This English translation is for reference purposes only and is not a legally definitive translation of the original Japanese version. In the event of any discrepancy between this English translation and the Japanese version, the Japanese version shall prevail.

20 April 2023

To:

Mr. Hironori Kajiwara, President & Representative Director

NC Holdings Co., Ltd.

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On behalf of AVI JAPAN OPPORTUNITY TRUST PLC

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Shareholder Proposals

AVI JAPAN OPPORTUNITY TRUST PLC (the "**Proposer**"), a fund managed by Asset Value Investors Limited, as a shareholder that has continuously held 1% or more voting rights of the voting rights of all shareholders or 300 or more voting rights of NC Holdings Co., Ltd. (the "**Company**") for six months, requests that the agendas described in Item 1 below (the "**Agendas**") be the agendas in the 7th ordinary general meeting of shareholders of the Company (the "**Ordinary General Meeting of Shareholders**") to be held in late June 2023 in accordance with Article 303, Paragraph 2, of the Companies Act. The Proposer submits the proposals described in Item 2 below (the "**Proposals**") on the Agendas, and requests that the Company notify its shareholders of the summaries of the Proposals in accordance with Article 305, Paragraph 1, of the Companies Act and Article 93 of the Regulations for Enforcement of the Companies Act.

1. Proposed Agendas

(1) Partial Amendment to the Articles of Incorporation (Number of Directors)

(2) Election of Two (2) Directors (Excluding Directors Who are Audit and Supervisory Committee Members)

(3) Partial Amendment to the Articles of Incorporation (Strategic Review Committee)

(4) Partial Amendment to the Articles of Incorporation (Policy against Large-Scale Purchases of Share Certificates, etc., of the Company)

(5) Partial Amendment to the Articles of Incorporation (Issuance of Shares, etc.)

(6) Partial Amendment to the Articles of Incorporation (Dividends of Surplus, etc.)

(7) Appropriation of Surplus

(8) Determination of Compensation for Performance-Based Stock Compensation Plan and Restricted Stock Compensation Plan for Directors (Excluding Directors Who are Audit and Supervisory Committee Members)

2. Summaries and Reasons for Proposals

(1) Partial Amendment to the Articles of Incorporation (Number of Directors)

(i) Summary of the proposal

It is proposed that Article 19 of the Articles of Incorporation be amended as follows. If other proposals (including proposals made by the Company) are adopted at the Ordinary General Meeting of Shareholders, and the article set forth in this proposal requires adjustments in formality (including, but not limited to, changes to the article number), the article in this proposal shall read as the article after necessary adjustments.

This proposal shall be voted on prior to Proposal (2) Election of Two (2) Directors (Excluding Directors Who are Audit and Supervisory Committee Members), and shall become effective upon its adoption at the Ordinary General Meeting of Shareholders.

(Underlines indicate changes.)

Current Articles of Incorporation	Proposed Amendment
(Number of Directors) Article 19 The Company shall have no more than 12 directors. 2. (Omitted)	(Number of Directors) Article 19 The Company shall have no more than 13 directors. 2. (As current)

(ii) Reasons for the proposal

(a) Background and objectives of the series of proposals

The current business environment surrounding the Company is highly uncertain. In the conveyor-related business, one of the Company's core businesses, where the Company is highly dependent on the coal-fired power generation domain, the market is expected to shrink as the global trend towards decarbonisation accelerates. In the multi-storey parking

equipment-related business, another core business, competition is expected to intensify with domestic industry peers as the growth of the domestic market reaches the ceiling due to the decline in the population in Japan, and the number of new instalment of mechanical parking facilities declines.

In this environment, it is crucial for the Company to provide clear explanations on its medium- to long-term management vision, what types of investments it will make, and how it will enhance its corporate value and the common interests of shareholders. In fact, industry peers, despite the uncertain business environment, have made efforts to fulfil their accountability to the stock market by, for example, disclosing their medium-term management plans. To this end, the Proposer has privately conducted meaningful dialogue (engagements) with the management and the directors, stressing the need to develop and disclose medium- to long-term management strategy, management plan and investment plan. However, to date, the Company has not implemented such initiatives, and its disclosures continue to lack any medium- to long-term equity story.

In addition, the Company's performance has been sluggish, with operating profit for the most recent 12-month period for which actual figures have been disclosed (1 January to 31 December 2022) having almost halved compared to the fiscal year ended 31 March 2021. Under these circumstances, the Company is expected to explain to its shareholders and investors, as part of its responsibilities as a listed company that raises funds from the stock market, what measures and over what time frame it will take to recover its performance and regain the damaged shareholder value. However, the management has only attributed the deterioration in performance to changes in the external environment and has not provided a clear explanation that the stock market needs.

In addition to the above, since becoming a shareholder of the Company in 2021, the Proposer has, in accordance with the aim of Japan's Stewardship Code, conducted private engagements with the management and the directors through meetings, delivery of presentation materials and letters, among others. The Proposer has stressed the need for various initiatives to improve the common interests of shareholders. Some of the initiatives have been implemented, which the Proposer appreciates, however, it is regrettable that the Company has not yet implemented initiatives that are highly important from the perspective of the common interests of shareholders, such as the disclosure of a business investment plan, improvement of the transparency of segment information, and the disclosure of a quantitative shareholder return policy.

The Company has net cash, deposits and after-tax investment securities amounting to approximately 61% of its market capitalisation (excluding treasury shares) (calculated based on the closing price as of 31 March 2023 and the most recently disclosed data). It is also considered to have sufficient debt-financing capacity in light of its financial situation. Therefore, the need for future financing on the stock market is limited. Under such circumstances, if the Company continues to fail to adequately fulfil the responsibilities expected of a listed company, it may not necessarily be best for the Company to continue to be listed on the stock market in the first place. Accordingly, the management and the Board of Directors are expected to first compare various strategic alternatives, including reviewing the business portfolio and the capital structure. Then, they are also expected to examine whether continuing the current management is the best option from the perspective of the common interests of shareholders. However, given the situation described above, the Proposer suspects that such examinations are not adequately performed by the Company, and that the common interests of shareholders are being undermined as a result.

The share price of the Company has also remained significantly below its intrinsic value. This reflects a conglomerate discount due to the Company's diversified business portfolio. It also reflects the uncertainty regarding the Company's future performance and prospects, and the low expectations that the common interests of shareholders will be fully realised, as discussed above.

The Proposer appreciates that the Company has listened to the Proposer's opinions and implemented some initiatives, as described above. The Proposer hopes to maintain friendly and constructive relations with the management and the directors of the Company. On the other hand, the progress and speed of the improvements made so far are significantly below expectations. It is doubtful that the Company's management and Board of Directors are taking adequate consideration of the common interests of shareholders. The Proposer believes that it is difficult to expect a significant improvement in the future if the Proposer continues the private engagements as it has done so far. Therefore, the Proposer has come to a conclusion that, in order to fulfil its fiduciary duty as a responsible institutional investor, it would be desirable to communicate the Proposer's views to the management and the directors in a more official manner and to have the opportunity to confirm the consensus of all shareholders. The Proposer also believes that, as a shareholder holding more than 20% of the Company's voting rights, the Proposer is expected by other shareholders and the capital market to do its best to improve the common interests of shareholders, even though it needs to invest some resources and incur costs.

Based on the concerns above, the Proposer has decided to submit this proposal and a series of subsequent proposals to ensure that the management and the Board of Directors give adequate consideration to the common interest of shareholders in managing and overseeing the Company.

Thus, all the proposals submitted by the Proposer at the Ordinary General Meeting of Shareholders are a series of proposals to achieve the necessary changes to address the concerns described above.

(b) Reasons for this proposal

Article 19, Paragraph 1 of the current Articles of Incorporation sets forth that the maximum number of directors shall be 12.

In Proposal (2) Election of Two (2) Directors (Excluding Directors Who are Audit and Supervisory Committee Members), the Proposer proposes the election of two outside directors. Currently, the total number of directors of the Company is eleven (11). If this proposal is adopted, and other proposals (including proposals made by the Company) to elect the same or greater number of directors as the number of directors whose terms of office will end at the conclusion of the Ordinary General Meeting of Shareholders (seven (7) directors) are also adopted, the total number of directors will be thirteen (13) or more, exceeding the maximum number of twelve (12).

Therefore, the Proposer proposes that the maximum number of directors be increased by one, from twelve (12) to thirteen (13).

As stated above, this proposal is proposed to ensure that the election of two outside directors proposed in Proposal (2) Election of Two (2) Directors (Excluding Directors Who are Audit and Supervisory Committee Members) will not conflict with the maximum number of directors set forth in the Articles of Incorporation. As stated in the reasons for the proposal, it is proposed

to ensure that the Board of Directors will supervise the management with adequate consideration of the common interests of shareholders. Therefore, the Proposer believes that this proposal, together with Proposal (2) Election of Two (2) Directors (Excluding Directors Who are Audit and Supervisory Committee Members), will contribute to securing the common interests of shareholders.

(2) Election of Two (2) Directors (Excluding Directors Who are Audit and Supervisory Committee Members)

(i) Summary of the proposal

It is proposed that the following two persons be newly elected as directors who are not Audit and Supervisory Committee Members.

(a) Jiro Yasu (New Candidate) (Outside Director)

[Date of birth]

20 April 1973

[Biography and Important Concurrent Positions]

Apr. 1996	Joined Daiwa Securities America Inc. (New York office)
May 1998	Joined First Eagle Investment Management, LLC (Formerly Arnhold and S. Bleichroeder) (New York office)
Jan. 2001	Senior Vice President, First Eagle Investment Management, LLC
Apr. 2005	Director in charge of New Business Promotion, Jyujiya Securities Co. Ltd.
May 2006	Representative Director, VARECS Partners Limited (to present)
Apr. 2012	Director, Jyujiya Holdings Inc.
Dec. 2013	Director, Fujii Shuzo Co., Ltd. (to present)
Sep. 2018	Representative Director, JWC Inc. (to present)
Jun. 2022	Representative Director, Jyujiya Holdings Inc. (to present)

[Number of shares held in the Company]

0 shares

(b) Philip Partnow (New Candidate) (Outside Director)

[Date of birth]

8 January 1968

[Biography and Important Concurrent Positions]

Dec. 1995	Joined Sullivan & Cromwell LLP (New York, Hong Kong and Tokyo offices)
Apr. 1999	Senior Vice President & Head of Transaction Legal Department, Nikko Salomon Smith Barney Limited (Tokyo office)

Apr. 2000	Director in the M&A Department, UBS Investment Bank (Tokyo and Hong Kong offices)
Apr. 2004	Executive Director in the M&A Department, UBS Investment Bank (Hong Kong office)
Apr. 2007	Managing Director in the M&A Department, UBS Investment Bank (Hong Kong office)
May 2007	Deputy Head of Investment Banking, UBS Securities (Beijing office)
May 2010	Head of China M&A, UBS Investment Bank (Beijing office)
Jun. 2010	Member of the Board of Directors, UBS Securities (Beijing office)
May 2013	Vice Chairman of Asian M&A, UBS Investment Bank (Hong Kong office)
Aug. 2014	Founder & CEO, Partnow & Co. (to present)

[Number of shares held in the Company]

0 shares

Notes

1. There are no special conflicts of interest between each candidate and the Company.
2. Each candidate is a candidate for outside director.
3. Each candidate satisfies the requirements for independent officers stipulated by the Tokyo Stock Exchange. Each candidate has accepted for the Company to notify them as an independent officer if their election is approved.
4. The Company has entered into a liability limitation agreement with each of the outside directors. A summary of such agreements is as follows. The Proposer requests the Company to enter into a liability limitation agreement with each candidate as well if their elections are approved.
    (a) If a director (excluding those who are executive directors, etc.) is liable to the Company for damages under Article 423, Paragraph 1 of the Companies Act as a result of the negligence of their duties, the liability shall be limited to the minimum liability amount under Article 425, Paragraph 1 of the Act.
    (b) The above limitation of liability shall only apply when the director (excluding executive directors, etc.) has acted in good faith and without gross negligence in performing their duties that gave rise to the liability.
5. The Company has entered into a liability insurance agreement with an insurance company for directors, etc. under which losses, such as damages and litigation costs, to be borne by the insured will be covered by said insurance agreement. The Proposer requests the Company to include the candidates as insured under said insurance agreement as well if their elections are approved.

Article 19, Paragraph 1 of the current Articles of Incorporation sets forth that the maximum number of directors shall be twelve (12). In Proposal (1) Partial Amendment to the Articles of Incorporation (Number of Directors), the Proposer proposes to increase the maximum number of directors by one, from twelve (12) to thirteen (13). If Proposal (1) is rejected, and other proposals (including proposals made by the Company) to elect the same or greater number of directors as the number of directors whose terms of office will end at the conclusion of the Ordinary General Meeting of Shareholders (seven (7) directors) are proposed, the total number of director candidates will exceed the maximum number of directors set forth in the Articles of Incorporation. Therefore, the Proposer requests to vote on all director candidates for this proposal and the other proposals, and if the number of director candidates receiving a majority of votes in favour exceeds twelve (12), candidates receiving more votes in favour shall be elected as directors in descending order until the number of directors reaches twelve (12).

(ii) Reasons for the proposal

(a) Reasons for proposing the election of outside directors

The ratio of outside directors at the Company's Board exceeds two-thirds. Also, there are multiple lawyers and multiple certified accountants with different specialisations and experiences. Therefore, the Proposer recognises that the Board composition is effective in terms of compliance and defensive governance. On the other hand, as stated in Proposal (1) Partial Amendment to the Articles of Incorporation (Number of Directors), (ii) Reasons for the proposal, section (a), the Board of Directors of the Company is not sufficiently performing its function of supervising management with adequate consideration of the common interests of shareholders. The Proposer believes that this situation could be significantly improved by adding to the Board of Directors multiple outside directors with extensive knowledge and abundant experience of the capital markets.

Therefore, the Proposer proposes the election of Mr. Jiro Yasu and Mr. Philip Partnow as outside directors of the Company.

(b) Reasons for selecting Mr. Jiro Yasu as an outside director candidate

Mr. Yasu began his career as a sales trader. Then, he moved to the buy side and has been involved in public equity investments for more than 20 years.

At First Eagle Investment Management, a long-established investment management firm in New York, where Mr. Yasu served as a senior vice president, he was involved in a wide range of asset management work, including company analyses, fundraising, product development, and risk management.

Since co-founding the independent investment management firm in 2006 and becoming its representative director, Mr. Yasu has been a portfolio manager of the investment funds it manages, making long-term investments in mid-cap Japanese listed companies. At the firm, Mr. Yasu focuses on contributing to realising the intrinsic value and further growth of portfolio companies through dialogue with their management teams.

Mr. Yasu can devote sufficient time and effort to his duties as an outside director of the Company. In addition, the investment management firm and investment funds in which Mr. Yasu is involved do not currently have any investments in the Company, nor will they have

any investments in the Company during his term of office if he is elected as an outside director of the Company.

Mr. Yasu has a global perspective, having worked in the US for approximately ten years and communicating with overseas asset owners and investment management companies on a daily basis. Mr. Yasu received a B.A. in Economics from Keio University and is a Certified Financial Analyst, and is fluent in Japanese and English.

Mr. Yasu is expected to utilise his many years of experience analysing and investing in many listed companies as an institutional investor to supervise management with adequate consideration of the common interests of shareholders, to deepen dialogue with shareholders and the capital market, and to provide advice on best practices for the Company to be better appreciated by investors. In addition, Mr. Yasu is expected to utilise his extensive network of domestic and foreign capital market participants and listed company managers, etc., which he has built up through his many years of managing investment funds, to help the Company resolve various management issues. Therefore, the Proposer believes Mr. Yasu is ideal for an outside director of the Company.

(c) Reasons for selecting Mr. Philip Partnow as an outside director candidate

Mr. Partnow began his career as a lawyer at a prestigious US law firm specialising in corporate law. Then, he became an investment banker, and has been involved in M&A and strategic investment advisory work for more than 20 years.

At UBS Group, Mr. Partnow held several senior positions, including Vice Chairman of Asian M&A, and a Director on the board of UBS' China joint venture. Through his work advising UBS Group's clients, Mr. Partnow worked closely with senior management of large companies in Japan, China, the US and Europe on many M&A and strategic investment transactions, helping them analyse, decide on and execute critical strategic transactions. In doing so, he often advised listed company clients on financing and other capital markets matters, and in the process, gained a deeper understanding and insight into the capital markets. In addition, he played critical roles in executing key strategies for UBS Group's own entry into the Chinese investment banking and wealth management markets and the launch and expansion of its investment banking division in China.

Since 2014, Mr. Partnow has run his own M&A advisory boutique firm in Japan. At the firm, Mr. Partnow has mainly been advising foreign investors in their investments in Japan, including assisting them in their engagements with the management team of Japanese listed companies. Through these activities, he has further deepened his understanding and insight into the Japanese capital market and the challenges and opportunities facing Japanese listed companies in the current market environment.

Mr. Partnow can devote sufficient time and effort to his duties as an outside director of the Company.

Mr. Partnow was born and raised in the US and has many years of work experience in Japan and China, giving him both a global perspective and an understanding of Japanese values and corporate culture. Mr. Partnow received a B.A. in Social Studies from Harvard University and a J.D. from Columbia Law School, and is fluent in Japanese, English, and Mandarin Chinese.

In light of the above knowledge and experience, in addition to supervising management with adequate consideration of the common interests of shareholders, Mr. Partnow is also

expected to make a significant contribution to the Company in other highly important challenges, such as (i) reviewing the business portfolio, (ii) considering and formulating M&A strategies, (iii) considering and executing M&A and strategic investments, (iv) deepening dialogue with shareholders and the capital market, and (v) globalising the business. Therefore, the Proposer believes Mr. Partnow is ideal for an outside director of the Company.

(d) Relationships between the Proposer and each candidate

Considering the business environment surrounding the Company and the challenges it faces, the Proposer determined, from among its wide network, that Mr. Yasu and Mr. Partnow have the most appropriate knowledge, experience, and qualifications as outside directors of the Company. The Proposer requested them to become candidates for outside directors in the Proposer's shareholder proposal to elect directors, which they accepted. The Proposer had the opportunity to get acquainted with Mr. Yasu and Mr. Partnow during its investment activities in Japan, and was impressed by their qualities and abilities, and has known them ever since.

Mr. Yasu and Mr. Partnow can perform their duties as outside directors of the Company completely independent of the Proposer. Specifically, Mr. Yasu and Mr. Partnow (i) have no business, employment or delegatory relationship with, or other interest in the Proposer, (ii) have not entered into any contract or agreement with the Proposer, including the payment of compensation or the exchange of information, and (iii) have not assumed any obligation or liability to the Proposer. Therefore, Mr. Yasu and Mr. Partnow will not represent the interests of any particular shareholder. Thus, they are expected to appropriately supervise the management of the Company from the perspective of the common interests of the Company's shareholders.

(3) Partial Amendment to the Articles of Incorporation (Strategic Review Committee)

(i) Summary of the proposal

It is proposed that the following chapter be newly added to the current Articles of Incorporation, that Chapter 7: Accounting of the current Articles of Incorporation be changed to Chapter 8: Accounting, and that Article 33 and subsequent articles be moved down by six articles. If other proposals (including proposals made by the Company) are adopted at the Ordinary General Meeting of Shareholders, and the articles set forth in this proposal require adjustments in formality (including, but not limited to, changes to the article numbers), the articles in this proposal shall read as the articles after necessary adjustments.

Chapter 7: Strategic Review Committee

(Establishment of Strategic Review Committee)

Article 33 The Company shall establish a strategic review committee ("**Strategic Review Committee**") without delay after the date of the 7th ordinary general meeting of shareholders until the Strategic Review Committee deems that the duties set forth in each item of Article 36 have been completed.

(Organization of Strategic Review Committee)

Article 34 The Strategic Review Committee shall consist of not less than three (3) and not more than five (5) members who are outside directors.

2. The Strategic Review Committee shall have a chairperson. If any of the outside directors has work experience at institutional investors and has extensive knowledge and abundant experience of the stock markets, such person shall be the chairperson (if there are two or more such persons, the chairperson shall be selected from among such persons by mutual election). If there is no such person, the chairperson shall be selected from among outside directors by mutual election.
3. The members of the Strategic Review Committee shall be selected from among outside directors by mutual election.
4. The chairperson shall preside over the affairs of the Strategic Review Committee.

(Operation of Strategic Review Committee)

Article 35 The Strategic Review Committee shall be convened by the chairperson.

2. The Strategic Review Committee shall hold meetings only if the chairperson and a majority of its members are present.
3. The resolution of the Strategic Review Committee shall be passed by a majority of the members present. In case of a tie, the chairperson shall decide.
4. The Strategic Review Committee shall have a secretariat. The secretariat shall, under the direction of the chairperson, handle the procedures to convene meetings, handle administrative work, and prepare the minutes of meetings.

5. In addition to what is set forth in the preceding paragraphs, the Strategic Review Committee shall determine the procedures for proceedings and other matters necessary for the operation of the Strategic Review Committee.

(Duties of Strategic Review Committee)

Article 36 The Strategic Review Committee shall, from the perspective of maximising the common interests of the Company's shareholders, perform the following duties from a standpoint independent of the Company's management:

(1) To examine from a broad perspective, strategic alternatives that the Company could take in order to maximise the common interests of its shareholders. In conducting such examinations, the Strategic Review Committee shall evaluate the impact of each alternative on the common interests of the Company's shareholders as quantitatively as possible, appropriately taking into consideration the feasibility of each alternative and the time required for implementation.

(2) To examine credible proposals regarding strategic alternatives made by potential strategic partners, sponsors, acquirers, investors, or other third parties (hereinafter collectively referred to as "**Potential Partners**") in conducting the examinations set forth in the preceding item.

(3) To identify the strategic alternative objectively and reasonably determined to be the best among the alternatives examined pursuant to the preceding items, and make recommendation to the Board of Directors.

(4) To supervise the formulation of the Implementation Plan (meaning the Implementation Plan set forth in Article 37, Paragraph 6; hereinafter the same) by the Board of Directors and the implementation of procedures according to the Implementation Plan by the directors.

(Authorities, etc., of Strategic Review Committee)

Article 37 The Strategic Review Committee may, when it deems necessary to perform its duties, request directors, managers, and other employees to provide necessary cooperation, such as submitting reports or documents, or state its opinions to them.

2. The Strategic Review Committee may, when it deems necessary to perform its duties, have a person other than the committee members attend Strategic Review Committee meetings and request such person to provide opinion or explanation.

3. The Strategic Review Committee may, when it deems necessary to perform its duties, retain attorneys, consultants, or other outside experts at the Company's expense, and receive advice or assistance from them.

4. The Strategic Review Committee may, when it deems necessary to perform its duties, make the following requests to the Company:

(1) Request for advance payment of expenses;

(2) Request for reimbursement of expenses incurred and interest thereon after the date of expenditure;

(3) Request repayment to creditors of debts owed (or provision of reasonable security if such debts are not yet due and payable).

5. If the Company receives a proposal regarding strategic alternatives from Potential Partners, the Company shall promptly report such proposal to the Strategic Review Committee.

6. The Board of Directors shall formulate a plan toward implementing the strategic alternative set forth in Article 36, Item 3 (the "**Implementation Plan**") and make other necessary decisions (including delegation pursuant to Article 348-2, Paragraph 1 of the Companies Act), respecting the recommendations and opinions of the Strategic Review Committee to the maximum extent possible.

7. The directors (including outside directors delegated pursuant to Article 348-2, Paragraph 1 of the Companies Act) shall implement procedures according to the Implementation Plan and execute other necessary business operations, in accordance with the decision of the Board of Directors set forth in the preceding paragraph and respecting the recommendations and opinions of the Strategic Review Committee to the maximum extent possible.

8. In determining the remuneration, etc., (meaning the remuneration, etc., set forth in Article 361, Paragraph 1 of the Companies Act; hereinafter the same) of outside directors (excluding outside directors who are Audit and Supervisory Committee Members) who are members of the Strategic Review Committee, the Board of Directors shall appropriately consider the content of duties of such outside directors within the Strategy Review Committee.

9. In determining the remuneration, etc., of outside directors (limited to outside directors who are Audit and Supervisory Committee Members) who are members of the Strategic Review Committee, directors who are Audit and Supervisory Committee Members shall appropriately consider the content of duties of such outside directors within the Strategy Review Committee.

(Disclosure of Contents of Recommendations, etc., of Strategic Review Committee)

Article 38 The Company shall disclose to the public the contents of the recommendations set forth in Article 36, Item 3 and other matters that the Strategic Review Committee deems appropriate by 31 December 2023 (if the Strategic Review Committee deems unavoidable, on a date that the Strategic Review Committee deems appropriate).

2. The Company shall disclose to the public the status of the performance of the duties of the Strategic Review Committee, the outline of the Implementation Plan, the status of the implementation of procedures according to the Implementation Plan, and other matters that the Strategic Review Committee deems appropriate, on a date that the Strategic Review Committee deems appropriate.

(ii) Reasons for the proposal

As stated in Proposal (1) Partial Amendment to the Articles of Incorporation (Number of Directors), (ii) Reasons for the proposal, section (a), in light of the current situation of the Company, the management and the Board of Directors are expected to first compare various

strategic alternatives, including reviewing the business portfolio and the capital structure. Then, they are also expected to examine whether continuing the current management is the best option from the perspective of the common interests of shareholders. However, at least to date, the Company has not implemented initiatives to explain the results of such examinations to its shareholders and investors and to gain their understanding and trust. Rather, the Company has not managed and supervised its operations with adequate consideration of the common interests of shareholders. Given such a current situation, the Proposer suspects that the Company has not adequately performed such examinations, undermining the common interests of shareholders. The Proposer believes that this is due to the fact that the Board has not sufficiently overseen the management with consideration of the common interests of shareholders, nor does it adequately recognise those roles that the Board must fulfil.

Therefore, the Proposer proposes to establish a strategic review committee consisting of outside directors. The Committee shall examine strategic alternatives that the Company could take from the perspective of the common interests of the shareholders. It shall also supervise their implementation. It shall perform these duties from a standpoint independent of the management. In order to ensure the effectiveness of the Committee, the Proposer also proposes that the Committee be granted necessary authorities, such as retaining outside experts as advisors.

If the Board has already adequately performed the above examinations and has reached a conclusion not to take any strategic alternative, the validity of that decision will be ensured objectively as a result of the examinations by the Committee. Then, shareholders and investors will be able to make investment decisions with confidence based on that. Therefore, the Proposer believes that the benefits of establishing the Committee are significant. The Proposer also believes that there are no disadvantages to establishing the Committee since (i) its costs are expected to be minimal in light of the significant benefits to shareholders from the establishment, and (ii) the Committee, equipped with necessary authorities, will be able to effectively and flexibly evaluate strategic alternatives.

(4) Partial Amendment to the Articles of Incorporation (Policy against Large-Scale Purchases of Share Certificates, etc., of the Company)

(i) Summary of the proposal

It is proposed that the following article be newly added as Article 19 to Chapter 3: General Meeting of Shareholders of the Articles of Incorporation, and that Article 19 and subsequent articles be moved down by one article. If other proposals (including proposals made by the Company) are adopted at the Ordinary General Meeting of Shareholders, and the article set forth in this proposal requires adjustments in formality (including, but not limited to, changes to the article number), the article in this proposal shall read as the article after necessary adjustments.

(Policy against Large-Scale Purchases of Share Certificates, etc., of the Company)

Article 19 The Company must obtain prior approval by a resolution of a general meeting of shareholders in cases where:

(i) The Company (a) has in place a policy against large-scale purchases of share certificates, etc., (meaning share certificates, etc., set forth in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act; hereinafter the same) of the Company (regardless of whether or not it is adopted prior to the commencement of a large-scale purchase; hereinafter referred to as the "**Policy**"), and (b) intends to trigger countermeasures according to the Policy, such as an allotment of stock acquisition rights without contribution, or

(ii) The Company intends to take any other action that would make it significantly difficult to conduct a large-scale purchase.

2. Notwithstanding the preceding paragraph, the Company may trigger the countermeasures set forth in the preceding paragraph without obtaining approval by a resolution of a general meeting of shareholders in cases where (i) the Company has in place the Policy, and (ii) a large-scale purchaser (meaning a person who attempts to conduct a large-scale purchase; hereinafter the same) attempts to conduct a large-scale purchase without complying with procedures set forth in the Policy. In this case, the Company shall convene a general meeting of shareholders promptly after the triggering of the countermeasures in order to obtain approval by resolution. If the Company fails to obtain approval by such resolution, it shall immediately take necessary measures to abort the triggering of the countermeasures.

3. In addition to the matters set forth in the Companies Act, general meetings of shareholders may resolve to abolish the Policy.

4. The period to be specified in the Policy for the Board of Directors to request large-scale purchasers to provide necessary and appropriate information, or for the Board to evaluate and examine large-scale purchases, discuss and negotiate with large-scale purchasers, form the opinion of the Board, and develop alternative plans, shall not exceed 30 business days in total. If the Company intends to trigger the countermeasures set forth in Paragraph 1 after such period has elapsed, it shall immediately convene a general meeting of shareholders in order to obtain approval by resolution as set forth in Paragraph 1.

5. The resolutions of general meetings of shareholders set forth in the preceding paragraphs shall be adopted by the method set forth in Article 309, Paragraph 1 of the Companies Act and Article 17, Paragraph 1 of the Articles of Incorporation; provided, however, that this does not apply in cases where (i) a rapid large-scale purchase is being conducted in a financial instruments exchange market (meaning a financial instruments exchange market set forth in Article 2, Paragraph 17 of the Financial Instruments and Exchange Act), and (ii) the Company intends to trigger the countermeasures set forth in Paragraph 1.

(ii) Reasons for the proposal

Hostile acquisitions, which are conducted without obtaining the approval of the target company, have economic significance. They could improve the target's management by promoting management reform. The existence of the pressure that the company may become a target of acquisitions could motivate the management team to improve performance and increase the efficiency of the company's management.

In light of the current situation that the Company fails to manage and supervise the operations with adequate consideration of the common interests of shareholders as stated in Proposal (1) Partial Amendment to the Articles of Incorporation (Number of Directors), (ii) Reasons for the proposal, section (a), the Proposer believes that hostile acquisitions or the existence of such possibility could play a significant role in improving the efficiency of the Company's management.

The Proposer does not deny that there may be situations where countermeasures may be necessary to deal with abusive acquisitions and protect the common interests of shareholders. However, there is also a significant concern that such economic significance of hostile acquisitions may be undermined if a policy against large-scale purchases (so-called a poison pill; hereinafter the "**Policy**") and countermeasures are misused for the purpose of protecting management's interests and desirable acquisitions are inhibited. Such economic significance may also be undermined if the Policy and countermeasures relax discipline in the company's management. Corporate governance that satisfies both of these perspectives in a well-balanced manner can vary depending on the circumstances of each company.

Therefore, the Proposer proposes that the Articles of Incorporation set forth minimum matters to be complied with in the event that the Company intends to adopt the Policy or trigger a countermeasure in the future.

Specifically, the Proposer proposes the following:

(i) In principle, prior approval of a general meeting of shareholders should be required to trigger countermeasures since whether an acquisition is desirable should ultimately be determined by shareholders. *Ex-post-facto* approval is allowed in cases of urgency. (Paragraphs 1 and 2)

(ii) General meetings of shareholders should also have the authority to decide on the abolition of the Policy. (Paragraph 3)

(iii) An upper limit for the period should be set for the Board of Directors to make requests for information to large-scale purchasers and conduct evaluations and examinations, etc., of large-scale purchases in order to prevent misuse by management for the purpose of self-protection while ensuring a necessary period. (Paragraph 4)

(iv) The scope of the so-called Majority of the Minority resolution (a resolution of a general meeting of shareholders to trigger countermeasures which is voted on by excluding the voting rights of interested parties such as acquirers) should be clarified and be limited to rapid in-market acquisitions, to which the protection by the tender offer regulations do not apply. Uncertainty in the scope has a significant chilling effect on hostile acquisitions, which may undermine their aforementioned economic significance. (Paragraph 5)

This proposal is limited to setting forth the minimum matters to be complied with in adopting the Policy and triggering countermeasures. The proposal assumes that the Board of Directors will make appropriate decisions on other matters, such as whether or not to adopt the Policy in the first place and, if adopted, what the procedures and details are (procedures for adoption, amendment, and renewal, effective period, triggering events and effects of the triggering, etc.) in light of the common interests of shareholders.

(5) Partial Amendment to the Articles of Incorporation (Issuance of Shares, etc.)

(i) Summary of the proposal

It is proposed that the following article be newly added as Article 19 to Chapter 3: General Meeting of Shareholders of the Articles of Incorporation, and that Article 19 and subsequent articles be moved down by one article. If other proposals (including proposals made by the Company) are adopted at the Ordinary General Meeting of Shareholders, and the article set forth in this proposal requires adjustments in formality (including, but not limited to, changes to the article number), the article in this proposal shall read as the article after necessary adjustments.

(Issuance of Shares, etc.)

Article 19 The Company must obtain prior approval by a resolution of a general meeting of shareholders in cases where it intends to issue shares or dispose of treasury stock subject to an offering set forth in Article 199, Paragraph 1 of the Companies Act or to issue stock acquisition rights subject to an offering set forth in Article 238, Paragraph 1 of the Act; provided, however, that this does not apply in the following cases:

(1) In case where the Company grants each shareholder the right to receive an allotment of shares or stock acquisition rights pursuant to Article 202 or Article 241 of the Companies Act.

(2) In case where the Company issues shares, disposes of treasury stock, or issues stock acquisition rights through a public offering.

(3) In case where the Company issues shares, disposes of treasury stock, or issues stock acquisition rights to directors or employees of the Company or any of its subsidiaries as remuneration, bonuses, or other compensation for the performance of their duties.

(4) In case where the Company's financial condition has deteriorated significantly, and urgent issuance of shares, etc., needs to be conducted for the continuation of the Company's business.

(5) In case where (i) the Company publicly announces material facts concerning a subscriber of offered shares or offered stock acquisition rights, and (iii) the voting rights held by shareholders who have notified the Company within two weeks from the date of such public announcement of their opposition to the subscription of offered shares or offered stock acquisition rights by such subscriber are less than one-fifth of the voting rights held by all shareholders (excluding shareholders who are not able to exercise voting rights at the general meeting of shareholders set forth in this Article).

(ii) Reasons for the proposal

When a company conducts a third-party allocation of shares, etc., the interests of existing shareholders are greatly affected since their voting right ratio may decrease and, depending on the amount paid per share, etc., shareholders suffer economic loss due to dilution. In addition, discipline over company management may be undermined, and its efficiency may be

impaired if a third-party allocation of shares, etc., is conducted for the purpose of maintaining or securing control of the company's management. Discipline is also undermined if it is conducted for the purpose of reducing the influence of shareholders who do not support the current management team or its management policies or shareholders who actively engage in dialogue or make proposals to the management team.

Under the Companies Act, public companies are allowed to conduct a third-party allocation of shares, etc., by a resolution of the Board of Directors in order to enable prompt fundraising. However, as stated in Proposal (1) Partial Amendment to the Articles of Incorporation (Number of Directors), (ii) Reasons for the proposal, section (a), the Company has net cash, deposits and after-tax investment securities amounting to approximately 61% of its market capitalisation. It is also considered to have sufficient debt-financing capacity in light of its financial situation. Therefore, the need for prompt fundraising on the stock market is limited. Thus, the Proposer considers it appropriate to place more weight on discipline over company management and the interests of existing shareholders than on prompt fundraising.

On the other hand, a third-party allocation of shares, etc., that contribute to the corporate value and the common interests of shareholders should be actively implemented and should not be unreasonably withheld.

Therefore, the Proposer proposes that issuance of shares, etc., requires prior approval of a general meeting of shareholders only in limited cases where it is particularly necessary from the standpoint of discipline over company management and the interests of existing shareholders. Specifically:

(i) Shareholder allotments and public offerings are not subject to the proposal since they are of little concern in relation to the purpose of the proposal. Therefore, they do not require a resolution of a general meeting of shareholders. (Items 1 and 2)

(ii) Stock compensation for directors, officers, and employees is not subject to the proposal. (Item 3)

(iii) Even in cases of a third-party allocation of shares, etc., a resolution of a general meeting of shareholders is not required if there is an urgent necessity. (Item 4)

(iv) Even in cases without urgent necessity, a resolution of a general meeting of shareholders is not required unless the ratio of the total voting rights of shareholders that gave notice of their opposition is 20% or more. (Item 5)

Thus, the cases where a resolution of a general meeting of shareholders is required are appropriately limited in order not to unreasonably undermine the need for prompt fundraising, etc.

(6) Partial Amendment to the Articles of Incorporation (Dividends of Surplus, etc.)

(i) Summary of the proposal

It is proposed that Article 34 of the Articles of Incorporation be amended as follows. If other proposals (including proposals made by the Company) are adopted at the Ordinary General Meeting of Shareholders, and the article set forth in this proposal requires adjustments in formality (including, but not limited to, changes to the article number), the article in this proposal shall read as the article after necessary adjustments.

This proposal shall be voted on prior to Proposal (7) Appropriation of Surplus, and shall become effective upon its passage at the Ordinary General Meeting of Shareholders.

(Underlines indicate changes.)

Current Articles of Incorporation	Proposed Amendment
(Dividends of surplus, etc.) Article 34 The Company <u>shall</u> determine the matters set forth in each item of Article 459, Paragraph 1 of the Companies Act, including dividends of surplus, by a resolution of the Board of Directors<u>, not by a resolution of a general meeting of shareholders</u>, except as otherwise provided by laws and regulations. 2-4. (Omitted)	(Dividends pf surplus, etc.) Article 34 The Company <u>can</u> determine the matters set forth in each item of Article 459, Paragraph 1 of the Companies Act, including dividends of surplus, by a resolution of the Board of Directors, except as otherwise provided by laws and regulations. 2-4. (As current)

(ii) Reasons for the proposal

Under the Companies Act, the authority to determine dividends of surplus, etc., is, in principle, vested in general meetings of shareholders (Article 454, Paragraph 1 of the Companies Act). However, Article 34, Paragraph 1 of the current Articles of Incorporation exclusively grants the authority to the Board of Directors, and general meetings of shareholders do not have the authority. This is because shareholders have allowed the Company to restrict their inherent authority on the premise that the Board of Directors will appropriately make determinations on dividends of surplus, etc., from the perspective of the common interests of shareholders.

However, as stated in the reasons for the proposal of Proposal (7) Appropriation of Surplus, the Proposer believes that the Board of Directors has not appropriately made determinations on dividends of surplus, etc., from the perspective of the common interests of shareholders.

As a result, the premise of granting the Board of Directors the exclusive authority to determine dividends of surplus, etc., has lost ground. Therefore, the Proposer proposes that the shareholders regain a part of the authority and allow general meetings of shareholders to determine dividends of surplus, etc., as per the principle under the Companies Act.

However, as this proposal only proposes that both general meetings of shareholders and the Board of Directors have concurrent authority to determine dividends of surplus, etc., the Board of Directors will continue to have the same authority as before. Therefore, as long as the Board

of Directors exercises its authority appropriately, there is no need for general meetings of shareholders to exercise the authority. Therefore, this proposal does not unreasonably impair the mobility of capital policy.

(7) Appropriation of Surplus

(i) Summary of the proposal

Subject to the adoption of Proposal (6) Partial Amendment to the Articles of Incorporation (Dividends of Surplus, etc.), the appropriation of surplus shall be as follows.

If any shareholder of the Company other than the Proposer submits proposals regarding the appropriation of surplus at the Ordinary General Meeting of Shareholders, this proposal is an additional proposal independent of and in addition to such other proposals.

(a) Type of dividend property

Cash

(b) Amount of the dividend per share

The amount obtained by deducting the total of the following amounts from JPY 65:

(i) the amount of the dividend of surplus per share of the Company's common stock determined by the Board of Directors as the appropriation of surplus (including its plan) for the fiscal year ended 31 March 2023 by the date of the Ordinary General Meeting of Shareholders in accordance with Article 34, Paragraph 1 of the current Articles of Incorporation; and

(ii) the amount of the dividend of surplus per share of the Company's common stock proposed by shareholders other than the Proposer and adopted at the Ordinary General Meeting of Shareholders.

(c) Matters on the allocation of dividend property and the total amount

The amount of the dividend per share stated in (b) above for every share of the Company's common stock (The total amount of the dividend is the amount calculated by multiplying the dividend per share by the total number of issued shares of the Company's common stock (excluding treasury stock) as of 31 March 2023.)

(d) The effective date of the dividend of surplus

The date of the Ordinary General Meeting of Shareholders

(e) The date on which the payment of the dividend shall be commenced

Three weeks after the business day immediately following the date of the Ordinary General Meeting of Shareholders

(ii) Reasons for the proposal

The Proposer believes that profits generated from the business should first and foremost be utilised for investments aimed at the sustainable enhancement of corporate value, such as capital expenditure, investments in research and development, and investments in human capital. Any surplus thereafter should be, instead of being accumulated in the company, returned to shareholders and society to the extent that financial soundness and flexibility for potential future investment opportunities are ensured. The Proposer believes that this is appropriate management to enhance capital efficiency and contribute to the interests of society. The Proposer has communicated this in private engagements with the management and the directors of the Company.

In this regard, the Company's investments aimed at enhancing corporate value have remained at a small level in relation to the profits generated. The average business investments such as M&A over the past four years (from the fiscal year ended 31 March 2019 to the fiscal year ended 31 March 2022) was only approximately 13% of net profit. The average capital expenditure was only approximately 21%, the same level as depreciation and amortisation.

In light of these past trends, it is difficult to expect that investments aimed at enhancing corporate value will exceed 30% of net profits in the foreseeable future. Also, the Company has sufficient financial soundness, with net cash, deposits and after-tax investment securities amounting to approximately 61% of its market capitalisation as of the end of March 2023. Taking into consideration that the Company is considered to have sufficient debt-financing capacity and that reducing cash and deposits will improve capital efficiency, the Proposer considers it appropriate for the Company to maintain a dividend payout ratio of at least 70%.

However, the Company's dividend payout ratio has remained remarkably low, averaging approximately 14.2% over the past five years (including the forecast for the fiscal year ended 31 March 2023). As a result, many non-business assets continue to be accumulated without contributing to enhancing corporate value or being returned to shareholders, thereby undermining capital efficiency.

At the ordinary general meeting of shareholders in June 2021, when there was a dispute over management control for the Company between the current management team and conflicting major shareholders, the management team voluntarily "promised" to shareholders to "manage the company focusing on capital efficiency and strengthen shareholder returns" (Press release dated 25 May 2021, "Request to shareholders to return voting forms"). However, as stated above, the Company's capital efficiency still has significant room for improvement. Also, shareholder returns have not been notably strengthened, except for the tender offer for the Company's own shares, which was conducted primarily to buy back the shares held by the above-mentioned conflicting shareholders at their request. Thus, the Company continues to fail to live up to the trust of the shareholders, who believed the "promises" of the management team and entrusted management control of the Company to them.

The Proposer, therefore, proposes that the year-end dividend for the fiscal year ended 31 March 2023 be JPY 65 per share, which would result in a payout ratio of approximately 70%.

In announcing the commencement of the above-mentioned tender offer for the Company's shares, the Company explained, "the liquidity on hand (cash and deposits) on a consolidated basis [before the commencement of the tender offer] is JPY 5,875 million. Even after the funds for the tender offer *[Proposer's note: JPY 2,000 million in total]* are used, the financial soundness and safety of the Company will be ensured, as the tender offer will have no material impact on the Company's financial position and dividend policy." In this regard, the liquidity on hand after the appropriation of surplus proposed in this proposal is approximately JPY 5,280

million (calculated based on the most recent disclosed data), which is significantly higher than the liquidity on hand of JPY 3,875 million (JPY 5,875 million – JPY 2,000 million) after the above tender offer, which “can maintain the financial soundness and safety.” Therefore, the amount of the dividend proposed by this proposal is at a completely appropriate level.

(8) Determination of Compensation for Performance-Based Stock Compensation Plan and Restricted Stock Compensation Plan for Directors (Excluding Directors Who are Audit and Supervisory Committee Members)

The total amount of monetary compensation (the "**Base Compensation**") for directors (excluding directors who are Audit and Supervisory Committee Members) was approved to be an amount not exceeding JPY 180 million per year (excluding salaries for the employee portion of directors who concurrently serve as employees) at the 1st ordinary general meeting of shareholders held on 27 June 2017. In addition, at the 3rd ordinary general meeting of shareholders held on 25 June 2019, the total amount of monetary compensation claims under the restricted stock compensation plan (the "**Existing Stock Compensation Plan**") for directors (excluding directors who are Audit and Supervisory Committee Members and outside directors) was approved to be an amount not exceeding JPY 100 million per year. This amount is separate from and in addition to the maximum amount of compensation under the Base Compensation. The total number of shares of the Company's common stock to be issued or disposed of under the plan was approved to be a number not exceeding 200,000 shares per year.

However, in order for management compensation to function as a sound incentive for sustainable growth, it is necessary to set an appropriate ratio of compensation that is linked to medium- to long-term business performance (Corporate Governance Code, Supplementary Principle 4.2.1). The Company's current compensation system does not provide for such performance-based compensation.

Therefore, the Proposer proposes that the Company introduce a performance-based stock compensation plan with a clear linkage with medium- to long-term business performance (the "**PSU Plan**") for directors (excluding directors who are Audit and Supervisory Committee Members and outside directors) (the "**Eligible Executive Directors**") of the Company, instead of the Existing Stock Compensation Plan. The Proposer also proposes that the PSU Plan's total amount be significantly increased. This amount is separate from and in addition to the maximum amount of compensation under the Base Compensation.

In addition, it has been pointed out that granting incentive compensation to outside directors, such as stock compensation in which the number of shares granted does not change depending on performance, is effective. It helps to give them a sense of ownership as a member of the Board of Directors and also provide them with incentives (see Appendix 1 of The Practical Guidelines for Corporate Governance System, the Ministry of Economy, Trade and Industry). However, currently, outside directors of the Company (excluding outside directors who are Audit and Supervisory Committee Members) are not granted any stock compensation.

Therefore, the Proposer proposes that the Company introduce a restricted stock compensation plan with no performance conditions (the "**RS Plan**") for outside directors (excluding outside directors who are Audit and Supervisory Committee Members) (the "**Eligible Outside Directors**") of the Company. The RS Plan's total amount is separate from and in addition to the maximum amount of compensation under the Base Compensation. However, the Company's Board of Directors will make the final decision as to whether or not to grant shares of the Company's common stock to the Eligible Outside Directors under the RS Plan, after deliberation by the Compensation Committee.

The total amount of monetary compensation claims and money to be used for tax payment arising from the delivery of shares of the Company's common stock ("**Money for Tax Payment**") to be paid under the PSU Plan shall be no more than JPY 150 million per year.

This amount is a 50% increase from the total amount of monetary compensation claims under the Existing Stock Compensation Plan, which was no more than JPY 100 million per year. The total amount of monetary compensation claims to be paid under the RS Plan shall be no more than JPY 30 million per year. The specific timing and allocation of the payment to each Eligible Executive Director or Eligible Outside Director shall be determined by the Board of Directors of the Company after deliberation by the Compensation Committee.

If this proposal is approved, the Existing Stock Compensation Plan shall be abolished, except for those already allocated, and no new allotment of restricted stock based on the plan will be made thereafter.

Currently, there are three Eligible Executive Directors and four Eligible Outside Directors, and the Proposer proposes the election of two additional Eligible Outside Directors in Proposal (2) Election of Two (2) Directors (Excluding Directors Who are Audit and Supervisory Committee Members).

[Details of the PSU Plan (for Eligible Executive Directors)]

(i) Outline of the PSU Plan

The PSU Plan is a performance-based stock compensation plan. Under the Plan, the number of shares of the Company's common stock to be granted to the Eligible Executive Directors will be calculated in accordance with the Degree of Achievement of Performance Targets (defined in (iv) below) during an evaluation period consisting of three consecutive fiscal years of the Company (the "**Evaluation Period**").

After the end of the Evaluation Period, the Company will issue or dispose of shares of the Company's common stock to the Eligible Executive Directors by paying monetary compensation claims and Money for Tax Payment to the Eligible Executive Directors and having all such monetary compensation claims contributed in kind.

The initial Evaluation Period will be three fiscal years from the fiscal year ending 31 March 2024 to the fiscal year ending 31 March 2026, and thereafter, every fiscal year, a new Evaluation Period of three consecutive fiscal years, including the then current fiscal year, will start.

The payment of monetary compensation claims and Money for Tax Payment and the delivery of shares of the Company's common stock to the Eligible Executive Directors will take place after the end of the Evaluation Period. Therefore, whether payment or delivery to the Eligible Executive Directors will be exercised, the amount of monetary compensation claims and Money for Tax Payment to be paid, and the number of shares of the Company's common stock to be delivered are not fixed at the time of the introduction of the PSU Plan.

Upon the issuance or disposal of shares of the Company's common stock, the Company and the Eligible Executive Director shall enter into a restricted stock allotment agreement (hereinafter the "**Allotment Agreement**" in (i)) that includes, in summary, the following details.

(a) During the period from the date of allotment under the Allotment Agreement to the date of loss of their position as a director of the Company (hereinafter the "**Transfer Restriction Period**" in (i)), the Eligible Executive Director shall not transfer, create a security interest in, or otherwise dispose of the shares of the Company's common stock allotted under the Allotment Agreement (hereinafter the "**Allotted Shares**" in (i)) (hereinafter the "**Transfer Restriction**" in (i)).

(b) In the event that the Board of Directors of the Company recognises that the Eligible Executive Director has materially violated laws, regulations, the internal rules of the Company or the Allotment Agreement, or in the event that the Board of Directors of the Company otherwise determines that it is appropriate for the Company to acquire all of the Allotted Shares without consideration, the Company shall naturally acquire the Allotted Shares without consideration.

(c) Notwithstanding the provision of (a) above, if, during the Transfer Restriction Period, a merger agreement under which the Company becomes an absorbed company, a share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary, or any other matters relating to reorganisation, etc. are approved at a general meeting of shareholders of the Company (or the Board of Directors of the Company in cases where such reorganisation, etc. does not require approval at a general meeting of shareholders), the Company shall lift the Transfer Restriction of all of the Allotted Shares prior to the effective date of such reorganisation, etc., by resolution of the Board of Directors.

(ii) Total amount of monetary compensation claims and the maximum total number of shares under the PSU Plan

The total amount of monetary compensation claims and Money for Tax Payment to be paid to the Eligible Executive Directors under the PSU Plan shall be no more than JPY 150 million per year. The total number of shares of the Company's common stock to be issued or disposed of shall be no more than 80,000 shares per year (representing approximately 1.71% of the total number of outstanding shares of 4,685,745 shares as of 31 December 2022; as the total number of shares of the Company's common stock to be issued or disposed of under the Existing Stock Compensation Plan is 200,000 shares per year, the dilution under the PSU plan is limited to 40% of the dilution under the Existing Stock Compensation Plan). However, in the event of a stock split (including allotment of shares of the Company's common stock without contribution), or reverse stock split, or any other event that requires adjustment to the total number of shares of common stock to be issued or disposed of under the PSU plan, the total number of such shares will be adjusted to a reasonable extent.

(iii) Amount to be paid per share

The amount to be paid per share of the Company's common stock to be allotted under the PSU Plan shall be determined by the Board of Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors on the allotment of shares of common stock (if no trading takes place on that date, the closing price on the immediately preceding trading day), to the extent that it is not particularly favourable to the Eligible Executive Directors.

(iv) Calculation method for the number of shares of the Company's common stock to be delivered to the Eligible Executive Directors

The number of shares of the Company's common stock to be delivered to the Eligible Executive Directors after the end of the Evaluation Period under the PSU Plan (the "**Number of Shares to be Delivered**") shall be the multiple of:

(a) the number of shares to be determined by the Board of Directors of the Company in accordance with the position, etc., of the Eligible Executive Director (the "**Base Number of Shares to be Delivered**"), and

(b) the degree of achievement of performance targets (the "**Degree of Achievement of Performance Targets**") for Total Shareholder Return ("**TSR**") and Return on Invested Capital ("**ROIC**") for the Evaluation Period.

The specific formulas are as follows. However, reasonable adjustments will be made in accordance with the ratio of the period of tenure of the Eligible Executive Director to the Evaluation Period, etc.

- Number of Shares to be Delivered = Base Number of Shares to be Delivered x Degree of Achievement of Performance Targets
- Base Number of Shares to be Delivered: The number of shares to be determined by the Board of Directors of the Company in accordance with the position, etc., of the Eligible Executive Director
- Degree of Achievement of Performance Targets:

  (a) If both the TSR target and the ROIC target are achieved: 100%

  (b) If only one of the TSR target or ROIC target is achieved: 50%

  (c) If neither the TSR target nor the ROIC target is achieved: 0%
- TSR Target:

  The Company's TSR, calculated in accordance with the following formula, shall be 150% or more.

  TSR = (A + B) / C (%)

  A: The closing price of the Company's common stock on the Tokyo Stock Exchange on the last day of the Evaluation Period (or the closing price of the immediately preceding trading day if no trading takes place on that day)

  B: Cumulative amount of dividends per share of the Company's common stock during the Evaluation Period

  C: The closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the first day of the Evaluation Period (or the closing price of the immediately preceding trading day if no trading takes place on that day)
- ROIC Target:

  The average of the Company's ROIC, calculated for each fiscal year during the Evaluation Period in accordance with the following formula, shall be equal to or greater than the figure determined by the Board of Directors of the Company after deliberation by the Compensation Committee (provided, however, that the figure shall be 10% or more).

  ROIC = D / (E + F) (%)

D: Consolidated operating profit after tax for each fiscal year

E: Average consolidated interest-bearing debt on the first day and the last day of each fiscal year

F: Average consolidated net assets on the first day and the last day of each fiscal year

If an Eligible Executive Director becomes subject to forfeiture of rights necessary to achieve the purpose of the stock compensation plan (to be determined by the Board of Directors), such as losing position as director of the Company without due cause, or committing certain misconducts, monetary compensation claims and Money for Tax Payment under the PSU Plan will not be paid to said Eligible Executive Director and no shares of the Company's common stock will be delivered to said Eligible Executive Director.

In addition, if an Eligible Executive Director lost their position as director of the Company for due cause during the Evaluation Period, or an Eligible Executive Director is newly appointed during the Evaluation Period, the number of shares of the Company's common stock to be delivered and amounts of monetary compensation claims and money to be paid to said Eligible Executive Director or their heirs, etc., and the timing of delivery or payment shall be adjusted based on reasonable methods determined by the Board of Directors.

(v) Handling in the event of reorganisations, etc.

Notwithstanding the provision of (iv) above, if, during the Evaluation Period, a merger agreement under which the Company becomes an absorbed company, a share exchange agreement or share transfer plan under which the Company becomes a wholly-owned subsidiary, or any other matters relating to reorganisation, etc. are approved at a general meeting of shareholders of the Company (or the Board of Directors of the Company in cases where such reorganisation, etc. does not require approval at a general meeting of shareholders), the Company can, by resolution of the Board of Directors, deliver shares of the Company's common stock or pay money as the amount equivalent thereto. The number of shares to be delivered shall be reasonably determined by the Board of Directors based on the period from the commencement date of the Evaluation Period to the approval date of such reorganisation, etc. The amount of money to be paid shall be reasonably calculated by the Board of Directors.

[Details of the RS Plan (for Outside Directors)]

(i) Outline of the RS Plan

In principle, each year, the Eligible Outside Directors contribute all of the monetary compensation claims paid under the RS Plan as assets in kind, and receive shares of the Company's common stock issued or disposed of, in accordance with a resolution of the Board of Directors of the Company.

Upon issuance or disposal of shares of the Company's common stock, the Company and the Eligible Outside Director shall enter into a restricted stock allotment agreement (hereinafter the "**Allotment Agreement**" in (iv)) that includes, in summary, the details set forth in (iv) below.

(ii) Total amount of monetary compensation claims and the maximum total number of shares under the RS Plan

The total amount of monetary compensation claims to be paid to Eligible Outside Directors under the RS Plan shall be no more than JPY 30 million per year. The total number of shares of the Company's common stock to be issued or disposed of shall be no more than 16,000 shares per year (equivalent to approximately 0.34% of the total number of outstanding shares of 4,685,745 shares as of 31 December 2022). However, in the event of a stock split (including allotment of shares of the Company's common stock without contribution), or reverse stock split, or any other event that requires adjustment to the total number of shares of common stock to be issued or disposed of under the RS Plan, the total number of such shares will be adjusted to a reasonable extent.

(iii) Amount to be paid per share

The amount to be paid per share of the Company's common stock to be allotted under the RS Plan shall be determined by the Board of Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors on the allotment of shares of common stock (if no trading takes place on that date, the closing price on the immediately preceding trading day), to the extent that it is not particularly favourable to the Eligible Outside Directors.

(iv) Outline of the details to be set forth in the Allotment Agreement

(a) During the period from the date of allotment under the Allotment Agreement to the date of loss of their position as a director of the Company (hereinafter the "**Transfer Restriction Period**" in (iv)), the Eligible Executive Director shall not transfer, create a security interest in, or otherwise dispose of the shares of the Company's common stock allotted under the Allotment Agreement (hereinafter the "**Allotted Shares**" in (iv)) (hereinafter the "**Transfer Restriction**" in (iv)).

(b) If an Eligible Outside Director loses their position as director of the Company during the period after the commencement date of the Transfer Restriction Period up to the date on which the ordinary general meeting of shareholders of the Company is first held thereafter (the "**Scheduled Service Period**"), the Company shall naturally acquire the Allotted Shares without consideration, unless the Board of Directors of the Company deems there is due cause.

(c) Notwithstanding the provision of (a) above, the Company shall lift the Transfer Restriction of all of the Allotted Shares upon expiration of the Transfer Restriction Period, on the condition that the Eligible Outside Director has continuously held the position of a director of the Company during the Scheduled Service Period. However, if an Eligible Outside Director loses their position as director of the Company before the expiration of the Scheduled Service Period for a cause deemed due by the Board of Directors as set forth in (b) above, the number of the Allotted Shares for which the Transfer Restriction is lifted, and the timing of the Transfer Restriction being lifted shall be reasonably adjusted as necessary.

(d) The Company shall naturally acquire the Allotted Shares without consideration for which the Transfer Restriction has not been lifted in accordance with the provision in (c) above at the time the Transfer Restriction Period expires.

(e) Notwithstanding the provision of (a) above, if, during the Transfer Restriction Period, a merger agreement under which the Company becomes an absorbed company, a share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary, or any other matters relating to reorganisation, etc. are approved at a general meeting of shareholders of the Company (or by the Board of Directors of the Company in cases where such reorganisation, etc. does not require approval at a general meeting of shareholders), the Company shall lift the Transfer Restriction of the Allotted Shares prior to the effective date of such reorganisation, etc., by resolution of the Board of Directors. The number of shares for which the Transfer Restriction is to be lifted shall be reasonably determined by the Board of Directors based on the period from the commencement date of the Transfer Restriction Period to the approval date of such reorganisation, etc.

(f) In the case set forth in the provision of (e) above, the Company shall naturally acquire without consideration the Allotted Shares for which the Transfer Restriction has not yet been lifted as of the time immediately after the Transfer Restriction is lifted in accordance with the provision of (e) above.