

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

(Stock Exchange Code 3697)  
November 10, 2021

To Our Shareholders

Masaru Tange, President and CEO  
SHIFT Inc.  
Masonic 39 MT Building, 2-4-5  
Azabudai, Minato-ku, Tokyo

## Notice of the 16th Annual General Meeting of Shareholders

You are hereby notified that the 16th Annual General Meeting of Shareholders of SHIFT Inc. (the “Company”) will be held for the purposes as described below.

After careful consideration of preventing the spread of COVID-19, the Company has decided to hold the Annual General Meeting of Shareholders as a virtual shareholders’ meeting with hybrid participation, as in the previous year, to allow shareholders to view the proceedings in real-time on the shareholders’ website even if they cannot attend in person. Shareholders are encouraged to read the “Guide to Participating in the General Meeting of Shareholders via the Internet” (on page 4 in Japanese version) and **refrain from physically attending the Annual General Meeting of Shareholders as much as possible**, prioritizing their health and safety.

The virtual shareholders’ meeting is held in a participatory format, which means that shareholders who participate via the Internet cannot exercise their voting rights or ask questions on the day of the meeting. If you wish to exercise your voting rights in advance, **please read the Reference Documents for the General Meeting of Shareholders below and indicate your approval or disapproval of the proposals in writing or via the Internet by 6:15 p.m. on Thursday, November 25, 2021.**

The capacity of the venue is much smaller than usual, with seats for only up to 20 people, to maintain social distance and prevent the spread of COVID-19. If you would like to attend the meeting in person, please be sure to register in advance by referring to the “Guide to Advance Registration for Attending the General Meeting of Shareholders” (on page 5 in Japanese version.) Please note that you will not be admitted to the meeting if you have symptoms such as a fever or cough, if you are not wearing a mask, or if you do not cooperate with a temperature check.

- 1. Date and Time:** Friday, November 26, 2021, at 1:00 p.m. Japan time  
(Registration starts at 12:30 p.m.)
- 2. Place:** 2F Masonic 38 MT Building  
4-1-4 Shiba-Koen, Minato-ku, Tokyo  
SHIFT Inc. Large Training Room  
(Please refer to the map at the end of this document.)
- 3. Meeting Agenda:**
  - Matters to be reported:** 1. Business Report and Consolidated Financial Statements for the Company’s 16th Fiscal Year (September 1, 2020–August 31, 2021) and audit results of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Committee
  2. Non-consolidated Financial Statements for the Company’s 16th Fiscal Year (September 1, 2020–August 31, 2021)

**Proposals to be resolved:**

**Proposal No. 1:** Partial amendment to the Articles of Incorporation

**Proposal No. 2:** Election of six (6) Directors (excluding Directors who are Audit & Supervisory Committee Members)

**Proposal No. 3:** Election of two (2) Directors who are Audit & Supervisory Committee Members

**Proposal No. 4:** Election of one (1) substitute Director who is an Audit & Supervisory Committee Member

**Proposal No. 5:** Determination of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) under the Restricted Stock Unit (RSU) Plan

**Proposal No. 6:** Determination of remuneration for Directors who are Audit & Supervisory Committee Members under the Restricted Stock Unit (RSU) Plan

**Proposal No. 7:** Reduction of the amount of capital

---

Notes:

- After the General Meeting of Shareholders, we plan to subsequently hold a business briefing to deepen shareholders' understanding of the Company. (You can join the briefing from the URL shown on page 4 in Japanese version.)
- Pursuant to the provisions of laws and regulations and Article 18 of the Articles of Incorporation, the Company has posted the following materials on its website (<https://www.shiftinc.jp/>). Therefore, the materials are not included in this Notice of the Annual General Meeting of Shareholders.
  - (1) "Notes to Consolidated Financial Statements" in the Consolidated Financial Statements
  - (2) "Notes to Non-consolidated Financial Statements" in the Non-consolidated Financial StatementsThe Consolidated Financial Statements and Non-consolidated Financial Statements are part of the same statements audited by the Accounting Auditor and Audit & Supervisory Committee when preparing the audit reports.
- Any revisions to the Reference Documents for the General Meeting of Shareholders, the Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements will be posted on the Company website (<https://en.shiftinc.jp/>).
- If there are any significant changes to the operation of the General Meeting of Shareholders due to future circumstances, such changes will be posted on the Company website (<https://en.shiftinc.jp/>).

## Reference Documents for the General Meeting of Shareholders

### Proposals and reference items

#### Proposal 1: Partial amendment to the Articles of Incorporation

(1) Reason for the proposal

The Company proposes to amend the Articles of Incorporation to enable fully electronic shareholders' meetings (virtual-only shareholders' meetings). The amendment aims to make it easier for shareholders, including in remote areas, to attend the meetings, thereby revitalizing, streamlining, and facilitating the shareholders' meetings while also preventing the spread of infectious diseases such as COVID-19.

(2) Details of the change

The details of the change are as follows.

The amendments to the Articles of Incorporation in this proposal shall become effective on the date of confirmation by the Minister of Economy, Trade and Industry and the Minister of Justice (hereinafter the "Confirmation") that the Company's fully electronic shareholders' meetings fulfill the requirements specified by the Ordinances of the Ministry of Economy, Trade and Industry and the Ministry of Justice as a case contributing to strengthening industrial competitiveness while considering shareholder interests, pursuant to the provisions of the Act on Strengthening Industrial Competitiveness and the Ordinances of the Ministry of Economy, Trade and Industry and the Ministry of Justice.

(Underlines indicate changes.)

Current Articles of Incorporation	Proposed change
Chapter 3 General Meeting of Shareholders	Chapter 3 General Meeting of Shareholders
<p>Article 12 (Convocation of General Meeting of Shareholders)</p> <p>The Company's Annual General Meeting of Shareholders shall be convened within three (3) months from the day following the last day of each fiscal year, and an Extraordinary General Meeting of Shareholders shall be convened whenever necessary.</p> <p style="text-align: center;">(Newly established)</p>	<p>Article 12 (Convocation of General Meeting of Shareholders)</p> <p><u>1. The Company's Annual General Meeting of Shareholders shall be convened within three (3) months from the day following the last day of each fiscal year, and an Extraordinary General Meeting of Shareholders shall be convened whenever necessary.</u></p> <p><u>2. The Company's General Meeting of Shareholders may be held without a fixed location.</u></p> <p style="text-align: center;">Supplementary Provision</p> <p><u>(Transitional Measures Concerning the Convocation of General Meeting of Shareholders)</u></p> <p><u>The amendment to Article 12 (Convocation of General Meeting of Shareholders) shall take effect on the date the Company receives confirmation from the Minister of Economy, Trade and Industry and the Minister of Justice that its fully electronic shareholders' meetings meet the requirements specified in the Ordinances of the Ministry of Economy, Trade and Industry and the Ministry of Justice, pursuant to the Act on Strengthening Industrial Competitiveness and the Ordinances of the Ministry of Economy, Trade and Industry and the Ministry of Justice, and this supplementary provision shall be deleted after the effective date has passed.</u></p>

**Proposal 2: Election of six (6) Directors (excluding Directors who are Audit & Supervisory Committee Members)**

The term of office of all five (5) current Directors (excluding Directors who are Audit & Supervisory Committee Members; hereinafter “Directors” in this proposal) will expire at the conclusion of this General Meeting of Shareholders.

To further strengthen the management structure, we propose to add one (1) new Director, and propose the election of six (6) Directors, including two (2) Outside Directors. The Audit & Supervisory Committee reviewed the proposal and concluded that there are no special matters to be pointed out concerning the proposal. The candidates are as follows.

No.	Name (Date of birth)	Past experience, positions and responsibility in the Company, and significant concurrent positions	Number of Company shares held
1	Masaru Tange (September 22, 1974)  [Reappointment]	April 2000      Joined Incs Inc. (currently SOLIZE Corporation)	5,781,800
		September 2005      Established SHIFT, became president and CEO (current position)	
September 2012      Director of SHIFT Global Pte Ltd. (current position)			
March 2017      Director of ALH Inc. (current position)			
January 2019      Director of Assion, Inc.			
January 2019      Director of Saunashi Co., Ltd.			
March 2019      Director of SystemI Co., Ltd. (current position)			
Reason for nomination as candidate for Director: Mr. Masaru Tange is the founder of the Company. He has extensive insight and rich experience in corporate management and has demonstrated outstanding leadership. The Company, therefore, judges that Mr. Tange is indispensable for the realization of the sustainable enhancement of the Group’s corporate value and nominates him for reappointment as Director.			
2	Michio Sasaki (March 7, 1957)  [Reappointment]	March 1982      Joined Lead Electric Co., Ltd. (currently KEYENCE Corporation)	-
		June 1999      Director, general manager of APSULT Division and general manager of Business Promotion Division	
December 2000      President and CEO			
December 2010      Director and special advisor			
May 2017      Outside Director of ZUIKO Corporation (current position)			
June 2018      Outside Director of Tokyo Electron Ltd. (current position)			
November 2018      Outside Director of SHIFT			
November 2019      Outside Director and Audit & Supervisory Committee Member of SHIFT			
November 2020      Joined SHIFT, became Director and Vice President (current position)			
Reason for nomination as candidate for Director: Mr. Michio Sasaki was formerly President and CEO of KEYENCE Corporation, and as an Outside Director of the Company, he made significant contributions to strengthening its sales organization. The Company nominates Mr. Sasaki for reappointment as Director, judging that his knowledge is necessary for the Group to generate high added value and achieve further growth toward achieving 100 billion yen in net sales.			

No.	Name (Date of birth)	Past experience, positions and responsibility in the Company, and significant concurrent positions	Number of Company shares held
3	Motoya Kobayashi (February 13, 1979)  [Reappointment]	April 2003      Joined Incs. Inc. (currently SOLIZE Corporation) April 2007      Joined SHIFT November 2009    Head of Software Testing Department May 2013        Executive Officer November 2014    Director (current position) April 2015        Director of SHIFT PLUS, Inc. (current position) March 2017        Director of ALH Inc. (current position) August 2017      Director of MethodoLogic Inc. (current position) May 2018         Director of Airitech Inc. (current position) March 2019        Director of SystemI Co., Ltd. (current position) June 2019         Director of SHIFT ASIA Co., Ltd. (current position)	131,900
		Reason for nomination as candidate for Director: Mr. Motoya Kobayashi is one of the founding members of the Company and launched the software business, its core business, and was the driving force behind service rollouts and the Group's development. He has served as a director of several Group companies and is familiar with the Group's business and organization. The Company, therefore, judges that he has the knowledge and experience necessary for the Group's future growth and nominates Mr. Kobayashi for reappointment as Director.	
4	Taichi Hattori (November 16, 1974)  [New appointment]	April 1998        Joined NTT Communications Corporation (split off and renamed from NIPPON TELEGRAPH AND TELEPHONE Corporation after joining) June 2006        Joined Recruit Holdings Co., Ltd. October 2012     Director of Indeed Inc. April 2014        Vice President, Finance of Indeed Inc. April 2018        Senior Vice President, Finance of Indeed Inc. April 2019        CFO of Indeed Inc. January 2021     Returned to join Recruit Holdings Co., Ltd. July 2021         Executive Officer of SHIFT (current position)	-
		Reason for nomination as candidate for Director: Mr. Taichi Hattori served as a CFO of a global company and possesses a wealth of experience and broad insight into business management, focusing on financial accounting. The Company nominates Mr. Hattori as a candidate for Director, judging that his knowledge will be necessary to strengthen the Group's business management.	

No.	Name (Date of birth)	Past experience, positions and responsibility in the Company, and significant concurrent positions	Number of Company shares held
5	Takafumi Murakami (August 16, 1978)  [Reappointment] [Outside] [Independent]	April 2003      Joined Goldman Sachs (Japan) Ltd. (currently Goldman Sachs Japan Co., Ltd.)	-
		July 2017      Founded Signifiant Inc., became Representative Director (current position)	
		March 2020      Outside Director of bellFace Inc. (current position)	
		November 2020      Outside Director of SHIFT (current position)	
Reason for nomination as candidate for Outside Director and summary of expected role: Mr. Takafumi Murakami has a wealth of experience and broad insight in dialogue with capital markets, governance, and ESG. The Company nominates Mr. Murakami for reappointment as Outside Director, judging that by supervising operations as an Outside Director, he will strengthen the Company's ability to communicate with capital markets and enhance governance, which is necessary for accelerating the Group's growth.			
6	Fumiko Motoya (July 8, 1947)  [Reappointment] [Outside] [Independent]	April 1966      Joined Fukui Shinkin Bank	3,100
		June 1971      Director of Shinkin Development Co., Ltd. (currently APA Co., Ltd.) (current position)	
		December 1980      Founded APA Hotels Co., Ltd., became Director	
		February 1994      President and Director of APA Hotels Co., Ltd. (current position)	
		December 2015      Director of APA Holdings Co., Ltd. (current position)	
		November 2020      Outside Director of SHIFT (current position)	
		May 2021      Outside Director of TKP Corporation (current position)	
Reason for nomination as candidate for Outside Director and summary of expected role: Ms. Fumiko Motoya has a track record as a manager in developing APA Hotels and the APA Group into one of the largest hotel chains in Japan and has a wealth of experience and broad insight into corporate management. The Company nominates Ms. Motoya for reappointment as Outside Director, judging that she will further strengthen the Company's management system by supervising its overall management and continuous growth.			

Notes:

- If the nomination of each candidate for Director is approved, the term of office is scheduled to commence at the conclusion of this General Meeting of Shareholders and end at the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending August 31, 2022.
- There is no special interest between each candidate for Director and the Company.
- Mr. Takafumi Murakami and Ms. Fumiko Motoya are candidates for Outside Director.
- Mr. Takafumi Murakami and Ms. Fumiko Motoya meet the requirements for independent officers as stipulated by the Tokyo Stock Exchange, and will be designated as independent officers if their nomination is approved.
- Number of years since the candidate for Outside Director was first appointed as Outside Director  
The term of office of Mr. Takafumi Murakami as an Outside Director will be one (1) year at the conclusion of this General Meeting of Shareholders.  
The term of office of Ms. Fumiko Motoya as an Outside Director will be one (1) year at the conclusion of this General Meeting of Shareholders.
- The Company has entered into an agreement with Mr. Takafumi Murakami and Ms. Fumiko Motoya to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act in accordance with the provisions of Article 427, Paragraph 1 of the same Act. If the nominations of Mr. Murakami and Ms. Motoya are approved, the Company plans to continue the above liability limitation agreement. The maximum amount of liability based on the said agreement is the minimum liability amount stipulated by laws and regulations.
- The Company has entered into a directors and officers liability insurance agreement with an insurance company, as stipulated in Article 430-3, Paragraph 1 of the Companies Act. If a claim for damages is filed by a shareholder or a third party, the said insurance agreement will cover the damages and litigation expenses that the insured would have to bear. However, damages caused by acts committed by the insured while being aware that they violate laws and regulations will not be covered. The Company bears the full premium for all insured persons. If each candidate for Director is appointed as a Director, he or she will be insured under the said insurance agreement. The term of this insurance agreement is until April 1, 2022, but is scheduled to be renewed with the same scope of coverage.

### Proposal 3: Election of two (2) Directors who are Audit & Supervisory Committee Members

The term of office of two (2) Directors who are Audit & Supervisory Committee Members will expire after this General Meeting of Shareholders. The Company, therefore, proposes the election of two (2) Directors who are Audit & Supervisory Committee Members. The consent of the Audit & Supervisory Committee has been obtained for this proposal. The candidates are as follows.

No.	Name (Date of birth)	Past experience, positions and responsibility in the Company, and significant concurrent positions	Number of Company shares held
1	Yusuke Arai (January 1, 1975)  [New appointment] [Outside] [Independent]	April 1998      Joined Tatsumi LLC. January 2004      Joined SANKOTECHNO Co., Ltd. January 2006      Joined Misuzu Audit Corporation (formerly ChuoAoyama Audit Corporation) August 2007      Joined Ryusei Audit Corporation December 2008      Joined Ernst & Young ShinNihon Audit Corporation (currently Ernst & Young ShinNihon LLC.) July 2016      Joined Crowe Toyo & Co.	-
	Reason for nomination as candidate for Director who is an Audit & Supervisory Committee Member and summary of expected role: Mr. Yusuke Arai has never been involved in the management of a corporation other than as an Outside Director or an Outside Corporate Auditor. However, the Company nominates Mr. Arai as a candidate for Outside Director who is an Audit & Supervisory Committee Member, judging that, as a certified public accountant with a high level of professional knowledge and abundant experience in corporate accounting, he would be able to appropriately perform the duties of an Outside Director who is an Audit & Supervisory Committee Member.		
2	Kenji Chishiki (January 27, 1963)  [Reappointment] [Outside] [Independent]	April 1985      Joined Kanebo Ltd. April 1998      Representative Director of LISSAGE Ltd. May 2004      Director, CEO, and COO of Kanebo Cosmetics Inc. January 2006      President, CEO, and Executive Officer June 2010      President and CEO of TAKE AND GIVE NEEDS Co., Ltd. October 2015      President and CEO of Nihon Kotsu Co., Ltd. November 2018      Outside Director of SHIFT November 2019      Outside Director and Audit & Supervisory Committee Member of SHIFT (current position) June 2020      Outside Director of Ishii Food Co., Ltd. (current position) June 2021      Outside Director of ONWARD HOLDINGS Co., Ltd. (current position) June 2021      Outside Director of Solasto Corporation (current position)	-
	Reason for nomination as candidate for Director who is an Audit & Supervisory Committee Member and summary of expected role: The Company nominates Mr. Kenji Chishiki for reappointment as Outside Director, judging that he will be able to appropriately perform his duties as an Outside Director who is an Audit & Supervisory Committee Member, given that he possesses a wealth of experience and has a wide range of insight as a manager, particularly with respect to governance systems and human resource strategies.		

#### Notes:

- If the nomination of each candidate for Director is approved, the term of office is scheduled to commence at the conclusion of this General Meeting of Shareholders and end at the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending August 31, 2023.
- There is no special interest between each candidate for Director on the Audit & Supervisory Committee and the Company.
- Mr. Yusuke Arai and Mr. Kenji Chishiki are candidates for Outside Director.
- The Company has designated and notified Mr. Kenji Chishiki as an independent officer as stipulated by the Tokyo Stock Exchange. If his reappointment is approved, Mr. Chishiki is scheduled to continue to serve as an independent officer. If the appointment of Mr. Yusuke Arai is approved, the Company plans to designate and notify him as an independent officer to the Tokyo Stock Exchange.
- Number of years since the candidate for Outside Director was first appointed as Outside Director  
The term of office of Mr. Kenji Chishiki as an Outside Director will be three (3) years at the conclusion of this General Meeting of Shareholders. His term of office as a Director who is an Audit & Supervisory Committee Member will be two (2) years at the conclusion of this General Meeting of Shareholders.
- The Company has entered into an agreement with Mr. Kenji Chishiki to limit his liability for damages under Article 423, Paragraph 1 of the Companies Act in accordance with the provisions of Article 427, Paragraph 1 of the same Act. If the nomination of Mr. Chishiki is approved, the Company plans to continue the above liability limitation agreement. The maximum amount of liability based on the said agreement is the minimum liability amount stipulated by laws and regulations. If the nomination of Mr. Yusuke Arai is approved, the Company plans to enter into the said agreement with him as well.
- The Company has entered into a directors and officers liability insurance agreement with an insurance company, as stipulated in Article 430-3, Paragraph 1 of the Companies Act. If a claim for damages is filed by a shareholder or a third party, the said insurance agreement will cover the damages and litigation expenses that the insured would have to bear. However, damages caused by acts committed by the

insured while being aware that they violate laws and regulations will not be covered. The Company bears the full premium for all insured persons. If each candidate for Director is appointed as a Director, he or she will be insured under the said insurance agreement. The term of this insurance agreement is until April 1, 2022, but is scheduled to be renewed with the same scope of coverage.



(Reference) Skill matrix of candidates for Directors and Executive Officers

If all the nominees listed in this Notice of Convocation are elected as originally proposed, the expertise and experience of each Director will be as shown in the skill matrix below.

Name	Position (tentative)	Experience and expertise							
		Corporate management	Sales/Marketing	Service/Technology	HR strategy	M&A/PMI	Finance/Accounting/IR	Corporate governance	ESG/Diversity
<b>Masaru Tange</b>	President and CEO	●	●	●	●	●	●		●
<b>Michio Sasaki</b>	Director and Vice President	●	●	●		●		●	●
<b>Motoya Kobayashi</b>	Director	●	●	●	●	●	●		
<b>Taichi Hattori</b>	Director	●				●	●	●	●
<b>Takafumi Murakami</b>	Outside Director	●				●	●	●	●
<b>Fumiko Motoya</b>	Outside Director	●	●		●				●
<b>Yusuke Arai</b>	Outside Director Audit & Supervisory Committee Member (full-time)						●	●	
<b>Tetsujiro Nakagaki</b>	Outside Director Audit & Supervisory Committee Member (part-time)	●	●			●	●		
<b>Kenji Chishiki</b>	Outside Director Audit & Supervisory Committee Member (part-time)	●			●			●	●

The Company has introduced an Executive Officer System. The expertise and experience of each Executive Officer will be as shown in the skill matrix below.

Name	Position (tentative)	Experience and expertise							
		Corporate management	Sales/Marketing	Service/Technology	HR strategy	M&A/PMI	Finance/Accounting/IR	Corporate governance	ESG/Diversity
<b>Yosuke Sugahara</b>	Senior Executive Officer			●	●				
<b>Toshiaki Hosoda</b>	Senior Executive Officer			●					
<b>Shigeki Komiyama</b>	Executive Officer	●	●						
<b>Yusuke Maoka</b>	Executive Officer			●					

**Proposal 4: Election of one (1) substitute Director who is an Audit & Supervisory Committee Member**

The Company proposes the election of a substitute Director who is an Audit & Supervisory Committee Member in case the number of Directors who are Audit & Supervisory Committee Members does not meet the requirements stipulated in laws and regulations. The consent of the Audit & Supervisory Committee has been obtained for this proposal. The candidate is as follows.

Name (Date of birth)	Past experience, positions and responsibility in the Company, and significant concurrent positions	Number of Company shares held
Yoshito Fukuyama (December 20, 1949)	April 1972      Joined Computer Service Corporation (currently SCSK Corporation) December 1988    Director of CSK Corporation (currently SCSK Corporation) July 2004        Representative Director October 2005     Representative Director of CSK Holdings Corporation (currently SCSK Corporation) December 2010    Founded Management Support Ltd., became Representative Director (current position) April 2011        Director of Digital Design Co., Ltd. (currently Samurai & J Partners Co., Ltd.) August 2011      Advisor of SHIFT August 2013      Chairman of Digital Design Co., Ltd. (currently Samurai & J Partners Co., Ltd.) November 2013    Outside Auditor of SHIFT April 2016        Director (Audit & Supervisory Committee Member) of Digital Design Co., Ltd. (currently Samurai & J Partners Co., Ltd.)	2,000
Reason for nomination as candidate for substitute Director who is an Audit & Supervisory Committee Member and summary of expected role: Mr. Yoshito Fukuyama has a wealth of experience and broad insight into governance systems, particularly in the IT industry, as a business manager. The Company, therefore, nominates Mr. Fukuyama as a candidate for substitute Director who is an Audit & Supervisory Committee Member, judging that he will be able to appropriately perform his duties as a Director who is an Audit & Supervisory Committee Member.		

Notes:

1. If the nomination of the candidate for Director is approved, the term of office is scheduled to commence at the conclusion of this General Meeting of Shareholders and end at the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending August 31, 2023.
2. There is no special interest between the candidate for Director and the Company.
3. The Company plans to enter into an agreement with Mr. Yoshito Fukuyama upon his assumption of office, to limit his liability for damages as provided for in Article 423, Paragraph 1 of the Companies Act, pursuant to Article 427, Paragraph 1 of the same Act, after his election. The maximum amount of liability based on the said agreement will be the minimum liability amount stipulated by laws and regulations.
4. The Company has entered into a directors and officers liability insurance agreement with an insurance company, as stipulated in Article 430-3, Paragraph 1 of the Companies Act. If a claim for damages is filed by a shareholder or a third party, the said insurance agreement will cover the damages and litigation expenses that the insured would have to bear. However, damages caused by acts committed by the insured while being aware that they violate laws and regulations will not be covered. The Company bears the full premium for all insured persons. If Mr. Yoshito Fukuyama is appointed as a Director who is an Audit & Supervisory Committee Member, he will be insured under the said insurance agreement. The term of this insurance agreement is until April 1, 2022, but is scheduled to be renewed with the same scope of coverage.

## **Proposal 5: Determination of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) under the Restricted Stock Unit (RSU) Plan**

The amount of remuneration for the Company's Directors (excluding Directors who are Audit & Supervisory Committee Members) has been approved at the 14th Annual General Meeting of Shareholders held on November 27, 2019, as an annual amount of 1,000 million yen or less (100 million yen or less for Outside Directors). The Company seeks the approval of shareholders for the introduction of a Restricted Stock Unit (RSU) Plan as a new stock-based compensation system for Directors (excluding Directors who are Audit & Supervisory Committee Members; hereinafter "Eligible Directors"), within the framework of the above remuneration limit, for the purpose of providing them with incentives to continuously improve the Company's corporate value and of further ensuring that they hold the same value as shareholders. The specific allocation to each Eligible Director will be determined by the Board of Directors.

The current number of Directors (excluding Directors who are Audit & Supervisory Committee Members) is five (5) (including two (2) Outside Directors), but if Proposal No. 2 is approved as proposed, the number of Directors (excluding Directors who are Audit & Supervisory Committee Members) will be six (6) (including two (2) Outside Directors).

### 1. Overview of the Restricted Stock Unit (RSU) Plan

The Restricted Stock Unit Plan (hereinafter the "Plan") is a service-contingent remuneration plan in which a number of shares of the Company's common stock and cash, to be determined in advance by the Company's Board of Directors, will be delivered and paid without compensation to Eligible Directors after the expiration of a period between three (3) and five (5) years set by the Board of Directors (hereinafter the "Calculation Period").

The Plan is designed so that the Company's common stock is issued after the Calculation Period, according to the achievement of service requirements, etc., and whether the common stock will be delivered to each Eligible Director has not yet been determined as of the time of introducing the Plan.

Subject to the approval of this proposal at this General Meeting of Shareholders, the Company will abolish the stock option plan for Directors, except for those already granted, and will not issue new stock acquisition rights as stock options to Directors in the future.

### 2. Details of remuneration, etc. under the Plan

#### (1) Calculation method of remuneration, etc. under the Plan

Under the Plan, the Company will determine the number of shares of the Company's common stock to be delivered to each Eligible Director (hereinafter the "Final Number of Shares to be Delivered") based on the number of shares set for each Eligible Director (hereinafter the "Base Number of Shares") and in accordance with the calculation method set forth below.

$$\text{Final Number of Shares to be Delivered (*1) (*2) = Base Number of Shares (*3) x Service Period Ratio (*4)}$$

(\*1) From the viewpoint of securing funds for tax payment, Eligible Directors who wish to receive such funds shall be paid an amount equal to a portion of the Final Number of Shares to be Delivered (not more than 50% of the Final Number of Shares to be Delivered) multiplied by 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 each Board of Directors' meeting regarding the issuance of common stock or disposal of treasury stock under the Plan (if no trading is conducted on the same day, the closing price of the most recent trading day prior to the day; hereinafter the "Closing Price"). In addition, if the Final Number of Shares to be Delivered is likely to exceed the upper limit of remuneration, etc. under the Plan described in (2) below, the Final Number of Shares to be Delivered and the amount to be paid shall be reasonably adjusted to the extent that such upper limit is not exceeded.

(\*2) The Company may make reasonable adjustments in response to changes in the position of the Eligible Director during the Calculation Period.

(\*3) The Base Number of Shares shall be determined for each Eligible Director by the Company's Board of Directors.

(\*4) The Service Period Ratio shall be determined by the Company's Board of Directors (provided, however, the ratio shall not exceed 1).

#### (2) Maximum amount of remuneration, etc. under the Plan

The total number of shares to be delivered by the Company to Eligible Directors under the Plan shall be no more than 60,000 shares (including no more than 15,000 shares for Outside Directors) (provided, however, if a stock split of the Company's common stock [including gratis allotment of the Company's common stock] or a reverse stock split of the Company's common stock is conducted after the date of approval of this proposal, or if any other event occurs that requires adjustment of the total number of the Company's common stock to be issued or disposed of, such total number shall be reasonably adjusted).

The total number of the Company's common stock to be issued or disposed of and the total amount of money to be paid shall be within 200 million yen per annum (of which 50 million yen or less shall be paid to Outside Directors) (Under the Plan, common stock will be issued or treasury stock will be disposed of as remuneration for the Company's Directors, and no money will be required to be paid in exchange for the offered shares, but the amount of remuneration for Eligible Directors will be calculated based on the Closing Price per share).

#### (3) Conditions for receiving remuneration, etc. under the Plan

Eligible Directors shall receive shares of the Company's common stock on the condition that they have continuously held the position of Director of the Company or any other position determined by the Board of Directors during the Calculation Period. However, notwithstanding the foregoing, in the event that the Eligible Director loses their position as Director of the Company or any other position determined by the Board of Directors for any reason the Board of Directors deems justifiable during the Calculation Period, the Company may, by resolution of the Board of Directors, grant the Eligible Director a reasonably determined number of shares of common stock of the Company (or a reasonably determined amount of money in lieu of such shares) out of the Final Number of Shares to be Delivered, within the above maximum limit.

In addition, the right to receive remuneration under the Plan shall be forfeited in the event of certain misconduct as determined by the Board of Directors.

(4) Treatment in organizational restructuring, etc.

Notwithstanding the provisions of (3) above, if, after the commencement of the Calculation Period, a merger agreement in which the Company becomes a merged company, a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, or any other matters relating to organizational restructuring are approved at the Company's General Meeting of Shareholders (provided, however, that in cases where such reorganization does not require the approval of the General Meeting of Shareholders, the Company's Board of Directors may approve such reorganization), the Company may, by resolution of its Board of Directors, grant a reasonably determined number of shares of its common stock (or a reasonably determined amount of money in lieu of such shares) out of the Final Number of Shares to be Delivered, within the above maximum limit.

(5) Adjustments due to consolidation of shares or share split, etc.

If the total number of issued shares of the Company increases or decreases due to the consolidation of shares or stock split (including gratis allotment of shares; hereinafter the same) by the time of delivery or cash payment under the Plan, the number of shares for calculation of the Plan will be adjusted by multiplying the number of shares by the ratio of the consolidation of shares or stock split.

The Company has established a basic policy regarding the content of remuneration, etc. for individual Directors at the Board of Directors meeting held on February 24, 2021, and plans to amend the said policy to be in line with this proposal, subject to the approval of this proposal. This proposal is necessary and reasonable in order to grant individual remuneration to Directors in line with the said revised policy. In addition, as stated above, the Company deems the said shares to be granted to be reasonable, given that the amount to be paid in for the Company's common stock to be delivered is within a range that is not particularly advantageous and the dilution ratio is insignificant.

## **Proposal 6: Determination of remuneration for Directors who are Audit & Supervisory Committee Members under the Restricted Stock Unit (RSU) Plan**

The amount of remuneration for the Company's Directors who are Audit & Supervisory Committee Members has been approved at the 14th Annual General Meeting of Shareholders held on November 27, 2019 as an annual amount of no more than 50 million yen. The Company seeks the approval of shareholders for the introduction of the Restricted Stock Unit (RSU) Plan as a new stock-based compensation system for Directors who are Audit & Supervisory Committee Members (hereinafter "Eligible Directors"), within the framework of the above remuneration limit, for the purpose of providing them with incentives to maintain the credibility of the Company as well as preventing damage to its corporate value by sharing the same value as shareholders. The specific allocation to each Eligible Director will be determined by consultation among Directors who are Audit & Supervisory Committee Members.

The current number of Directors who are Audit & Supervisory Committee Members is three (3) (including three (3) Outside Directors). If Proposal No. 3 is approved as proposed, the number of Directors who are Audit & Supervisory Committee Members will be three (3) (including three (3) Outside Directors).

### 1. Overview of the Restricted Stock Unit (RSU) Plan

The Restricted Stock Unit Plan (hereinafter the "Plan") is a service-contingent remuneration plan in which a number of shares of the Company's common stock and cash, to be determined through consultation among Directors who are Audit & Supervisory Committee Members, will be delivered and paid without compensation to Eligible Directors after the expiration of a period between three (3) and five (5) years set by the Company's Board of Directors (hereinafter the "Calculation Period").

The Plan is designed so that the Company's common stock is issued after the Calculation Period, according to the achievement of service requirements, etc., and whether the common stock will be delivered to each Eligible Director has not yet been determined as of the time of introducing the Plan.

### 2. Details of remuneration, etc. under the Plan

#### (1) Calculation method of remuneration, etc. under the Plan

Under the Plan, the Company will determine the number of shares of the Company's common stock to be delivered to each Eligible Director (hereinafter the "Final Number of Shares to be Delivered") based on the number of shares set for each Eligible Director (hereinafter the "Base Number of Shares") and in accordance with the calculation method set forth below.

$$\text{Final Number of Shares Delivered (*1) (*2)} = \text{Base Number of Shares (*3)} \times \text{Service Period Ratio (*4)}$$

(\*1) From the viewpoint of securing funds for tax payment, Eligible Directors who wish to receive such funds shall be paid an amount equal to a portion of the Final Number of Shares to be Delivered (not more than 50% of the Final Number of Shares to be Delivered) multiplied by 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 each Board of Directors' meeting regarding the issuance of common stock or disposal of treasury stock under the Plan (if no trading is conducted on the same day, the closing price of the most recent trading day prior to the day; hereinafter the "Closing Price"). In addition, if the Final Number of Shares to be Delivered is likely to exceed the upper limit of remuneration, etc. under the Plan described in (2) below, the Final Number of Shares to be Delivered and the amount to be paid shall be reasonably adjusted to the extent that such upper limit is not exceeded.

(\*2) The Company may make reasonable adjustments in response to changes in the position of the Eligible Director during the Calculation Period.

(\*3) The Base Number of Shares shall be determined for each Eligible Director through consultation among Directors who are Audit & Supervisory Committee Members.

(\*4) The Service Period Ratio shall be determined through consultation among Directors who are Audit & Supervisory Committee Members (provided, however, that the ratio shall not exceed 1).

#### (2) Maximum amount of remuneration, etc. under the Plan

The total number of shares to be delivered by the Company to Eligible Directors under the Plan shall be no more than 60,000 shares (provided, however, if a stock split of the Company's common stock [including gratis allotment of the Company's common stock] or a reverse stock split of the Company's common stock is conducted after the date of approval of this proposal, or if any other event occurs that requires adjustment of the total number of the Company's common stock to be issued or disposed of, such total number shall be adjusted to a reasonable extent).

The total amount of the Company's common stock to be issued or disposed of and the total amount of money to be paid shall be within 20 million yen per annum. (Under the Plan, common stock will be issued or treasury stock will be disposed of as remuneration for the Company's Directors, and no money will be required to be paid in exchange for the offered shares, but the amount of remuneration for Eligible Directors will be calculated based on the Closing Price per share).

#### (3) Conditions for receiving remuneration, etc. under the Plan

Eligible Directors shall receive shares of the Company's common stock on the condition that they have continuously held the position of Director of the Company or any other position determined by the Board of Directors

during the Calculation Period. However, notwithstanding the foregoing, in the event that the Eligible Director loses their position as Director of the Company or any other position determined by the Board of Directors for any reason the Board of Directors deems justifiable during the Calculation Period, the Company may, by resolution of the Board of Directors, grant the Eligible Director a reasonably determined number of shares of common stock of the Company (or a reasonably determined amount of money in lieu of such shares) out of the Final Number of Shares to be Delivered, within the above maximum limit.

In addition, the right to receive remuneration under the Plan shall be forfeited in the event of certain misconduct as determined by the Company's Board of Directors.

(4) Treatment in organizational restructuring, etc.

Notwithstanding the provisions of (3) above, if, after the commencement of the Calculation Period, a merger agreement in which the Company becomes a merged company, a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, or any other matters relating to organizational restructuring are approved at the Company's General Meeting of Shareholders (provided, however, that in cases where such reorganization does not require the approval of the General Meeting of Shareholders, the Company's Board of Directors may approve such reorganization), the Company may, by resolution of its Board of Directors, grant a reasonably determined number of shares of its common stock (or a reasonably determined amount of money in lieu of such shares) out of the Final Number of Shares to be Delivered, within the above maximum limit.

(5) Adjustments due to consolidation of shares or share split, etc.

If the total number of issued shares of the Company increases or decreases due to the consolidation of shares or stock split (including gratis allotment of shares; hereinafter the same) by the time of delivery or cash payment under the Plan, the number of shares for calculation of the Plan will be adjusted by multiplying the number of shares by the ratio of the consolidation of shares or stock split.

**Proposal 7: Reduction of the amount of capital**

To ensure the flexibility and mobility of the Company's future capital policy, the Company proposes to reduce the amount of capital pursuant to the provisions of Article 447, Paragraph 1 of the Companies Act. The same amount as the amount of capital stock to be reduced as a result will be recorded in other capital surplus.

(1) Amount of capital to be reduced

58,932,500 yen

(2) Date on which the reduction in the amount of capital becomes effective

January 7, 2022