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Securities code: 7094  
June 13, 2022

**To Shareholders with Voting Rights:**

Masahiro Anan  
President & CEO  
NexTone Inc.  
20F Ebisu Prime Square Tower  
1-1-39 Hiroo, Shibuya-ku, Tokyo  
Japan

**NOTICE OF  
THE 22nd ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

We hereby inform you that the 22nd Annual General Meeting of Shareholders of NexTone Inc. (the “Company”) will be held as described below.

From the perspective of preventing the further spread of COVID-19, we ask that you refrain from visiting the meeting venue as long as possible, giving priority to your health and safety and prevention of the spread of infections.

You can exercise your voting rights in advance in writing or via the Internet in lieu of attending the meeting on the date of the meeting. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 6:00 p.m., Monday, June 27, 2022.

- 1. Date and Time:** Tuesday, June 28, 2022, at 10:30 a.m. Japan time
- 2. Place:** Conference Space ABC, 5F EBISU SUBARU BUILDING “EBiS 303,”  
1-20-8 Ebisu, Shibuya-ku, Tokyo, Japan
- \* Since we will arrange the seats at intervals with a view to preventing the spread of infections, the number of seats available will be limited. You may be, therefore, denied admission even if you appear in person to attend the meeting.
  - \* No gifts will be provided to shareholders attending the meeting.  
We appreciate your understanding.
- 3. Meeting Agenda:**
- Matters to be reported:**
1. The Business Report and Consolidated Financial Statements for the Company’s 22nd Fiscal Year (April 1, 2021 - March 31, 2022) and results of audits by the Accounting Auditor and the Board of Auditors of the Consolidated Financial Statements
  2. Non-consolidated Financial Statements for the Company’s 22nd Fiscal Year (April 1, 2021 - March 31, 2022)

**Proposals to be resolved:**

- Proposal 1:** Partial Amendments to the Articles of Incorporation
- Proposal 2:** Election of Two (2) Directors
- Proposal 3:** Granting of Retirement Benefits to a Retiring Director and Payment of Retirement Benefits following the Abolishment of the Retirement Benefits System for Directors and Auditors
- Proposal 4:** Determination of the Amount of Compensation for Allotment of Shares with Restriction on Transfer to Directors (Excluding Outside Directors)

**4. Others:**

(1) Pursuant to laws and regulations and Article 15 of the Articles of Incorporation, the items below are posted on the Company's website (<https://www.nex-tone.co.jp/>). Therefore, they are not included in the documents attached to this Notice.

- 1) Matters Regarding Company Share Acquisition Rights, etc.
- 2) Matters Regarding the Accounting Auditor
- 3) System to Ensure Appropriateness of Business and the Status of Its Operation
- 4) Consolidated Statement of Changes in Net Assets
- 5) Non-consolidated Statement of Changes in Net Assets
- 6) Notes to the Consolidated Financial Statements
- 7) Notes to the Non-consolidated Financial Statements

Therefore, the documents attached to this Notice are part of the Consolidated Financial Statements and Non-consolidated Financial Statements audited by the Accounting Auditor and the Auditors when they prepared their respective audit reports.

(2) Any corrections to the Reference Documents for the General Meeting of Shareholders, the Business Report, or the Consolidated and Non-consolidated Financial Statements will be posted on the Company's website mentioned above.

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◆ When attending the meeting in person, please submit the enclosed Voting Rights Exercise Form at the entrance to the venue.

< Request to Shareholders >

- Alcohol-based sanitizers will be available near the reception desk for shareholders' use. (Shareholders who intend to attend the meeting are requested to bring and wear face masks.)
- We will take our shareholders' temperatures near the entrance. If any person has a fever or shows signs of physical ailment, we may decline his/her entrance.
- Our staff at the meeting will take their own temperatures and check their own physical condition, etc., and will always wear face masks when interacting with shareholders during the meeting.
- At the meeting, we will omit detailed explanations of matters to be reported (including audit reports) and proposals at the venue, in order to shorten the operating hours and prevent the spread of infections. We would appreciate it if our shareholders would read the notice of convocation in advance.
- Please be aware that the proceedings at the meeting may be changed at any time, if necessitated by the spread of infections or announcements by the government in the days leading up to the date of the meeting. Please check the Company's website (<https://www.nex-tone.co.jp/>) for updates.

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

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

#### 1. Reasons for amendments

As the proviso of Article 1 of the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) stipulates that the system for electronic provision of materials for general meetings of shareholders will be enforced on September 1, 2022, amendments to the Articles of Incorporation of the Company are proposed to establish provisions that information contained in the reference documents for the general meeting of shareholders, etc., shall be provided electronically and to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested that.

The current provision related to the Internet disclosure and deemed provision of reference documents for the general meeting of shareholders, etc., will become unnecessary and will therefore be deleted. In line with the above establishment and deletion of provisions, establishment of supplementary provisions related to the effective date, etc., is proposed.

#### 2. Details of amendments

The details of the amendments are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p data-bbox="188 1122 778 1211"><u>(Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, etc.)</u></p> <p data-bbox="188 1267 783 1619"><u>Article 15 The Company may, when convening a general meeting of shareholders, deem that it has provided information to shareholders pertaining to matters to be described or indicated in the reference documents for the general meeting of shareholders, business report, non-consolidated financial statements and consolidated financial statements by disclosing such information through the Internet in accordance with the provisions provided in the Ordinance of the Ministry of Justice.</u></p> <p data-bbox="363 1664 608 1697">&lt;Newly established&gt;</p>	<p data-bbox="1050 1267 1166 1301">&lt;Deleted&gt;</p> <p data-bbox="810 1626 1273 1659">(Measures for Electronic Provision, etc.)</p> <p data-bbox="810 1671 1406 1827"><u>Article 15 The Company shall, when convening a general meeting of shareholders, provide information contained in the reference documents for the general meeting of shareholders, etc., electronically.</u></p> <p data-bbox="810 1827 1406 2051"><u>2. Among the matters to be provided electronically, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested that by the record date for voting rights.</u></p>

<p>&lt;Newly established&gt;</p>	<p><u>Supplementary provisions</u></p> <ol style="list-style-type: none"> <li data-bbox="810 230 1407 454">1. <u>The deletion of Article 15 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, etc.) of the current Articles of Incorporation and the proposed Article 15 (Measures for Electronic Provision, etc.) shall come into effect on September 1, 2022.</u></li> <li data-bbox="810 454 1407 645">2. <u>Notwithstanding the provisions of the preceding paragraph, Article 15 of the current Articles of Incorporation shall remain in force with respect to a general meeting of shareholders to be held on a date until the end of February 2023.</u></li> <li data-bbox="810 645 1407 806">3. <u>These supplementary provisions shall be deleted on March 1, 2023, or the date when three (3) months have elapsed from the date of the general meeting of shareholders set forth in the preceding paragraph, whichever is later.</u></li> </ol>
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[Reference]

The system for electronic provision of materials for general meetings of shareholders allows provision of such materials to shareholders by providing them on a company website and informing shareholders of the website address, etc., by such method as indicating it in the notice of convocation of the general meeting of shareholders.

Because said system applies mandatorily to listed companies, the Company will adopt the system beginning with the next annual general meeting of shareholders to be held in June 2023.

**Proposal 2:** Election of Two (2) Directors

To diversify our management and further reinforce our corporate governance, the addition and election of two (2) Directors are proposed. In accordance with a provision of the Company's Articles of Incorporation, the term of office of the newly appointed Directors will be until the expiration of the term of office of the other Directors currently in office.

The candidates for Director are as follows:

No.	Name	Current positions at the Company
1	Fumihiko Watanabe [New candidate]	—
2	Junki Kosaka [New candidate] [Outside] [Independent]	—

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	Fumihiro Watanabe (May 14, 1960)  [New candidate]	<p>April 1984      Joined Toho Mutual Life Insurance Company</p> <p>April 2000      Joined KAKEN PHARMACEUTICAL CO., LTD. (hereinafter “KAKEN”)</p> <p>April 2007      General Manager of Accounting &amp; Finance Department, KAKEN</p> <p>April 2013      General Manager of General Affairs Department, KAKEN</p> <p>July 2013        Corporate Officer and General Manager of General Affairs Department, KAKEN</p> <p>June 2016        Director, KAKEN</p> <p>June 2021        Retired as Director, KAKEN</p> <p><b>Significant concurrent positions</b></p> <p>—</p>	-
<p><b>Reasons for nomination as a candidate for Director</b></p> <p>Through his career successively holding key posts in KAKEN PHARMACEUTICAL CO., LTD., Mr. Fumihiro Watanabe has acquired a wide range of business experience in administrative and other departments and rich experience and knowledge as a corporate manager. In the expectation that his experience and insight will contribute to reinforcing the Company’s management system and raising its corporate value, we judged him to be qualified for the position of Director and nominated him as a candidate for Director.</p>			

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	<p style="text-align: center;">Junki Kosaka (September 30, 1981)</p> <p style="text-align: center;">[New candidate] [Outside] [Independent]</p>	<p>November 2007    Legal Training and Research Institute of the Supreme Court of Japan</p> <p>December 2008    Tokyo Bar Association</p> <p>January 2009      TMI Associates</p> <p>July 2012         Agency for Cultural Affairs-Japan, Office for Copyrighted Works Distribution, Copyright Division (Senior Specialist for Copyrights)</p> <p>January 2015      TMI Associates</p> <p>August 2016      Max Planck Institute for Innovation and Competition, Munich (until March 2018)</p> <p>October 2017     ARQIS, Munich</p> <p>January 2018     Taylor Wessing, Munich</p> <p>February 2018    LaLiga, Madrid</p> <p>February 2018    BOEHMERT &amp; BOEHMERT, Munich</p> <p>March 2018       ALTANA, Paris</p> <p>April 2018        Kodansha USA, Inc., New York</p> <p>July 2018         TMI Associates</p> <p>January 2020     Partner of TMI Associates (to present)</p> <p><b>Significant concurrent positions</b> Attorney-at-law Partner of TMI Associates</p>	-
<p><b>Reasons for nomination as a candidate for Outside Director and expected roles</b></p> <p>Having served as a Partner attorney-at-law of TMI Associates, Mr. Junki Kosaka has accumulated rich experience and expertise at home and abroad regarding the information, communications, media, IT, entertainment and sports areas as well as copyrights and other intellectual property rights. In the expectation that his insight will support the determination of important matters of the Company and supervision of the management as an Outside Director, we nominated him as a candidate for Outside Director. Although he has never been directly involved in corporate management, we consider, for the reasons mentioned above, that he will appropriately perform his duties as an Outside Director.</p>			

- Notes:
1. There is no special interest between each candidate and the Company.
  2. Among the candidates for Director, Mr. Junki Kosaka is a candidate for Outside Director.
  3. If Mr. Junki Kosaka's election is approved, the Company will designate him as Independent Officer as set forth by Tokyo Stock Exchange, Inc.
  4. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Articles of Incorporation of the Company stipulate that the Company may enter into an agreement with an Outside Director to limit his/her liability for damages arising from his/her negligence of duties. The maximum amount of the said liability for damages under the said agreement is the minimum amount of liability set forth in laws and regulations. If the election of Mr. Junki Kosaka is approved, the Company plans to newly enter into the said liability limitation agreement with him.
  5. The Company shall conclude a directors and officers (D&O) liability insurance policy with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The insurance policy covers damages that may arise from liability to be borne by the insured for his/her execution of duties, or from the receipt of a claim to pursue such liability. All the candidates for Director are to be included as insured parties under the insurance policy. The Company bears the total premium covering all of the insured. The Company plans to renew the insurance policy under the same conditions in effect at the time of renewal.



**Proposal 3: Granting of Retirement Benefits to a Retiring Director and Payment of Retirement Benefits following the Abolishment of the Retirement Benefits System for Directors and Auditors**

Mr. Yoshiro Masumoto passed away on September 12, 2021, thereby retiring from the office of Director on the same day. It is proposed that a certain amount of retirement benefits, which is determined within a reasonable range based on the prescribed criteria of the Company, be granted to him in appreciation of the service he rendered to the Company during his term of office. It is also proposed that the decisions as to the specific amount of the retirement benefits and the timing and method of payment be entrusted to the Board of Directors.

The retiring Director's name and career summary are as follows:

Name	Career summary	
Yoshiro Masumoto	June 2019	Outside Director of the Company
	September 2021	Passed away

In addition, as part of the review of its directors' compensation system, the Company resolved at the meeting of its Board of Directors held on May 30, 2022, to abolish the retirement benefits system for Directors and Auditors at the conclusion of this Annual General Meeting of Shareholders.

In accordance with the abolishment of the retirement benefits system, it is proposed to make a final retirement benefits payment to five (5) Directors and three (3) Auditors currently in office within a reasonable range based on the prescribed criteria of the Company, subject to the approval of shareholders, in appreciation of the service they rendered to the Company during their terms of office until the conclusion of this Annual General Meeting of Shareholders.

It is also proposed that the timing of the payment be the time of retirement of each Director/Auditor, and that the decisions as to the specific amount of the retirement benefits and the method of payment, etc., be entrusted to the Board of Directors for the matters of Directors and to the consultation of Auditors for the matters of Auditors.

The prescribed criteria of the Company are presented at the Company's head office to be made available for shareholders' inspection.

The career summary of the Directors and Auditors who are eligible for the final retirement benefits payment is as follows:

Name	Career summary	
Masahiro Anan	March 2015	Director of e-License Inc. (currently the Company)
	October 2015	President & Representative Director of e-License Inc.
	February 2016	President & CEO of the Company (to present)
Yuji Arakawa	December 2000	Representative Director of Japan Rights Clearance Inc.
	February 2016	President & COO of the Company (to present)
Teiji Nagoshi	June 2002	Director of e-License Inc. (currently the Company)
	June 2006	Senior Managing Director of e-License Inc.
	June 2007	Director & Vice President of e-License Inc.
	April 2009	Director, Vice President & COO of e-License Inc.
	April 2012	Director supervising Sales, e-License Inc.
	July 2014	Director supervising Copyright Management Service Department, e-License Inc.
	October 2015	Managing Director of e-License Inc.
	February 2016	Director & General Manager of e-License Service Headquarters, the Company
April 2017	Director & General Manager of Sales Headquarters, the Company	
	June 2017	Managing Director & General Manager of Sales Headquarters, the Company
February 2020	Senior Managing Director of the Company (to present)	
Nobuhiko Takahashi	February 2016	Outside Director of the Company (to present)
Yuko Abe	June 2021	Outside Director of the Company (to present)
Yoshio Hirabayashi	June 2021	Full-time Auditor of the Company (to present)
Nobuyuki Kobayashi	February 2016	Outside Auditor of the Company (to present)
Toshifumi Oshima	June 2018	Outside Auditor of the Company (to present)

The Company established a policy regarding the determination of compensation, etc., for individual Directors at the meeting of its Board of Directors held on February 25, 2021. The outline of the policy is as described on page 29 of the Business Report. This proposal was determined by the Board of Directors after deliberations of the compensation committee in accordance with said policy and the prescribed criteria of the Company, and therefore it is judged as reasonable.

Following the review of the directors' compensation system, it was resolved at the meeting of the Company's Board of Directors held on May 30, 2022, that said policy would be revised, subject to the approval of Proposals 3 and 4 at this Annual General Meeting of Shareholders, and the content of the policy is as described under the [Reference] section in the lower part of Proposal 4.

**Proposal 4:** Determination of the Amount of Compensation for Allotment of Shares with Restriction on Transfer to Directors (Excluding Outside Directors)

The total upper limit of compensation to the Company's Directors was approved to be 200,000 thousand yen per annum at the 18th Annual General Meeting of Shareholders held on June 20, 2018. Aside from said compensation, the granting of stock options amounting up to 100,000 thousand yen per annum to Directors (excluding Outside Directors) was approved at the Extraordinary General Meeting of Shareholders held on February 22, 2019.

As part of efforts to review its directors' compensation system, the Company proposes to allot shares of the Company's common stock that are subject to certain conditions, including restriction on transfer for a certain period and specific requirements by the Company including the provision of the Company's acquisition of shares with no consideration (hereinafter the "Restricted Stock") as detailed below, to ensure that the Company's Directors (excluding Outside Directors) will further share the merits and risks of share price fluctuations with the Company's shareholders and increase the Directors' motivation to contribute to raising the Company's share price and enhancing the corporate value.

Taking comprehensive account of various matters such as the extent of Directors' contribution at the Company, it is proposed to set the total amount of monetary compensation receivables to be paid as compensation, etc., relating to the Restricted Stock to the Company's Directors (excluding Outside Directors), separately from the aforementioned compensation, etc., for Directors, to up to 60,000 thousand yen per annum. The specific timing of payment and amount of distribution to the Company's Directors (excluding Outside Directors) shall be determined by the Board of Directors.

Because the allotment of the Restricted Stock is determined upon comprehensive consideration of various matters such as the extent of Directors' contribution and the upper limit of shares of the Restricted Stock to be allotted in each fiscal year as specified in Paragraph 2. below accounts for only 0.21% of the Company's total number of shares outstanding (as of March 31, 2022; hereinafter the same applies) (the percentage of shares of the Restricted Stock to the total amount of shares outstanding if those Restricted Stock shares were issued to said upper limit for 10 years would be as little as 2.07%), which means the resulting dilution would be negligible, this proposal is considered as appropriate.

In addition, the Company established a policy regarding the determination of compensation, etc., for individual Directors at the meeting of its Board of Directors held on February 25, 2021. The outline of the policy is as described on page 29 of the Business Report. Following the review of the directors' compensation system, however, it was resolved at the meeting of the Company's Board of Directors held on May 30, 2022, that said policy would be revised, subject to the approval of this proposal and Proposal 3 at this Annual General Meeting of Shareholders, and the content of the policy is as described below under the [Reference] section. The revision of said policy was determined after deliberations of the compensation committee where independent Outside Directors constitute a majority of its members as an advisory body to the Company's Board of Directors. The allotment of shares of the Restricted Stock in accordance with this proposal is therefore in line with said policy after being revised.

The number of Directors currently in office is five (including two Outside Directors), and the number of Directors will be seven (including three Outside Directors) if Proposal 2 is approved.

## Details and Upper Limit of the Restricted Stock to the Company's Directors (excluding Outside Directors)

### 1. Allotment of and payment for the Restricted Stock

The Company will, pursuant to the resolution of its Board of Directors, provide to Directors (excluding Outside Directors) monetary compensation receivables as compensation, etc., relating to the Restricted Stock within the annual limit amount stated above. Each Director will accept allotment of the Restricted Stock by providing all of such monetary compensation receivables by contribution in kind.

The amount to be paid in for the Restricted Stock will be determined by the Company's Board of Directors, based on the average of the closing prices of the common stock of the Company quoted at the Tokyo Stock Exchange (any fractions less than one yen are rounded up, except for days with no closing prices) for the six months immediately preceding the date of resolution of the Board of Directors concerning issuance or disposition of shares of the Restricted Stock, within the scope that will not be particularly beneficial to Directors who will accept such shares of the Restricted Stock.

Said provision of the monetary compensation receivables shall be made on the condition that Directors (excluding Outside Directors) of the Company have agreed to the contribution in kind stated above and concluded an agreement on allotment of the Restricted Stock containing the contents set forth in Paragraph 3. below.

### 2. Total number of shares of the Restricted Stock

The maximum number of shares of the Restricted Stock to be allotted to Directors (excluding Outside Directors) for each business year shall be 20,000.

Notwithstanding the foregoing, if, on or after the date of resolution of this proposal, a share split (including allotment of the common shares of the Company without contribution) or a reverse share split of the common shares of the Company is conducted, or in the event of arising of any other equivalent case that requires an adjustment of the total number of shares of the Restricted Stock to be allotted, the Company may make an appropriate adjustment to such total number of shares of the Restricted Stock within a reasonable scope.

### 3. Outline of the agreement on allotment of the Restricted Stock

Upon the allotment of the Restricted Stock, the agreement on such allotment to be concluded pursuant to the resolution of the Company's Board of Directors between the Company and a Director who will receive such allotment shall contain the following.

#### (1) Details of restriction on transfer

A Director who has received an allotment of shares of the Restricted Stock may not transfer, establish a pledge for, assign a security interest in transfer, donate while alive, make a bequest to a third party or otherwise dispose of such shares (hereinafter the "Allotted Shares") for a period from the date of issuance of such shares through the date when said Director will retire as Director of the Company (hereinafter "Restriction Period") (hereinafter referred to as the "Transfer Restriction").

#### (2) Acquisition of shares of the Restriction Stock without consideration

If any Director who has received an allotment of the Restricted Stock retires as Director of the Company on or prior to the day immediately preceding the date of the first annual general meeting of shareholders of the Company arriving on or after the commencement date of the Restriction Period,

the Company shall automatically acquire the Allotted Shares without consideration, except the cases where there is any reason deemed justifiable by the Company's Board of Directors.

From among the Allotted Shares, should there be any of them for which the Transfer Restriction is not lifted at the expiration of the Restriction Period stated in (1) above under the provisions on removal of restriction on transfer in (3) below, the Company shall automatically acquire them without consideration.

(3) Removal of the Transfer Restriction

On condition that a Director who has received an allotment of shares of the Restricted Stock continues to be in the office of Director of the Company during the period from the date of commencement of the Restriction Period until the date of the first annual general meeting of shareholders of the Company arriving on or after the date of commencement of the Restriction Period, the Company shall remove the Transfer Restriction in respect to all of the Allotted Shares as at the time of expiry of the Restriction Period.

Notwithstanding the foregoing, if the relevant Director retires as Director of the Company prior to the date of the first annual general meeting of shareholders of the Company arriving on or after the date of commencement of the Restriction Period for any reason deemed justifiable by the Company's Board of Directors, the number of the Allotted Shares subject to removal of the Transfer Restriction and the timing of removal of the Transfer Restriction shall be adjusted as required and in a reasonable manner.

(4) Treatment at the time of entity conversion or the like

If a proposal concerning a merger agreement where the Company becomes the disappearing company, a share exchange agreement or share transfer plan where the Company becomes the wholly owned subsidiary, or any other proposal regarding entity conversion or the like is approved at the Company's general meeting of shareholders (or by the Board of Directors if such entity conversion or the like does not require approval of the Company's general meeting of shareholders) during the Restriction Period (limited to when the date of effectuation of said entity conversion or the like comes before the expiration of the Restriction Period; hereinafter referred to as "the Time of Approval of Entity Conversion") and said entity conversion or the like results in the retirement of a Director who has received the allotment of the Restricted Stock, the Company shall, prior to the date of effectuation of such entity conversion or the like, remove the Transfer Restriction for the number of the Allotted Shares reasonably determined considering the period from date of commencement of the Restriction Period until the Time of Approval of Entity Conversion, pursuant to the resolution of the Company's Board of Directors.

At the Time of Approval of Entity Conversion, the Company shall automatically acquire without consideration the Allotted Shares for which the Transfer Restriction is not removed as at the business day immediately preceding the date of effectuation of the entity conversion, on the same date.

End

[Reference]

Policy Regarding the Determination of the Content of Compensation, etc., for Individual Directors  
(Revised on May 30, 2022)

If Proposals 3 and 4 are approved, the content of the Company's "policy regarding the determination of the content of compensation, etc., for individual Directors" will be as follows.

1. Basic policy

As a basic policy, a compensation system for Directors shall be fair and transparent in line with the following policies for directors' compensation.

<Policies for directors' compensation>

- The content of compensation shall be commensurate with the responsibilities expected for directors of listed companies.
- The Company shall be able to fulfill accountability internally and externally regarding the compensation.
- The compensation shall enable companywide commitment to the medium- to long-term enhancement of business performance.
- The compensation shall be attractive enough to secure and employ talented human resources from inside and outside the Company.

Compensation for full-time Directors shall consist of "fixed compensation," "short-term incentive" and "medium- to long-term incentive." Compensation for Outside Directors who assume a supervising function from an independent position shall consist only of the "fixed compensation," considering the nature of their responsibilities.

The specific amount of compensation, etc., for individual Directors shall be determined at a meeting of the Board of Directors within the range resolved at the general meeting of shareholders based on the proposal of the compensation committee after its deliberations upon request for advice by the Board of Directors.

Compensation for Auditors shall consist only of the "fixed compensation" from the perspective of independence.

2. Policies regarding the determination of a method for calculating the amount of basic compensation (monetary compensation) (including policies regarding the determination of the timing and conditions for provision of compensation, etc.)

The basic compensation for the Company's Directors shall consist of monthly "fixed compensation," the amount of which is based on the director's position and is subject to increase/decrease considering his/her business performance and the standards of other companies and according to changes in the economic situation, including the business environment surrounding the Company. The specific amount is determined at a meeting of the Board of Directors after deliberations by the compensation committee.

3. Policies regarding the determination of the content and amount of performance-linked compensation, etc., and nonmonetary compensation, etc., or a method for calculating the number of points (including policies regarding the determination of the timing and conditions for provision of compensation, etc.)

As the performance-linked compensation, etc., for Directors, cash bonuses as a “short-term incentive” and nonmonetary compensation as a “medium- to long-term incentive” shall be provided to full-time Directors.

For cash bonuses, the Company’s “net income” shall be adopted as an indicator for which management should take final responsibility, and the bonuses shall be sourced from a certain percentage (5%) of “net income” and distributed among full-time Directors, which are paid at a certain timing of each year.

The specific amount of the bonuses to be distributed to individual Directors shall be determined by distributing the bonuses based on the ratio of the number of points for each Director given in alignment with his/her fixed compensation to the total number of points given to all full-time Directors, a final decision of which is made at a meeting of the Board of Directors after deliberations by the compensation committee.

The nonmonetary compensation, etc., shall be share-based compensation linked to the Company’s medium- to long-term business performance. Specifically, share-based compensation with restriction on transfer shall be given to full-time Directors so as to reflect the Company’s medium- to long-term initiatives toward growth of the Company based on the difference from the planned figures of the medium-term business plan. Such shares are allotted at a certain timing of each year, and the restriction on transfer will be lifted upon retirement from the office. As the planned figures, the “amount of operating income” that shows the profit from business operations and the “volume of transactions” that shows the actual state of business operations are adopted.

The amount of share-based compensation for individual Directors shall be the amount according to their position—which is calculated by multiplying their monthly fixed compensation by the factor of their position—multiplied by a factor that is determined by calculating the number of points based on the degree of achievement of the planned figures of the “amount of operating income” and the “volume of transactions” in the Company’s medium-term business plan. A final decision of the amount will be made at a meeting of the Board of Directors after deliberations by the compensation committee.

4. Policies regarding the determination of the ratio of the amount of basic compensation (monetary compensation), the amount of performance-linked compensation, etc., or the amount of nonmonetary compensation, etc., to the total amount of compensation, etc., for individual Directors

Regarding the ratio of each type of compensation, etc., for full-time Directors, the “fixed compensation” shall be constant, while a range of variations shall be allowed for the “short-term incentive” and the “medium- to long-term incentive” to enable linkage with business performance. A final decision will be made at a meeting of the Board of Directors after deliberations by the compensation committee so that the ratio will be the most appropriate to contribute to the sustainable growth of corporate value.

5. Policies regarding the determination of the content of compensation, etc., for individual Directors

The amount of “fixed compensation” (basic compensation), “short-term incentive” (bonuses) and “medium- to long-term incentive” (share-based compensation) for each Director shall be determined at a meeting of the Board of Directors based on a report from the compensation committee to be filed upon request for advice by the Board of Directors, in accordance with the regulations for directors’ compensation set forth by the Board of Directors.

End