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Securities identification code: 6859
June 1, 2022

To our shareholders:

Satoshi Arata
Representative Director and President
ESPEC CORP.
3-5-6 Tenjinbashi, Kita-ku, Osaka

NOTICE OF THE 69TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are hereby notified of the 69th Ordinary General Meeting of Shareholders of ESPEC CORP. (the “Company”), which will be held as described below.

To prevent the spread of the novel coronavirus disease (COVID-19), to the extent possible we request that all shareholders exercise their voting rights in advance via postal mail or the Internet, etc.

1. Date and Time: Thursday, June 23, 2022 at 10:00 a.m. (Japan Standard Time)

2. Venue: Yae Room 5th floor, Imperial Hotel, Osaka
1-8-50 Temmabashi, Kita-ku, Osaka

3. Purposes:

Items to be reported:

1. Business Report and Consolidated Financial Statements for the 69th Term (from April 1, 2021 to March 31, 2022), as well as the results of audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the 69th Term (from April 1, 2021 to March 31, 2022)

Items to be resolved:

- Proposal 1:** Appropriation of surplus
- Proposal 2:** Partial amendments to the Articles of Incorporation
- Proposal 3:** Election of seven (7) Directors (excluding Directors who are Audit & Supervisory Committee Members)
- Proposal 4:** Election of three (3) Directors who are Audit & Supervisory Committee Members
- Proposal 5:** Election of one (1) Substitute Director who is an Audit & Supervisory Committee member
- Proposal 6:** Determination of amount of monetary remuneration of Directors (excluding Directors who are Audit & Supervisory Committee Members)
- Proposal 7:** Determination of amount of monetary remuneration of Directors who are Audit & Supervisory Committee Members
- Proposal 8:** Determination of amount and details of remuneration related to a performance-linked share-based remuneration system for Directors, etc. (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members)

Reference Documents for the General Meeting of Shareholders

Proposals and Reference Matters

Proposal 1 | Appropriation of surplus

In addition to recognizing that returning profits to our shareholders is one of our major management challenges, the Company also considers increased shareholder value to be rooted in the perpetual expansion of corporate value, and as such makes it its basic policy to set dividends in light of continuity and dividend payout ratio.

Based on the basic policy described above, the Company would like to set the year-end dividends as follows:

Matters related to year-end dividends

(1) Allocation of dividend property and total amount thereof

42 yen per common share of the Company

Total amount of dividends: 947,081,016 yen

Further, the Company paid an interim dividend of 18 yen, so the dividend for the entire fiscal year is 60 yen per share.

(2) Effective date of distribution of dividends of surplus

June 24, 2022

1. Reasons for the amendments

- (1) The Company has long been working to strengthen its corporate governance, aiming to achieve sustainable growth and improve its corporate value over the medium to long term. Seeking to enhance deliberations in the Board of Directors meetings and further strengthen the Board of Directors' supervisory functions, the Company has now decided to transition to a Company with Audit & Supervisory Committee. Under this structure, directors who are Audit & Supervisory Committee Members hold voting rights in the Board of Directors. The amendments will add provisions related to the Audit & Supervisory Committee and Audit & Supervisory Committee Members, and will delete provisions regarding Corporate Auditors and the Board of Corporate Auditors, etc.

Furthermore, in light of the current situation of the Company and a management structure expected in the future, the Company proposes to make changes to Article 25 of its current Articles of Incorporation to clarify positions of Directors, etc.

- (2) In accordance with the September 1, 2022, enforcement of the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019), the amendments will add Article 16 (Measures, etc. for Providing Information in Electronic Format) of the proposed amendments and will delete the current Article 16(Online Disclosure of Reference Documents, etc. for shareholders meeting) which will be made unnecessary in the Articles of Incorporation, in order to prepare for the introduction of a system for electronic provision of reference documents for general meetings of shareholders. In accordance with the addition or deletion of the relevant provisions, supplementary provisions regarding effective date, etc. will be added.
- (3) The amendments will change the number of Articles, will amend wording, and will make other necessary changes associated with the aforementioned additions, changes, and deletions involving the text of Articles.

2. Details of the amendments

Details of the amendments are as follows. (Underlined portions indicates changes.)

The amendments to the Articles of Incorporation will enter into effect at the conclusion of this Ordinary General Meeting of Shareholders. (However, the time at which addition/deletions of provisions pertaining to 1. (2) above enter into effect will be in accordance with the provisions of Article 1 of the Supplementary Provisions of the proposed amendments.)

Current Articles of Incorporation	Proposed amendments
Article 1 through Article 14 (Omitted)	Article 1 through Article 14 (Unchanged)
<p>Article 15 (Convener and Chair)</p> <p>Except as otherwise provided in laws and regulations, a shareholders meeting shall be convened and presided over by <u>the president & director based on a resolution of the board of directors.</u></p> <p>(2) In the event that the <u>president & director</u> is unable to perform the above duty, one of the other directors shall preside over the meeting according to the order prescribed by the board of directors in advance.</p>	<p>Article 15 (Convener and Chair)</p> <p>Except as otherwise provided in laws and regulations, a shareholders meeting shall be convened and presided over by <u>the representative director stipulated by the board of directors.</u></p> <p>(2) <u>In the event that the representative director</u> specified in the preceding paragraph is unable to perform the above duty, one of the other directors shall preside over the meeting according to the order prescribed in advance by the board of directors.</p>
<p><u>Article 16 (Online Disclosure of Reference Documents, etc. for shareholders meeting)</u></p> <p><u>In convening a shareholders meeting, the Company may provide information on matters to be stated or presented in the reference documents for the shareholders meeting, business reports, financial statements, and consolidated financial statements by disclosure using the Internet in accordance with applicable laws and regulations.</u></p> <p>(Addition)</p>	<p>(Deletion)</p>
<p>Article 17 through Article 19 (Omitted)</p> <p>Article 20 (Minutes of Meeting)</p> <p>The proceedings of shareholders meetings shall be entered in writing or an electromagnetic record in accordance with applicable laws and regulations, <u>and the chair and the directors and corporate auditors present shall sign or affix their names and seals, or electronic signatures.</u></p>	<p><u>Article 16 (Measures, etc. for Providing Information in Electronic Format)</u></p> <p><u>When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.</u></p> <p>(2) <u>Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p> <p>Article 17 through Article 19 (Unchanged)</p>
<p>Article 21 (Omitted)</p> <p>Article 22 (Number)</p> <p>The Company shall have eight (8) or fewer directors.</p> <p>(Addition)</p>	<p>Article 20 (Minutes of Meeting)</p> <p>The proceedings of shareholders meetings <u>shall be prepared</u> in writing or an electromagnetic record in accordance with applicable laws and regulations.</p> <p>Article 21 (Unchanged)</p> <p>Article 22 (Number)</p> <p>The number of directors <u>(excluding those who are audit & supervisory Committee Members)</u> of the Company shall be eight (8) or fewer.</p> <p>(2) <u>The number of directors who are members of the audit & supervisory committee of the Company shall be four (4) or fewer.</u></p>
<p>Article 23 (Election)</p> <p>The directors shall be elected by a resolution of the shareholders meeting, and such resolution shall be put to a vote at a meeting attended by one third (1/3) or more of the voting rights held by shareholders entitled to exercise their voting rights and adopted by a majority of such voting rights.</p> <p>(2) (Article text omitted)</p>	<p>Article 23 (Election)</p> <p><u>With directors who are audit & supervisory Committee Members distinguished from other directors,</u> the directors shall be elected by a resolution of the shareholders meeting, and such resolution shall be put to a vote at a meeting attended by one third (1/3) or more of the voting rights held by shareholders entitled to exercise their voting rights and adopted by a majority of such voting rights.</p> <p>(2) (Unchanged)</p>

Current Articles of Incorporation	Proposed amendments
<p>Article 24 (Term of Office)</p> <p>The term of office of directors shall be until the closing of the annual shareholders meeting pertaining to the last business year ending within one (1) year following the election thereof.</p> <p style="text-align: center;">(Addition)</p> <p>(2) <u>The term of office of any director elected to fill a vacancy or a newly created office shall be until the expiration of the term of office of the other directors currently in office or the relevant directors who have resigned.</u></p> <p style="text-align: center;">(Addition)</p> <p style="text-align: center;">(Addition)</p>	<p>Article 24 (Term of Office)</p> <p>The term of office of directors <u>(excluding those who are audit & supervisory Committee Members)</u> shall be until the closing of the annual shareholders meeting pertaining to the last business year ending within one (1) year following the appointment thereof.</p> <p>(2) <u>The term of office of directors who are audit & supervisory Committee Members shall be until the closing of the annual shareholders meeting pertaining to the last business year ending within two (2) years following the appointment thereof.</u></p> <p style="text-align: center;">(Deletion)</p> <p>(3) <u>The term of office of a director who are an audit & supervisory committee member and who was elected as a substitute for a resigned director who are an audit & supervisory committee member shall be until the expiration of the term of office of the resigned director who are an audit & supervisory committee member.</u></p> <p>(4) <u>The validity of the provisional election of a director who are a substitute audit & supervisory Committee Members shall be until the start of the annual shareholders meeting pertaining to the last business year ending within two (2) years following the shareholders meeting at which the appointment was made.</u></p>
<p>Article 25 (Representative Director and <u>Directors Holding Managerial Positions</u>)</p> <p>The board of directors shall appoint a representative director by its resolution.</p> <p>(2) (Omitted)</p> <p>(3) The board of directors may appoint one (1) president & <u>director, as well as a few senior managing directors and managing directors</u> by its resolution.</p>	<p>Article 25 (Representative Director and <u>President</u>)</p> <p>Representative directors will be appointed <u>from among directors (excluding those who are audit & supervisory Committee Members)</u> by resolution of the board of directors.</p> <p>(2) (Unchanged)</p> <p>(3) One (1) president may be appointed from among <u>directors (excluding those who are audit & supervisory Committee Members)</u> by resolution of the board of directors.</p>
<p>Article 26 (Convocation Notice of Board of Directors Meeting)</p> <p>The convocation notice of a board of directors meeting shall be given to each director <u>and corporate auditor</u> no later than three (3) days prior to the date set for such meeting; provided, however, that this period may be shortened in case of emergency.</p> <p>(2) When all the directors <u>and corporate auditors</u> agree, a board of directors meeting may be held without the convocation procedure.</p>	<p>Article 26 (Convocation Notice of Board of Directors Meeting)</p> <p>The convocation notice of a board of directors meeting shall be given to each director no later than three (3) days prior to the date set for such meeting; provided, however, that this period may be shortened in case of emergency.</p> <p>(2) When all directors agree, a board of directors meeting may be held without going through the convocation procedure.</p>
<p>Article 27 (Omitted)</p> <p style="text-align: center;">(Addition)</p>	<p>Article 27 (Unchanged)</p> <p><u>Article 28 (Delegation of Important Decisions on the Execution of Business)</u></p> <p><u>Pursuant to the provisions of Article 399-13(6) of the Companies Act, the Company may, by resolution of the board of directors, delegate to directors some or all important decisions on the execution of business (excluding matters listed in the items of paragraph (5) of the same Article).</u></p>
<p>Article 28 (Method of Resolution of Board of Directors)</p> <p style="text-align: center;">(Omitted)</p> <p>(2) If all of the directors (limited to the directors who are entitled to participate in the vote on the relevant matter) have agreed on a matter to be resolved by the board of directors in writing or an electromagnetic record, the Company shall deem that the board of directors has passed a resolution approving such matter; provided, <u>however, that this shall not apply in cases where any corporate auditor raises an objection to the method of such resolution.</u></p>	<p>Article 29 (Method of Resolution of Board of Directors)</p> <p style="text-align: center;">(Unchanged)</p> <p>(2) If all of the directors (limited to the directors who are entitled to participate in the vote on the relevant matter) have agreed on a matter to be resolved by the board of directors in writing or an electromagnetic record, the Company shall deem that the board of directors has passed a resolution approving such matter.</p>

Current Articles of Incorporation	Proposed amendments
<p>Article <u>29</u> (Minutes of Board of Directors Meeting) The proceedings of the board of directors meetings shall be entered in writing or an electromagnetic record in accordance with applicable laws and regulations, and the directors <u>and corporate auditors</u> present shall sign or affix their names and seals, or electronic signatures.</p>	<p>Article <u>30</u> (Minutes of Board of Directors Meeting) The <u>proceedings of</u> the board of directors meetings shall be entered in writing or in an electromagnetic record in accordance with applicable laws and regulations, and the directors present shall sign or affix their names and seals, or electronic signatures.</p>
<p>(2) (Omitted)</p>	<p>(2) (Unchanged)</p>
<p>Article <u>30</u> (Omitted)</p>	<p>Article <u>31</u> (Unchanged)</p>
<p>Article <u>31</u> (Remuneration, etc.) The remuneration, bonuses, retirement benefits, and any other property benefits receivable by directors from the Company as a consideration for the execution of duties shall be determined by a resolution of the shareholders meeting.</p>	<p>Article <u>32</u> (Remuneration, etc.) The remuneration, bonuses, retirement benefits, and any other property benefits receivable by directors from the Company as consideration for the execution of duties (<u>hereinafter "remuneration, etc."</u>) shall be determined by resolution of a shareholders meeting, <u>with directors who are audit & supervisory Committee Members distinguished from other directors.</u></p>
<p>Article <u>32</u> (Liability Limitation Agreement with Outside Director) The Company may, pursuant to the provision of Article 427(1) of the Companies Act, make an agreement with outside directors for limiting their liability for damages <u>arising from neglect of their duties</u>; provided, however, that the limit of liability for damages under such agreement shall be the "Minimum Liability Amount" as defined in Article 425(1) of the Companies Act.</p>	<p>Article <u>33</u> (Liability Limitation Agreement with Outside Director) The Company may, pursuant to the provisions of Article 427(1) of the Companies Act, make an agreement with outside directors limiting their liability for damages <u>pursuant to Article 423(1) of the Companies Act</u>; provided, however, that the limit of liability for damages under such agreement shall be the "Minimum Liability Amount" as defined in Article 425(1) of the Companies Act.</p>
<p><u>Chapter 5 Corporate Auditors and Board of Corporate Auditors</u></p>	<p>(Deletion)</p>
<p>Article <u>33</u> (Establishment of Corporate Auditors and Board of Corporate Auditors) <u>The Company shall have corporate auditors and a board of corporate auditors.</u></p>	<p>(Deletion)</p>
<p>Article <u>34</u> (Number) <u>The Company shall have four (4) or fewer corporate auditors.</u></p>	<p>(Deletion)</p>
<p>Article <u>35</u> (Election) <u>The corporate auditors shall be elected by a resolution of the shareholders meeting, and such resolution shall be adopted by a majority of the voting rights held by the shareholders present at the meeting where the shareholders holding one third (1/3) or more of the voting rights of the shareholders entitled to exercise their voting rights at such shareholders meeting are present.</u></p>	<p>(Deletion)</p>
<p>Article <u>36</u> (Term of Office) <u>The term of office of the corporate auditors shall be until the closing of the annual shareholders meeting pertaining to the last business year ending within four (4) years following the election thereof.</u> (2) <u>The term of office of any corporate auditor elected to fill a vacancy shall be until the expiration of the term of office of the relevant corporate auditor who has resigned.</u></p>	<p>(Deletion)</p>
<p>Article <u>37</u> (Full-Time Corporate Auditors) <u>The board of corporate auditors shall appoint one or more full-time corporate auditors from among the corporate auditors.</u></p>	<p>(Deletion)</p>
<p>Article <u>38</u> (Convocation Notice of Board of Corporate Auditors Meeting) <u>The convocation notice of a board of corporate auditors meeting shall be given to each corporate auditor no later than three (3) days prior to the date set for the relevant meeting; provided, however, that this period may be shortened in case of emergency.</u> (2) <u>Where all the corporate auditors agree, a board of corporate auditors meeting may be held without going through the convocation procedure.</u></p>	<p>(Deletion)</p>

Current Articles of Incorporation	Proposed amendments
<p><u>Article 39 (Method of Resolution of Board of Corporate Auditors)</u> <u>Except as otherwise provided in applicable laws and regulations, resolutions of the board of corporate auditors shall be adopted by a majority of the corporate auditors.</u></p>	(Deletion)
<p><u>Article 40 (Minutes of Board of Corporate Auditors Meeting)</u> <u>The proceedings of the board of corporate auditors meetings shall be entered in writing or an electromagnetic record in accordance with applicable laws and regulations, and the corporate auditors present shall sign or affix their names and seals, or electronic signatures.</u></p>	(Deletion)
<p><u>Article 41 (Board of Corporate Auditors Rules)</u> <u>Any matter related to the board of corporate auditors shall be governed by the Board of Corporate Auditors Rules established by the board of corporate auditors, in addition to applicable laws and regulations or these Articles of Incorporation.</u></p>	(Deletion)
<p><u>Article 42 (Remuneration, etc.)</u> <u>The remuneration, bonuses, retirement benefits, and any other property benefits receivable by the corporate auditors as a consideration for the execution of duties shall be determined by a resolution of the shareholders meeting.</u></p>	(Deletion)
<p><u>Article 43 (Liability Limitation Agreement with Outside Corporate Auditor)</u> <u>The Company may, pursuant to the provision of Article 427(1) of the Companies Act, make an agreement with outside corporate auditors for limiting their liability for damages arising from neglect of their duties; provided, however, that the limit of liability for damages under such agreement shall be the "Minimum Liability Amount" as defined in Article 425(1) of the Companies Act.</u></p>	(Deletion)
(Addition)	<u>Chapter 5 Audit & Supervisory Committee</u>
(Addition)	<u>Article 34 (Establishment of Audit & Supervisory Committee)</u> <u>The Company shall have an audit & supervisory committee.</u>
(Addition)	<u>Article 35 (Standing Audit & Supervisory Committee Members)</u> <u>The audit & supervisory committee may appoint standing audit & supervisory Committee Members from among audit & supervisory Committee Members.</u>
(Addition)	<u>Article 36 (Convocation Notice of Audit & Supervisory Committee Meetings)</u> <u>The convocation notice of an audit & supervisory committee meeting shall be given to each audit & supervisory committee member no later than three (3) days prior to the date set for said meeting; provided, however, that this period may be shortened in case of emergency.</u>
(Addition)	(2) <u>When all audit & supervisory Committee Members agree, an audit & supervisory committee meeting may be held without going through the convocation procedure.</u>
(Addition)	<u>Article 37 (Method of Resolution of Audit & Supervisory Committee)</u> <u>Resolutions of the audit & supervisory committee shall be adopted by a majority of the audit & supervisory Committee Members present at the meeting where the majority of the audit & supervisory Committee Members entitled to participate in the vote are present.</u>

Current Articles of Incorporation	Proposed amendments
(Addition)	<p><u>Article 38 (Minutes of Audit & Supervisory Committee Meetings)</u> <u>The proceedings of audit & supervisory committee meetings shall be entered in writing or in an electromagnetic record in accordance with applicable laws and regulations, and the audit & supervisory Committee Members present shall sign or affix their names and seals, or electronic signatures.</u></p>
(Addition)	<p><u>Article 39 (Audit & Supervisory Committee Rules)</u> <u>Any matter related to the audit & supervisory committee shall be governed by the audit & supervisory committee rules established by the audit & supervisory committee, in addition to applicable laws and regulations or these Articles of Incorporation.</u></p>
Article 44 through Article 46(Omitted)	Article 40 through Article 42 (Unchanged)
<p>Article 47 (Remuneration, etc. of Accounting Auditor) The remuneration, etc. receivable by the accounting auditor(s) shall be determined by <u>the president & director</u> with the consent of <u>the board of corporate auditors</u>.</p>	<p>Article 43 (Remuneration, etc. of Accounting Auditor) The remuneration, etc. of accounting auditors shall be determined by <u>representative directors specified in advance by the board of directors</u>, with the consent of the <u>audit & supervisory committee</u>.</p>
Article 48 through Article 51 (Omitted)	Article 44 through Article 47 (Unchanged)
(Addition)	<u>Supplementary Provisions</u>
(Addition)	<p>Article 1 (<u>Transitional Measures for Providing Informational Materials for the General Meeting of Shareholders in Electronic Format</u>) <u>The deletion of Article 16 (Online Disclosure of Reference Documents, etc. for shareholders meeting) in the current Articles of Incorporation and the establishment of the new Article 16 (Measures, etc. for Providing Information in Electronic Format) in the proposed amendments shall be effective from September 1, 2022, which is the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”)</u></p> <p>(2) <u>Notwithstanding the provisions of the preceding paragraph, Article 16 of the current Articles of Incorporation shall remain effective regarding any general meeting of shareholders held on a date within six (6) months from the Date of Enforcement.</u></p> <p>(3) <u>These Supplementary Provisions shall be deleted on the date when six (6) months have elapsed from the Date of Enforcement or three (3) months have elapsed from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.</u></p>

Proposal 3

Election of seven (7) Directors (excluding directors who are Audit & Supervisory Committee Members)

If Proposal 2 “Partial amendments to the Articles of Incorporation” is approved and passed as originally proposed, the Company will make a transition to a “Company with Audit & Supervisory Committee,” and the terms of office of all eight (8) Directors will expire at the time that the amendments to the Articles of Incorporation enter into effect.

Accordingly, the Company proposes to appoint seven (7) Directors (excluding Directors who are Audit & Supervisory Committee Members; the same shall apply hereinafter in this proposal).

This proposal shall enter into effect on the condition that the amendments to the Articles of Incorporation in Proposal 2 “Partial amendments to the Articles of Incorporation” enter into effect.

The candidates for Directors are as follows:

No.	Name		Current Position in the Company	Number of Years in Office as a Director
1	Masaaki Ishida	Reelection	Representative Director and Chairperson	14 years
2	Satoshi Arata	Reelection	Representative Director and President	4 years
3	Kazuhiro Suehisa	Reelection	Director and Managing Executive Officer	4 years
4	Keiji Oshima	New candidate	Executive Officer	—
5	Junko Nishitani	New candidate	Executive Officer	—
6	Akihiko Yanagitani	Reelection, Candidate for Outside Director, and Candidate for Independent Officer	Outside Director	1 year
7	Kazuo Hirata	New candidate, Candidate for Outside Director, and Candidate for Independent Officer	—	—

- Notes:
- The tenure as a Director for each candidate is tenure as of the date of this meeting.
 - There is no special interest between any of the candidates and the Company.
 - Keiji Oshima, Junko Nishitani and Kazuo Hirata are new candidate for Director.
 - The Company has entered into a directors and officers liability insurance policy as stipulated in Article 430-3 paragraph 1 of the Companies Act with an insurance company. An overview of the policy details is provided on page 16 of the Business Report. If the proposal is passed and the candidates assume office as Directors, they will be included in the insured persons of the insurance policy. Furthermore, the Company plans to renew the insurance policy with the same details at the next renewal date.
 - The Company has entered into a limited liability agreement with Akihiko Yanagitani to ensure that he can fulfill his expected roles, and plans to renew the said agreement provided that this proposal is passed and he assume office as Outside Directors. Further, plans to renew the said agreement provided that this proposal is passed and Kazuo Hirata assume office as Outside Directors. The summary of the limited liability agreement is as follows:
 - If the said Outside Director incurs liability for damages arising out of failure to perform his duties, his liability shall be limited to the minimum amount provided for in Article 425, paragraph 1 of the Companies Act.
 - The above limitation shall only apply when it is recognized that the Outside Director performed the duties giving rise to such liability in good faith and with no gross negligence.



No. **1** **Masaaki Ishida** (November 26, 1954)

Career Summary, Position and Responsibilities
(Significant concurrent positions outside the Company)

Apr. 1977 Joined the Company
June 2008 Director
June 2009 Managing Director
Apr. 2011 President
Apr. 2022 Representative Director and Chairperson (present position)

Reasons for nomination as a candidate for Director:

The candidate has primarily committed himself to the development of the Company's operations in the fields of research and development, quality assurance and international operations, etc. Since 2011, he has demonstrated leadership and has led the Group's growth strategy in his role as President. Further, on the Board of Directors, in addition to appropriately managing proceedings as Chairman, he draws on his wealth of experience and achievements to decide on important matters and oversee the execution of business operations. For these reasons, he has been nominated as a candidate having been deemed fully capable of continuing to fulfill his role as Director.

Number of Years in Office
as a Director (At the close of this
General Meeting of Shareholders)

14years

Attendance at Board of Directors
meetings during the
current fiscal year

Board of Directors meetings:
13 out of 13

Attendance rate: 100%

Number of Company shares held

73,058 shares



No. **2** **Satoshi Arata** (October 7, 1966)

Career Summary, Position and Responsibilities
(Significant concurrent positions outside the Company)

Apr. 1991 Joined the Company
Apr. 2018 Senior Executive Officer
June 2018 Director
Apr. 2019 Chief Officer, Environmental Test Equipment Headquarters
Apr. 2021 Chief Officer, International Business Headquarters
 General Manager, Fukuchiyama Plant
Apr. 2022 Representative Director and President (present position)

(Significant concurrent positions outside the Company)

Director, ESPEC NORTH AMERICA, INC.

Chairman, SHANGHAI ESPEC ENVIRONMENTAL EQUIPMENT CORP.

Chairman, ESPEC ENVIRONMENTAL EQUIPMENT (SHANGHAI) CO., LTD.

Chairman, ESPEC TEST EQUIPMENT (GUANGDONG) CO., LTD.

Director, ESPEC (CHINA) LIMITED

Reasons for nomination as a candidate for Director:

The candidate has primarily committed himself to the development of the Company's operations in the fields of the China business, etc., and had currently promoted growth strategy as the Chief Officer of Environmental Test Equipment Headquarters, the Chief Officer of International Business Headquarters. Since 2022, he has been demonstrating leadership and leading the Group's growth strategy in his role as Representative Director and President. He also draws on his wealth of experience and achievements to decide on important matters and oversee the execution of business operations on the Board of Directors. For these reasons, he has been nominated as a candidate having been deemed fully capable of continuing to fulfill his role as Director.

Number of Years in Office
as a Director (At the close of this
General Meeting of Shareholders)

4 years

Attendance at Board of Directors
meetings during the
current fiscal year

Board of Directors meetings:
13 out of 13

Attendance rate: 100%

Number of Company shares held

30,850 shares



No. **3** **Kazuhiro Suehisa** (November 26, 1963)

Career Summary, Position and Responsibilities
(Significant concurrent positions outside the Company)

Apr. 1987 Joined the Company
Apr. 2018 Senior Executive Officer
June 2018 Director (present position)
Apr. 2021 Chief Officer, Business Development Headquarters
 Chief Officer, Production Management Headquarters (present position)
Apr. 2022 Director and Managing Executive Officer (present position)
 Technical Supervisor (present position)
 In charge of Production (present position)
 Plant Manager, Fukuchiyama (present position)

(Significant concurrent positions outside the Company)

President, ESPEC TEST SYSTEM CORP.

President, ESPEC THERMALTECH SYSTEM CORP.

Reasons for nomination as a candidate for Director:

The candidate has primarily committed himself to the development of the Company's operations in the fields of product development and design, etc., and is currently promoting growth strategy as the Technical Supervisor, In charge of Production and Chief Officer of Production Management Headquarters. He also draws on his wealth of experience and achievements to decide on important matters and oversee the execution of business operations on the Board of Directors. For these reasons, he has been nominated as a candidate having been deemed fully capable of continuing to fulfill his role as Director.

Number of Years in Office
as a Director (At the close of this
General Meeting of Shareholders)

4 years

Attendance at Board of Directors
meetings during the
current fiscal year

Board of Directors meetings:
13 out of 13

Attendance rate: 100%

Number of Company shares held

13,923 shares



Number of Years in Office
as a Director (At the close of this
General Meeting of Shareholders)

Attendance at Board of Directors
meetings during the
current fiscal year

Number of Company shares held
24,267 shares

No. **4** **Keiji Oshima** (February 14, 1958)

Career Summary, Position and Responsibilities
(Significant concurrent positions outside the Company)

Apr. 1983 Joined the Company
Apr. 2008 General Manager, General Affairs & Human Resources Department
Apr. 2012 Chief Officer of Management
June 2013 Director
 Chief Officer of Export Control Group (present position)
Apr. 2016 Senior Executive Officer
 Chief Officer of Corporate Control Headquarters (present position)
Apr. 2022 Executive Officer (present position)
 In charge of Management (present position)

Reasons for nomination as a candidate for Director:

The candidate has worked in the fields of Management and Corporate Planning for many years, and is currently engaged in stakeholder management as the Chief Officer of Corporate Control Headquarters and the Chief Officer of the Export Control Headquarters. He has been nominated as a candidate having been deemed fully capable of drawing on his wealth of experience and achievements to fulfill his role as Director.



Number of Years in Office
as a Director (At the close of this
General Meeting of Shareholders)

Attendance at Board of Directors
meetings during the
current fiscal year

Number of Company shares held
6,876 shares

No. **5** **Junko Nishitani** (August 10, 1959)

Career Summary, Position and Responsibilities
(Significant concurrent positions outside the Company)

Apr. 1982 Joined the Company
Apr. 2014 General Manager, Corporate Communication Department
Apr. 2016 General Manager, Espec Vision Support Department
Apr. 2017 Executive Officer (present position)
Apr. 2019 General Manager, Sustainability Management
Apr. 2022 In charge of Sustainability (present position)
 In charge of IR and PR (present position)
 Chief Officer of Sustainability Management Headquarters (present position)

Reasons for nomination as a candidate for Director:

The candidate has been involved in efforts aimed at penetration of the corporate philosophy and branding for many years, and is currently engaged in stakeholder management as the person in charge of IR and PR and as the Chief Officer of the Sustainability Promotion Headquarters. She has been nominated as a candidate having been deemed fully capable of drawing on his wealth of experience and achievements to fulfill his role as Director.



Number of Years in Office
as a Director (At the close of this
General Meeting of Shareholders)

1 year

Attendance at Board of Directors
meetings during the
current fiscal year

Board of Directors meetings:
10 out of 10

Attendance rate: 100%

Number of Company shares held
126 shares

No. **6** **Akihiko Yanagitani** (June 22, 1955)

Career Summary, Position and Responsibilities
(Significant concurrent positions outside the Company)

Apr. 1981 Joined Sanyo Special Steel Co., Ltd.
June.2017 Director, Senior Managing Executive Officers, Sanyo Special Steel Co., Ltd.
June.2018 Specially Appointed Professor, University of Hyogo (present position)
Jan. 2019 Fellow, Sanyo Special Steel Co., Ltd.
Apr. 2019 Guest Professor, Osaka University (present position)
June.2021 Outside Director, the Company (present position)

Reasons for nomination as a candidate for Director:

In addition to his wealth of insight and experience gained through company management and research into industry-academia collaboration, etc., the candidate is considered to be highly independent and to present no risk of conflict of interest with general shareholders, and has therefore been nominated as a candidate having been deemed fully capable of continuing to fulfill his role as Outside Director.

Matters related to independence:

The candidate satisfies the Criteria for the Independence of Outside Officers of the Company established by the Company (listed on pg. 16). The Company has appointed him to the position of Independent Officer, a position required by the Tokyo Stock Exchange, and plans to renew his appointment as an Independent Officer provided that this proposal is passed and he assumes office as an Outside Director.



No. **7** **Kazuo Hirata** (December 4, 1946)

Career Summary, Position and Responsibilities
(Significant concurrent positions outside the Company)

Apr. 1971 Joined Nippon Telegraph and Telephone Public Corporation
 (Current NIPPON TELEGRAPH AND TELEPHONE CORPORATION)
July 1993 Deputy Director, Nippon Telegraph and Telephone Public Corporation.
Apr. 1996 Joined New Japan Radio Co., Ltd.(Current Nisshinbo Micro Devices Inc.)
June 2007 President and Representative Director, New Japan Radio Co., Ltd

Number of Years in Office
as a Director (At the close of this
General Meeting of Shareholders)

—

Attendance at Board of Directors
meetings during the
current fiscal year

—

Number of Company shares held

—

Reasons for nomination as a candidate for Director:

In addition to his wealth of insight and experience gained through company management, etc., the candidate is considered to be highly independent and to present no risk of conflict of interest with general shareholders, and has therefore been nominated as a candidate having been deemed fully capable of continuing to fulfill his role as Outside Director.

Matters related to independence:

The candidate satisfies the Criteria for the Independence of Outside Officers of the Company established by the Company (listed on pg. 16). The Company has appointed him to the position of Independent Officer, a position required by the Tokyo Stock Exchange, and plans to renew his appointment as an Independent Officer provided that this proposal is passed and he assumes office as an Outside Director.

Proposal 4

Election of three (3) Directors who are Audit & Supervisory Committee Members

If Proposal 2 “Partial amendments to the Articles of Incorporation” is passed as originally proposed, the Company will make a transition to a “Company with Audit & Supervisory Committee.”

Accordingly, the Company proposes to appoint three (3) Directors who are Audit & Supervisory Committee Members.

The Company has received the consent of the Audit & Supervisory Board for the proposal.

This proposal will enter into effect on the condition that the amendments to the Articles of Incorporation in Proposal 2 “Partial amendments to the Articles of Incorporation” enter into effect.

The candidates for Directors who are Audit & Supervisory Committee Members are as follows:

No.	Name	Current Position in the Company	Number of Years in Office as a Director
1	Kunikazu Ishii	New candidate	—
2	Takahiro Tanaka	New candidate, Candidate for Outside Director, and Candidate for Independent Officer	—
3	Yasuko Yoshida	New candidate, Candidate for Outside Director, and Candidate for Independent Officer	—

- Notes:
1. There is no special interest between the candidate and the Company.
 2. Kunikazu Ishii, Takahiro Tanaka and Yasuko Yoshida are a new candidate for Outside Audit & Supervisory Board Member.
 3. The Company has entered into a directors and officers liability insurance policy as stipulated in Article 430-3 paragraph 1 of the Companies Act with an insurance company. An overview of the policy details is provided on page 16 of the Business Report. If the proposal is passed and the candidates assume office as Directors who are Audit & Supervisory Committee Members, they will be included in the insured persons of the insurance policy. Furthermore, the Company plans to renew the insurance policy with the same details at the next renewal date.
 4. The Company plans to enter into a limited liability agreement with Takahiro Tanaka and Yasuko Yoshida to ensure that they can fulfill their expected roles provided that this proposal is passed and their assumes office as Outside Directors. The summary of the limited liability agreement is as follows:
 - If the said Outside Director incurs liability for damages arising out of failure to perform his duties, his liability shall be limited to the minimum amount provided for in Article 425, paragraph 1 of the Companies Act.
 - The above limitation shall only apply when it is recognized that the Outside Director performed the duties giving rise to such liability in good faith and with no gross negligence.



No. **1** **Kunikazu Ishii** (May 27, 1958)

Career Summary, Position and Responsibilities
(Significant concurrent positions outside the Company)

- Apr. 1981 Joined the Company
- Apr. 2002 Executive Officer
- Apr. 2008 President, ESPEC TECHNO CORP. (now ESPEC TEST SYSTEM CORP.)
- June 2009 Director
- Apr. 2011 Director, ESPEC NORTH AMERICA, INC.
- June 2012 Managing Director
- June 2019 The Standing Audit & Supervisory Board Member (present position)

Number of Years in Office
as a Director (At the close of this
General Meeting of Shareholders)
—

Attendance at Board of Directors
meetings during the
current fiscal year

Board of Directors meetings:
13 out of 13
Attendance rate: 100%

Number of Company shares held
36,589 shares

Reasons for nomination as a candidate for Director who is Audit & Supervisory Committee Member :
The candidate has been nominated as a candidate having been deemed fully capable of fulfilling his role as an Audit & Supervisory Board Member because of his wealth of accumulated experience and knowledge gained through his professional experience as a Director of the Company and through the management of Japanese and U.S. subsidiaries.



No. **2** **Takahiro Tanaka** (January 17, 1973)

Career Summary, Position and Responsibilities
(Significant concurrent positions outside the Company)

- Apr. 2000 Registered with the Osaka Bar Association
Joined Nakanoshima Chuo Law Office
- Jan. 2007 Partner, Nakanoshima Chuo Law Office (present position)
- June 2010 Outside Audit & Supervisory Board Member, Shinko Wire Company, Ltd.
- Apr. 2014 Visiting Professor, Graduate School of Intellectual Property,
Osaka Institute of Technology (present position)
- June 2015 Outside Director, Shinko Wire Company, Ltd. (present position)
- June 2019 Outside Director, FUNAI ELECTRIC CO., LTD.
- June 2020 Outside Audit & Supervisory Board Member, the Company (present position)

Number of Years in Office
as a Director (At the close of this
General Meeting of Shareholders)
—

Attendance at Board of Directors
meetings during the
current fiscal year

Board of Directors meetings:
13 out of 13
Attendance rate: 100%

Number of Company shares held
545 shares

Reasons for nomination as a candidate for Outside Director who is Audit & Supervisory Committee Member :
In addition to his wealth of insight and experience gained as an attorney, the candidate is considered to be highly independent and to present no risk of conflict of interest with general shareholders, and has therefore been nominated as a candidate having been deemed fully capable of continuing to fulfill his role as Outside Director.

Matters related to independence:

The candidate satisfies the Criteria for the Independence of Outside Officers of the Company established by the Company (listed on pg. 16). The Company plans to appoint him to the position of Independent Officer, a position required by the Tokyo Stock Exchange provided that this proposal is passed and he assumes office as an Outside Director.



No. **3** **Yasuko Yoshida** (November 26, 1976)

Career Summary, Position and Responsibilities
(Significant concurrent positions outside the Company)

- Oct. 2000 Joined Asahi & Co. (now KPMG AZSA LLC)
- May. 2004 Registered as a certified public accountant
- July. 2005 Registered as a certified tax accountant
Launched Yoshida Certified Public Accountant Office (present position)
- Feb. 2019 Outside Audit & Supervisory Board Member,
OSAKA ORGANIC CHEMICAL INDUSTRY LTD.
- May. 2021 Registered as U.S. Certified Public Accountant (State of Washington)
- June 2021 Outside Audit & Supervisory Board Member, the Company (present position)

Number of Years in Office
as a Director (At the close of this
General Meeting of Shareholders)
—

Attendance at Board of Directors
meetings during the
current fiscal year

Board of Directors meetings:
10 out of 10
Attendance rate: 100%

Number of Company shares held
211 shares

Reasons for nomination as a candidate for Outside Director who is Audit & Supervisory Committee Member :
In addition to her wealth of insight and experience gained as a certified public accountant, the candidate is considered to be highly independent and to present no risk of conflict of interest with general shareholders, and has therefore been nominated as a candidate having been deemed fully capable of continuing to fulfill her role as Outside Director.

Matters related to independence:

The candidate satisfies the Criteria for the Independence of Outside Officers of the Company established by the Company (listed on pg. 16). The Company plans to appoint her to the position of Independent Officer, a position required by the Tokyo Stock Exchange provided that this proposal is passed and she assumes office as an Outside Director.

(Reference)

The composition of the Board of Directors and the skill matrix of Directors' experience and expertise if Proposals 3 and 4 are approved and passed are as follows:

Name	Position in the Company after the proposals are approved and passed	Outside	Experience and expertise							
			A	B	C	D	E	F	G	H
Masaaki Ishida	Director and Chairperson		●	●	●	●				
Satoshi Arata	Director and President		●	●		●				
Kazuhiro Suehisa	Director and Managing Executive Officer		●			●	●			
Keiji Oshima	Director and Executive Officer				●			●	●	●
Junko Nishitani	Director and Executive Officer				●		●	●		
Akihiko Yanagitani	Director	●	●			●				
Kazuo Hirata	Director	●	●	●		●				
Kunikazu Ishii	Director (Audit & Supervisory Committee member)		●			●				
Takahiro Tanaka	Director (Audit & Supervisory Committee member)	●								●
Yasuko Yoshida	Director (Audit & Supervisory Committee member)	●							●	

Note: The above list does not cover all of the knowledge and experience of the candidates.

- A. Experience and expertise
- B. International experience
- C. ESG
- D. Technology development and manufacturing
- E. Sales and marketing
- F. Human resource labor and development
- G. Finance and accounting
- H. Legal affairs

Election of one (1) Substitute Director who is an Audit & Supervisory Committee Member

If Proposal 2 “Partial amendments to the Articles of Incorporation” is approved and passed as originally proposed, the Company will make a transition to a “Company with Audit & Supervisory Committee.”

Accordingly, the Company proposes to appoint one (1) substitute Director who are an Audit & Supervisory Committee Member, in preparation for the event that the number of Directors who are Audit & Supervisory Committee Members falls short of the number stipulated by laws and regulations.

A resolution on this proposal will be effective until the start of the Ordinary General Meeting of Shareholders pertaining to the last business year ending within two (2) years after the resolution, and the appointments may be revoked by a resolution of the Board of Directors with the consent of the Audit & Supervisory Committee, only prior to the assumption of office.

The Company has received the consent of the Audit & Supervisory Board for the proposal.

This proposal will enter into effect on the condition that the amendments to the Articles of Incorporation in Proposal 2 “Partial amendments to the Articles of Incorporation” enter into effect.

The candidates for substitute Directors who are an Audit & Supervisory Committee Member are as follows:



Masahiko Tsutsumi (April 27, 1954)

Career Summary, Position and Responsibilities
(Significant concurrent positions outside the Company)

Apr. 1978	Joined Auditing Firm Chuo Accounting Office
Feb. 1981	Registered as a certified public accountant
Feb. 1994	Launched Tsutsumi Certified Public Accountant Office (present position)
June 2005	Outside Audit & Supervisory Board Member, TOYO SHUTTER CO., LTD.
June 2014	Outside Audit & Supervisory Board Member, the Company (present position)
Aug. 2022	Representative Alpha Tax Accountants' Corporation (present position)

Number of Years in Office
as a Director (At the close of this
General Meeting of Shareholders)

—

Attendance at Board of Directors
meetings during the
current fiscal year

Board of Directors meetings:
13 out of 13

Attendance rate: 100%

Number of Company shares held
2,272 shares

Reasons for nomination as candidate for Substitute Director who is an Audit & Supervisory Committee member:

In addition to his wealth of insight and experience gained as a certified public accountant, the candidate is considered to be highly independent and to present no risk of conflict of interest with general shareholders, and has therefore been nominated as a candidate having been deemed fully capable of continuing to fulfill he assumes office as an Outside Director.

Matters related to independence:

The candidate satisfies the Criteria for the Independence of Outside Officers of the Company established by the Company (listed on pg. 16). The Company plans to appoint him to the position of Independent Officer, a position required by the Tokyo Stock Exchange provided that this proposal is passed and she assumes office as an Outside Director.

- Notes:
- The candidate is no special interest between the candidate and the Company.
 - Masahiko Tsutsumi is a new candidate for Substitute Director who are an Audit & Supervisory Committee Member.
 - The Company has entered into a directors and officers liability insurance policy as stipulated in Article 430-3 paragraph 1 of the Companies Act with an insurance company. An overview of the policy details is provided on page 16 of the Business Report. If the proposal is passed and the candidates assume office as Substitute Director who are an Audit & Supervisory Committee Member, he will be included in the insured persons of the insurance policy. Furthermore, the Company plans to renew the insurance policy with the same details at the next renewal date.
 - The Company plans to enter into a limited liability agreement with Masahiko Tsutsumi to ensure that they can fulfill their expected role provided that this proposal is passed and he assumes office as an Outside Director. The summary of the limited liability agreement is as follows:
 - If the said Outside Director incurs liability for damages arising out of failure to perform his duties, his liability shall be limited to the minimum amount provided for in Article 425, paragraph 1 of the Companies Act.
 - The above limitation shall only apply when it is recognized that the Outside Director performed the duties giving rise to such liability in good faith and with no gross negligence.

(Reference) • Overview of directors and officers liability insurance policy

The Company has concluded a directors and officers liability insurance policy as provided under Article 430-3 paragraph 1 of the Companies Act with an insurance company. The insureds under the policy are officers of the Company and its subsidiaries. The Directors and Audit & Supervisory Board Members of the Company bear around 10% of the cost of the premiums (a portion corresponding to the rider providing coverage for shareholder representative lawsuits). In brief, the policy provides coverage by the insurance company for liabilities arising from claims received by the insureds in relation to liabilities they have assumed in the execution of their duties, or the pursuit of such liabilities. The policy is renewed each year.

(Reference) • Criteria for the Independence

The Company shall judge Outside Officers to be independent unless any of the following items apply.

- The party is a business executor of the ESPEC Group*1, or was a business executor of the ESPEC Group during the past 10 years.
- The party is an entity for which the ESPEC Group is a major business partner*2, or a business executor of said entity.
- The party is a major business partner of the ESPEC Group*3, or a business executor of said major business partner.
- The party receives 5 million yen or more per year or other financial compensation, excluding remuneration as a director or audit & supervisory board member, from the ESPEC Group as a consultant, accountant, or lawyer (or an employee of a corporation, cooperative and other organization receiving such compensation).
- The party is a person or corporate business executor receiving contributions or subsidies in the amount of 5 million yen or more per year from the ESPEC Group during the most recent fiscal year.
- The party is a person who falls under 2 through 5 above during the past 3years.
- The party is the next of kin*5of a person who falls under 2 through 6 above (limited to important persons*4)

*1. “A business executor” refers to an executive director, executive officer or equivalent party or employee.

*2. “A major business partner” refers to a business partner providing products or services to the ESPEC Group whose transaction amounts exceeded 2% of yearly consolidated net sales in the most recent business year.

*3. “The party is a major business partner of the ESPEC Group” refers to a business partner refers to a business partner which the ESPEC Group provides products or services to whose transaction amounts exceeded 2% of yearly consolidated net sales in the most recent business year.

*4. “Important persons” refers to officers or employees in upper management with a rank of department head or higher.

*5. “Next of kin” refers to a spouse or relative to the second degree.

Determination of amount of monetary remuneration of Directors (excluding Directors who are Audit & Supervisory Committee Members)

If Proposal 2 “Partial amendments to the Articles of Incorporation” is passed as originally proposed, the Company will make a transition to a “Company with Audit & Supervisory Committee.”

The amount of monetary remuneration for Directors of the Company had been approved at the 55th Ordinary General Meeting of Shareholders convened on June 24, 2008, up to an amount of ¥300 million per year. In line with the transition to a Company with an Audit & Supervisory Committee, the Company proposes the abolition of the current monetary remuneration framework for Directors and a new amount of monetary remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members), which will be set to the same amount, ¥300 million or less per year (including ¥25 million or less for Outside Directors).

An outline of the content of policy for decisions concerning the details of individual remuneration for Directors in the fiscal year under review is as described on page 17. If Proposal 2 and Proposals 6 through 8 are approved, the Company plans to change the content as stated on page 17.

The content of this proposal is in line with the policy and reasonable, as it was determined through a comprehensive consideration of factors including the scale of the Company’s business, the Officer remuneration system and its level of payment, the current number of Officers, and future trends, and therefore the proposal is believed to be appropriate.

The Company intends that the amount of monetary remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) under this proposal will not include the employee portion of salary for those who also continue to serve as employees.

If Proposals 2 and 3 are approved and passed as originally proposed, the number of Directors (excluding Directors who are Audit & Supervisory Committee Members) will be seven (7) (including two (2) Outside Directors).

This proposal shall enter into effect on the condition that the amendments to the Articles of Incorporation in Proposal 2 “Partial amendments to the Articles of Incorporation” enter into effect.

(Reference) Company resolved at the Board of Directors meeting held on December 7, 2015, policy for decisions concerning the details of individual remuneration for Directors. An outline of the contents are as follows.

- As a basic policy, the Company shall ensure that its decisions regarding the compensation of directors are fair and rational. At the same time, the compensation structure shall provide directors with suitable incentives for raising their motivation to achieve sustainable growth and improve corporate value over the medium to long term for the Company.
- Compensation of internal directors shall consist of a fixed amount of basic compensation set based on considerations such as rank and tenure, and a performance-linked compensation set based on the Company’s business performance in each fiscal year. Outside directors receive only a fixed amount of basic compensation because of their non-executive status and from the standpoint of ensuring independence. The Board of Directors decides the amount of compensation for each director following a review by the Nomination and Compensation Committee.
- Audit & supervisory board members receive only a fixed amount of basic compensation from the standpoint of ensuring independence. The Audit & Supervisory Board decides the amount of compensation for each audit & supervisory board member following a review by the Nomination and Compensation Committee.

(Reference) If Proposal 2 “Partial amendments to the Articles of Incorporation” is passed as originally proposed, policy for decisions concerning the details of individual remuneration for Directors following transition to a Company with Audit & Supervisory Committee are as follows.

- As a basic policy, the Company shall ensure that its decisions regarding the compensation of directors are fair and rational. At the same time, the compensation structure shall provide directors with suitable incentives for raising their motivation to achieve sustainable growth and improve corporate value over the medium to long term for the Company.
- Compensation of Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee members) shall consist of a fixed amount of basic compensation set based on considerations such as rank and tenure, and a performance-linked compensation set based on the Company’s business performance in each fiscal year.
- Outside directors receive only a fixed amount of basic compensation because of their non-executive status and from the standpoint of ensuring independence.
- The Board of Directors (excluding directors who are Audit & Supervisory Committee members) decides the amount of compensation for each director following a review by the Nomination and Compensation Committee.
- Directors who are Audit & Supervisory Committee members receive only a fixed amount of basic compensation because of their non-executive status and from the standpoint of ensuring independence. The Directors who are Audit & Supervisory Committee decides the amount of compensation for each Directors who are Audit & Supervisory Committee following a review by the Nomination and Compensation Committee.

If Proposal 2 “Partial amendments to the Articles of Incorporation” is passed as originally proposed, the Company will make a transition to a “Company with Audit & Supervisory Committee.”

Accordingly, the Company proposes the setting of the amount of remuneration, etc. for Directors who are Audit & Supervisory Committee Members to ¥80 million or less per year, taking into consideration economic conditions and other circumstances.

An outline of the content of policy for decisions concerning the details of individual remuneration for Directors in the fiscal year under review is as described on page 17. If Proposal 2 and Proposals 6 through 8 are approved, the Company plans to change the content as stated on page 17.

The content of this proposal is in line with the above policy and reasonable, as it was determined through a comprehensive consideration of factors including the scale of the Company’s business, the Officer remuneration system and its level of payment, the current number of Officers, and future trends, and therefore the proposal is believed to be appropriate.

If Proposals 2 and 4 are approved and passed as originally proposed, the number of Directors who are Audit & Supervisory Committee Members will be three (3) (including two (2) Outside Directors)

This proposal shall enter into effect on the condition that the amendments to the Articles of Incorporation in Proposal 2 “Partial amendments to the Articles of Incorporation” enter into effect.

Determination of amount and details of remuneration related to a performance-linked share-based remuneration system for Directors, etc. (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members)

1. Reasons for the Proposal and Reasons for Considering it Appropriate

At the 65th Ordinary General Meeting of Shareholders convened on June 22, 2018, the Company received approval (hereinafter the “Original Resolution”) for the introduction of a Board Benefit Trust (BBT) performance-linked share-based remuneration system (hereinafter the “System”) for Directors (excluding Outside Directors) and Executive Officers. In accordance with the transition to a “Company with Audit & Supervisory Committee” on the condition that Proposal 2 “Partial amendments to the Articles of Incorporation” is approved and passed, the Company proposes the abolishment of the current remuneration framework related to the System for Directors, and the new determination of the amount and content of remuneration related to the System for Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members (hereinafter “Directors” in this proposal)).

This proposal is a procedural matter accompanying the transition to a “Company with an Audit & Supervisory Committee.” The effective details of the remuneration limits related to the System are identical to the details that were approved at the 65th Ordinary General Meeting of Shareholders convened on June 22, 2018. As in the Original Resolution, its purpose is to enhance awareness of contributing to the improvement of medium- to long-term business performance and the increase of corporate value by more clearly indicating the link between the remuneration of the Company’s Directors and Executive Officers who are not concurrently serving as Directors (hereinafter referred to collectively as “Directors, etc.”) and the Company’s business performance and stock price. In addition, an outline of the content of policy for decisions concerning the details of individual remuneration for Directors in the fiscal year under review is as described on page 17. If Proposal 2 and Proposals 6 through 8 are approved, the Company plans to change the content as stated on page 17. As this proposal is in line with the said policy, the Company believes that the content of this proposal is appropriate. This proposal proposes amounts and specific details of remuneration in order to pay stock remuneration to Directors of the Company, in a framework separate from the monetary remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) for which approval is requested in Proposal 6. Details of the System shall be determined by the Board of Directors within the framework of 2 below.

This proposal shall enter into effect on the condition that the amendments to the Articles of Incorporation in Proposal 2 “Partial amendments to the Articles of Incorporation” enter into effect.

2. Amounts and specific details of remuneration related to the System

(1) Outline of the System

The System is a performance-linked share-based remuneration system under which the Company shares are acquired through a trust using funds contributed by the Company (hereinafter, the trust established under the System shall be referred to as the “Trust”), and the Directors, etc. are provided with the Company shares and the money equivalent to the market value of the Company shares (hereinafter referred to as the “Company shares, etc.”) through the Trust in accordance with the Regulations for Delivery of Shares to Officers stipulated by the Company. In principle, Directors, etc. will receive the Company shares, etc. at the time of their retirement.

(2) Persons eligible for the System

Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members) and Executive Officers of the Company

(3) Trust period

From August 2018 (planned) to the termination of the Trust. No specific date will be established for the termination of the Trust, and the Trust will continue as long as the System is maintained. The System will be terminated upon the delisting of the Company shares, abolition of the Regulations for Delivery of Shares to Officers, etc.

(4) Amount of the Trust (amount of remuneration)

The Company introduced the System to apply to the four (4) fiscal years from the fiscal year ended March 31, 2019 to the fiscal year ended March 31, 2022 (hereinafter referred to as “Initial Eligibility Period,” with the Initial Eligibility Period and each of four (4) fiscal years following the Initial Eligibility Period referred to as “Eligibility Period”), and to apply to each subsequent Eligibility Period. In addition, the Company established the Trust through the contribution of ¥411,884,600 to the Trust during the Initial Eligibility Period as funds for acquisition of the Company shares, in order to provide the Company’s shares, etc. to Directors, etc. In accordance with the transition to a “Company with an Audit & Supervisory Committee,” the Trust will survive as a trust that has as beneficiaries those Directors, etc. who meet the requirements for beneficiaries.

Until the conclusion of the Plan, the Company will, in principle, make additional contributions to the Trust of up to ¥412 million (including ¥300 million earmarked for Directors) during each target period. However, in the case of such additional contributions, if there is any Company shares remaining in the trust asset (excluding those equivalent to the points granted to Directors, etc. for each Eligibility Period up to the latest such period and whose Delivery is not yet complete) and/or money (the “Remaining Shares, etc.”), the total amount of such Remaining Shares, etc. (for the Company shares, the book value on the last day of the immediate preceding Eligibility Period) and the trust money additionally paid by the Company is to be within the limit of 412 million yen (of which 300 million yen is for Directors).

The Company will disclose its decision of additional contribution in a timely and appropriate manner.

(5) Method of acquiring the Company shares and number of Shares to be acquired

The acquisition of the Company shares by the Trust will be carried out through the stock exchange market or by underwriting the disposition of the Company’s treasury stock using funds contributed to the Trust per (4) above.

The Company will disclose details of acquisition of the Company shares by the Trust in a timely and appropriate manner.

(6) Calculation method for the number of the Company shares, etc. to be provided to Directors, etc.

For each fiscal year, a certain number of points will be granted to Directors, etc. based on their position and achievement of performance, pursuant to the Regulations for Delivery of Shares to Officers. The total number of points granted to Directors, etc. for each fiscal year shall not exceed 80 thousand points (of which 60 thousand points are for Directors). This was determined to be appropriate based on a comprehensive consideration of the current level of remuneration paid to officers, and the trend and estimates in the number of Directors, etc.

Furthermore, at the time of the provision of Company shares, etc. as described in (7) below, each point granted to Directors, etc. will be converted into one share of the Company's common stock (provided, however, that if after approval of this proposal, there is a stock split, share allotment without contribution or share consolidation, etc., in regard to the Company shares, adjustments will be reasonably made to the maximum number of points and the number of points already granted, or the conversion ratio, according to the relevant ratio).

In principle, the number of points for Directors, etc. that will serve as the basis for the provision of the Company shares, etc. per (7) below shall be the number of points granted to the said Directors, etc. by the time of their retirement (hereinafter referred to as "Confirmed Points").

(7) Provision of the Company shares, etc.

Retired Directors, etc., who satisfy the beneficiary requirements stipulated in the Regulations for Delivery of Shares to Officers, will, in principle, receive the number of the Company shares from the Trust based on the number of "Confirmed Points" set forth per (6) above by completing the prescribed beneficiary confirmation procedures. However, for a certain portion of points, money equivalent to the market value of the Company shares will be paid in lieu of the provision of the Company shares, if Directors, etc. fulfill the requirements stipulated in the Regulations for Delivery of Shares to Officers. In order to pay such money, the Trust may sell the Company shares.

Directors, etc. who have been dismissed or who have violated the duty of due care of a prudent manager or the duty of loyalty during their term may not obtain the right to receive the grants, even if said Directors have been awarded points.

(8) Exercise of voting rights

Pursuant to the instructions of the trust administrator, voting rights for the Company shares in the Trust shall not be exercised. Under this method, it is intended to ensure the neutrality to the Company's management with regard to the exercise of voting rights for the Company shares.

(9) Handling of dividends

Dividends on the Company shares within the Trust will be received by the Trust and will be allocated for acquisition of the Company shares or trust fees paid to the trustee of the Trust. In the event of the termination of the Trust, dividends, etc. remaining within the Trust will be provided to Directors, etc. who are in office at that time, proportionally based on the number of points held by each Director.

(10) Handling upon termination of the Trust

The Trust will be terminated upon the occurrence of an event such as delisting of the Company shares or abolition of the Regulations for Delivery of Shares to Officers.

The Company shares in the residual assets of the Trust at the time of the Trust's termination will be acquired free of charge by the Company in its entirety and then be canceled by a resolution at a Board of Directors meeting. The money portion in the residual assets of the Trust at the time of the Trust's termination will be provided to the Company, excluding the amount paid to Directors pursuant to (9) above.