

This document is an unofficial English translation of a part of the Japanese original text of Notice of Convocation of the 97th Annual General Meeting of Shareholders of H<sub>2</sub>O RETAILING CORPORATION. The Company provides this translation for reference and convenience purposes only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this English translation and the Japanese original, the latter shall prevail.

(Securities Code 8242)  
May 31, 2016

Atsushi Suzuki

President and Representative Director  
H<sub>2</sub>O RETAILING CORPORATION

8-7 Kakuda-cho, Kita-ku, Osaka

**Dear shareholders:**

## **Notice of the 97th Annual General Meeting of Shareholders**

You are cordially invited to attend the 97th Annual General Meeting of Shareholders the details of which are given below.

If you are unable to attend the meeting, please exercise your voting rights by mail or via the Internet. You are kindly requested to read the "Information regarding Exercising Voting Rights" (pp.3-4), and exercise your voting rights by 6:00 p.m. on Tuesday, June 21, 2016.

Basic Philosophy of the H <sub>2</sub> O Retailing Group	To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents
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## Details

**1. Date and Time:** Wednesday, June 22, 2016, 10:00 a.m.

**2. Venue:** Main Hall, Umeda Arts Theater  
19-1 Chayamachi, Kita-ku, Osaka

### **3. Agenda of the Meeting:**

#### **Matters to be Reported**

- 1:** Reports on the Business Report, Consolidated Financial Statements, and Financial Statements for the 97th fiscal term (from April 1, 2015 to March 31, 2016)
- 2:** Report on the audit results of the Consolidated Financial Statements by independent accounting auditors and the board of corporate auditors

#### **Matters to be Resolved**

- Proposal No. 1:** Partial Amendments to the Articles of Incorporation
- Proposal No. 2:** Election of Eight (8) Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 3:** Election of Four (4) Directors who are Audit and Supervisory Committee Members
- Proposal No. 4:** Determination of the Remuneration Amount for Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 5:** Determination of the Remuneration Amount Concerning Stock Options as Stock-based Remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 6:** Determination of the Remuneration Amount for Directors who are Audit and Supervisory Committee Members
- Proposal No. 7:** Payment of Bonuses to Directors

### **4. Notes regarding how to exercise voting rights:**

Please refer to the "Information regarding Exercising Voting Rights" (pp.3-4).

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- ◎ When attending the meeting, please submit the enclosed voting card to a receptionist at the venue of the meeting.
  - ◎ "Matters concerning the Company's stock options, etc." in the business report, "notes to consolidated financial statements" in the consolidated financial statements and "notes to non-consolidated financial statements" in the non-consolidated financial statements are posted on the Company's website (<http://www.h2o-retailing.co.jp/soukai/>) based on the provisions of laws and regulations and Article 16 of the Company's articles of incorporation. Therefore, such information is not included in the documents attached to this convocation notice. The business report, the consolidated financial statements and the non-consolidated financial statements which are audited by the corporate auditors and the accounting auditor include the documents mentioned in those attached to this convocation notice, and the matters stated in the Company's website as above.
  - ◎ If necessity arises to amend the Reference Document for the Shareholders Meeting, the Business Report, the Consolidated Financial Statements, or the Financial Statements by the day prior to the shareholders meeting, any matters amended will be posted on the following website <<http://www.h2o-retailing.co.jp/soukai/>>.

## **Information regarding Exercising Voting Rights**

You can exercise your voting rights by any of the following means.

<b>▶ Exercising voting rights by attending the Annual General Meeting of Shareholders</b> Please submit the enclosed Voting Card at a receptionist at the venue of the Meeting. Please bring this convocation notice with you.	
<b>▶ Exercising voting rights by mail</b> Please return the enclosed Voting Card (with approval or disapproval indicated for each proposal) to reach us before the exercise time limit. Any vote without approval or disapproval indicated for a particular proposal will be counted as a vote for approval of the pertinent proposal.	<b>Exercise time limit</b> 6:00 p.m. on Tuesday, June 21, 2016
<b>▶ Exercising voting rights via the Internet</b> Please access the website for exercising voting rights which is designated by the Company ( <a href="http://www.evotepj.com">http://www.evotepj.com</a> ) and exercise your voting rights before the exercise time limit. If you have any questions, etc., please contact the Help Desk.	<b>Exercise time limit</b> 6:00 p.m. on Tuesday, June 21, 2016

### **●Exercising voting rights via the Internet**

If you choose to exercise voting rights via the Internet, please take note of the following:

#### **(1) Website for exercising voting rights**

1. Exercising voting rights via the Internet is only possible by accessing the website dedicated for enabling shareholders to exercise their voting rights <<http://www.evotepj.com>> using a personal computer, smartphone, or mobile phone (with i-mode, EZweb, or Yahoo! Keitai, mobile data capabilities.)\* (Please note that the website is unavailable between 2:00 a.m. and 5:00 a.m. every day).

\* i-mode, EZweb, and Yahoo! are trademarks or registered trademarks of NTT DOCOMO, INC., KDDI CORPORATION, and Yahoo! Inc. (U.S.), respectively.

2. Shareholders using a personal computer or smartphone may not be able to exercise their voting rights via the voting website, depending on their Internet access environment (e.g. when using a firewall to connect to the Internet, antivirus software, or proxy servers).
3. To exercise voting rights using a mobile phone, the terminal must have i-mode, EZweb, or Yahoo! Keitai, mobile data capabilities. To ensure security, the voting website is designed only for terminals capable of handling encrypted messages (SSL communication) and sending mobile phone data.
4. Votes cast via the Internet will be accepted until 6:00 p.m. on Tuesday, June 21, 2016. However, you are cordially requested to exercise your voting rights earlier, and contact the Help Desk if you have any questions etc.

(2) How to exercise voting rights

1. When you access the voting website <<http://www.evot.jp/>>, enter the login ID and temporary password indicated on the Voting Card, then follow the instructions on the screen to enter your vote for the proposals.
2. To prevent individuals other than shareholders from gaining unauthorized access (online impersonation) and altering the content of your votes, you are requested to change your temporary password on the voting website.
3. A new login ID and temporary password will be issued each time an annual general meeting of shareholders is convened.

(3) Costs arising from accessing the voting website

Costs arising from accessing the voting website (e.g. Internet connection fees, packet charges) will be borne by shareholders who access the website.

● **Handling of multiple votes cast by the same shareholder**

- (1) If a voting right is exercised both by mail and via the Internet, the vote cast via the Internet will be considered to be the valid vote.
- (2) If a voting right is exercised via the Internet twice or more, the last vote cast will be considered to be the valid vote. If a voting right is exercised via personal computer, smartphone, and/or mobile phone, the last vote cast will be considered to be the valid vote.

● **Information regarding the Electronic Voting Platform**

For nominee shareholders (including their standing proxies), such as trust banks or custodian banks, the Electronic Voting Platform is also available if they sign up in advance. The platform is operated by ICJ, Inc., a joint venture company established by Tokyo Stock Exchange, Inc. and other companies.

- ◎ **If you are able to attend the annual general meeting of shareholders, it is not necessary to follow the procedures to exercise voting rights by mail or via the Internet.**

- ◎ **If you choose to exercise your voting rights by proxy, the proxy will be requested to submit a letter of proxy and a Voting Card to a receptionist at the venue of the Meeting. Only a shareholder who has voting rights at the meeting can serve as a proxy.**

For inquiries about the system etc., please contact:

Securities Business Division (Help Desk), Mitsubishi UFJ Trust and  
Banking Corporation  
Tel. (toll-free): 0120-173-027 (available from 9:00 a.m. to 9:00 p.m.)

## Reference Document for the Shareholders Meeting

### Proposals and reference matters

#### Reference matters common to Proposals No.1 through No.6

With the aim of further enhancing the corporate governance system, the Company intends to become a “company with audit and supervisory committee” which is newly established by the “Act for Partial Revision of the Companies Act” (Act No. 90 of 2014). Proposals No.1 through No.6 which are submitted to this General Meeting of Shareholders are all related to the above-mentioned transfer. In connection with these proposals, we would like to explain the characteristics of a company with audit and supervisory committee, and the reasons that we have decided to become a company with audit and supervisory committee as follows.

#### ■ Characteristics of a company with audit and supervisory committee

A company with audit and supervisory committee has a design different from that of a company with the conventional board of corporate auditors. Since the audit and supervisory committee comprises directors who have voting right at meetings of the board of directors, a company's supervisory function is expected to be enhanced. In addition, if certain conditions are satisfied, directors may be authorized to make decisions on the execution of important operations, and this will result in more rapid decision makings and flexible execution of operations.

- The audit and supervisory committee composing three or more directors (a majority is occupied by outside directors) will be established (however, auditors and the board of corporate auditors are not established).
- Directors who are audit and supervisory committee members will have voting rights at meetings of the board of directors and be involved in all of decision makings on the execution of operations (excluding ones delegated to directors), such as determination of a proposal to appoint or remove a director who is not an audit and supervisory committee member, appointment or dismissal the representative director,.
- The audit and supervisory committee will have an authority to express opinions about the appointment or dismissal and remuneration of other directors at general meetings of shareholders.
- If a majority of the directors is occupied by outside directors, or if there are provisions in the articles of incorporation, a part or the whole of decisions on the execution of important operations may be delegated to directors based on the resolution of the board of directors.

#### ■ Reasons of transfer

The Company has introduced the executive officer system in order to separate two functions of control of management and decision-making and of execution of operation. In 2015, the Company made efforts to strengthen the corporate governance system, including the election of plural number of outside directors who are independent officers and the establishment of the voluntary committee for the nomination and the remuneration (a majority of the committee members are occupied by outside directors), in order to improve management soundness and transparency. With the aim of achieving the improvement of corporate value over medium- and long-term periods, the Company intends to become a company with audit and supervisory committee in order to further enhance the function of management control, and realize rapid decision making and flexible execution of operations.

If Proposals No.2 and No.3 are approved, the Company's board of directors will comprise 12 directors (including four directors who are audit and supervisory committee members) after the Company becomes a company with audit and supervisory committee, and the number of outside directors will be four (including three directors who are audit and supervisory committee members). Therefore, the outside directors will account for 1/3 of all the board members.

When the Company becomes a company with audit and supervisory committee, the committee for the nomination and the remuneration will remain as it is and full-time audit and supervisory committee members will be appointed.

(For your reference)

Director candidates are nominated based on the nomination standards which include the "concept of diversity and balance of the board of directors" and the "standards of independence of outside directors" as mentioned below.

#### **"Concept of diversity and balance of the board of directors"**

Internal director candidates will be nominated among the persons in the Company's group who have appropriate capabilities, experience and knowledge concerning planning and execution of the group's management strategies, financing and compliance matters and the persons who are representatives of main subsidiaries, while outside director candidates will be nominated among persons experienced in the corporate management in any industry, attorneys at law, and persons who have expertise useful for the Company Group's business, etc., so that the board of directors will maintain an appropriate size to keep its diversity and balance as well as to enable rapid decision-making. At least one director who is audit and supervisory committee member will be nominated among persons who have profound experience and knowledge concerning accounting and financing.

#### **"Standards of independence of outside directors"**

The Company's outside directors will be determined to be independent, unless they fall under any of the following items:

1. Any person who conducts transactions with the Company and its subsidiaries (hereinafter the "Company Group") as main clients (see Note 1), its executive director, executive officer or equivalent, manager or other employee (hereinafter the "Executive Person");
2. Any person who is a main client of the Company Group (see Note 2) or its Executive Person;
3. Professionals, including attorney at law, certified public accountant, tax accountant or consultant, who receives money or other property benefits in excess of certain amount (see Note 3), in addition to the remuneration as director or corporate auditor given by the Company Group;
4. Any person who belongs to the audit corporation which is an accounting auditor of the Company Group and actually performs the audit work;
5. The Company's main shareholder (the person holding 10% or more of the voting rights, including indirect holding) or its Executive Person;
6. Any Executive Person of a company of which the Company Group is a main shareholder;
7. In the case where the Company Group's executive director, director who is a full-time audit and supervisory committee member or full-time corporate auditor concurrently works as outside director or outside corporate auditor of other company, any Executive Person of the company;
8. Any Executive Person of the Hankyu Hanshin Toho Group (including the Company Group);
9. Any person who is granted donation in excess of certain amount (see Note 4), or in the case where any organization, including corporation and association, is granted such donation, its Executive Person;
10. Any person who has fallen under any of above items 1 through 9 during the past five years (in the case of the Company Group's Executive Person in above item 8, during the past 10 years);
11. Any person whose spouse or relative within the second degree falls under any of above items 1 through 10 (excluding items 3 and 4, limited to the Important Person (see Note 5)); and
12. Any person for whom it is found that there are specific reasons to cause a conflict of interest between the person and the Company.

- Note 1: “Any person who conducts transactions with the Company Group as main clients” means the Company Group’s client who provides products or services to the Company Group and the amount of the client’s transactions with the Company Group in the latest business year exceeds 100 million yen or 2% of the client’s consolidated annual sales, whichever is larger.
- Note 2: “Any person as main client of the Company Group” means: (1) a client to whom the Company Group provides products or services and the amount of the Company Group’s transactions with the client in the latest business year exceeds 2% of the Company’s consolidated annual sales; or (2) a client to whom the Company Group owes debts and who loans more than 2% of the Company Group’s consolidated total assets to the Company Group as of the end of the latest business year.
- Note 3: “Certain amount” means: (1) in the case where an individual personally provides the Company Group with professional services and receives consideration (excluding remuneration as director or corporate auditor) from the Company Group in the latest business year, 10 million yen a year; or (2) in the case where the individual belongs to the organization, including corporation and association, which provides the Company with services and receives consideration from the Company Group in the latest business year, 2% of the organization’s annual total revenues.
- Note 4: “Certain amount” means 10 million yen a year in the latest business year.
- Note 5: The “Important Person” means an executive person who is a director, executive officer of a company with nominating committee, executive officer or general manager or higher ranking position, or an executive person who has the authority equivalent to that of the foregoing persons.

## Proposal No.1: Partial Amendments to the Articles of Incorporation

### 1. Reason for the proposal

In order to become a company with audit and supervisory committee, the Company makes a proposal to newly establish the provisions concerning the audit and supervisory committee and the audit and supervisory committee members, to delete the existing provisions concerning the corporate auditors and the board of corporate auditor as well as to make other necessary amendments. This Proposal No.1 will take effect when this Annual General Meeting of Shareholders is concluded.

### 2. Details of the amendment

Proposed amendments and current provisions of the Articles of Incorporation are given below.

(Proposed amendments are underlined.)

Current provisions	Proposed amendments
<b>Chapter 1 General Provisions</b>	<b>Chapter 1 General Provisions</b>
From Article 1 to Article 3 (Texts omitted)	From Article 1 to Article 3 (No changes from current provisions)
Article 4 (Establishment of Organs) The Company shall establish the following organs in addition to the general meeting of shareholders and directors.	Article 4 (Establishment of Organs) The Company shall establish the following organs in addition to the general meeting of shareholders and directors.
(1) The board of directors (2) <u>Corporate auditors</u> (3) <u>The board of corporate auditors</u> (4) <u>Accounting auditor</u>	(1) The board of directors (2) <u>The audit and supervisory committee</u> (Deleted) (3) <u>Accounting auditor</u>
From Article 5 to Article 18 (Texts omitted)	From Article 5 to Article 18 (No changes from current provisions)



Current provisions	Proposed amendments
<p style="text-align: center;"><b>Chapter 4 Directors and the Board of Directors</b></p> <p>Article 19 (Number) The number of the Company's directors shall not exceed <u>15</u>.</p> <p style="text-align: center;">(New provision)</p> <p>Article 20 (Election) Directors shall be elected by the resolution of a general meeting of shareholders.</p> <p style="text-align: center;">(New provision)</p> <p><u>2.</u> The resolution to elect directors <u>as specified in the preceding paragraph</u> shall be made by a majority of the votes of the shareholders present at the meeting where the shareholder holding one third of the votes of the shareholders who are entitled to exercise their vote are present.</p> <p><u>3.</u> No cumulative voting shall be used for resolution to elect directors.</p> <p>Article 21 (Term of Office) The term of office of each director shall continue until the conclusion of the annual shareholder meeting for the last business year which ends within one year from the time of their election.</p> <p style="text-align: center;">(New provision)</p>	<p style="text-align: center;"><b>Chapter 4 Directors and the Board of Directors</b></p> <p>Article 19 (Number) The number of the Company's directors <u>(excluding directors who are audit and supervisory committee members)</u> shall not exceed <u>10</u>.</p> <p><u>2.</u> The number of the Company's directors who <u>are audit and supervisory committee members</u> shall not exceed <u>5</u>.</p> <p>Article 20 (Election) <u>Directors who are audit and supervisory committee members and other directors shall be separately</u> elected by the resolution of a general meeting of shareholders.</p> <p><u>2.</u> In preparation for the case where the number of directors who are audit and supervisory committee members becomes less than that required by the law and regulation, a substitute director who is an audit and supervisory committee member (hereinafter the "Substitute Audit and Supervisory Committee Member") may be elected by the resolution of a general meeting of shareholders.</p> <p><u>3.</u> The resolution to elect <u>directors (including the Substitute Audit and Supervisory Committee Member)</u> shall be made by a majority of the votes of the shareholders present at the meeting where the shareholder holding one third of the votes of the shareholders who are entitled to exercise their vote are present.</p> <p><u>4.</u> No cumulative voting shall be adopted for resolution to elect directors <u>(including the Substitute Audit and Supervisory Committee Member)</u>.</p> <p>Article 21 (Term of Office) The term of office of each director <u>(excluding directors who are audit and supervisory committee members)</u> shall continue until the conclusion of the annual shareholder meeting for the last business year which ends within one year from the time of their election.</p> <p><u>2.</u> The term of office of each director who is an <u>audit and supervisory committee member</u> shall continue until the conclusion of the annual shareholder meeting for the last business year which ends within two year from the time of their election.</p>

Current provisions	Proposed amendments
<p>(New provision)</p> <p>Article 22 (Director and Chairman, Director and President, etc.) The board of directors may elect, by its resolution, a director and chairman, a director and president and a few executive vice presidents.</p> <p>2. (Texts omitted)</p> <p>Article 23 (Representative Director) The board of directors shall elect, by its resolution, representative directors.</p> <p>Article 24 (Texts omitted)</p> <p>Article 25 (Convocation Notice of a Meeting of the Board of Directors) A convocation notice of a meeting of the board of directors shall be given to each director <u>and corporate auditor</u> three days prior to the meeting date. However, in case of emergency, this period may be shortened. 2. With the consent of all directors <u>and corporate auditors</u>, a meeting of the board of directors may be convened without the procedure for convening the meeting.</p> <p>(New provision)</p> <p>Article <u>26</u> and Article <u>27</u> (Texts omitted)</p>	<p><u>3. If a director who is an audit and supervisory committee member is elected to fill a vacancy created by the resignation of the director who is an audit and supervisory committee member before the expiration of his term of office, the term of office of the successor director who is an audit and supervisory committee member shall expire at the time when the term of office of the predecessor director who is an audit and supervisory committee member expires.</u></p> <p>Article 22 (Director and Chairman, Director and President, etc.) The board of directors may elect, by its resolution, one director and chairman, one director and president and a few number of executive vice presidents <u>from among the directors (excluding directors who are audit and supervisory committee members).</u></p> <p>2. (No changes from current provisions)</p> <p>Article 23 (Representative Director) The board of directors shall elect, by its resolution, representatives director <u>from among the directors (excluding directors who are audit and supervisory committee members).</u></p> <p>Article 24 (No changes from current provisions)</p> <p>Article 25 (Convocation Notice of a Meeting of the Board of Directors) A convocation notice of a meeting of the board of directors shall be given to each director three days prior to the meeting date. However, in case of emergency, this period may be shortened. 2. With the consent of all directors, a meeting of the board of directors may be convened without the procedure for convening the meeting.</p> <p><u>Article 26 (Delegation of Decisions of Execution of Important Operations)</u> <u>Under the provisions of Article 399-13, paragraph 6 of the Companies Act, the Company may delegate all or part of decisions of execution of important operations (excluding matters listed in the items of paragraph 5 of Article 399-13) to directors by the resolution of the board of directors.</u></p> <p>Article <u>27</u> and Article <u>28</u> (No changes from current provisions)</p>

Current provisions	Proposed amendments
<p>Article <u>28</u> (Remuneration, etc.) The property benefits which directors receive from the Company as remuneration for duties performed such as remuneration, bonus, etc. (hereinafter “Remuneration, etc.”) shall be determined by the resolution of a general meeting of shareholders.</p>	<p>Article <u>29</u> (Remuneration, etc.) The property benefits which <u>directors who are audit and supervisory committee members and other directors</u> receive from the Company as remuneration for duties performed such as remuneration, bonus, etc. (hereinafter “Remuneration, etc.”) shall be <u>separately</u> determined by the resolution of a general meeting of shareholders.</p>
<p>Article <u>29</u> (Texts omitted)</p>	<p>Article <u>30</u> (No changes from current provisions)</p>
<p><b><u>Chapter 5 Corporate Auditors and the Board of Corporate Auditors</u></b></p>	<p>(Deleted)</p>
<p>From Article <u>30</u> to Article <u>37</u> (Texts omitted)</p>	<p>(Deleted)</p>
<p>(New provision)</p>	<p><b><u>Chapter 5 Audit and Supervisory Committee</u></b></p>
<p>(New provision)</p>	<p>Article 31 (<u>Full-time Audit and Supervisory Committee Members</u>) <u>The audit and supervisory committee may elect, by its resolution, full-time audit and supervisory committee members.</u></p>
<p>(New provision)</p>	<p>Article 32 (<u>Convocation Notice of a Meeting of the Audit and Supervisory Committee</u>) <u>A convocation notice of a meeting of the audit and supervisory committee shall be given to each audit and supervisory committee member three days prior to the meeting date. However, in case of emergency, this period may be shortened.</u> <u>2. With the consent of all audit and supervisory committee members, a meeting of the audit and supervisory committee may be convened without the procedure for convening the meeting.</u></p>
<p>(New provision)</p>	<p>Article 33 (<u>Regulations of the Audit and Supervisory Committee</u>) <u>All matters concerning the audit and supervisory committee shall be governed not only by the law and regulation and the articles of incorporation but also by the rules of the audit and supervisory committee which are established by the audit and supervisory committee.</u></p>

Current provisions	Proposed amendments
<p style="text-align: center;"><b>Chapter 6 Accounting Auditor</b></p> <p>Article <u>38</u> and Article <u>39</u> (Texts omitted)</p> <p>Article <u>40</u> (Remuneration, etc.) Remuneration, etc. for the accounting auditor shall be determined by representative director after obtaining an approval from the board of corporate auditors.</p> <p>Article <u>41</u> (Texts omitted)</p> <p style="text-align: center;"><b>Chapter 7 Accounting</b></p> <p>From Article <u>42</u> to Article <u>45</u> (Provisions omitted)</p> <p style="text-align: center;">(New provision)</p> <p style="text-align: center;">(New provision)</p>	<p style="text-align: center;"><b>Chapter 6 Accounting Auditor</b></p> <p>Article <u>34</u> and Article <u>35</u> (No changes from current provisions)</p> <p>Article <u>36</u> (Remuneration, etc.) Remuneration, etc. for the accounting auditor shall be determined by representative director after obtaining an approval from <u>the audit and supervisory committee</u>.</p> <p>Article <u>37</u> (No changes from current provisions)</p> <p style="text-align: center;"><b>Chapter 7 Accounting</b></p> <p>From Article <u>38</u> to Article <u>41</u> (No change from current provisions) (The numbers of articles shall be decreased by four, respectively).</p> <p style="text-align: center;"><b><u>Supplementary Provisions</u></b></p> <p><u>(Transitional Measure Concerning Exemption from Liabilities of Corporate Auditors, etc.)</u> <u>As to any and all acts of the corporate auditor (including the person who was a corporate auditor) which were conducted before the effectuation of the partial amendment to the articles of incorporation which was resolved at the 97th General Meeting of Shareholders held in June 2016, the exemption of liabilities for the damages as provided in paragraph 1 of Article 426 of the Companies Act and the agreement to limit the liabilities for the damages provided in paragraph 1 of Article 427 of the Companies Act, shall be governed by paragraphs 1 and 2 of Article 37 of the articles of incorporation as they were before the resolution at the above General Meeting of Shareholders.</u></p>

## Proposal No.2: Election of Eight (8) Directors (excluding Directors who are Audit and Supervisory Committee Members)

If Proposal No.1 “Partial amendments to the articles of incorporation” is approved as it is, the Company will become a company with audit and supervisory committee, and the terms of office of all directors (twelve in total) will expire at the conclusion of this Annual General Meeting of Shareholders. It is hereby proposed that eight (8) directors (excluding directors who are audit and supervisory committee members; hereinafter the same in this proposal) will be elected.

The director candidates are given below.

For the Company’s “concept of diversity and balance of the board of directors” and “standards of independence of outside directors,” please refer pages 6-7.

Candidate No.	1
<div> <div>Atsushi Suzuki</div> <div>(Date of birth: April 5, 1956)</div> </div>	
Subject to re-election	<div> <div>Number of company shares held by the candidate:</div> <div>12,200</div> </div>
Brief history of positions and duties	
<div> <div>April 1980</div> <div>Joined Hankyu Department Stores, Inc.</div> <div>October 2000</div> <div>Executive Manager, SC Division, Hankyu Department Stores, Inc.</div> <div>April 2003</div> <div>Representative Director and Senior Managing Executive Officer, Hankyu Shopping Center Development Co., Ltd.</div> <div>April 2006</div> <div>Executive Officer, Hankyu Department Stores, Inc.</div> <div>October 2007</div> <div>Executive Officer, Hankyu Hanshin Department Stores, Inc.</div> <div>April 2013</div> <div>Director and Managing Executive Officer, Hankyu Hanshin Department Stores, Inc.</div> <div>March 2014</div> <div>Director, H2O RETAILING CORPORATION</div> <div>April 2014</div> <div>President and Representative Director, H2O RETAILING CORPORATION (present position)</div> </div>	
Reason that he is nominated as director candidate	
<div>Mr. Atsushi Suzuki has profound experience and broad knowledge as management executive. At present, he as president plays a leading role in implementing the Company’s group management strategy. Therefore, he is nominated as director candidate.</div>	

Candidate No.	2
<div> <div>Naoya Araki</div> <div>(Date of birth: May 14, 1957)</div> </div>	
Subject to re-election	<div> <div>Number of company shares held by the candidate:</div> <div>8,800</div> </div>
Brief history of positions and duties	
<div> <div>April 1981</div> <div>Joined Hankyu Department Stores, Inc.</div> <div>April 2003</div> <div>General Manager, Suburban Store Development Office, Hankyu Department Stores, Inc.</div> <div>April 2004</div> <div>Executive Officer, Hankyu Department Stores, Inc.</div> <div>October 2008</div> <div>Executive Officer, Hankyu Hanshin Department Stores, Inc.</div> <div>June 2010</div> <div>Director and Executive Officer, Hankyu Hanshin Department Stores, Inc.</div> <div>March 2012</div> <div>President and Representative Director, Hankyu Hanshin Department Stores, Inc. (present position)</div> <div>June 2012</div> <div>Representative Director, H2O RETAILING CORPORATION (present position)</div> <div>June 2012</div> <div>In charge of the Department Store Business, H2O RETAILING CORPORATION (present position)</div> </div>	
Status of concurrent important positions held	
<div>President and Representative Director, Hankyu Hanshin Department Stores, Inc.</div>	
Reason that he is nominated as director candidate	
<div>Mr. Naoya Araki is currently president and Representative Director, Hankyu Hanshin Department Stores, Inc. as core company of the Company Group. Therefore, he is nominated as director candidate.</div>	

Candidate No.	3
<div> <div>Haruya Shijo</div> <div>(Date of birth: August 15, 1958)</div> </div>	
Subject to re-election	<div> <div>Number of company shares held by the candidate:</div> <div>8,380</div> </div>
Brief history of positions and duties	
March 1981	Joined Izumiya Co., Ltd.
May 2005	Director, Izumiya Co., Ltd.
February 2008	Managing Director and Executive Officer, Izumiya Co., Ltd.
February 2009	Managing Director and Managing Executive Officer, Izumiya Co., Ltd.
May 2011	Senior Managing Director and Senior Managing Executive Officer, Izumiya Co., Ltd.
March 2014	President and Representative Director, Izumiya Co., Ltd. (present position)
June 2014	Representative Director, H2O RETAILING CORPORATION (present position)
June 2014	In charge of the Izumiya Business, H2O RETAILING CORPORATION (present position)
Status of concurrent important positions held	
President and Representative Director, Izumiya Co., Ltd.	
Reason that he is nominated as director candidate	
Mr. Haruya Shijo is currently president and representative director, Izumiya Co., Ltd. as core company of the Company Group. Therefore, he is nominated as director candidate.	

Candidate No.	4
<div> <div>Katsuhiro Hayashi</div> <div>(Date of birth: January 20, 1958)</div> </div>	
Subject to re-election	<div> <div>Number of company shares held by the candidate:</div> <div>7,600</div> </div>
Brief history of positions and duties	
April 1982	Joined Hankyu Department Stores, Inc.
April 2002	General Manager, Public Relations Office, Hankyu Department Stores, Inc.
April 2004	Executive Manager, Sales Promotion Dept., Hankyu Department Stores, Inc.
April 2005	General Manager, Compliance Office, Hankyu Department Stores, Inc.
April 2007	General Manager, General Affairs Office, Hankyu Department Stores, Inc.
June 2009	Director and Executive Officer, H2O RETAILING CORPORATION
June 2009	Executive Officer, Hankyu Hanshin Department Stores, Inc.
April 2012	Director and Executive Officer, Hankyu Hanshin Department Stores, Inc.
April 2014	Director and Managing Executive Officer, H2O RETAILING CORPORATION
April 2014	Director and Managing Executive Officer, Hankyu Hanshin Department Stores, Inc.
April 2015	Representative Director and Senior Managing Executive Officer, H2O RETAILING CORPORATION (present position)
April 2015	In charge of the General Affairs and Human Resources Office, and the Public Relations Office, H2O RETAILING CORPORATION (present position)
April 2015	Representative Director and Senior Managing Executive Officer, Hankyu Hanshin Department Stores, Inc. (present position)
Status of concurrent important positions held	
Representative Director and Senior Managing Executive Officer, Hankyu Hanshin Department Stores, Inc.	
Reason that he is nominated as director candidate	
Mr. Katsuhiro Hayashi has achieved excellent results in business administration and has good capabilities and knowledge concerning planning and implementation of compliance matters. Therefore, he is nominated as director candidate.	

Candidate No.	5	
Shunichi Sugioka		(Date of birth: April 1, 1940)
Subject to re-election	Number of company shares held by the candidate:	49,955
Brief history of positions and duties		
April 1964	Joined Hankyu Department Stores, Inc.	
September 1985	Manager, Merchandising Promotion Dept., Hankyu Department Stores, Inc.	
September 1988	Manager, Sales Div., Hankyu Department Stores, Inc.	
June 1994	Director, Hankyu Department Stores, Inc.	
June 1999	Managing Director, Hankyu Department Stores, Inc.	
June 2000	President and Representative Director, Hankyu Department Stores, Inc.	
April 2005	Representative Director and Chairman, Hankyu Department Stores, Inc.	
October 2007	Representative Director and Chairman, CEO, H <sub>2</sub> O RETAILING CORPORATION	
October 2008	Representative Director and Chairman, Hankyu Hanshin Department Stores, Inc.	
April 2015	Director and Senior Corporate Advisor, H <sub>2</sub> O RETAILING CORPORATION (present position)	
April 2015	Director and Senior Corporate Advisor, Hankyu Hanshin Department Stores, Inc. (present position)	
Status of concurrent important positions held		
Director and Senior Corporate Advisor, Hankyu Hanshin Department Stores, Inc.		
Director, Hankyu Hanshin Holdings, Inc.		
Reason that he is nominated as director candidate		
Mr. Shunichi Sugioka has profound experience and achieved fine results as representative director and chairman of the Company and Hankyu Hanshin Department Stores, Inc. Based on such experience, he currently delivers his broad-based opinions and recommendations concerning the Company's group management strategy. Therefore, he is nominated as director candidate.		

Candidate No.	6	Outside Director	Independent Officer
Makoto Yagi		(Date of birth: October 13, 1949)	
New candidate	Number of company shares held by the candidate:	300	
Brief history of positions and duties			
April 1972	Joined The Kansai Electric Power Company, Inc.		
June 2005	Director, The Kansai Electric Power Company, Inc.		
June 2006	Managing Director, The Kansai Electric Power Company, Inc.		
June 2009	Vice President and Representative Director, The Kansai Electric Power Company, Inc.		
June 2010	President and Representative Director, The Kansai Electric Power Company, Inc. (present position)		
June 2015	Director, H <sub>2</sub> O RETAILING CORPORATION (present position)		
Status of concurrent important positions held			
President and Representative Director, The Kansai Electric Power Company, Inc.			
Outside Auditor, Hitachi Zosen Corporation			
Chairman, the Federation of Electric Power Companies of Japan			
Reason that he is nominated as director candidate			
Mr. Makoto Yagi actively delivers opinions, recommendations, etc. at the board of directors, etc. from the viewpoint of the Company's outside director based on his profound experience and broad-based knowledge concerning business administration as president of The Kansai Electric Power Company, Inc. Therefore, he is nominated as director (outside director) candidate so that his experience, etc. will be utilized in the supervision of the Company Group's management. The Company regards him as independent officer because he satisfies the requirements specified in the "the standards of independence of outside directors."			

Candidate No.	7
Kazuo Sumi	
(Date of birth: April 19, 1949)	
Subject to re-election	Number of company shares held by the candidate: 17,200
Brief history of positions and duties	
April 1973	Joined Hankyu Corporation (currently Hankyu Hanshin Holdings, Inc.)
June 2000	Director, Hankyu Corporation
June 2002	Managing Director, Hankyu Corporation
June 2003	President and Representative Director, Hankyu Corporation (present position)
October 2007	Director, H2O RETAILING CORPORATION (present position)
Status of concurrent important positions held	
President and Representative Director, Hankyu Hanshin Holdings, Inc. Representative Director and Chairman, Hankyu Corporation	
Reason that he is nominated as director candidate	
Mr. Kazuo Sumi has profound experience as president of Hankyu Hanshin Holdings, Inc. and currently delivers various opinions, recommendations, etc. from the viewpoint of management strategy of the Hankyu Hanshin Toho Group. Therefore, he is nominated as director (non-executive director) so that his capabilities, experience, etc. will be utilized in the management of the Company Group.	

Candidate No.	8
Tadatsugu Mori	
(Date of birth: September 22, 1963)	
Subject to re-election	Number of company shares held by the candidate: 5,100
Brief history of positions and duties	
April 1987	Joined Hankyu Department Stores, Inc.
April 2004	General Manager, Management Policy Office, Hankyu Department Stores, Inc.
April 2006	Executive Officer, Hankyu Department Stores, Inc.
June 2006	Director and Executive Officer, Hankyu Department Stores, Inc.
October 2007	Director, Hankyu Department Stores, Inc.
October 2007	Director and Executive Officer, H2O RETAILING CORPORATION
October 2007	General Manager, Management Planning Office, in charge of System Planning Office, H2O RETAILING CORPORATION (present position)
March 2012	Director and Managing Executive Officer, H2O RETAILING CORPORATION (present position)
June 2013	Executive Officer, Hankyu Hanshin Department Stores, Inc. (present position)
April 2014	In charge of Finance Office (present position), H2O RETAILING CORPORATION
Status of concurrent important positions held	
Executive Officer, Hankyu Hanshin Department Stores, Inc. Outside Director, Umenohana Co., Ltd.	
Reason that he is nominated as director candidate	
Mr. Tadatsugu Mori has achieved excellent results in management planning division, etc., has good capabilities and knowledge concerning group management strategy, and has experience of management as the Company's director. Therefore, he is nominated as director.	



Notes:

1. Kazuo Sumi (a candidate to be a director) holds a concurrent position as the Representative Director and Chairman of Hankyu Corporation. H<sub>2</sub>O RETAILING CORPORATION has a real estate lease contract with Hankyu Corporation.
2. H<sub>2</sub>O RETAILING CORPORATION has no special interest with other candidates.
3. Matters related to candidates to be outside directors:
  - (1) The number of years of service after having assumed the position of the Company's outside director  
The number of years of service after Mr. Makoto Yagi assumed the position of outside director until the conclusion of this Annual General Meeting of Shareholders is one year.
  - (2) Outline of the liability limiting agreement  
The Company has concluded with Mr. Makoto Yagi an agreement which limits his liabilities as specified in paragraph 1 of Article 423 of the Companies Act to the amount specified in laws and regulations. If this Proposal No.2 is approved and he is reelected, the agreement will be renewed.
4. On October 1, 2007, our trade name changed from Hankyu Department Stores, Inc. to H<sub>2</sub>O RETAILING CORPORATION in line with the transition to a holding company structure (based on the management integration with The Hanshin Department Store, Ltd.). At the same time, a company split was conducted to have the Department Store Business succeeded to a newly established company (Hankyu Department Stores, Inc.).  
On October 1, 2008, Hankyu Department Stores, Inc. acquired The Hanshin Department Store, Ltd. through an absorption-type merger, and the trade name changed to Hankyu Hanshin Department Stores, Inc.

### **Proposal No.3: Election of Four (4) Directors who are Audit and Supervisory Committee Members**

With effectuation of the change of the articles of incorporation under Proposal No.1 "Partial amendments to the articles of incorporation," the Company will become a company with audit and supervisory committee. Therefore, it is hereby proposed that four (4) directors who are audit and supervisory committee members be elected.

This Proposal will be discussed on condition that Proposal No.1 "Partial amendments to the articles of incorporation" is approved as it is, at this Annual General Meeting of Shareholders and the resolution of this Proposal No.3 will take effect on the condition the resolution of Proposal No.1 is effectuated.

This Proposal No.3 is approved by the board of corporate auditors.

Candidates of directors as audit and supervisory committee members are as follows.

For the Company's "concept of diversity and balance of the board of directors" and "standards of independence of outside directors," please refer pages 6-7.

Candidate No.	1
<b>Toshimitsu Konishi</b> <span style="float: right;">(Date of birth: April 17, 1944)</span>	
New candidate	Number of company shares held by the candidate <div style="text-align: right;">14,400</div>
Brief history of positions and duties	
April 1967	Joined Hankyu Department Stores, Inc.
September 1988	General Manager, Accounting Department, Hankyu Department Stores, Inc.
June 2000	Director, Hankyu Department Stores, Inc.
April 2002	President, Hankyu Foods Co., Ltd.
June 2002	Adviser, Hankyu Department Stores, Inc.
June 2004	Standing Corporate Auditor, Hankyu Department Stores, Inc.
October 2007	Standing Corporate Auditor, H <sub>2</sub> O RETAILING CORPORATION (present position)
October 2008	Corporate Auditor, Hankyu Department Stores, Inc. (present position)
Status of concurrent important positions held	
Corporate Auditor, Hankyu Department Stores, Inc.	
Reason that he is nominated as director candidate	
Mr. Toshimitsu Konishi has been engaged in the Company's financing and accounting operations for approximately 30 years. He has considerable knowledge of financing and accounting and profound experience as the Company's standing corporate auditor. Therefore, he is nominated as director as audit and supervisory committee member.	

Candidate No.	2	Outside Director	Independent Officer
<b>Naoshi Ban</b> <span style="float: right;">(Date of birth: September 30, 1946)</span>			
New candidate	Number of company shares held by the candidate: <div style="text-align: right;">1,200</div>		
Brief history of positions and duties			
April 1969	Joined Mitsubishi Logistics Corporation		
June 2000	Director, Mitsubishi Logistics Corporation		
June 2001	Managing Director, Mitsubishi Logistics Corporation		
June 2003	President and Representative Director, Mitsubishi Logistics Corporation		
June 2008	Representative Director and Chairman, Mitsubishi Logistics Corporation		
June 2010	Chairman of the Board, Mitsubishi Logistics Corporation		
April 2013	Director and Senior Corporate Advisor, Mitsubishi Logistics Corporation		
June 2013	Senior Corporate Advisor, Mitsubishi Logistics Corporation (present position)		
June 2015	Director, H <sub>2</sub> O RETAILING CORPORATION (present position)		
Status of concurrent important positions held			
Senior Corporate Advisor, Mitsubishi Logistics Corporation			
Reason that he is nominated as director candidate			
Mr. Naoshi Ban actively delivers opinions, recommendations, etc. at the board of directors, etc. from the viewpoint of the Company's outside director based on his profound experience and broad-based knowledge concerning business administration as president and chairman of Mitsubishi Logistics Corporation. Therefore, he is nominated as director as audit and supervisory committee member (outside director) so that his experience, etc. will be utilized in the supervision and audit of the Company Group's management. The Company nominates him as independent officer because he satisfies the requirements specified in the "the standards of independence of outside directors."			

Candidate No.	3	Outside Director	Independent Officer
Kenjiro Nakano		(Date of birth: August 13, 1947)	
New candidate	Number of company shares held by the candidate:	0	
Brief history of positions and duties			
April 1971	Joined Sumitomo Bank, Ltd.		
April 1998	Director, Sumitomo Bank, Ltd.		
June 2002	Managing Executive Officer, Sumitomo Mitsui Banking Corporation		
June 2004	Managing Director cum Managing Executive Officer, Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Banking Corporation		
June 2005	Senior Managing Director cum Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation		
April 2006	Representative Director cum Deputy President Executive Officer, Sumitomo Mitsui Banking Corporation		
April 2008	Representative Director cum Vice Chairman, Sumitomo Mitsui Banking Corporation		
June 2008	Outside Director, Maruichi Steel Tube Ltd.		
June 2010	President, Keihanshin Real Estate Co., Ltd. (currently Keihanshin Building Co., Ltd.) (present position)		
June 2013	Outside Director, Maruichi Steel Tube Ltd. (present position)		
June 2014	Outside Director, Rengo Co., Ltd. (present position)		
Status of concurrent important positions held			
President, Keihanshin Building Co., Ltd. Outside Director, Maruichi Steel Tube Ltd. Outside Director, Rengo Co., Ltd.			
Reason that he is nominated as director candidate			
<p>Mr. Kenjiro Nakano has achieved excellent results in, and has profound experience and knowledge, etc. concerning, business administration as management executive of a financial institution. Therefore, he is nominated as director as audit and supervisory committee member (outside director) so that his experience, etc. will be utilized in the supervision and audit of the Company Group's management. Although Sumitomo Mitsui Banking Corporation where he assumed the position of director in the past is currently the main financing bank of the Company, five or more years have passed since he resigned as director of the bank and he has not assumed the position of adviser, etc. of the bank. Therefore, he satisfies the requirements specified in the "the standards of independence of outside directors." He is registered as an independent officer with Tokyo Stock Exchange, Inc. on condition that this Proposal No.3 will be approved.</p>			

Candidate No.	4	Outside Director	Independent Officer
Mayumi Ishihara		(Date of birth: May 3, 1963)	
New candidate	Number of company shares held by the candidate:	0	
Brief history of positions and duties			
April 1997	Registered as attorney with the Osaka Bar Association		
April 1997	Joined Oh-Ebashi LPC & Partners		
June 2010	Outside Director, Nitta Gelatin Inc. (present position)		
June 2013	Outside Corporate Auditor, Morishita Jintan Co., Ltd. (present position)		
February 2016	Outside Director, Morito Co., Ltd. (present position)		
April 2016	Outside Director, OS Co., Ltd. (present position)		
Status of concurrent important positions held			
Outside Director, Nitta Gelatin Inc. Outside Auditor, Morishita Jintan Co., Ltd. Outside Auditor, Morishita Jintan Co., Ltd. Outside Director, Morito Co., Ltd. Outside Director, OS Co., Ltd.			
Reason that he is nominated as director candidate			
<p>Ms. Mayumi Ishihara has never been involved in corporate management in the position other than outside director and corporate auditor but has professional knowledge, experience, etc. as attorney. Therefore, she is nominated as director as audit and supervisory committee member (outside director) so that her experience, etc. will be utilized in the supervision and audit of the Company. She satisfies the requirements specified in the "the standards of independence of outside directors." She is registered as an independent officer with Tokyo Stock Exchange, Inc. on condition that this Proposal No.3 will be approved.</p>			

Notes:

1. The Company has no special interest with above candidates.
2. Matters related to outside director candidates are as follows.
  - (1) The number of years of service after having assumed the position of the Company's outside director  
The number of years of service after Mr. Naoshi Ban assumed the position of outside director until the conclusion of this Annual General Meeting of Shareholders is one year.
  - (2) Outline of the liability limiting agreement  
The Company has concluded with Mr. Naoshi Ban an agreement which limits his liabilities as specified in paragraph 1 of Article 423 of the Companies Act to the amount specified in laws and regulations. If this Proposal No.3 is approved and he is elected, the agreement will be renewed.  
If this Proposal No.3 is approved and Mr. Kenjiro Nakano and Ms. Mayumi Ishihara are elected, the Company will conclude with both persons an agreement which limits their liabilities as specified in paragraph 1 of Article 423 of the Companies Act to the amount specified in laws and regulations.
3. On October 1, 2007, our trade name changed from Hankyu Department Stores, Inc. to H<sub>2</sub>O RETAILING CORPORATION in line with the transition to a holding company structure (based on the management integration with The Hanshin Department Store, Ltd.). At the same time, a company split was conducted to have the Department Store Business succeeded to a newly established company (Hankyu Department Stores, Inc.).  
On October 1, 2008, Hankyu Department Stores, Inc. acquired The Hanshin Department Store, Ltd. through an absorption-type merger, and the trade name changed to Hankyu Hanshin Department Stores, Inc.

#### **Proposal No.4: Determination of the Remuneration Amount for Directors (excluding Directors who are Audit and Supervisory Committee Members)**

The meeting of the 69th Annual General Meeting of Shareholders held on June 29, 1988 resolved that the remuneration for the Company's directors should not exceed 26 million yen a month. However, the Company will become a company with audit and supervisory committee when the change of the articles of incorporation under Proposal No.1 "Partial amendments to the articles of incorporation" takes effect. Therefore, it is hereby proposed that the current remuneration amount for directors will be abolished, the monthly remuneration for directors (excluding directors who are audit and supervisory committee members; the same in this Proposal) will be changed to the annual remuneration in consideration of various factors, including economic conditions, and the annual remuneration amount will not exceed 300 million yen a year (including 50 million yen or less for outside directors). Please note that the remuneration for director having duties in an employee's capacity doesn't include salary for employee's duties.

If Proposal No.2 is approved as it is, the number of directors (including one outside director) will be eight in total.

This Proposal No.4 will be discussed on condition that Proposal No.1 "Partial amendments to the articles of incorporation" is approved as it is, at this Annual General Meeting of Shareholders, and the resolution of this Proposal No.4 will take effect on the condition that the change of the articles of incorporation under Proposal No.1 "Partial amendments to the articles of incorporation" takes effect.

**Proposal No.5: Determination of the Remuneration Amount concerning Stock Options as Stock-based Remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members)**

The meeting of the 89th Annual General Meeting of Shareholders held on June 24, 2008 resolved that as separate from the monthly remuneration stated in Proposal No.4, the remuneration amount concerning to stock options as stock-based remuneration for the Company's directors (excluding outside directors) should not exceed 120 million yen a year. However, the Company will become a company with audit and supervisory committee when the change of the articles of incorporation under Proposal No.1 "Partial amendments to the articles of incorporation" takes effect. Therefore, it is hereby proposed that the current remuneration amount will be abolished, and the remuneration amount concerning to stock options as stock-based remuneration for the Company's directors (excluding outside directors) should not exceed 120 million yen a year, as separate from the monthly remuneration specified in Proposal No.4, in consideration of various factors, including economic conditions.

If Proposal No.2 is approved as it is, the number of directors (excluding outside director) will be seven (7) in total.

This Proposal No.5 will be discussed on condition that Proposal No.1 "Partial amendments to the articles of incorporation" is approved as it is, at this Annual General Meeting of Shareholders and the resolution of this Proposal No.5 will take effect on the condition that the change of the articles of incorporation under Proposal No.1 "Partial amendments to the articles of incorporation" takes effect.

The particulars of stock options issued to directors as stock-based remuneration stock options are the same as those approved at the meeting of the 89th Annual General Meeting of Shareholders held on June 24, 2008. Such particulars are as follows.

- (1) Total number of stock options  
Total number of stock options to be issued in each business year shall not exceed 80.
- (2) Class and number of shares to be issued upon exercise of stock options  
The class of shares to be issued upon exercise of stock options shall be common shares, and the number of shares to be issued upon exercise of stock options (hereinafter the "Number of Granted Shares") shall be 500.  
However, in the case where the Number of Granted Shares must be adjusted, including the case that the Company conducts a merger, company split, stock swap or stock transfer, or the case that the Company's common shares are split (including the case of allotment of common shares in the Company without contribution) or consolidated, the Company shall make necessary adjustment.  
The number of shares to be granted by exercising stock options to be issued in each business year shall not exceed 40,000. If the Number of Granted Shares is adjusted, the number of shares to be granted shall not exceed the number which is obtained by multiplying the adjusted Number of Granted Shares by the total number of stock options as specified in above item (1).
- (3) Amount of assets to be contributed upon exercise of stock options  
The value of assets to be contributed upon exercise of stock options shall be the amount obtained by multiplying the Number of Granted Shares by 1 yen which is the amount of payment per share to be issued upon exercise of stock options.
- (4) Period for exercising stock options  
The exercise period within 30 years from a day immediately after the day of allotment of stock options shall be determined by the Company's board of directors.
- (5) Conditions for exercising stock options  
A stock options holder may exercise his/her stock options from the day after losing his/her position as the Company's director, corporate auditor, executive officer, etc. within the period specified in above item (4). Other conditions for exercising stock options shall be determined by the Company's board of directors.
- (6) Restriction on the acquisition of stock options due to transfer  
Approval shall be required by resolution of the Company's board of directors for the acquisition of stock options due to transfer.
- (7) Other details of stock options  
Other details of stock options shall be determined by the Company's board of directors.

### **Proposal No.6: Determination of the Remuneration Amount for Directors who are Audit and Supervisory Committee Members**

The Company will become a company with audit and supervisory committee when the change of the articles of incorporation under Proposal No.1 “Partial amendments to the articles of incorporation” takes place. Therefore, it is hereby proposed that in consideration of various factors, including economic conditions, the remuneration for the Company’s directors who are audit and supervisory committee members will not exceed 90 million yen a year.

If Proposal No.3 is approved as it is, the number of directors who are audit and supervisory committee members will be four (4) in total.

This Proposal No.6 will be discussed on condition that Proposal No.1 “Partial amendments to the articles of incorporation” is approved as it is, at this Annual General Meeting of Shareholders and the resolution of this Proposal No.6 will take effect on the condition that the change of the articles of incorporation under Proposal No.1 “Partial amendments to the articles of incorporation” takes effect.

### **Proposal No.7: Payment of Bonuses to Directors**

It is hereby proposed that in consideration of the business performance for the current period, conventional bonuses to directors and other circumstances, a bonus in the total amount of 48.5 million yen will be paid to seven directors at the end of the current period (Atsushi Suzuki, Naoya Araki, Katshuhiro Hayashi, Shunichi Sugioka, Kazutoshi Senno, Keiji Uchiyama, and Tadatsugu Mori), and that the amount paid to each director will be left to the discretion of the board of directors.

We appreciate your understanding.