

Securities Code 2461

March 11, 2022

To Our Shareholders

1-1-8 Shibuya, Shibuya-ku, Tokyo  
FAN Communications, Inc.  
President Yasuyoshi Yanagisawa

## Invitation to Attend the 23rd Annual General Meeting of Shareholders

Thank you for your continued support and for the confidence you have placed in us.

We are pleased to inform you of the 23rd Annual General Meeting of Shareholders, which has been scheduled as follows.

Instead of attending the meeting in person, you may exercise your voting rights by any of the following methods. We ask that you exercise your voting rights after reviewing the Information Materials for the General Meeting of Shareholders.

[Exercising voting rights via postal mail]

Please indicate your approval or disapproval of the proposals on the enclosed shareholder voting form and return it by postal mail so that it arrives no later than Monday, March 28, 2022, at 6:00 p.m. (JST).

[Exercising voting rights via the Internet, etc.]

Please access the company's website for exercising voting rights (<https://www.web54.net>), enter the "Voting Rights Use Code" and "Password" displayed on the enclosed shareholder voting form, follow the on-screen instructions, and indicate your approval or disapproval of the proposals by Monday, March 28, 2022, at 6:00 p.m. (JST).

When exercising voting rights via the Internet, etc., please review "Guidelines for Exercising Voting Rights via the Internet, etc." on page 3.

We look forward to seeing you.

### Details

1. Date and Time: Tuesday, March 29, 2022, at 10:00 a.m. (JST) (The reception desk opens at 9:30 a.m.)
2. Venue: Shibuya Solasta 4F, 1-21-1 Dogenzaka, Shibuya-ku, Tokyo  
Shibuya Solasta Conference 4D

\*Please note that the venue has changed from last year.

3. Agenda
- Matters for reporting
    - 1. Business report, consolidated financial statements, and audit reports of the Accounting Auditors and the Audit and Supervisory Board concerning the consolidated financial statements for the 23rd business year (from January 1, 2021 to December 31, 2021)
    - 2. Non-consolidated financial statements for the 23rd business year (from January 1, 2021 to December 31, 2021)
  - Matters for resolution
    - Proposal No. 1: Appropriation of Retained Earnings
    - Proposal No. 2: Partial Change to Articles of Incorporation
    - Proposal No. 3: Election of Six Directors
    - Proposal No. 4: Election of One Audit and Supervisory Board Member
    - Proposal No. 5: Issuance of Share Acquisition Rights as Stock Options for the Directors, Operating Officers, and Employees of the Company as Well as the Directors and Employees of Subsidiaries

End of text.

Attending shareholders are requested to present the enclosed shareholder voting form on the day of the Meeting at the reception desk of the venue.

Of the documents to be provided in this invitation to attend the General Meeting of Shareholders, the following items are posted on the Company's website at (<https://www.fancs.com>) in accordance with laws and regulations and the provision of Article 13 of the Company's Articles of Incorporation (Japanese only).

(1) "Consolidated Statement of Changes in Equity" and "Notes to the Consolidated Financial Statements" for the consolidated financial statements

(2) "Non-Consolidated Statement of Changes in Equity" and "Notes to the Non-Consolidated Financial Statements" for the non-consolidated financial statements

Upon the Audit and Supervisory Board Members and Accounting Auditors drafting their respective audit reports, the audited consolidated financial statements and non-consolidated financial statements include the information of the "Consolidated Statement of Changes in Equity," "Notes to the Consolidated Financial Statements," "Non-Consolidated Statement of Changes in Equity," and "Notes to the Non-Consolidated Financial Statements" in addition to the information in this invitation to attend the General Meeting of Shareholders.

Any amendment to the Information Materials for the General Meeting of Shareholders, the business report, non-consolidated financial statements, and consolidated financial statements will be posted on the corporate website (<https://www.fancs.com>) of the Company.

## Guidelines for Exercising Voting Rights via the Internet, etc.

Please understand the following items upon exercising voting rights via the Internet, etc.

### 1. Website for exercising voting rights

You may exercise voting rights through the Internet only through the designated website for exercising voting rights below.

Address of website for exercising voting rights: <https://www.web54.net>

### 2. Exercising voting rights

(1) When exercising voting rights via the Internet, please use the "Voting Rights Use Code" and "Password" included in the enclosed shareholder voting form, follow the on-screen instructions, and indicate your approval or disapproval of the proposals.

(2) The deadline to exercising voting rights is Monday, March 28, 2022, at 6:00 p.m. (JST). Please exercise voting rights as early as possible.

(3) If you exercise voting rights both via postal mail and the Internet, the Company shall treat the vote through the Internet as valid. If you vote on the same items multiple times via the Internet, the Company shall treat the most recent vote as valid.

(4) The shareholder shall be responsible for all fees that may arise from accessing the website for exercising voting rights, including fees from telecommunications carriers and providers (connection fees).

### 3. Handling of Password and Voting Rights Use Code

(1) The Password is an important item of information used to confirm that the person voting is the shareholder. Please handle this information as carefully as personal seals and PIN numbers.

(2) The Password will be rendered unusable if it is mistakenly entered a certain number of times. When you wish to receive a new Password, please follow the on-screen instructions.

(3) The Voting Rights Use Code included in the shareholder voting form is only usable for this General Meeting of Shareholders.

4. Questions regarding use of computers and other devices

(1) If you are unsure how to operate a computer or other devices in order to exercise voting rights through the above website, please contact the following number.

Stock Transfer Agency Web Support Desk by Sumitomo Mitsui Trust Bank, Limited

[Phone] 0120 (652) 031 (hours of service: 9:00 a.m. to 9:00 p.m.)

(2) Please use the following number for other inquiries.

A. Shareholders with an account at a securities company

For shareholders who hold an account at a securities company, please send an inquiry to the securities company.

B. Shareholders without an account at a securities company (shareholders holding a special account)

Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Center

[Phone] 0120 (782) 031 (hours of service: 9:00 a.m. to 5:00 p.m. excluding Saturday, Sunday, and holidays)

5. Use of the Electronic Voting Platform (for institutional investors)

Institutional investors may also exercise their voting rights at this General Meeting of Shareholders via the Electronic Voting Platform operated by ICJ, Inc.

## Information Materials for the General Meeting of Shareholders

### Proposal No. 1: Appropriation of Retained Earnings

The following appropriation of retained earnings is proposed.

#### Matters concerning the year-end dividend

With regard to the year-end dividend for the 23rd business year, the following appropriation of retained earnings is proposed, with consideration given to the business results of the fiscal year under review, future business development, etc.

#### (1) Type of dividend funds

Cash

#### (2) Matters concerning the allocation of dividend funds and total amount

It is proposed to pay a dividend of ¥19 per share of common stock of the Company.

The total dividend amount under this proposal is ¥1,347,176,589.

#### (3) Date proposed for the dividend of retained earnings to take effect

March 30, 2022

## Proposal No. 2: Partial Change to Articles of Incorporation

### 1. Reasons for proposal

- (1) The Company will amend the Articles of Incorporation of the Company as follows to prepare for the introduction of the system of electronic provision of the Information Materials for the General Meeting of Shareholders, as the amended provisions stipulated in the proviso of Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) will come into effect on September 1, 2022.
  - (i) Article 13, paragraph (1) of the proposed change provides that the Company shall take measures to electronically provide information that is the content of the Information Materials for the General Meeting of Shareholders.
  - (ii) Article 13, paragraph (2) of the proposed change is to establish a provision to limit the scope of matters to be stated in the documents to be delivered to shareholders who have requested the delivery of documents.
  - (iii) The provision of Internet disclosure and deemed provision of the Information Materials for the General Meeting of Shareholders (Article 13 of the current Articles of Incorporation) will be deleted as they will become unnecessary.
  - (iv) In line with the establishment and deletion of the above, the Company will establish supplementary provisions regarding the effective date, etc.
- (2) In accordance with the Act Partially Amending the Act on Strengthening Industrial Competitiveness, etc. enacted on June 16, 2021, which newly permits the holding of General Meetings of Shareholders without a fixed place (so-called "virtual only" General Meetings of Shareholders), Article 14 of the Articles of Incorporation of the Company shall be amended and paragraph (2) shall be added. In addition, the proviso of paragraph (1) of Article 14 and the new paragraph (2) of the same Article of the Articles of Incorporation shall become effective as of the date on which the Company receives confirmation from the Minister of Economy, Trade and Industry and the Minister of Justice, as provided for in the Ordinance of the Ministry of Economy, Trade and Industry and the Ordinance of the Ministry of Justice, that, in addition to the resolution at this Annual General Meeting of Shareholders, a General Meeting of Shareholders without a fixed place by the Company meets the requirements specified by the Ordinance of the Ministry of Economy, Trade and Industry and the Ordinance of the Ministry of Justice as a case in which the Company contributes to strengthening industrial competitiveness while taking into consideration the interests of shareholders.

2. Details of changes

The details of the changes are as follows:

(The underlined parts indicate the changes.)

Current Articles of Incorporation	Proposed Change
<p><u>Article 13. (Internet Disclosure and Deemed Provision of the Information Materials for the General Meeting of Shareholders)</u>  <u>The Company may, upon convocation of a General Meeting of Shareholders, deem that it has provided information pertaining to the matters to be stated or indicated in the Information Materials for the General Meeting of Shareholders, Business Report, Non-Consolidated Financial Statements and Consolidated Financial Statements to the shareholders by disclosing such information by means of the Internet in accordance with the applicable Ordinance of the Ministry of Justice.</u></p>	<p>(Deletion)</p>
<p>(New)</p>	<p><u>Article 13. (Electronic Provision Measures, etc.)</u>  <u>1. The Company shall, upon convocation of a General Meeting of Shareholders, take measures to electronically provide information that is the content of the Information Materials for the General Meeting of Shareholders.</u>  <u>2. The Company shall not be required to include in the document to be delivered to the shareholder who has requested the delivery of the document all or part of the matters to be provided electronically that are specified in the applicable Ordinance of the Ministry of Justice.</u></p>
<p>Article 14. (Place of Convocation)  A General Meeting of Shareholders shall be convened at the place where the head office of the Company is located or at a place adjacent thereto, or in each ward of Tokyo.</p>	<p>Article 14. (Place of Convocation)  <u>1. A General Meeting of Shareholders shall be convened at the place where the head office of the Company is located or at a place adjacent thereto, or in each ward of Tokyo. However, this shall not apply if the General Meeting of Shareholders is to be a General Meeting of Shareholders without a fixed place pursuant to the following paragraph.</u>  <u>2. The Company may hold a General Meeting of Shareholders without a fixed place.</u></p>

Current Articles of Incorporation	Proposed Change
(New)	<p data-bbox="805 528 1054 555"><u>(Supplementary Provisions)</u></p> <p data-bbox="805 555 1219 875"><u>1. The deletion of Article 13 of the Articles of Incorporation before amendment (Internet Disclosure and Deemed Provision of the Information Materials for the General Meeting of Shareholders) and the establishment of Article 13 of the Articles of Incorporation after amendment (Electronic Provision Measures, etc.) shall be effective as of September 1, 2022 (hereinafter the "effective date"), which is the effective date of the amended provisions stipulated in the proviso of Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019).</u></p> <p data-bbox="805 875 1219 1014"><u>2. Notwithstanding the provisions of the preceding paragraph, Article 13 of the current Articles of Incorporation shall remain in force with respect to the General Meeting of Shareholders to be held on a date within 6 months from the effective date.</u></p> <p data-bbox="805 1014 1219 1196"><u>3. Paragraphs (1) to (3) of the Supplementary Provisions shall be deleted after the later of either the date on which six months have elapsed from the effective date or the date on which three months have elapsed from the date of the General Meeting of Shareholders set forth in the preceding paragraph.</u></p> <p data-bbox="805 1196 1219 1606"><u>4. The proviso of paragraph (1) of Article 14 and the new paragraph (2) of the same Article of the Articles of Incorporation after amendment shall become effective on the date on which the Company receives confirmation from the Minister of Economy, Trade and Industry and the Minister of Justice that the requirements specified in the Ordinance of the Ministry of Economy, Trade and Industry and the Ordinance of the Ministry of Justice have been met, as specified in the Ordinance of the Ministry of Economy, Trade and Industry and the Ordinance of the Ministry of Justice. This paragraph of the Supplementary Provisions shall be deleted after the effective date of the amendment to Article 14 of the Articles of Incorporation.</u></p>

3. Effectiveness of changes

Both Article 13 and Article 14 of the Articles of Incorporation shall become effective as of the date specified in the Supplementary Provisions.



Proposal No. 3: Election of Six Directors

The term of office of all six (6) Directors will expire upon the conclusion of this General Meeting of Shareholders. Therefore, the Company proposes the election of six (6) Directors.

The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company [Significant concurrent positions held]	Number of shares of the Company held
1	Re-election Yasuyoshi Yanagisawa (October 20, 1964)	Oct. 1999 Established the Company President (current position) (Position and responsibility in the Company) President In charge of Public Relations Office, Alliance Office, and IT Systems Department	27,783,600
2	Re-election Hiroshi Matsumoto (April 10, 1960)	Oct. 1999 Established the Company Director and Vice President (current position) (Position and responsibility in the Company) Director and Vice President	1,668,100
3	Re-election Koji Ninomiya (March 11, 1979)	Apr. 2004 Joined the Company Jan. 2011 General Manager of ADN Promotion in the MC Business Mar. 2012 General Manager of ADN Business Apr. 2013 Operating Officer (current position) Mar. 2015 Director (current position) (Position and responsibility in the Company) Director, Operating Officer General Manager of AD Platform Business and New Business Development Department, in charge of Communication Design Department and Recruiting Section [Significant concurrent positions held] Director of FAN Communications Global, Inc.	11,600
4	Re-election Takashi Yoshinaga (February 18, 1981)	Apr. 2005 Joined the Company July 2008 General Manager of New Development for A8 Business Oct. 2011 General Manager of A8 Business Apr. 2013 Operating Officer (current position) Mar. 2015 Director (current position) (Position and responsibility in the Company) Director, Operating Officer General Manager of A8 Business, A8 Business Sales Promotion Department No. 1, and A8 Business Sales Promotion Department No. 3, in charge of Business Development Department 1 [Significant concurrent positions held] Director of Seesaa Inc.	16,900

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company [Significant concurrent positions held]	Number of shares of the Company held
5	Re-election/Outside Director Kazusuke Obi (December 4, 1953)	<p>Sept. 1977 Joined Alfa Records Inc.</p> <p>Aug. 1988 Representative Director of Scitron &amp; Art Inc.</p> <p>Oct. 2002 Director of Digital Garage, Inc.</p> <p>July 2009 Executive Officer of Google LLC</p> <p>Dec. 2012 Regional Director, Japan of InMobi Japan Inc.</p> <p>Oct. 2015 Representative Director, Partner of Link Asia Capital K.K. (current position)</p> <p>Mar. 2017 Outside Auditor of Inbound Tech Inc. (current position)</p> <p>Nov. 2017 Representative Director of Cross Locations Inc. (current position)</p> <p>Mar. 2018 Outside Director of the Company (current position)</p> <p>June 2018 Outside Director of Future Venture Capital Co., Ltd. (current position)</p> <p>June 2018 Outside Director of infoNet inc. (current position)</p> <p>(Position and responsibility in the Company) Outside Director</p> <p>[Significant concurrent positions held] Representative Director and Partner of Link Asia Capital K.K. Outside Auditor of Inbound Tech Inc. Representative Director of Cross Locations Inc. Outside Director of Future Venture Capital Co., Ltd. Outside Director of infoNet inc.</p>	100

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company [Significant concurrent positions held]	Number of shares of the Company held
6	Re-election/Outside director Satoshi Hoyano (January 11, 1962)	Apr. 1984 Joined Fuji Xerox Co., Ltd. Apr. 2000 Joined Livin' on the EDGE Co., Ltd. (currently LINE Corporation) Mar. 2003 Director of ex-marketing INC. Nov. 2004 Director of ValueClick Japan, Inc. Jan. 2006 Director of Cecile Co., Ltd. Feb. 2006 President of livedoor Marketing Inc. July 2008 President of So-net Media Networks Corporation (currently SMN Corporation) Nov. 2014 Representative Director of Horn Inc. (current position) Mar. 2018 Outside Director of the Company (current position) Nov. 2018 Chairman and Representative Director of GuideDent Co., Ltd. (Position and responsibility in the Company) Outside Director [Significant concurrent positions held] Representative Director of Horn Inc.	10,000

- Notes: 1. There is no special interest between the candidates for Director and the Company.
2. Kazusuke Obi and Satoshi Hoyano are candidates for outside Director.
3. The Company nominated Kazusuke Obi and Satoshi Hoyano as candidates for outside Director because it expects that their wealth of managerial experience and vast knowledge will be reflected in the management of the Company. Both candidates for outside Director possess both expert knowledge of Internet advertising and excellent track records of success in management. The Company expects that they will facilitate the advancement of the management of the Company. Therefore, the Company determined that they will properly carry out the role of outside Director.
4. Kazusuke Obi and Satoshi Hoyano have served as outside Directors of the Company since March 2018, making their tenure four (4) years at the conclusion of this General Meeting of Shareholders.
5. Based on the provisions of Article 427, paragraph (1) of the Companies Act, the Company has signed an agreement with Kazusuke Obi and Satoshi Hoyano to limit liability under Article 423, paragraph (1) of the Companies Act. If they are re-elected, these agreements will be renewed. The limit amount under the indemnity liability based on the subject agreement will be the statutorily stipulated minimum liability limit amount. However, the said limitation of liability will be available only if in the execution of the

task giving rise to the subject liability due professional care has been exercised and no gross negligence has occurred.

6. The company designates Kazusuke Obi and Satoshi Hoyano as independent officers as defined by the stipulations of the Tokyo Stock Exchange and has submitted documentation to that effect to this exchange. If this proposal is approved, the Company plans to continue to designate both as independent officers.
7. The Company has signed a liability insurance agreement for executives with an insurance company as set forth in Article 430-3, paragraph (1) of the Companies Act. This insurance covers the legal damages and costs of disputes that the insured would incur were a claim for damages to be made in relation to acts performed based on their position with the Company. It applies to Directors and Audit and Supervisory Board Members of the Company, and the full amount of the premiums for all of the insureds is borne by the Company based on the resolution passed at the meeting of the Board of Directors held on November 18, 2021. The insurance policy is scheduled to be renewed with the same contents at the next renewal.

Proposal No. 4: Election of One Audit and Supervisory Board Member

The term of office for Audit and Supervisory Board Member Shuji Idesawa will expire at the conclusion of this General Meeting of Shareholders. Therefore, the Company proposes the election of one (1) Audit and Supervisory Board Member.

This proposal has received the approval of the Audit and Supervisory Board.

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

Name (Date of birth)	Career summary, position in the Company [Significant concurrent positions held]	Number of shares of the Company held
New appointment Tokiko Maruno (July 21, 1973)	Oct. 2002 Registered as lawyer (Dai- Ichi Tokyo Bar Association) Oct. 2002 Joined Idesawa & Partners (current position) Nov. 2016 Outside Auditor of CHIIKISHINBUNSHA CO., LTD. (current position) June 2017 Outside Auditor of NICHIRYOKU Co., Ltd. June 2019 Outside Auditor of RAITO KOGYO CO., LTD. (current position)  [Significant concurrent positions held] Idesawa & Partners (lawyer) Outside Auditor of CHIIKISHINBUNSHA CO., LTD. Outside Auditor of RAITO KOGYO CO., LTD.	0

- Notes: 1. There is no special interest between the candidate for Audit and Supervisory Board Member and the Company.
2. Tokiko Maruno is a candidate for outside Audit and Supervisory Board Member.
3. The Company nominated Tokiko Maruno as a candidate for outside Audit and Supervisory Board Member because it expects that her high-level professional knowledge as an attorney at law will be reflected in the auditing of the Company. She has not been involved in the management of a company aside for serving as an outside officer in the past, however, the Company determined that she would properly carry out the role of outside Audit and Supervisory Board Member due to the reasons above.
4. Based on the provisions of Article 427, paragraph (1) of the Companies Act, the Company plans to sign an agreement with Tokiko Maruno to limit liability under Article 423, paragraph (1) of the Companies Act. The limit amount under the indemnity liability based on the subject agreement will be the statutorily stipulated minimum liability limit amount. However, the said limitation of liability will be available only if in

the execution of the task giving rise to the subject liability due professional care has been exercised and no gross negligence has occurred.

5. If this proposal is approved, the Company will designate Tokiko Maruno as an independent officer as defined by the stipulations of the Tokyo Stock Exchange and plans to submit documentation to that effect to this exchange.
6. The Company has signed a liability insurance agreement for executives with an insurance company as set forth in Article 430-3, paragraph (1) of the Companies Act. This insurance covers the legal damages and costs of disputes that the insured would incur were a claim for damages to be made in relation to acts performed based on their position with the Company. The insured of the said liability insurance policy for officers are the Directors and Audit and Supervisory Board Members of the Company, and if this proposal is approved, Tokiko Maruno will be included in the insured. The full amount of the premiums for all of the insureds is borne by the Company based on the resolution passed at the meeting of the Board of Directors held on November 18, 2021. The insurance policy is scheduled to be renewed with the same contents at the next renewal.

(Reference)

Skill matrix for the Board of Directors after the General Meeting of Shareholders

The skill matrix of the Board of Directors in the event that the candidates described in this notice are elected as originally proposed is as follows.

Name	Position in the Company	Corporate management	Industry knowledge	Sales and marketing	New business development	Finance and accounting	Legal and risk management
Yasuyoshi Yanagisawa	Representative Director	●	●	●	●		
Hiroshi Matsumoto	Director	●	●	●	●		
Koji Ninomiya	Director	●	●	●	●		
Takashi Yoshinaga	Director	●	●	●			
Kazusuke Obi	Outside Director	●	●	●			
Satoshi Hoyano	Outside Director	●	●	●			
Yukimitsu Sunohara	Full-time Audit and Supervisory Board Member	●					
Kenji Kakimoto	Outside Audit and Supervisory Board Member					●	
Tokiko Maruno	Outside Audit and Supervisory Board Member						●

Proposal 5: Issuance of Share Acquisition Rights as Stock Options for the Directors, Operating Officers, and Employees of the Company as Well as the Directors and Employees of Subsidiaries

It is proposed based on the stipulations of Articles 236, 238, and 239 of the Companies Act, to issue in accordance with the summary stated below, share acquisition rights as stock options for the Directors (excluding outside Directors), Operating Officers, and employees of the Company as well as the Directors and employees of subsidiaries, with the determination of matters concerning the subscription to the said share acquisition rights to be committed to the discretion of the Board of Directors.

Additionally, based on the stipulations of Article 361 of the Companies Act, this proposal is proposed to issue share acquisition rights within an annual range of ¥90,000 thousand as stock options as stated above as remuneration, etc., for Directors (excluding outside Directors) of the Company.

1. Proposal outline

(1) Reasons for the necessity to offer share acquisition rights at preferential conditions

It is proposed to issue share acquisition rights for no consideration as stock options for Directors (excluding outside Directors), Operating Officers, and employees of the Company as well as the Directors and employees of subsidiaries in order to heighten motivation and morale with respect to enhancing the business results of the Company.

(2) Issuance of share acquisition rights as remuneration, etc. for Directors of the Company (excluding outside Directors)

Remunerations within an annual range of ¥300,000 thousand (excluding employee allowances for employees serving as Directors) for Directors of the Company (excluding outside Directors) were approved at the 16th Annual General Meeting of Shareholders held on March 26, 2015. In addition to the said remunerations, it is proposed to issue share acquisition rights as stock options within an annual range of ¥90,000 thousand.

The amount of share acquisition rights proposed for issuance for Directors (excluding outside Directors) of the Company corresponds to the fair value per share acquisition right calculated on the allotment date of the share acquisition rights (to be calculated using the Black-Scholes model) multiplied by the total number of share acquisition rights issued for the Directors of the Company incumbent on the allotment date.

There are currently six (6) Directors (two [2] of which are outside Directors), and the number will remain six (6) (two [2] of which will be outside Directors) if Proposal No. 3 is approved.



### (3) Policy on Director compensation

The Company has a compensation system that is linked to shareholder profits so as to sufficiently function as an incentive to work toward continuous improvement of corporate value. The basic policy of the Company is to set compensation for individual Directors at an appropriate level based on their responsibilities. Compensation is comprised of “basic compensation” as monetary compensation and “stock compensation” as non-monetary compensation. Outside Directors with supervisory functions are only paid basic compensation based on their job description. The policy for determining each compensation is as follows:

- (i) Basic compensation is fixed monthly compensation. It is determined by the Compensation Advisory Committee based on a comprehensive consideration of various factors according to position and responsibilities, including the levels paid at other companies, the Company’s performance, and the level of employee salaries.
- (ii) Stock compensation is paid for the purpose of increasing motivation and morale with respect to improving the Company’s performance. Share acquisition rights are allocated as stock options, and the upper limit is determined by resolution at the General Meeting of Shareholders. The Compensation Advisory Committee determines the amount allocated to individual Directors based on a comprehensive consideration of various factors according to position and responsibilities, including the levels paid at other companies, the Company’s performance, the level of employee salaries, and the number of shares already owned. Stock compensation is weighted toward Directors that actually execute operations.

## 2. Outline of the share acquisition rights

### (1) Persons eligible to be allotted share acquisition rights

Directors (excluding outside Directors), Operating officers, and employees of the Company as well as Directors and employees of subsidiaries

### (2) Share classes and number of shares underlying the share acquisition rights

Shares of common stock of the Company up to a maximum limit of 100,000 shares. The maximum number of share acquisition rights to be allotted to Directors (excluding outside Directors) of the Company is 100,000 shares of common Company stock.

Notably, in case of a split or reverse split of the shares of the Company, the number of shares under the share acquisition rights shall be adjusted according to the following formula. However, such adjustment shall be made only with respect to the number of shares underlying unexercised share acquisition rights at that time. Fractions of one share resulting from the adjustment will be truncated.

Number of shares after adjustment = Number of shares before adjustment x Split ratio/Reverse-split ratio

Moreover, in case of a corporate merger of the Company with a different entity, a corporate split-off of the Company, or the Company is made a fully-owned subsidiary of a different entity through a share exchange or share transfer, respectively assuming succession to the share acquisition rights after such an event, adjustments to the number of shares will be made as found necessary by resolution of the Board of Directors.

(3) The total number of share acquisition rights

Limited to 1,000 share acquisition rights. Out of this number, share acquisition rights for allotment to Directors (excluding outside Directors) of the Company shall be limited to a maximum of 1,000 share acquisition rights.

(The number of shares underlying one share acquisition right shall be 100 shares. However, in case of an adjustment pursuant to item (2), the same adjustment shall apply.)

(4) Amount payable for share acquisition rights

The share acquisition rights shall be issued for no consideration.

(5) Exercise price of the share acquisition rights

The amount payable per one share acquisition right at exercise shall correspond to the amount to be determined as set out below that is payable per share of stock underlying the share acquisition rights ("Exercise Price"), multiplied by the number shares of stock underlying one share acquisition right as determined in item (3).

The exercise price shall be the average of the closing prices of shares of common stocks of the Company observed in trading on a financial instruments exchange on each day (excluding days on which no trading contracts are concluded) of the month prior to the month that contains the date of issuance of the share acquisition rights, multiplied by 1.05 (fractions of a yen shall be rounded up to one yen).

However, if the said amount is lower than the closing price on the issuance date of the share acquisition rights (if no closing price is posted on the subject date, the closing price on the nearest previous date), the closing price on the issuance date of the share acquisition right shall be the exercise price. The total annual amount of the issue price of new shares or the transfer price of shares for exercising share acquisition rights (total amount exercised including other share acquisition rights) shall not exceed ¥12 million.

Notably, in case of a split or reverse split of the shares of stock of the Company on or after the issuance date, the exercise price will be adjusted according to the following formula. Fractions of one yen resulting from the adjustment will be rounded up to one yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Split ratio/Reverse-split ratio}}$$

Furthermore, if the Company issues new shares of stock or disposes of treasury stock (excluding disposal due to exercise of share acquisition rights) at a price below market price, the exercise price will be adjusted according to the following formula. Fractions of one yen resulting from the adjustment will be rounded up to one yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares outstanding} + \frac{\text{Number of shares newly issued} \times \text{Subscription price payable per share}}{\text{Price per share before issuance of new shares}}}{\text{Number of shares outstanding} + \text{Number of shares newly issued}}$$

For the purposes of the above formula, "Number of shares outstanding" shall mean the number of shares of common stock of the Company issued on the day before the exercise price after adjustment is applied less the number of shares of common stock of the Company held as treasury stock by the Company on that day. If the Company disposes of treasury stock and an adjustment is made, "Number of shares newly issued" shall be read down to "Number of disposed treasury stock."

Moreover, in case of a corporate merger of the Company with a different entity, a corporate split-off of the Company, or the Company is made a fully-owned subsidiary of a different entity through a share exchange or share transfer, respectively assuming succession to the share acquisition rights after such an event, adjustments to the exercise price will be made as found necessary by resolution of the Board of Directors.

(6) Exercise period of the share acquisition rights

The exercise period of the share acquisition rights shall continue for four years, beginning at the start of the month next after the day that marks the passage of three years after the allotment date of the share acquisition rights.

(7) Conditions for exercise of the share acquisition rights

(i) Persons who have share acquisition rights allotted to them (hereinafter "Share Acquisition Right Allottees") must at the time of the share acquisition right exercise hold a position as Director, Operating Officer, Audit and Supervisory Board Member, or employee of the Company or a subsidiary or affiliate of the Company. However, the above condition is not applicable when a legitimate reason for non-application exists in the judgment of the Board of Directors.

(ii) Other conditions are prescribed in the "Share Acquisition Right Grant Agreement" to be concluded between the Company and a Share Acquisition Right Allottee based on the resolutions of this General Meeting of Shareholders and the Board of Directors.

(8) Reasons and conditions for acquisition of share acquisition rights

If a Share Acquisition Right Allottee is rendered unable to exercise share acquisition rights due to the loss of position as Director, Operating Officer, Audit and Supervisory Board Member, or employee of the Company or a subsidiary or affiliate of the Company, the Company shall be able to recover free of charge the subject share acquisition rights from such Share Acquisition Right Allottee.

(9) Matters concerning increases in capital and capital reserves in case of share issuance associated with the exercise of share acquisition rights

(i) The increase in the amount of capital due to the issuance of shares associated with the exercise of share acquisition rights shall correspond to one-half of the capital, etc., increase limit amount calculated in accordance with Article 17, paragraph (1), of the Regulation on Corporate Accounting. Fractions of one yen resulting from the calculation shall be rounded up to one yen.

(ii) The increase in the amounts of capital or capital reserves in case of issuance of shares associated with the exercise of share acquisition rights shall correspond to the balance of the capital, etc., increase limit amount stated in item (i) above less the capital increase amount stated in item (i) above.

(10) Restrictions on the acquisition of share acquisition rights by assignment

Acquisition of share acquisition rights by assignment shall require the approval of the Board of Directors of the Company.

(11) Truncation of fractional shares resulting from share acquisition right issuance

Fractions of a share associated with the number of shares deliverable to Share Acquisition Right Allottees shall be truncated.

(12) Handling in case of reorganization

If the Company merges (limited to cases wherein the Company becomes a non-surviving company), conducts an absorption-type split or an incorporation-type split, or conducts a share exchange or share transfer (collectively "Reorganization"), share acquisition rights of a corporation described in Article 236, paragraph (1), items (viii) (a) through (e) of the Companies Act (hereinafter the "Reorganized Company") shall be granted to Share Acquisition Right Allottees holding share acquisition rights that remain unexercised (hereinafter "Remaining Share Acquisition Rights") immediately before the date when the Reorganization takes effect based on the following conditions. In such a case, the Company shall be able to recover Remaining Share Acquisition Rights free of charge, and share acquisition rights of the Reorganized Company shall be newly issued. However, this shall be limited to cases where issuance of share acquisition rights of the Reorganized Company in accordance with the conditions below is set forth in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type demerger agreement, incorporation-type demerger plan, share exchange agreement or share transfer plan (hereinafter "Reorganization Agreement, etc."), and in the event that the provisions of the Reorganization Agreement, etc. differ from the provisions below, the provisions of the Reorganization Agreement, etc. shall take precedence.

(i) Number of share acquisition rights to be delivered of the Reorganized Company

Numbers shall match the respective numbers of the Remaining Share Acquisition Rights held by the Share Acquisition Right Allottees.

(ii) Share types of the Reorganized Company underlying the share acquisition rights

Shares of common stock of the Reorganized Company.

(iii) Number of shares of the Reorganized Company underlying the share acquisition rights

To be determined in accordance with item (2) above with consideration of the terms, etc. of Reorganization.

(iv) Exercise price to be paid at exercise of share acquisition rights

To be determined in accordance with item (5) above with consideration of the terms, etc., of Reorganization.

(v) Exercise period of share acquisition rights

The period from the later of the start date of the exercise period for Remaining Share Acquisition Rights prescribed in item (6) above and the effective date of the Reorganization, until the last day of the exercise period for Remaining Share Acquisition Rights prescribed in item (6) above.

(vi) Matters concerning increases in capital and capital reserves in case of share issuance associated with the exercise of share acquisition rights

To be determined in accordance with item (9) above.

(vii) Restrictions on the acquisition of share acquisition rights by assignment

Acquisition of share acquisition rights by assignment shall require the approval of the Reorganized Company.

(viii) Reasons and conditions for acquisition of share acquisition rights

To be determined in accordance with item (8) above.

(ix) Other conditions concerning the exercise of share acquisition rights

To be determined in accordance with item (7) above.

(13) Other features of the share acquisition rights

As to other features of the share acquisition rights, matters concerning subscription to the share acquisition rights are determined by the Board of Directors.

End of text.