

## **NOTICE OF THE 42ND ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholder:

You are cordially invited to attend the 42nd Ordinary General Meeting of Shareholders of Yamada Denki Co., Ltd. (the “Company”), which will be held on Thursday, June 27, 2019, at 10:00 a.m., Japan Standard Time (reception desk opens at 9:00 a.m.) at the Company’s headquarters (Convention Hall, 12F), 1-1 Sakae-cho, Takasaki, Gunma, Japan.

If you are unable to attend the meeting in person, you may exercise your voting rights by postal voting or Internet voting. Prior to voting, please examine the attached reference documents for the General Meeting of Shareholders. Please vote in one of the following ways and ensure that your vote reaches us by 6:00 p.m. on Wednesday, June 26, 2019.

To exercise your voting rights in writing (by post):

Indicate “for” or “against” for each agenda item listed on the enclosed Voting Rights Exercise Form, and return it by post to reach us by the above deadline.

To exercise your voting rights by Internet:

Please access the website for exercising voting rights and exercise your voting rights by indicating your vote “for” or “against” for each agenda item listed by the above deadline. For details, please refer to “Exercising Voting Rights by the Internet” (Japanese only).

Sincerely yours,

Tsuneo Mishima,  
President and Representative Director  
Yamada Denki Co., Ltd.  
1-1 Sakae-cho, Takasaki, Gunma, Japan

## **MEETING AGENDA**

### **Items to Be Reported:**

1. The Business Report, Consolidated Financial Statements and report on auditing results of consolidated financial statements by independent accountants and Audit & Supervisory Board for the 42nd term (from April 1, 2018 to March 31, 2019)
2. The Non-Consolidated Financial Statements for the 42nd term (from April 1, 2018 to March 31, 2019)

### **Items to Be Resolved:**

**Item 1: Proposal for Appropriation of Surplus**

**Item 2: Election of 1 Audit & Supervisory Board Member**

**Item 3: Determination of Remuneration for Granting Restricted Shares to Directors**

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\*If attending the meeting in person, please present the enclosed Voting Rights Exercise Form at the reception desk.

\*Among the documents to be provided to this notice, the items below are posted on the Company's Internet website pursuant to laws and regulations, as well as Article 16 of the Articles of Incorporation, and are accordingly not included with this notice.

- 1) "Subscription rights to shares" as part of Business Report
- 2) "System for ensuring the properness of business operations and implementation of that system" as part of Business Report
- 3) Consolidated Statements of Changes in Net Assets and Notes to Consolidated Financial Statements
- 4) Non-Consolidated Statements of Changes in Net Assets and Notes to the Non-Consolidated Financial Statements

The Business Report, which has been audited by Audit & Supervisory Board members, is composed by both the content that is provided with this notice and "1)" and "2)" above. The consolidated financial statements and non-consolidated financial statements, which have been audited by Audit & Supervisory Board members and independent accountants, are composed by both the content that is provided with this notice and "3)" and "4)" above.

\*If circumstances arise whereby revisions should be made to the contents of the reference documents for the General Meeting of Shareholders, the business report, non-consolidated financial statements and consolidated financial statements, notification of such revisions shall be published on the Company's Internet website.

The Company's website: <https://www.yamada-denki.jp/>

This notice is a condensed version of the Japanese general meeting notice.

**(Attachments)**

**BUSINESS REPORT**

Fiscal Year ended March 31, 2019

**I. Status of the Group**

**(1) Review of Operations for the Fiscal Year**

[On background of economies at home and abroad]

In the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019), the Japanese economy remained on a path of gradual recovery amid ongoing improvements in corporate earnings as well as the jobs and income environment, underpinned by various economic measures being taken by the government. However, the outlook for the economy internationally has remained unclear amid factors that include effects on the global economy associated with prolonged trade friction brought about by protectionist trade policy in the U.S., instability with respect to political developments in Europe, effects of volatility in financial and capital markets, economic slowdown in China, and surging crude oil prices stemming from substantial turmoil in the Middle East.

In the retail industry overall, operating costs have been following an upward trend largely due to rising personnel expenses caused by the labor shortage and increasing logistics costs, while medium- to long-term challenges have begun to emerge with respect to Japan's declining birthrate, aging demographic and population decline. In addition, the situation increasingly calls for innovative management looking toward the future in a manner not bound by preconceptions amid a scenario of mounting uncertainties marked by a rapidly changing environment. For instance, whereas some business categories have been experiencing growth with respect to high-priced merchandise, in other business categories short-term demand for replacement has been slowing due to there being a remarkable range of choices and options amid circumstances where trends of consumption are being affected by changing lifestyles among consumers and diversifying purchasing behavior.

[On the consumer electrical appliance retail industry]

In the consumer electrical appliance retail industry, in which the Group belongs, sales and profits were substantially affected over the summer months by nationwide disasters and record-setting extreme heat, in conjunction with chronic labor shortages particularly accompanying efforts to recover from the respective disasters. However, sales appear to have remained strong underpinned by firm demand for replacement centered on core products.

From a product perspective, results were favorable particularly for high per-unit price products such as 4K and OLED televisions due to the new 4K/8K satellite broadcasting that commenced on December 1, 2018, amid signs that downward momentum seems to have bottomed out with respect to sales of televisions which had continually endured prolonged stagnation of the market due to a pullback in special demand which had been associated with the Japanese government's "ecopoints" program for electrical appliances and digitization of terrestrial television. Refrigerators and washing machines also generated favorable results underpinned by demand for replacement. Sales of air conditioners and other seasonal products were favorable resulting from air conditioner demand spurred by extreme heat during the summer months as well as demand throughout the year, and despite effects of the mild winter. Mobile phones generated favorable results driven by high per-unit price products, despite adverse effects of government requirements calling for rectification of sales practices and signs of sluggishness with respect to new models launched in the fall of 2018. However, sales of computers and other products in the digital realm have long remained lackluster due to shifting patterns of use (use objectives and applications) and patterns of purchasing. The broadband market has been shrinking largely due to the spread of high-capacity data telecommunications plans offered by respective telecommunications carriers.

[On the Company's efforts]

Against this backdrop in the consumer electrical appliance market, the Company has continued to take on various challenges geared to achieving sustainable growth and development by creating new services

utilizing its Japan-wide store network and the analysis and application of big data encompassing its membership roster in excess of 60 million consumers.

As a part of these efforts, the Company classified the various services provided by the Yamada Denki Group so far as the Housing Equipment Business Department, Financial Services Business Department, Support Service Business Department, Environmental Solutions Business Department, Online Shopping Mall Services Business Department, Mobile Business Department, Electrical Appliance Retail Business Department, Affiliate and Subsidiary Electrical Appliance Business Department, and Corporate Business Department. The Company strengthened and implemented separate administration for each of these business departments.

Amid these business departments, the Housing Equipment Business Department continues to develop its new retail store format, Kaden Sumairu-kan, started in 2017, and has opened 74 renovated retail stores as of March 31, 2019 (54 retail stores this fiscal year). We have renovated facilities to the Kaden Sumairu-kan, which features a different business format geared to various commercial zones, and then repeatedly conducting trial runs and results verification of the business format. It took one-and-a-half years from the opening of store number one, and as a result of these efforts, the basic format aligned with the Kaden Sumairu-kan concept is in order.

We have also been taking steps to maximize profits through efforts that involve redoubling efforts to develop housing products and streamlining operations by combining and closing stores nationwide in order to consolidate our network. To such ends, we carried out an absorption-type merger of NAKAYAMA CO., LTD. as of April 1, 2018 (expansion of the renovation business), and carried out a merger encompassing four companies with the Company's consolidated subsidiary YAMADA SXL HOME CO., LTD. (currently YAMADA HOMES Co., LTD.) becoming the surviving company, on the effective date of October 1, 2018. Moreover, we have been working to amplify our proposals encompassing homes in their entirety, above and beyond electrical appliances and renovations. This has involved promoting development of SPA (Specialty store retailer of Private label Apparel) merchandise related to furniture and interiors in conjunction with our development of Kaden Sumairu-kan, arranging a business alliance with Otsuka Kagu, Ltd. (February 2019), and arranging a capital and business alliance with Iemamori Holdings Co., Ltd. (February 2019).

With respect to other initiatives, we have been taking steps to strengthen and promote online sales leveraging our online and retail store network and our distribution network, and have been combining stores. In addition to the Company's directly-managed online store YAMADA WEB COM, these efforts have involved opening stores on the Yahoo! Japan Shopping platform in August 2017, and opening stores during this fiscal year on the Rakuten Market platform (July 2018) and the Wowma! platform (October 2018). Moreover, we have been sowing seeds for future opportunities that will help bring about new business models, while attempting to heighten convenience and improve customer service. To such ends, we have expanded our operations in the financial business by acquiring shares of Personal SSI Co., Ltd. (currently Yamada SSI Co., Ltd.; August 2018) and establishing Yamada Life Insurance Co., Ltd. (August 2018). This has also involved establishment of the joint venture company Social Mobility, Inc. with 3DOM Inc. (December 2018), while promoting nation-wide expansion of WeChat Pay payment services for inbound tourists and diversification of the PayPay and LINE Pay cashless payment services.

In addition, during the first six months of the fiscal year ended March 31, 2019 (April 1, 2018 to September 30, 2018), we carried out reforms geared to achieving a new earnings model that will strengthen the electrical appliance business (see below).

- (i) Reforms that involve shifting to a "sell-out" approach aiming to improve GMROI (gross margin return on inventory investment) by fusing virtual and physical business operations.
- (ii) Refurbishment and further renovations to achieve a new business format that optimizes and maximizes operations, upon having verified various results attained by our current Kaden Sumairu-kan stores.

During the third quarter and fourth quarter of the fiscal year ended March 31, 2019 (October 1, 2018 to March 31, 2019), our earnings results recovered according to plan backed by success of the reforms listed above. Accordingly, gross profit improved dramatically and ordinary profit to net sales also gained substantially to 3.3%, from 1.3% in the first six months of the fiscal year ended March 31, 2019.

We incurred foreign exchange losses associated with rapid forex volatility ensuing since mid-

December 2018. For further details on the effects thereof, refer to the section, “[Reference] [Results excluding foreign exchange losses or gains of respective fiscal periods (consolidated)],” below.

[Reference] [Results excluding foreign exchange losses or gains of respective fiscal periods (consolidated)]  
(Unit: Millions of yen, %)

	First Half (April 1, 2018 to September 30, 2018)	Later Half (October 1, 2018 to March 31, 2019)	Full Year (April 1, 2018 to March 31, 2019)
Net sales	793,670	806,912	1,600,583
Ordinary profit	9,426	27,607	37,033
Ordinary profit to net sales	1.2	3.4	2.3

[On CSR]

The Group aims to increase its social value and develop together with society. To this end, we engage in ongoing CSR-oriented operations that are genuine, and continue to carry out CSR activities proactively, contributing to a sustainable society. Moreover, we actively engage in environmental, social and corporate governance (ESG) initiatives which we regard as crucial in terms of helping to resolve social challenges and ensuring that we sustain a presence as an enterprise that enhances its corporate value. (<https://www.yamada-denki.jp/csr/>) Please note that some of these documents are published in Japanese only.

[On number of stores]

The number of consolidated retail stores, including those overseas at the end of the fiscal year under review encompassing 24 new store openings and 19 store closures, was 975 directly-managed stores (comprising 667 stores directly managed by the Company, 160 stores managed by Best Denki Co., Ltd. and 148 stores operated by other consolidated subsidiaries). The total number of stores of the Group, including the stores managed by franchise stores, was 12,570.

[On performance summary]

As a result of the above, consolidated net sales amounted to ¥1,600,583 million, up 1.7% year on year. Gross profit amounted to ¥440,990 million, up 0.7% year on year, operating profit totaled ¥27,864 million, down 28.1% year on year, ordinary profit was ¥36,889 million, down 22.1% year on year, and profit attributable to owners of parent was ¥14,692 million, down 50.7% year on year. This was mainly due to an increase in selling, general and administrative expenses largely associated with initiatives carried out during the first six months of the fiscal year ended March 31, 2019 (refer to (i) through (ii) listed in the previous section), and foreign exchange losses incurred.

During the third quarter and fourth quarter of the fiscal year ended March 31, 2019 (October 1, 2018 to March 31, 2019), results were largely according to plan given that we achieved substantial improvement on the basis of ordinary profit amid success of reforms with respect to our new earnings model.

**(2) Trends in Operating Results and Assets**

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Net sales (millions of yen)	1,612,735	1,563,056	1,573,873	1,600,583
Ordinary profit (millions of yen)	62,734	66,040	47,335	36,889
Profit attributable to owners of parent (millions of yen)	30,395	34,528	29,779	14,692
Basic earnings per share (yen)	38.22	43.00	36.77	18.18
Total assets (millions of yen)	1,146,722	1,159,456	1,175,568	1,184,042
Net assets (millions of yen)	557,722	585,547	588,740	591,593

### **(3) Issues the Group will be Addressing**

Looking ahead to the fiscal year ending March 31, 2020, the outlook for the economy continues to be uncertain despite a likely scenario of continued moderate recovery amid ongoing improvement in the jobs and income environment, due to factors that include prolonged trade friction brought about by trade policy in the U.S., negotiations over the United Kingdom's withdrawal from the European Union, economic slowdown in China, and effects of volatility in financial and capital markets.

In the retail industry overall, prudent buying behavior and a tendency toward frugality are likely to persist amid increasingly defensive spending patterns stemming from price increases and real wage erosion due to exchange rate volatility. Moreover, persistently challenging conditions are likely to endure amid factors that include cost increases largely due to rising personnel expenses and logistics costs caused by the labor shortage along with escalating electricity rates, in conjunction with Japan's declining birthrate, aging demographic and population decline, changing lifestyles among consumers and intensifying competition that extends across industries and business categories.

The consumer electrical appliance retail market, in which the Group belongs, shows signs of maintaining slight gains amid a scenario of demand prevailing ahead of Japan's consumption tax hike slated for October 2019, followed by a corresponding pullback in demand in that regard. By product type, video equipment is expected to be firm due to the 4K and 8K satellite broadcasts and the market expansion for OLED TVs. Refrigerators, washing machines and other white goods are expected to be strong supported by replacement demand. Sales of seasonal products including air conditioning units are likely to decrease year on year given that weather forecasts indicate average temperatures this summer (June to August) typical for the season, in comparison with a scenario where the number of air conditioning units shipped in the summer of 2018 hit an all-time high because of extreme heat that year. Meanwhile, computers and other products in the digital realm are likely to maintain strong sales due to anticipated demand particularly from the corporate sector with support for the Windows 7 operating system slated to end in January 2020.

Under this market environment, and with "generating profits through continuous reform and innovation" as its management slogan for fiscal 2019, the Group will engage in development of approximately 100 new stores annually which will involve carrying out renovations to change the store format, thereby focusing on developing and extending the Kaden Sumairu-kan, which aligns with the basic format for Kaden Sumairu-kan established in the previous fiscal year. Moreover, the Company will take steps to amplify its proposals encompassing homes in their entirety, above and beyond its existing electrical appliances and renovations offerings. This will involve enhancing development of SPA (Specialty store retailer of Private label Apparel) merchandise related to furniture and interiors, extending the "Iemamori Station" services of Iemamori Holdings Co., Ltd., and handling "Yamada Smart Home" residential IoT-based services. In addition, the Company will persist with its initiatives taken thus far. This will involve continuing reforms geared to achieving a new earnings model that doesn't hinge solely on electrical appliance sales, strengthening and promoting online sales leveraging strengths of its online and retail store network, and its distribution network, and combining stores. Furthermore, the Company will promote a shift to a new "house lifestyles IoT network solutions business," from its previous business exclusively involving electrical appliances, based on its long-term vision of acting as "one of Japan's largest network and services Internet of Things (IoT) companies."

As a leading company in the consumer electrical appliance retail industry, we will aim to develop relationships of trust with a variety of stakeholders. We will also continue to promote CSR-oriented operations in which we leverage Group synergies, increase our social value, and develop together with society.

## **II. System for ensuring the properness of business operations and implementation of that system**

The following is a summary of the systems to ensure that the directors perform their duties in compliance with the applicable laws and the Company's Articles of Incorporation and to ensure that all other operations by the Company are carried out in a proper manner (most recently revised on May 13, 2019).

### System for ensuring the properness of business operations

1. System for ensuring that directors and employees perform their duties in compliance with the applicable laws and regulations and the Articles of Incorporation
  - a Compliance Committee

Directors in charge of compliance shall organize the Compliance Committee, which is involved in formulating corporate ethics policies and basic policy and standards on compliance with laws and regulations (compliance provisions), and establish codes of conduct on that basis requiring that directors and employees act in accordance with laws and regulations, the Articles of Incorporation and the Company's employment rules and other internal rules.

Education to directors and employees shall be provided to ensure thorough implementation in this regard led by the Compliance Committee. These initiatives are reported on a regular basis to the Board of Directors and the Audit & Supervisory Board.
  - b Establishment of the CSR Committee

The Company shall establish the CSR Committee, in full recognition of the significance of corporate social responsibility, as a means of putting CSR-focused management into practice as part of the management policy. The CSR Committee shall pursue initiatives based on the Code of CSR Ethics in areas that include compliance, labor, customer satisfaction, local communities, and environmental issues and the progress status shall be confirmed at each sectional meeting.
  - c Whistle-blowing system

Upon becoming aware of incidents involving the performance of duties by the Company's directors and employees that are questionable in terms of laws and regulations, individuals regardless of their position shall report such matters directly to the organizational contact set up to receive internal reports, pursuant to the Regulations on Operation of Whistle-Blowing System. The Compliance Committee shall endeavor to make the existence of the whistle-blowing system known.
  - d Internal Audit Office

The Internal Audit Office shall operate independently of the Company's operating divisions. It shall perform internal audits on legal compliance of individual sectors and audits encompassing areas such as, information security management systems (ISMS), information systems, information security and personal information protection. It shall also audit work processes and other operations of individual sectors, and take steps to uncover and prevent improprieties and to improve processes.
2. System for storage and control of information concerning the directors' performance of their duties
  - a Manager in charge of information storage and management

With respect to the storage and management of information pertaining to the directors' performance of duties, the Company shall store the documents set forth below (including electro and magnetic records thereof) along with related materials under the responsibility of the director in charge of general affairs and in accordance with the Company's Regulations on Document Management and Handling.

    - i. Minutes of General Meetings of Shareholders
    - ii. Minutes of meetings of the Board of Directors
    - iii. Financial statements
    - iv. Internal circulars for managerial decision (*ringi-sho*)
    - v. Minutes of meetings of respective committees
    - vi. Documents otherwise designated in the Company's Regulations on Document Management and Handling
  - b Amendments to the Regulations on Document Management and Handling

Approval of the Board of Directors shall be obtained when amending the Regulations on Document Management and Handling.
  - c The Company shall develop regulations related to protection of personal information and management of trade secrets, and store and manage personal information and important trade secrets in an appropriate and safe manner.
3. Regulations on risk of loss and other systems



- a Risk Management Basic Regulations  
The director in charge of risk management shall organize the Risk Management Committee and formulate the Risk Management Basic Regulations. Accordingly, the committee shall categorize risks in the regulations and establish specific risk management systems.
  - b Crisis management system in the event of disaster  
The director in charge of risk management shall prepare a disaster response measures manual and develop crisis management system in accordance with the manual. The director in charge of risk management shall endeavor to make details of the manual known and provide education regarding disaster response.
4. System to ensure that directors perform their duties efficiently  
When making decisions on allocating duties of directors and conferring segregations of duties and authority of individual sectors, the Board of Directors (or the representative directors) shall be careful not to make decisions that would result in bloated back-office operations, overlapping administrative sectors, intertwined areas of authority or would otherwise significantly impede efficiency.
  5. System for ensuring the properness of business operations of the Group consisting of the Company, its parent company and its subsidiaries
    - a The Company shall establish an Office of Affiliate Support, and accordingly create a system for overseeing the management and performance of subsidiaries and ensuring the properness of such business operations.
    - b The Company's subsidiaries shall execute their business operations in accordance with basic affiliation agreements and internal regulations of the respective companies, and such agreements and regulations shall be reviewed as needed.
    - c To achieve optimal performance and budget management of its subsidiaries, the Company shall hold monthly Group company review committee meetings for managing subsidiaries' overall performance and budgets on the basis of medium-term business plans and annual budgets, and furthermore hold weekly Group company meetings with its principal subsidiaries.
    - d When deemed necessary, the Internal Audit Office may conduct internal audits related to business operations of subsidiaries.
  6. System for reporting to the Company on matters pertaining to performance of duties by subsidiaries' directors, etc.
    - a The Company shall stipulate the procedures and content of reporting to the Company from subsidiaries in basic affiliation agreements and provide appropriate guidance and advice on matters reported, while respecting the autonomy of subsidiary management.
    - b The Company shall hold monthly Group company briefing sessions where it receives reports on the status of subsidiary management and financial position to ensure the properness of subsidiary business operations.
  7. Regulations on management of risk of loss of subsidiaries and other systems
    - a The Company shall make its Risk Management Basic Regulations thoroughly known to its subsidiaries in accordance with the basic affiliation agreements.
    - b The Company shall receive weekly risk management status reports from all of its subsidiaries, by receiving checklists for monitoring compliance.
    - c Each subsidiary of the Company shall establish basic policies on risk management.
    - d In the event that the Office of Affiliate Support receives a report on risk of loss from a subsidiary, it shall investigate the relevant facts in the case and report the matter to the director in charge of risk management.
  8. System for ensuring that subsidiaries' directors, etc. perform their duties efficiently
    - a The Company's Board of Directors shall formulate medium-term business plans, medium- to long-term business strategy in which subsidiaries are involved, and coordinate with subsidiaries in establishing key management goals based on such plans and strategies, and making progress in that regard.
    - b The Company shall stipulate procedures in its basic affiliation agreements with respect to individual matters for approval involving its subsidiaries, and take steps to streamline decision-making in that regard.

9. System for ensuring that subsidiaries' directors, etc. and employees perform their duties in compliance with the applicable laws and regulations and the Articles of Incorporation
  - a The Company shall verify the status of subsidiaries' operations using weekly checklists for monitoring compliance, and report such outcomes to the Compliance Committee as necessary.
  - b The Company's whistle-blowing system shall also be used by its subsidiaries to prevent violations of laws and regulations and the Articles of Incorporation. The Company shall receive reports regarding the status of any disciplinary action taken on the basis of violations of laws and regulations or the Articles of Incorporation.
  - c The Company may assign its directors, Audit & Supervisory Board members and employees to concurrently serve as Audit & Supervisory Board members of a subsidiary, thereby coordinating with audit & supervisory board members of the subsidiary in performing legal compliance audits of duties performed by the subsidiary's directors and employees.
10. System regarding employees to assist duties of Audit & Supervisory Board members when the Audit & Supervisory Board members request to assign such employees, and matters regarding the independence of such employees from the directors
  - a Assigning an employee to act as an audit assistant

When an Audit & Supervisory Board member requests directors that an employee be assigned as an audit assistant to assist in his or her duties, the directors shall make the necessary organizational changes and personnel rotations upon consulting with the Audit & Supervisory Board member.
  - b Duties of an audit assistant

Audit assistants shall be formally posted as assistant to Audit & Supervisory Board member and assist with duties of Audit & Supervisory Board members and Audit & Supervisory Board operations as instructed and ordered.
  - c Independence of an audit assistant
    - i. An audit assistant shall work under the instructions and orders of an Audit & Supervisory Board member, and as such is not subject to the instructions or orders of directors or any person positioned as his or her superior or the like in the organization unit to which the audit assistant belongs.
    - ii. In performing their tasks, audit assistants may gather all information necessary for the audit.
    - iii. Consent of the relevant Audit & Supervisory Board member must be obtained for matters involving personnel rotations (this includes consent for the transfer destination in case of personnel transfer), personnel evaluation and disciplinary action of an audit assistant.
11. Matters regarding ensuring effectiveness of Audit & Supervisory Board members' instructions to employees to assist them in their duties
  - a Supervisory authority

Audit & Supervisory Board members may instruct employees as necessary for conducting audit work so that the employees will assist their duties.
  - b Cooperative framework

When such an employee concurrently serves as an employee of another department, priority must be given to the employee's duties pertaining to the Audit & Supervisory Board member. Moreover, superiors of the other department with which the employee concurrently serves, and directors, must provide support as necessary upon request with respect to performance of such duties.
12. System for directors and employees to report to Audit & Supervisory Board members and the system concerning other reports to Audit & Supervisory Board members
  - a Directors' obligation to report

A director must promptly report to an Audit & Supervisory Board member with respect to any discovery of an incident where work performed by another director or an employee is in violation of laws and regulations, or threatens to cause significant damage to the Company.
  - b Employees' right to report

An employee may report to an Audit & Supervisory Board member with respect to any discovery of an incident where work performed by a director or another employee is in violation of laws and regulations, or threatens to cause significant damage to the Company.
  - c Internal reporting

The organizational contact set up to receive internal reports shall report matters involving the status

of internal reporting to an Audit & Supervisory Board member, pursuant to the Regulations on Operation of Whistle-Blowing System.

13. System for reporting to Audit & Supervisory Board members by the following in subsidiaries: directors, accounting advisors, audit & supervisory board members, executive officers, executive members, persons executing duties set forth in Article 598, Paragraph 1 of the Companies Act, persons equivalent to such persons, and employees, or persons who receive reports from the foregoing persons
  - a Directors and employees of a subsidiary shall immediately report the Company's Office of Affiliate Support if they discover an incident that significantly damages the subsidiary or threatens to do so, or otherwise if they discover a material incident involving violation of laws and regulations, the articles of incorporation or internal regulations within the subsidiary.
  - b With respect to matters involving reports received from directors of subsidiaries, any matters that the Company's Office of Affiliate Support is to report to Audit & Supervisory Board members of the Company shall be those determined through mutual consultation between the Company's officers in charge of subsidiaries and Audit & Supervisory Board members.
14. System for ensuring that persons who have reported matters are not treated disadvantageously on the grounds of their reporting
  - a Persons who have reported matters to an Audit & Supervisory Board member shall not be treated disadvantageously in any way on the grounds of their reporting as set forth in the preceding paragraphs.
  - b When making decisions regarding the whistleblower with respect to personnel rotation, performance evaluation and disciplinary action, the fact of whistleblowing must not be a consideration, and the whistleblower may request an Audit & Supervisory Board member to conduct an inquiry into the reason for personnel rotation, performance evaluation and disciplinary action.
15. Matters regarding policies pertaining to procedures for prepayment or reimbursement of expenses arising with respect to performance of an Audit & Supervisory Board member's duties, or otherwise processing of expenses or debt obligations arising with respect to performance of such duties
  - a Presentation of budget

The Audit & Supervisory Board shall present a preliminary budget to the Company with respect to expenses deemed necessary in performing duties.
  - b Claims for expenses, etc.

Directors may not reject the hereinafter listed claims made by an Audit & Supervisory Board member, etc. with respect to performance of his or her duties, unless it has been demonstrated that an expense or debt obligation pertaining to the claim is unnecessary with respect to performance of the Audit & Supervisory Board member's duties.

    - i. Claim for prepayment of expenses
    - ii. Claim for reimbursement of expenses already paid and interest on such amounts accrued after the date of payment
    - iii. Claim for making repayment to a person to whom a debt obligation is owed (or provision of reasonable guarantee of such amount in cases where the repayment due date of the obligation has not yet arrived).
16. System for ensuring that Audit & Supervisory Board members perform audits effectively

Audit & Supervisory Board members are provided preliminary explanations with respect to annual plans to be implemented by the Internal Audit Office, and may ask for revisions to such plans and make other such requests. Moreover, Audit & Supervisory Board members may be appropriately provided reports regarding the status of internal audit implementation, and may call for performance of additional audits, improvement of business operations and other such requests, when deemed necessary.

[Overview of implementation of system for ensuring the properness of business operations]

1. Compliance initiatives

Compliance Committee meetings and compliance sectional meetings were held on monthly and weekly bases respectively, and training based on monthly themes was regularly implemented for officers and employees to help raise awareness of compliance issues.

2. Risk management initiatives

Directors attended monthly Risk Management Committee meetings where they endeavored to identify and control risk. Moreover, efforts to heighten disaster awareness included Company-wide emergency preparedness training simulating large-scale disasters held twice during the year.

3. Initiatives to ensure properness and efficiency in performance of duties

Senior management attended weekly Management meetings where they endeavored to make swift decisions and execute business operations efficiently.

4. Performance of Audit & Supervisory Board members' duties

A system was established to ensure appropriate implementation of audits, with one standing Audit & Supervisory Board member assigned to serve in that position. The standing Audit & Supervisory Board member attended Management meetings and other important internal meetings where he appropriately provided his opinions, and otherwise endeavored to ensure effectiveness of audits by gaining an understanding of important Company information and sharing such information in coordination with the Internal Audit Office and other relevant departments.

5. Initiatives to ensure appropriate compliance and risk management in the Company's subsidiaries, and properness and efficiency in performance of duties

Objectives and policies formulated on the basis of medium-term business plans and medium- to long-term business strategy were shared with the Company's subsidiaries, and the Office of Affiliate Support regularly held meetings to ascertain progress made with respect to business performance and budget management as appropriate to the inherent characteristics of respective subsidiaries.

The Office of Affiliate Support received compliance reports from respective subsidiaries and regularly reported such content to the Compliance Committee.

Basic policies on risk management were established in respective subsidiaries, and such matters were reported to the Office of Affiliate Support.

The Company's Audit & Supervisory Board members concurrently serving as Audit & Supervisory Board members of its subsidiaries regularly received reports from the Office of Affiliate Support and compiled details on the status of management and other necessary information.

## CONSOLIDATED BALANCE SHEETS

As of March 31, 2019

(Millions of yen)

ASSETS	
Current assets:	
Cash and time deposits	51,681
Notes and accounts receivable	62,848
Merchandise and finished goods	379,290
Work in process	3,856
Raw materials and supplies	4,311
Other current assets	58,015
Allowance for doubtful accounts	(1,540)
Total current assets	558,463
Non-current assets:	
Property and equipment:	
Buildings and structures, net	210,307
Land	189,002
Lease assets, net	8,817
Construction in progress	763
Other, net	11,732
Total property and equipment, net	420,623
Intangible assets	34,901
Investments and other assets:	
Investment securities	9,398
Long-term loans receivable	3,112
Net defined benefit asset	1,558
Deferred tax assets	30,533
Guarantee deposits	95,219
Other assets	32,211
Allowance for doubtful accounts	(1,981)
Total investments and other assets	170,053
Total non-current assets	625,578
Total assets	1,184,042

# **CONSOLIDATED BALANCE SHEETS**

As of March 31, 2019

(Millions of yen)

<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES:</b>	
Current liabilities:	
Notes and accounts payable	114,006
Short-term loans payable	95,930
Current portion of bonds	100,016
Current portion of long-term loans payable	41,150
Lease obligations	2,694
Income taxes payable	10,701
Provision for bonuses	8,274
Provision for directors' bonuses	116
Provision for point card certificates	12,172
Provision for warranties for completed construction	667
Provision for losses on liquidation of subsidiaries	282
Other current liabilities	50,501
Total current liabilities	436,515
Long-term liabilities:	
Long-term loans payable	66,428
Lease obligations	9,024
Provision for directors' retirement benefits	476
Provision for product warranties	7,973
Provision for losses on interest repayments	49
Provision for gift certificates, etc.	155
Net defined benefit liability	28,114
Asset retirement obligations	32,803
Other long-term liabilities	10,907
Total long-term liabilities	155,933
Total liabilities	592,448
<b>NET ASSETS:</b>	
Shareholders' equity:	
Common stock	71,058
Capital surplus	79,403
Retained earnings	503,700
Treasury stock, at cost	(67,952)
Total shareholders' equity	586,210
Accumulated other comprehensive income:	
Valuation difference on available-for-sale securities, net of taxes	539
Foreign currency translation adjustments	312
Remeasurements of defined benefit plans	1,420
Total accumulated other comprehensive income	2,273
Subscription rights to shares	1,493
Non-controlling interests	1,616
Total net assets	591,593
Total liabilities and net assets	1,184,042

(Millions of yen with fractional amounts discarded, unless otherwise noted)

# **CONSOLIDATED STATEMENTS OF INCOME**

Fiscal year ended March 31, 2019

		(Millions of yen)
Net sales		1,600,583
Cost of sales		1,159,592
Gross profit		440,990
Selling, general and administrative expenses		413,126
Operating profit		27,864
Non-operating income:		
Interest income	899	
Purchase discounts	4,501	
Rent income	3,935	
Sales of electric power	2,002	
Other	4,511	15,850
Non-operating expenses:		
Interest expenses	1,242	
Foreign exchange losses	144	
Rent expenses	3,081	
Rental expenses	205	
Cost of sales of electric power	822	
Other	1,328	6,825
Ordinary profit		36,889
Extraordinary income:		
Gain on sales of non-current assets	454	
Gain on sales of investment securities	556	
Other	113	1,123
Extraordinary loss:		
Loss on disposal of non-current assets	582	
Impairment loss	9,965	
Other	2,367	12,915
Profit before income taxes		25,097
Income taxes-current		14,341
Income taxes-deferred		(4,038)
Profit		14,794
Profit attributable to non-controlling interests		101
Profit attributable to owners of parent		14,692

(Millions of yen with fractional amounts discarded, unless otherwise noted)

# **CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2018	71,058	84,608	500,164	(73,704)	582,127
Changes of items during the period					
Cash dividends			(10,404)		(10,404)
Profit attributable to owners of parent			14,692		14,692
Purchase of treasury stock				(3)	(3)
Disposal of treasury stock		0		0	0
Decrease by merger			(751)		(751)
Purchase of shares of consolidated subsidiaries		(5,205)		5,755	550
Other changes in the period, net					
Total changes of items during the period	—	(5,205)	3,536	5,751	4,083
Balance at March 31, 2019	71,058	79,403	503,700	(67,952)	586,210

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at April 1, 2018	1,854	(814)	2,351	3,391	1,153	2,068	588,740
Changes of items during the period							
Cash dividends							(10,404)
Profit attributable to owners of parent							14,692
Purchase of treasury stock							(3)
Disposal of treasury stock							0
Decrease by merger							(751)
Purchase of shares of consolidated subsidiaries							550
Other changes in the period, net	(1,314)	1,127	(931)	(1,118)	340	(452)	(1,230)
Total changes of items during the period	(1,314)	1,127	(931)	(1,118)	340	(452)	2,852
Balance at March 31, 2019	539	312	1,420	2,273	1,493	1,616	591,593

(Millions of yen with fractional amounts discarded, unless otherwise noted)



## NON-CONSOLIDATED BALANCE SHEETS

As of March 31, 2019

(Millions of yen)

ASSETS	
Current assets:	
Cash and time deposits	24,186
Notes and accounts receivable	55,830
Merchandise and finished goods	299,949
Raw materials and supplies	1,727
Short-term loans receivable from subsidiaries and affiliates	42,830
Prepaid expenses	5,631
Accounts receivable-other	28,209
Current portion of guarantee deposits	5,044
Other current assets	2,251
Allowance for doubtful accounts	(3,944)
Total current assets	461,716
Non-current assets:	
Property and equipment:	
Buildings	175,176
Structures	3,316
Machinery and equipment	994
Vehicles	19
Tools, furniture and fixtures	7,661
Land	165,810
Lease assets, net	6,454
Construction in progress	721
Total property and equipment, net	360,155
Intangible assets:	
Leasehold right	31,375
Other assets	1,982
Total intangible assets	33,358
Investments and other assets:	
Investment securities	5,997
Stocks of subsidiaries and affiliates	33,288
Long-term loans receivable from subsidiaries and affiliates	26,266
Long-term prepaid expenses	6,076
Deferred tax assets	30,571
Guarantee deposits	84,566
Other assets	19,136
Allowance for doubtful accounts	(12,644)
Total investments and other assets	193,257
Total non-current assets	586,771
Total assets	1,048,487

# NON-CONSOLIDATED BALANCE SHEETS

As of March 31, 2019

(Millions of yen)

LIABILITIES AND NET ASSETS	
LIABILITIES:	
Current liabilities:	
Notes payable	19
Accounts payable	88,378
Short-term loans payable	99,507
Current portion of bonds	100,016
Current portion of long-term loans payable	38,000
Lease obligations	1,547
Accounts payable-other	16,547
Accrued expenses	3,255
Income taxes payable	7,647
Advances received	4,951
Provision for bonuses	6,582
Provision for directors' bonuses	111
Provision for point card certificates	11,462
Other current liabilities	8,065
Total current liabilities	386,093
Long-term liabilities:	
Long-term loans payable	58,000
Lease obligations	6,758
Provision for retirement benefits	22,838
Provision for product warranties	5,543
Asset retirement obligations	29,391
Other long-term liabilities	5,986
Total long-term liabilities	128,518
Total liabilities	514,611
NET ASSETS:	
Shareholders' equity:	
Common stock	71,058
Capital surplus	78,809
Legal capital surplus	70,977
Other capital surplus	7,831
Retained earnings	450,075
Legal retained earnings	312
Other retained earnings	449,763
General reserve	435,000
Retained earnings brought forward	14,763
Treasury stock, at cost	(67,952)
Total shareholders' equity	531,990
Valuation and translation adjustments:	391
Valuation difference on available-for-sale securities, net of taxes	391
Subscription rights to shares	1,493
Total net assets	533,875
Total liabilities and net assets	1,048,487

(Millions of yen with fractional amounts discarded, unless otherwise noted)

**NON-CONSOLIDATED STATEMENTS OF INCOME**

Fiscal year ended March 31, 2019

		(Millions of yen)
Net sales		1,396,451
Cost of sales		1,052,515
Gross profit		343,936
Selling, general and administrative expenses		323,834
Operating profit		20,101
Non-operating income:		
Interest income	1,074	
Purchase discounts	4,438	
Foreign exchange gains	603	
Rent income	3,204	
Sales of electric power	1,759	
Other	3,402	14,483
Non-operating expenses:		
Interest expenses	1,032	
Rent expenses	2,908	
Rental expenses	205	
Cost of sales of electric power	710	
Provision of allowance for doubtful accounts	2,849	
Other	852	8,558
Ordinary profit		26,027
Extraordinary income:		
Gain on extinguishment of tie-in shares	6,724	6,724
Extraordinary loss:		
Loss on disposal of non-current assets	391	
Impairment loss	8,592	
Loss on valuation of stock of subsidiaries	14,201	
Other	1,343	24,528
Profit before income taxes		8,223
Income taxes-current		10,487
Income taxes-deferred		(3,181)
Profit		916

(Millions of yen with fractional amounts discarded, unless otherwise noted)

# NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity									
	Common stock	Capital surplus			Legal retained earnings	Retained earnings			Treasury stock, at cost	Total share-holders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at April 1, 2018	71,058	70,977	6,438	77,416	312	434,000	25,251	459,563	(73,704)	534,334
Changes of items during the period										
Provision of general reserve						1,000	(1,000)	—		—
Cash dividends							(10,404)	(10,404)		(10,404)
Profit							916	916		916
Purchase of treasury stock									(3)	(3)
Disposal of treasury stock			0	0					0	0
Increase by share exchanges			1,392	1,392					5,755	7,147
Other changes in the period, net										
Total changes of items during the period	—	—	1,392	1,392	—	1,000	(10,488)	(9,488)	5,751	(2,343)
Balance at March 31, 2019	71,058	70,977	7,831	78,809	312	435,000	14,763	450,075	(67,952)	531,990

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities, net of taxes	Total valuation and translation adjustments		
Balance at April 1, 2018	887	887	1,153	536,374
Changes of items during the period				
Provision of general reserve				—
Cash dividends				(10,404)
Profit				916
Purchase of treasury stock				(3)
Disposal of treasury stock				0
Increase by share exchanges				7,147
Other changes in the period, net	(495)	(495)	340	(155)
Total changes of items during the period	(495)	(495)	340	(2,499)
Balance at March 31, 2019	391	391	1,493	533,875

(Millions of yen with fractional amounts discarded, unless otherwise noted)

## REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS

### Agenda items and references

#### Item 1: Proposal for Appropriation of Surplus

The Company hereby makes the following requests upon having comprehensively considered matters that include providing stable and consistent dividends to shareholders, achieving consistent growth by sustainably enhancing corporate value into the future and strengthening the management foundation, along with matters such as the Company's financial position, financial results for the current fiscal year, and business developments going forward.

#### Year-end Dividends

- (1) Type of dividend assets  
Cash
- (2) Allocation of dividend assets to be paid to shareholders and total dividend amount:  
¥ 13 per share of common stock                      Total    ¥ 10,573,167,553
- (3) Date on which the appropriation of surplus goes into effect:  
June 28, 2019

## Item 2: Election of 1 Audit & Supervisory Board Member

The term of the current Audit & Supervisory Board Member Masamitsu Takahashi will be expired at the conclusion of this General Meeting of Shareholders. Therefore, we hereby request the election of 1 Audit & Supervisory Board Member.

The approval of the Audit & Supervisory Board has been received for this item.

The candidate for Audit & Supervisory Board Member is as follows:

Name (Date of Birth)	Brief History, Positions and Responsibilities in the Company and Significant Concurrent Positions	Number of Shares Owned
Masamitsu Takahashi (February 9, 1955) Candidate for External Audit & Supervisory Board Member [Reelection]	<p>March 1985 Registered as Certified Tax Accountant</p> <p>July 1985 Representative, M. Takahashi Tax Accountant Office</p> <p>March 1987 Registered as Small and Medium Sized Enterprise Management Consultant</p> <p>December 1990 Representative Director, Takahashi Tax &amp; Management Co., Ltd. (to the present)</p> <p>June 2007 External Audit &amp; Supervisory Board Member of the Company (to the present)</p> <p>January 2009 Representative Partner, Hikari Certified Public Tax Accountants Corporation (to the present)</p> <p>[Significant Concurrent Positions]</p> <p>Representative Director, Takahashi Tax &amp; Management Co., Ltd.</p> <p>Representative Partner, Hikari Certified Public Tax Accountants Corporation</p>	—

Notes: 1. There are no conflicts of interest between the candidate and the Company.

2. Masamitsu Takahashi is a candidate for an external audit & supervisory board member.

The Company has submitted notification to Tokyo Stock Exchange, Inc. that Masamitsu Takahashi has been appointed as an independent officer as provided for in Article 436-2 of the Securities Listing Regulations of the aforementioned exchange. If the reelection of Masamitsu Takahashi is approved, the Company plans for his appointment as an independent officer to continue.

3. The special notes referring to the candidate for external audit & supervisory board member are as follows:

(1) The reason for the proposal of the candidate:

Masamitsu Takahashi is capable of reflecting his wealth of experience and knowledge of account and finance as a Certified Tax Accountant into the audit of the Company. Also, as he is currently the external audit & supervisory board member of the Company, and 12 years will have passed at the conclusion of this General Meeting of Shareholders, he has been capable of fulfilling the role of external audit & supervisory board member. Therefore, the Company judges him capable of appropriately giving advices from the viewpoint of appropriateness and effectiveness in the Company's decision-making process for the business execution, and requests to nominate him as the candidate for an external audit & supervisory board member.

(2) The candidate and the Limited Responsibility Contract:

N/A

### Item 3: Determination of Remuneration for Granting Restricted Shares to Directors

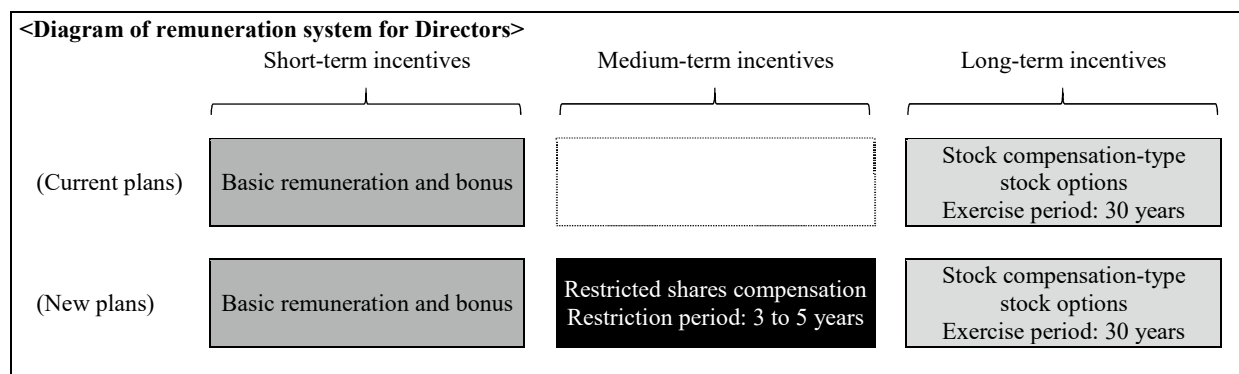
At the 31st Ordinary General Meeting of Shareholders held on June 27, 2008, shareholders approved the amount of remuneration, etc. for Directors of the Company to be set at a total of ¥750 million or less per annum (provided, however, that this amount does not include employee salaries of Directors who concurrently serve as employees). In addition, at the 39th Ordinary General Meeting of Shareholders held on June 29, 2016, shareholders approved the amount of remuneration as stock compensation-type stock options for Directors of the Company to be set at a total of ¥450 million or less per annum.

However, as part of revisions of remuneration system for officers, the Company proposes to newly pay remuneration to grant restricted shares, which are shares subject to the Transfer Restrictions as defined later, to Directors (excluding External Directors; “Eligible Directors”) of the Company within the maximum limit established separately from the aforementioned maximum amount of remuneration for the purpose of providing an incentive for Directors to sustainably increase the Company’s corporate value and further promoting shared value with shareholders.

The remuneration to be paid to the Eligible Director for granting restricted shares under this proposal shall be monetary claims (the “monetary remuneration claims”), and its total amount shall be ¥450 million or less per annum, the level of amount deemed as reasonable in light of the aforementioned purpose. The specific timing and allotment of the payment for each Eligible Director shall be decided by the Board of Directors. The remuneration for granting restricted shares shall not, however, be provided to External Directors

The aforementioned remuneration amounts do not include employee salaries of Directors who concurrently serve as employees.

Subject to the adoption of this proposal, the Company’s remuneration system for officers will comprise three incentive plans: 1) medium-term incentives in the form of restricted stock compensation, in addition to 2) short-term incentives in the form of basic remuneration and bonus, and 3) long-term incentives in the form of stock compensation-type stock options. As such, the Company will have thereby established a remuneration system even more geared to enhancing corporate value of the Company.



At present, the Company has 14 Directors (including two External Directors).

In addition, Eligible Directors shall pay in all of the monetary remuneration claims to be provided under this proposal in the form of property contributed in kind, in accordance with the resolution of the Board of Directors of the Company, and shall receive shares of the Company’s common stock that shall be issued or disposed of by the Company. The total number of shares of the Company’s common stock to be issued or disposed of thereby shall be 1,000,000 shares or less per annum (however, if, on or after the day on which this proposal is approved and adopted, there is a share split (including an allotment without contribution of shares of the Company’s common stock) or a consolidation of shares, of the Company’s common stock, or another similar event that makes it necessary to adjust the total number of shares of the Company’s common stock that shall be issued or disposed of as restricted shares, such total number of shares may be adjusted within the reasonable extent).

The amount to be paid in per share shall be determined based on the closing share price of the Company’s common stock on Tokyo Stock Exchange, Inc. on the business day immediately before each date of resolution by the Board of Directors (if there is no closing price on such date, the closing price of

the closest preceding trading day) that will be within the range not specially advantageous to Eligible Directors who are to subscribe to the shares of common stock. For the issuance or disposal of shares of the Company's common stock, an agreement on allotment of restricted shares that includes the provisions below (the "Allotment Agreement") shall be entered into between the Company and each Eligible Director.

**(1) Restriction period**

The Eligible Director may not transfer, create a security interest, or otherwise dispose of shares of the Company's common stock allotted under the Allotment Agreement (the "Allotted Shares") for a period of minimum three years and maximum five years that starts from the day on which the allotment is received in accordance with the Allotment Agreement and determined in advance by the Board of Directors of the Company (the "Restriction Period"). These restrictions are hereinafter referred to as the "Transfer Restrictions."

**(2) Lifting of Transfer Restrictions**

Notwithstanding the provisions in (1) above, the Company shall lift the Transfer Restrictions on all of the Allotted Shares upon expiration of the Restriction Period, on the condition that the Eligible Director continuously maintained the position as either a Director, Audit & Supervisory Board Member, Executive Officer, employee, or a position equivalent to such positions of the Company or any of its subsidiaries throughout the Restriction Period. However, the Company shall make reasonable adjustments, as necessary, with respect to the number of Allotted Shares subject to the lifting of the Transfer Restrictions and the timing of lifting thereof, in cases where such Eligible Director has resigned or otherwise retired from his or her position as stipulated in (3) below, prior to expiration of the Restriction Period, due to justifiable grounds such as death or expiration of term of office as stipulated in (3) below. In addition, the Company shall automatically acquire without contribution the Allotted Shares on which the Transfer Restrictions have not been lifted as of the time immediately after the Transfer Restrictions were lifted as provided for above.

**(3) Treatment on resignation or retirement from office**

The Company shall automatically acquire without contribution the Allotted Shares upon retirement from office of an Eligible Director who has resigned or otherwise retired from the position as either a Director, Audit & Supervisory Board Member, Executive Officer, employee, or a position equivalent to such positions of the Company or any of its subsidiaries prior to expiration of the Restriction Period, except in cases involving justifiable grounds such as death or expiration of term of office.

**(4) Treatment of reorganization, etc.**

Notwithstanding the provisions in (1) above, if, during the Restriction Period, matters relating to a merger agreement in which the Company is the disappearing company, a share exchange agreement or share transfer plan in which the Company becomes a wholly-owned subsidiary, or other reorganization, etc. are approved at the Company's General Meeting of Shareholders (or at a meeting of its Board of Directors in cases where approval at the Company's General Meeting of Shareholders is not required in relation to the reorganization, etc.), the Company shall, prior to the date on which the reorganization, etc. becomes effective, lift the Transfer Restrictions on the Allotted Shares with the number of shares that is reasonably determined considering the period from the beginning of the Restriction Period to the date of approval of the reorganization, etc. by resolution of the Board of Directors of the Company. In cases provided for in above, the Company shall automatically acquire without contribution the Allotted Shares on which the Transfer Restrictions have not been lifted as of the time immediately after the Transfer Restrictions were lifted.

**(5) Other matters**

Other matters pertaining to the Allotment Agreement shall be determined by the Board of Directors of the Company.