (excluding Directors who are members of the Audit Committee and Outside Directors; hereinafter, the “Eligible Directors” for the purpose of this proposal), which is separate from the aforementioned framework for remuneration, to provide the Eligible Directors with incentives to contribute to sustainable enhancement of the Company’s corporate value, further promote the sharing of value with shareholders, and reinforce the link between remuneration for the Eligible Directors and the Company’s performance.

The current number of Eligible Directors is two (2). If Proposal 2 is approved as originally proposed, the number of Eligible Directors will remain two (2).

1. Overview of the Plan

The Plan is a performance-based stock compensation plan using performance share units, which grants shares of the Company’s common stock in the number as calculated depending on the degree of the achievement of performance indicators after the performance appraisal period (hereinafter, the “Appraisal Period”) in accordance with the base number of shares, the Appraisal Period, performance indicators to be applied during the Appraisal Period, etc., which are determined by the Company’s Board of Directors. The shares of the Company’s common stock thus granted are subject to certain restrictions on their transfer. The initial Appraisal Period is from the fiscal year ending March 31, 2024, to the fiscal year ending March 31, 2026 (April 1, 2023 to March 31, 2026). The performance indicators will be comprised of those on profit and others that take into account the Company’s management policy and will be set by the Company’s Board of Directors. For the purpose of ensuring the Eligible Directors’ funds for tax payments, part of the shares to be granted may be paid in cash.

To grant shares with restrictions on transfer, the Eligible Directors shall, based on a resolution of the Company’s Board of Directors, have shares of the Company’s common stock issued or disposed of 1. without requiring payment of cash or in-kind contribution as remuneration, etc. for Directors or 2. by awarding monetary

compensation receivables to the Eligible Directors and making an in-kind contribution of all such monetary compensation receivables. In the case of 2., the amount to be paid per such share shall be determined by the Board of Directors within a range that is not excessively favorable to Directors, based on the closing price of the Company's common stock at the Tokyo Stock Exchange on the business day preceding the day when the relevant resolution is made by the Company's Board of Directors or, if the stock's trading is not closed, the closing price on the day when such trading is closed immediately before.

Because the Plan grants shares with restrictions on transfer and pays cash depending on the degree of the achievement of performance targets during the Appraisal Period, whether or not such should be granted or paid to each Eligible Director or the number of shares to be granted and the amount of cash to be paid are not fixed at the time of the introduction of this Plan.

2. The upper limit for the amount and number of shares to be granted to the Eligible Directors

The total amount of remuneration for the allotment of shares with restrictions on transfer to the Eligible Directors based on the Plan shall be, separate from the aforementioned framework for remuneration, a maximum of 80.00 million yen per annum, which is deemed to be a reasonable amount given the above-mentioned purpose. The total number of shares of the Company's common stock thus issued or disposed of shall be a maximum of 196,500 shares per annum. Provided, however, that said total amount and number may be adjusted according to the ratio of stock split or stock consolidation in the case that a stock split (including a gratis allotment of the Company's common stock) or a stock consolidation of the Company's common stock is conducted on or after the day when this proposal is approved.

The specific timing of payment and allocation to each Eligible Director shall be determined by the Board of Directors.

3. Conditions for granting shares, etc.

Under the Plan, the Company's common stock shall be granted, and cash shall be paid to the Eligible Directors (including the new Eligible Directors who have assumed the position after the Appraisal Period has commenced) when the Appraisal Period expires and the following requirements are met.

- (1) Absence of certain illegal activities as stipulated by the Company's Board of Directors
- (2) Fulfillment of other requirements stipulated by the Company's Board of Directors due to their necessity for achieving the purpose of the performance-based stock compensation with restrictions on transfer

If needed, the Company may, in lieu of the Company's common stock, provide cash in the amount reasonably determined by its Board of Directors at a time reasonably determined by its Board of Directors: 1. If an Eligible Director has retired or resigned from the office of the Company's Director or other positions as may be

determined by the Company's Board of Directors due to reasons of death or otherwise that the Company's Board of Directors deems justifiable, or 2. In the case that a proposal on matters concerning a merger agreement under which the Company is dissolved, a share exchange agreement or share transfer plan in which the Company will be a wholly-owned subsidiary, or any other matters concerning organizational restructuring, etc., is approved by the Company's General Meeting of Shareholders (or the Company's Board of Directors when such organizational restructuring, etc. does not require approval of the Company's General Meeting of Shareholders), or other cases that the Company's Board of Directors deems justifiable.

4. Overview of transfer restrictions

For the purpose of granting shares of the Company's common stock under the Plan, an agreement on the allotment of shares with restrictions on transfer that includes the following provisions (hereinafter, the "Allotment Agreement") shall be concluded between the Company and an Eligible Director. Provided, however, that the conclusion of the Allotment Agreement may be omitted by concluding another agreement beforehand with an Eligible Director with the following provisions at the time when the application of the Plan commences.

- (1) An Eligible Director must not transfer, create a security interest in, or otherwise dispose of the shares of the Company's common stock that have been allotted pursuant to the Allotment Agreement (hereinafter, the "Allotted Shares") during the period between the date of allotment of the Allotted Shares and the date when the Eligible Director has retired or resigned from the office of the Company's Director or other positions as may be determined by the Company's Board of Directors (hereinafter, the "Transfer Restriction Period"). (Such restrictions are hereinafter collectively referred to as "Transfer Restrictions.")
- (2) The Company will lift the Transfer Restrictions when the Transfer Restriction Period has expired for all the Allotted Shares.
- (3) The Company may automatically acquire, without any compensation therefor, the Allotted Shares, if, during the Transfer Restriction Period, the Eligible Director has violated laws and regulations, company rules, or the Allotment Agreement or falls under any other grounds as stipulated by the Company's Board of Directors to be reasonable grounds for the Company to acquire the Allotted Shares without any compensation therefor.
- (4) Notwithstanding the provision of (1) above, the Company will lift the Transfer Restrictions on all of the Allotted Shares prior to the day on which the organizational restructuring, etc. becomes effective, in the case that, during the Transfer Restriction Period, a proposal on matters concerning a merger agreement under which the Company is dissolved, a share exchange agreement or share transfer plan in which the Company will be a wholly-owned subsidiary, or any other matters concerning organizational restructuring,

etc. is approved by the Company's General Meeting of Shareholders (or the Company's Board of Directors when such organizational restructuring, etc. does not require approval of the Company's General Meeting of Shareholders).

If this proposal is approved, the Company will revise its decision policies pertaining to the contents of remuneration, etc. to each Director of the Company to allow the Company to allot stock compensation, which is based on performance, and the contents of this proposal are made to be necessary and reasonable to do so. Also, the dilution ratio, i.e., the ratio of the total number of shares with restrictions on transfer to be allotted pursuant to this proposal to the number of shares issued and outstanding (excluding the number of treasury shares) as of May 23, 2023, is 0.59%, even after it is added together with the total number of shares either issued or disposed of according to Proposal 5 hereof, which is minimal. As such, the contents of this proposal are deemed to be reasonable.

Proposal 5: Determination of Remuneration for the Allotment of Shares with Restrictions on Transfer to Outside Directors Who Are Not Members of the Audit Committee and Directors Who Are Members of the Audit Committee

At the 13th Annual General Meeting of Shareholders held on June 27, 2019, approval was granted for the amount of remuneration, etc. for Directors who are not members of the Audit Committee to be set at a maximum of 200 million yen per annum (not inclusive of the amount pertaining to employee salaries for Directors who are concurrently employees) and for Directors who are members of the Audit Committee to be set at a maximum of 35.00 million yen per annum. In Proposal 4 hereof, the Company also seeks approval for the determination of remuneration for the allotment of performance-based stock compensation with restrictions on transfer to Directors, excluding Directors who are members of the Audit Committee and Outside Directors.

The Company requests approval to introduce a stock compensation plan with restrictions on transfer as remuneration, etc. for Directors, which is separate from each of the aforementioned frameworks for remuneration, to the Company's Outside Directors who are not members of the Audit Committee (hereinafter, the "Non-Audit Committee Member Outside Directors" for the purpose of this proposal), to provide the Non-Audit Committee Member Outside Directors with incentives to contribute to sustainable enhancement of the Company's corporate value and further promote the sharing of value with shareholders, and to the Company's Directors who are members of the Audit Committee (hereinafter, the "Audit Committee Members." Together with the "Non-Audit Committee Member Outside Directors," collectively referred to as the "Eligible Directors" for the purpose of this proposal), to provide the Audit Committee Members with incentives to prevent damage to corporate value and maintain trust in the Company and further promote the sharing of value with shareholders.

To grant shares with restrictions on transfer, the Eligible Directors shall, based on a resolution of the Company's Board of Directors, have shares of the Company's common stock issued or disposed of 1. without requiring payment of cash or in-kind contribution as remuneration, etc. for Directors or 2. by awarding monetary compensation receivables to the Eligible Directors and making an in-kind contribution of all such monetary compensation receivables. In the case of 2., the amount to be paid per such share shall be determined by the Board of Directors within a range that is not excessively favorable to Directors, based on the closing price of the Company's common stock at the Tokyo Stock Exchange on the business day preceding the day when the relevant resolution is made by the Company's Board of Directors or, if the stock's trading is not closed, the closing price on the day when such trading is closed immediately before.

The total amount of remuneration for the allotment of shares with restrictions on transfer to the Eligible Directors under the Plan shall be, separate from each of the aforementioned frameworks for remuneration, a maximum of 10.00 million yen per annum to Non-Audit Committee Member Outside Directors, and a maximum

of 10.00 million yen per annum to Audit Committee Members, both of which are deemed to be a reasonable amount given the above-mentioned purpose. The total number of the shares of the Company's common stock thus issued or disposed of under the Plan shall be a maximum of 24,500 shares per annum for Non-Audit Committee Member Outside Directors and a maximum of 24,500 shares per annum for Audit Committee Members. Provided, however, that said total number may be adjusted according to the ratio of stock split or stock consolidation in the case that a stock split (including a gratis allotment of the Company's common stock) or a stock consolidation of the Company's common stock is conducted on or after the day when this proposal is approved.

The specific allocation to each Eligible Director shall be determined by the Board of Directors for Non-Audit Committee Member Outside Directors and by consultation among Directors who are members of the Audit Committee for Audit Committee Members.

The current number of Non-Audit Committee Member Outside Directors is two (2) and that of Audit Committee Members is three (3). If Proposal 2 and Proposal 3 are approved as originally proposed, the number of Non-Audit Committee Member Outside Directors will remain two (2) and that of Audit Committee Members will remain three (3).

In allotting shares with restrictions on transfer pursuant to this proposal, an agreement on the allotment of shares with restrictions on transfer (hereinafter, the "Allotment Agreement") that includes the following provisions shall be concluded between the Company and the Eligible Directors.

- (1) An Eligible Director must not transfer, create a security interest in, or otherwise dispose of the shares of the Company's common stock that are allotted according to the Allotment Agreement (hereinafter, the "Allotted Shares") during the period between the date of allotment of the Allotted Shares and the date when the Eligible Director has retired or resigned from the office of the Company's Director or other positions as may be determined by the Company's Board of Directors (or the date specifically determined by the Company's Board of Directors if the Eligible Director has retired or resigned from such a position before three (3) months have passed of the fiscal year to which the date of the allotment of the Allotted Shares belongs, so long as such a date is within six (6) months after said fiscal year has begun) (hereinafter, the "Transfer Restriction Period"). (Such restrictions are hereinafter collectively referred to as "Transfer Restrictions.")
- (2) If an Eligible Director has retired or resigned from a position as provided in (1) above before the period separately determined by the Company's Board of Directors (hereinafter, the "Service Provision Period") expires, the Company may automatically acquire, without any compensation therefor, the Allotted Shares unless there exist reasons the Company's Board of Directors deems valid.

- (3) The Company will lift the Transfer Restrictions on all of the Allotted Shares at the expiration of the Transfer Restriction Period on the condition that an Eligible Director has served their position as provided in (1) above without a break throughout the Service Provision Period. Provided, however, that if the Eligible Director has retired or resigned from their position as provided in (1) above before expiration of the Service Provision Period for reasons the Company's Board of Directors deems valid as provided in (2) above, the number of the Allotted Shares whose Transfer Restrictions are to be lifted will be reasonably adjusted as may be necessary.
- (4) The Company may automatically acquire, without any compensation therefor, the Allotted Shares whose Transfer Restrictions are not lifted at the expiration of the Transfer Restriction Period pursuant to the provisions in (3) above.
- (5) The Company may automatically acquire, without any compensation therefor, the Allotted Shares, if, during the Transfer Restriction Period, the Eligible Director has violated laws and regulations, company rules, or the Allotment Agreement or falls under any other grounds as stipulated by the Company's Board of Directors to be reasonable grounds for the Company to acquire the Allotted Shares without any compensation therefor.
- (6) Notwithstanding the provision of (1) above, the Company will, by a resolution of its Board of Directors, lift the Transfer Restrictions on the reasonably-determined number of the Allotted Shares prior to the day on which the organizational restructuring, etc. becomes effective, in the case that, during the Transfer Restriction Period, a proposal on matters concerning a merger agreement under which the Company is dissolved, a share exchange agreement or share transfer plan in which the Company will be a wholly-owned subsidiary, or any other matters concerning organizational restructuring, etc. is approved by the Company's General Meeting of Shareholders (or the Company's Board of Directors when such organizational restructuring, etc. does not require approval of the Company's General Meeting of Shareholders).
- (7) In a case as provided in (6) above, the Company may automatically acquire, without any compensation therefor, the Allotted Shares whose Transfer Restrictions are not lifted immediately after the Transfer Restrictions have been lifted pursuant to the provisions in (6) above.

As described above, this proposal is based on reasonable grounds, and the ratio of the total number of shares with restrictions on transfer to be allotted pursuant to this proposal to the number of shares issued and outstanding (excluding the number of treasury shares) (dilution ratio) as of May 23, 2023, is 0.59%, which is minimal even after it is added together with the total number of shares either issued or disposed of pursuant to Proposal 4 hereof. Also, if this proposal is approved, the Company will revise its decision policies pertaining to

the contents of remuneration, etc. to each Director who is not a member of the Audit Committee to allow the Company to allot shares with restrictions on transfer to Non-Audit Committee Member Outside Director, and the contents of this proposal are made to be necessary and reasonable to do so.

As such, the contents of this proposal are deemed to be reasonable.