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Securities Code: 2461

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## To Our Shareholders

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

## Invitation to Attend the 24th Annual General Meeting of Shareholders

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

We are pleased to inform you of the 24th Annual General Meeting of Shareholders, which has been scheduled as follows.

In convening this General Meeting of Shareholders, the Company has taken measures for the electronic provision of information that is the contents of the Information Materials for the General Meeting of Shareholders (matters to be provided electronically), which are posted on each of the following websites on the Internet, and we would appreciate it if you could access any of these websites and check the contents.

For this General Meeting of Shareholders, regardless of whether or not a request for delivery of the documents has been made, the Company will uniformly send a document containing the matters to be provided electronically to all shareholders.

[The Company's website]  
<https://www.fancs.com/en>



[Website for General Meeting of Shareholders materials]  
(Japanese only)  
<https://d.sokai.jp/2461/teiji/>



[Website for the Tokyo Stock Exchange Website (TSE Listed Company Information Service)] (Japanese only)  
<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>



In accordance with Article 66, paragraph (1) of the Act Partially Amending the Act on Strengthening Industrial Competitiveness, etc. (Act No. 70, 2021), this General Meeting of Shareholders will be a shareholders' meeting without a specified place (Virtual-Only General Meeting of Shareholders), so please attend the meeting through the website designated by the Company (<https://web.sharely.app/login/fancs-24>).

For details on the environment and procedures required to attend the meeting, please refer to "Guide to the Virtual-Only General Meeting of Shareholders" on pages 6 to 9. If you do not attend the meeting, or even if you do attend the meeting, you may exercise your voting rights in writing or via the Internet, etc. in advance in case of communication failure, etc. In that case, we ask that you exercise your voting rights after reviewing the Information Materials for the General Meeting of Shareholders. Please return the shareholder voting form in time to arrive no later than Tuesday, March 28, 2023, at 6:00 pm (JST).

[Exercising voting rights via postal mail]

Please indicate your approval or disapproval of the proposals on the enclosed shareholder voting form sent together with this notice, and return it by postal mail so that it arrives no later than Tuesday, March 28, 2023, at 6:00 p.m. (JST).

If you plan to attend the meeting and exercise your voting rights in advance by post, please keep your shareholder number and number of shares held on hand.

[Exercising voting rights via the Internet, etc.]

Please access the company's website for exercising voting rights (<https://www.web54.net>), enter the "Voting Rights Use Code" and "Password" displayed on the enclosed shareholder voting form sent together with this notice, follow the on-screen instructions, and indicate your approval or disapproval of the proposals by Tuesday, March 28, 2023, at 6:00 p.m. (JST).

When exercising voting rights via the Internet, etc., please review "Guidelines for Exercising Voting Rights via the Internet, etc." on pages 10 to 11.

We look forward to seeing you.

Details

1. Date and Time: Wednesday, March 29, 2023, at 10:00 a.m. (JST)  
(transmission begins at 9:45 a.m.)  
\*In the event that it is difficult to hold the Virtual-Only General Meeting of Shareholders on the date and time of the meeting due to communication problems, etc., the Company will hold the meeting on March 29, 2023 at 4:00 p.m. (JST) as a back-up date for the Virtual-Only General Meeting of Shareholders. If the Company decides to hold the meeting on the back-up date, it will be announced on the Company's website (<https://www.fancs.com>) by 1:00 p.m. on March 29, 2023 (JST).
2. Method of Holding the Meeting  
The General Meeting of Shareholders will be held at a location that is not specified (Virtual-Only General Meeting of Shareholders).  
Because the meeting will be held entirely online, there will be no venue for shareholders to actually attend the meeting.  
Please attend the meeting through the website designated by the Company (<https://web.sharely.app/login/fancs-24>).  
  
For details on the URL of the website, access method, and procedures required to attend the meeting, please refer to "Guide to the Virtual-Only General Meeting of Shareholders" on pages 6 to 9.  
Shareholders who have difficulty in using the Internet should consider exercising their voting rights in advance in writing or via the Internet, etc.
3. Agenda
  - Matters for reporting
    1. Business report, consolidated financial statements, and audit reports of the Accounting Auditors and the Audit and Supervisory Board concerning the consolidated financial statements for the 24th business year (from January 1, 2022 to December 31, 2022)
    2. Non-consolidated financial statements for the 24th business year (from January 1, 2022 to December 31, 2022)
  - Matters for resolution
    - Proposal No. 1: Appropriation of Retained Earnings
    - Proposal No. 2: Partial Change to Articles of Incorporation
    - Proposal No. 3: Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Board Members)

- Proposal No. 4: Election of Three Directors Who Are Audit and Supervisory Board Members
- Proposal No. 5: Election of One Director Who Is a Substitute Audit and Supervisory Board Member
- Proposal No. 6: Establishment of a Limit on Remuneration for Directors (Excluding Directors Who Are Audit and Supervisory Board Members)
- Proposal No. 7: Establishment of a Limit on Remuneration for Directors Who Are Audit and Supervisory Board Members
- Proposal No. 8: Issuance of Share Acquisition Rights as Stock Options for the Directors, Operating Officers, and Employees of the Company as Well as the Directors and Employees of Subsidiaries

4. Matters to be determined at the convocation of the meeting (information on the exercise of voting rights)
- (1) If you exercise your voting rights in writing (by mail) and do not indicate your approval or disapproval of the proposals, it will be treated as if you indicated your approval.
  - (2) If you exercise your voting rights more than once via the Internet, the last exercise of voting rights shall be treated as a valid exercise of voting rights.
  - (3) If you exercise your voting rights both via the Internet and in writing (by post), the vote cast via the Internet will be treated valid, regardless of the date of arrival.
  - (4) If you exercise your voting rights by proxy, one other shareholder with voting rights may attend the General Meeting of Shareholders as your proxy. However, please note that a written document evidencing the proxy's power of representation must be submitted.
  - (5) If you wish to exercise your voting rights in a non-uniform manner, please notify the Company in writing of your intention to exercise your voting rights in a non-uniform manner and the reason thereof at least three days prior to the date of the General Meeting of Shareholders.

End of text.

- We will make every effort to ensure stable transmission of the meeting on the day of the event, and have prepared a manual with specific measures to take in the event of a communication failure. However, depending on the telecommunication environment of the shareholders viewing the live broadcast, there is a possibility that the video and audio of the live streaming may be disrupted or temporarily interrupted, or that there may be a slight time lag between transmission and reception.

- We will not be responsible for any connection problems, delays, or audio problems on the day of the General Meeting of Shareholders that may be caused by problems with the telecommunication environment of a shareholder. We ask for your understanding in advance.

- All communication equipment, connection fees, communication charges, and other expenses incurred during viewing are the responsibility of the shareholder.

- The provision of video, images, audio data, etc. to third parties, public showing, reprinting, reproduction, or telling a third party how to log in is prohibited.
- We will accept questions from shareholders via the Internet prior to the General Meeting of Shareholders. On the day of the General Meeting of Shareholders, we plan to respond to all or part of the questions received through the advance questions website.
- The shareholders will not be able to submit motions via the advance questions website.
- In the event of any modification to the matters to be provided electronically, a notice will be posted on each of the above websites before and after the modification.
- Due to the revision of the Companies Act, in principle, shareholders shall access the above websites to confirm the matters to be provided electronically, and only those shareholders who have made a written request by the record date will be sent the information in writing. However, for this General Meeting of Shareholders, regardless of whether or not a request for delivery of the documents has been made, the Company will uniformly send a document containing the matters to be provided electronically to all shareholders.

The following items among the items to be provided electronically are not included in the document to be sent pursuant to the provisions of laws and regulations and Article 13 of the Articles of Incorporation of the Company.

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

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

Accordingly, the consolidated financial statements and non-consolidated financial statements included in this document are a part of the documents which were audited by the Accounting Auditor in preparing their audit report and by the Audit and Supervisory Board Members in preparing their audit report.

\*QR Code is a registered trademark of Denso Wave Incorporated.

## Guide to the Virtual-Only General Meeting of Shareholders

This General Meeting of Shareholders is a Virtual Only Shareholders' Meeting to be held only on the Internet.

There will be no venue for shareholders to attend the meeting in person, so please attend the meeting online. Details of the URL of the website, access method, and procedures necessary to attend the meeting are as follows. On the day of the General Meeting of Shareholders, you can attend the meeting online through the website designated by the Company (<https://web.sharely.app/login/fancs-24>), watch the live-streamed video, exercise your voting rights, ask questions regarding the agenda of the meeting, submit motions, etc. You are also welcome to submit comments, questions, etc. in advance of the meeting via the website.

\*Please be sure to read the following before using the website.

### 1. Shareholders attending the Virtual-Only General Meeting of Shareholders on the day of the meeting

(1) Date and time of transmission: Wednesday, March 29, 2023, at 10:00 a.m. (JST)

\*However, in the event that the General Meeting of Shareholders cannot be held on the above date due to a communication failure or other reasons, the Company will announce the date and other details again on the Company's website (<https://www.fancs.com/investors>).

(2) Access method

Connect to: <https://web.sharely.app/login/fancs-24>



(i) Please enter the URL above to access the Virtual-Only General Meeting of Shareholders website.

(ii) Once connected, please log in by entering the shareholder number, postal code\* and number of shares held as indicated on the shareholder voting form.

\*For the postal code, please enter the postal code on the shareholders' register as of the end of December 2022.

\*If you have any questions about logging in, please refer to the help page at the following URL.

<https://sharely.zendesk.com/hc/ja/>



(3) How to ask questions on the day of the meeting

- After logging in, please follow the instructions of the chairperson and enter your questions regarding the agenda of the meeting by clicking the “Questions” button at the bottom of the screen.
- Questions on the day of the meeting can be entered once the General Meeting of Shareholders has started.
- Each person is limited to three questions and 150 characters.

(4) How to submit a motion

When submitting a motion, please follow the instructions of the chairperson and select the type of motion from the “Motions” button at the bottom of the screen and type it in.

(5) How to exercise voting rights

- After logging in, please follow the instructions of the chairperson and enter your approval or disapproval of the resolution by clicking on the “Resolution” button at the bottom of the screen.
- If a shareholder who has exercised his or her voting rights in writing or via the Internet in advance attends the meeting in person
  - (i) Upon confirmation of the exercise of voting rights on the day of the meeting, the prior exercise of voting rights shall be deemed invalid.
  - (ii) If the exercise of voting rights on the day of the meeting cannot be confirmed, the prior exercise of voting rights shall be deemed valid.

(6) How to ask questions in advance

Advance questions will be accepted during the following period, so please log in according to “(2) Access method” and enter your questions regarding the agenda of this General Meeting of Shareholders by clicking the “Questions” button at the bottom of the screen.

Acceptance period: Tuesday, March 14, 2023, at 9:00 a.m. to Friday, March 24, 2023, at 6:00 p.m. (JST)

\*Each person is limited to 3 questions and 150 characters.

\*We will not be able to answer questions sent after the deadline for acceptance.

\*We plan to provide explanations on the day of the General Meeting of Shareholders, focusing on matters that we believe will be of particular interest to our shareholders.

\*We may not be able to answer all questions depending on the progress of the General

Meeting of Shareholders or the nature of the questions.

(7) Method of attendance by proxy

Shareholders may exercise their voting rights by appointing one other shareholder with voting rights as their proxy. Shareholders who wish to do so are required to submit a document stating the intention to appoint a proxy (power of attorney) to the Company prior to the General Meeting of Shareholders, which should be sent to the address below. For the form of the power of attorney and other necessary information, please contact the "Contact point for inquiries concerning exercise of voting rights by proxy, etc."

[Contact point for inquiries concerning exercise of voting rights by proxy, etc.]

fancomi\_soukai@fanacs.com

[Address for proxy-related documents]

To: General Meeting of Shareholders Administration Office, FAN Communications, Inc.  
Aoyama Diamond Building 2F, 1-1-8 Shibuya, Shibuya-ku, Tokyo 150-0002, Japan

[Deadline for submission]

Must arrive no later than Tuesday, March 28, 2023 at 6:00 p.m. (JST)

\*Please note that attendance by proxy will not be permitted if the required documents have not been received by the Company by the deadline.

\*If the documents submitted are incomplete, it may not be possible to treat it as a valid proxy.

[Points to note]

1. If you have exercised your voting rights in advance in writing or via the Internet and attend the Virtual-Only General Meeting of Shareholders via the Internet on the day of the meeting and duplicate your vote with your prior vote, the last exercise of voting rights shall be treated as a valid exercise of voting rights and your prior vote will be deemed invalid. If you exercise your voting rights in advance and attend the Virtual-Only General Meeting of Shareholders on the day of the meeting, and the Company is unable to confirm your vote on the day of the meeting, the Company will treat your prior vote as valid. If you do not exercise your voting rights in advance and attend the Virtual-Only General Meeting of Shareholders on the day of the meeting, and the Company is unable to confirm your vote on the day of the meeting, the Company will treat your vote as an abstention.
2. The shareholders will not be able to submit motions via the advance questions website.
3. We will make every effort to ensure stable transmission of the meeting on the day of the event, and have prepared a manual with specific measures to take in the event of a communication



failure. However, depending on the telecommunication environment of the shareholders viewing the live broadcast, there is a possibility that the video and audio of the live streaming may be disrupted or temporarily interrupted, or that there may be a slight time lag between transmission and reception.

4. We will not be responsible for any connection problems, delays, or audio problems on the day of the General Meeting of Shareholders that may be caused by problems with the telecommunication environment of a shareholder. We ask for your understanding in advance.
5. All communication equipment, connection fees, communication charges, and other expenses incurred during viewing are the responsibility of the shareholder.
6. The provision of video, images, audio data, etc. to third parties, public showing, reprinting, reproduction, or telling a third party how to log in is prohibited.
7. For any other questions regarding the transmission system, please refer to the following FAQ site (Japanese only).

<https://sharely.zendesk.com/hc/ja/sections/360009585533>

[Contact point for inquiries concerning how to log in or operate the system on the day of the event]

Contact point: System operator (Coincheck, Inc.)

+81-3-6416-5287

(Date and time of acceptance: Wednesday, March 29, 2023, from 9:00 a.m. to the end of the General Meeting of Shareholders (JST))

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

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

### 1. Website for exercising voting rights

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

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



### 2. Exercising voting rights

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

(2) The deadline to exercising voting rights is Tuesday, March 28, 2023, at 6:00 p.m. (JST). Please exercise voting rights as early as possible.

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

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

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

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

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

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

4. Questions regarding use of computers and other devices

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

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

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

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

A. Shareholders with an account at a securities company

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

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

Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Center

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

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

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

## Information Materials for the General Meeting of Shareholders

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

The following appropriation of retained earnings is proposed.

#### Matters concerning the year-end dividend

With regard to the year-end dividend for the 24th business year, the following appropriation of retained earnings is proposed, with consideration given to the business results of the fiscal year under review, future business development, etc.

#### (1) Type of dividend funds

Cash

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

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

The total dividend amount under this proposal is 1,259,894,389 yen.

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

March 30, 2023

Proposal No. 2: Partial Change to Articles of Incorporation

1. Reasons for proposal

The Company will transition to a company with an Audit and Supervisory Board in order to strengthen the auditing and supervisory functions of the Board of Directors by granting voting rights at meetings of the Board of Directors to Directors who are Audit and Supervisory Board Members, as well as to further enhance the corporate governance system and further increase corporate value.

In conjunction with this change, the Company will establish new provisions regarding the Audit and Supervisory Board and Audit and Supervisory Board Members, and delete provisions regarding Audit and Supervisory Board Members and the Audit and Supervisory Board, which are necessary for the transition to a company with an Audit and Supervisory Board, and will establish Supplementary Provisions as a transitional measure in conjunction with the deletion of the provision regarding exemption of Audit and Supervisory Board Members from liability.

In addition, for the purpose of realizing prompt decision-making and flexible business execution, a new provision will be established to the effect that important business execution decisions may be delegated to Directors.

The amendments to the Articles of Incorporation in this proposal will become effective at the conclusion of this General Meeting of Shareholders.

2. Details of changes

The details of the changes are as follows:

(The underlined parts indicate the changes.)

Current Articles of Incorporation	Proposed Change
Chapter 1 General Provisions	Chapter 1 General Provisions
Article 1 to Article 3 (articles omitted)	Article 1 to Article 3 (no change)

Current Articles of Incorporation	Proposed Change
<p>Article 4 (Organization)</p> <p>In addition to the General Meeting of Shareholders and the Directors, the Company shall have the following organizations.</p> <ol style="list-style-type: none"> <li>1. Board of Directors</li> <li>2. <u>Audit and Supervisory Board Members</u></li> <li>3. <u>Audit and Supervisory Board</u></li> <li>4. Accounting Auditor</li> </ol> <p>Article 5 (article omitted)</p> <p style="text-align: center;">Chapter 2 Stocks</p> <p>Article 6 to Article 8 (articles omitted)</p> <p>Article 9 (Administrator of Shareholders' Register)</p> <ol style="list-style-type: none"> <li>1. (article omitted)</li> <li>2. The administrator of the shareholders' register and its place of business <u>shall be determined by a resolution of the Board of Directors</u> and public notice thereof shall be given.</li> <li>3. (article omitted)</li> </ol> <p>Article 10 (Share Handling Regulations)</p> <p>The handling of shares of the Company shall be governed by the Share Handling Regulations <u>determined by the Board of Directors</u> in addition to laws and regulations or these Articles of Incorporation.</p>	<p>Article 4 (Organization)</p> <p>In addition to the General Meeting of Shareholders and the Directors, the Company shall have the following organizations.</p> <ol style="list-style-type: none"> <li>1. Board of Directors</li> <li>2. <u>Audit and Supervisory Board</u></li> </ol> <p>(Deletion)</p> <ol style="list-style-type: none"> <li>3. Accounting Auditor</li> </ol> <p>Article 5 (no change)</p> <p style="text-align: center;">Chapter 2 Stocks</p> <p>Article 6 to Article 8 (no change)</p> <p>Article 9 (Administrator of Shareholders' Register)</p> <ol style="list-style-type: none"> <li>1. (no change)</li> <li>2. The administrator of the shareholders' register and its place of business <u>shall be determined by a resolution of the Board of Directors or by the Directors delegated by a resolution of the Board of Directors</u> and public notice thereof shall be given.</li> <li>3. (no change)</li> </ol> <p>Article 10 (Share Handling Regulations)</p> <p>The handling of shares of the Company shall be governed by the Share Handling Regulations <u>established by the Board of Directors or by the Directors delegated by a resolution of the Board of Directors</u> in addition to laws and regulations or these Articles of Incorporation.</p>

Current Articles of Incorporation	Proposed Change
<p>Article 11 (article omitted)</p> <p>Chapter 4. Directors and Board of Directors</p> <p>Article 17 (Number of Directors)</p> <p>The Company shall have no more than ten Directors.</p> <p>(New)</p> <p>Article 18 (Election of Directors)</p> <p>1. Directors of the Company <u>shall be elected by a resolution of the General Meeting of Shareholders.</u></p> <p>2. (article omitted)</p> <p>Article 19 (Term of Office of Directors)</p> <p>The term of office of a Director shall expire upon the closing of the Annual General Meeting Shareholders for the last fiscal year ending within one year after his or her assumption of the directorship.</p> <p>(New)</p>	<p>Article 11 (no change)</p> <p>Chapter 4. Directors and Board of Directors</p> <p>Article 17 (Number of Directors)</p> <p><u>1.</u> The Company shall have no more than ten Directors.</p> <p><u>2. Of the Directors set forth in the preceding paragraph, the number of Directors who are Audit and Supervisory Board Members shall not exceed five.</u></p> <p>Article 18 (Election of Directors)</p> <p>1. Directors of the Company <u>shall be elected at the General Meeting of Shareholders, distinguishing between Directors who are Audit and Supervisory Board Members and Directors who are not.</u></p> <p>2. (no change)</p> <p>Article 19 (Term of Office of Directors)</p> <p>1. The term of office of a Director <u>(excluding those who is an Audit and Supervisory Board Member)</u> shall expire upon the closing of the Annual General Meeting Shareholders for the last fiscal year ending within one year after his or her assumption of the directorship.</p> <p><u>2. The term of office of a Director who is an Audit and Supervisory Board Member shall expire upon the closing of the Annual General Meeting Shareholders for the last fiscal year ending within two years after his or her assumption of the directorship.</u></p>

Current Articles of Incorporation	Proposed Change
<p>(New)</p> <p>Article 20 (Representative Director)</p> <p>The Board of Directors shall select the Representative Director by its resolution. The Representative Director shall represent the Company and execute the business of the Company.</p> <p>Article 21 (Executive Directors)</p> <p>The Board of Directors may, by its resolution, appoint one Chairman of the Board of Directors and one President, and appoint a few Vice Presidents, Senior Managing Directors, and Managing Directors.</p> <p>Article 22 (article omitted)</p>	<p><u>3. The term of office of a Director who is an Audit and Supervisory Board Member elected to fill a vacancy left by a Director who is an Audit and Supervisory Board Member and retires before the expiration of his or her term of office shall expire when the term of office of the retiring Director who is an Audit and Supervisory Board Member expires.</u></p> <p>Article 20 (Representative Director)</p> <p>The Board of Directors shall select the Representative Director <u>from among the Directors (excluding those who are Audit and Supervisory Board Members)</u> by its resolution. The Representative Director shall represent the Company and execute the business of the Company.</p> <p>Article 21 (Executive Directors)</p> <p>The Board of Directors may, by its resolution, appoint one Chairman of the Board of Directors and one President, and appoint a few Vice Presidents, Senior Managing Directors, and Managing Directors <u>from among the Directors (excluding those who are Audit and Supervisory Board Members).</u></p> <p>Article 22 (no change)</p>



Current Articles of Incorporation	Proposed Change
<p>Article 23 (Notice of Convocation of the Board of Directors)</p> <p>1. Notice of convocation of the Board of Directors shall be given to each Director and <u>each Audit and Supervisory Board Member</u> at least three days prior to the date of the meeting. However, this period may be shortened in case of urgent necessity.</p> <p>2. The Board of Directors may be held without following the procedures for convening a meeting if all Directors <u>and Audit and Supervisory Board Members</u> consent thereto.</p> <p>Article 24 to Article 25 (articles omitted)</p> <p>(New)</p> <p>Article <u>26</u> (article omitted)</p>	<p>Article 23 (Notice of Convocation of the Board of Directors)</p> <p>1. Notice of convocation of the Board of Directors shall be given to each Director at least three days prior to the date of the meeting. However, this period may be shortened in case of urgent necessity.</p> <p>2. The Board of Directors may be held without following the procedures for convening a meeting if all Directors consent thereto.</p> <p>Article 24 to Article 25 (no change)</p> <p><u>Article 26 (Delegation of Decisions on Important Business Execution)</u></p> <p><u>Pursuant to Article 399-13, paragraph (6) of the Companies Act, the Company may, by a resolution of the Board of Directors, delegate all or part of the decisions on the execution of important business affairs (excluding the matters listed in each item of paragraph (5) of the same Article) to the Directors.</u></p> <p>Article <u>27</u> (no change)</p>

Current Articles of Incorporation	Proposed Change
<p>Article <u>27</u> (Remuneration, etc. of Directors)  Remuneration, bonuses, and other property benefits to be received from the Company by Directors in consideration for the performance of their duties (below, "remuneration, etc.") shall be determined by a resolution of the General Meeting of Shareholders.</p>	<p>Article <u>28</u> (Remuneration, etc. of Directors)  Remuneration, bonuses and other property benefits to be received from the Company by Directors in consideration for the performance of their duties (below, "remuneration, etc.") shall be determined by a resolution of the General Meeting of Shareholders, <u>distinguishing between Directors who are Audit and Supervisory Board Members and Directors who are not.</u></p>
<p>Article <u>28</u> (article omitted)</p>	<p>Article <u>29</u> (no change)</p>
<p><u>Chapter 5. Audit and Supervisory Board Members and Audit and Supervisory Board</u></p>	<p>(Deletion)</p>
<p><u>Article 29 (Number of Audit and Supervisory Board Members)</u></p>	<p>(Deletion)</p>
<p><u>The Company shall have no more than five Audit and Supervisory Board Members.</u></p>	

Current Articles of Incorporation	Proposed Change
<p><u>Article 30 (Election of Audit and Supervisory Board Members)</u></p> <p><u>1. Audit and Supervisory Board Members of the Company shall be elected by a resolution of the General Meeting of Shareholders.</u></p> <p><u>2. A resolution for the election of Audit and Supervisory Board Members shall be adopted by a majority of the votes of the shareholders at the meeting where the shareholders holding one-third or more of the voting rights of the shareholders who are entitled to exercise their voting rights are present.</u></p> <p><u>3. Based on the provisions of Article 329, paragraph (3) of the Companies Act, the Company may elect substitute Audit and Supervisory Board Members at the General Meeting of Shareholders in preparation for the case that the number of Audit and Supervisory Board Members falls short of statutory requirements.</u></p> <p><u>4. Resolutions pertaining to the election of substitute Audit and Supervisory Board Members as set forth in the preceding paragraph shall be valid until the start of the Annual General Meeting of Shareholders for the last fiscal year ending within four years after said resolution.</u></p>	<p>(Deletion)</p>

Current Articles of Incorporation	Proposed Change
<p><u>Article 31 (Term of Office of Audit and Supervisory Board Members)</u></p> <p><u>The term of office of an Audit and Supervisory Board Member shall expire upon the closing of the Annual General Meeting Shareholders for the last fiscal year ending within four years after his or her assumption of the directorship. However, the term of office of an Audit and Supervisory Board Member elected to fill a vacancy left by an Audit and Supervisory Board Member who retires before the expiration of his or her term of office shall expire at the end of the term of office of the retiring Audit and Supervisory Board Member.</u></p>	(Deletion)
<p><u>Article 32 (Full-time Audit and Supervisory Board Members)</u></p> <p><u>The Audit and Supervisory Board shall select Full-time Audit and Supervisory Board Members by its resolution.</u></p>	(Deletion)
<p><u>Article 33 (Notice of Convocation of the Audit and Supervisory Board)</u></p> <p><u>1. Notice of convocation of the Audit and Supervisory Board shall be given to each Audit and Supervisory Board Member at least three days prior to the date of the meeting. However, this period may be shortened in case of urgent necessity.</u></p> <p><u>2. The Audit and Supervisory Board may be held without following the procedures for convening a meeting if all Audit and Supervisory Board Members consent thereto.</u></p>	(Deletion)

Current Articles of Incorporation	Proposed Change
<p><u>Article 34 (Method of Resolutions of the Audit and Supervisory Board)</u>  <u>Except as otherwise provided by law, resolutions of the Audit and Supervisory Board shall be adopted by a majority of the Audit and Supervisory Board Members.</u></p>	(Deletion)
<p><u>Article 35 (Regulations of the Audit and Supervisory Board)</u>  <u>Matters concerning the Audit and Supervisory Board shall be governed by the Regulations of the Audit and Supervisory Board determined by the Audit and Supervisory Board in addition to laws and regulations or these Articles of Incorporation.</u></p>	(Deletion)
<p><u>Article 36 (Remuneration, etc. of Audit and Supervisory Board Members)</u>  <u>Remuneration, etc. of Audit and Supervisory Board Members shall be determined by a resolution of the General Meeting of Shareholders.</u></p>	(Deletion)



Current Articles of Incorporation	Proposed Change
<p>(New)</p> <p>Chapter 6. Accounting Auditor</p> <p>Article <u>38</u> (article omitted)</p> <p>Article <u>39</u> (article omitted)</p> <p>Article <u>40</u> (Remuneration, etc. of the Accounting Auditor)</p> <p>Remuneration, etc. of the Accounting Auditor shall be determined by the Representative Director with the consent of the <u>Audit and Supervisory Board.</u></p> <p>Chapter 7. Accounting</p> <p>Article <u>41</u> to Article <u>44</u> (articles omitted)</p> <p>(New)</p>	<p><u>Article 31 (Regulations of the Audit and Supervisory Board)</u></p> <p><u>Matters concerning the Audit and Supervisory Board shall be governed by the Regulations of the Audit and Supervisory Board determined by the Audit and Supervisory Board in addition to laws and regulations or these Articles of Incorporation.</u></p> <p>Chapter 6. Accounting Auditor</p> <p>Article <u>32</u> (no change)</p> <p>Article <u>33</u> (no change)</p> <p>Article <u>34</u> (Remuneration, etc. of the Accounting Auditor)</p> <p>Remuneration, etc. of the Accounting Auditor shall be determined by the Representative Director with the consent of the <u>Audit and Supervisory Board.</u></p> <p>Chapter 7. Accounting</p> <p>Article <u>35</u> to Article <u>38</u> (no change)</p> <p><u>(Supplementary Provisions)</u></p>

Current Articles of Incorporation	Proposed Change
	<p><u>The Company may, pursuant to Article 426, paragraph (1) of the Companies Act, exempt any Audit and Supervisory Board Member (including former Audit and Supervisory Board Members) from liability for damages due to negligence of their duties before the partial amendment to the Articles of Incorporation approved at the 24th Annual General Meeting of Shareholders takes effect by a resolution of the Board of Directors to the extent permitted by law.</u></p>



Proposal No. 3: Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Board Members)

If the partial change to the Articles of Incorporation as proposed in Proposal No. 2 is approved, the Company will transition to a company with an Audit and Supervisory Board. Accordingly, the terms of office of all Directors (six) will expire at the conclusion of this General Meeting of Shareholders, and the Company proposes the election of six Directors (excluding those who are Audit and Supervisory Board Members; the same shall apply hereinafter in this proposal).

The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company [Significant concurrent positions held]	Number of shares of the Company held
1	Re-election Yasuyoshi Yanagisawa (October 20, 1964)	Oct. 1999 Established the Company President (current position) (Position and responsibility in the Company) President	27,783,600
2	Re-election Hiroshi Matsumoto (April 10, 1960)	Oct. 1999 Established the Company Director and Vice President (current position) (Position and responsibility in the Company) Director and Vice President	1,668,100
3	Re-election Koji Ninomiya (March 11, 1979)	Apr. 2004 Joined the Company Jan. 2011 General Manager of ADN Promotion in the MC Business Mar. 2012 General Manager of ADN Business Apr. 2013 Operating Officer (current position) Mar. 2015 Director (current position) (Position and responsibility in the Company) Director, Operating Officer General Manager of AD Platform Business and New Business Development Department and in charge of Communication Design Department [Significant concurrent positions held] Director of FAN Communications Global, Inc.	11,600

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company [Significant concurrent positions held]	Number of shares of the Company held
4	Re-election Takashi Yoshinaga (February 18, 1981)	Apr. 2005    Joined the Company July 2008    General Manager of New Development for A8 Business Oct. 2011    General Manager of A8 Business Apr. 2013    Operating Officer (current position) Mar. 2015    Director (current position) (Position and responsibility in the Company) Director, Operating Officer General Manager of A8 Business, A8 Business Sales Promotion Department No. 1, A8 Business Sales Promotion Department No. 3, and Business Development Department No. 1 [Significant concurrent positions held] Director of Seesaa Inc.	16,900

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

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

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

However, the said limitation of liability will be available only if in the execution of the task giving rise to the subject liability due professional care has been exercised and no gross negligence has occurred.

6. The Company designates Kazusuke Obi and Satoshi Hoyano as independent officers as defined by the stipulations of the Tokyo Stock Exchange and has submitted documentation to that effect to this exchange. If this proposal is approved, the Company plans to continue to designate both as independent officers.
7. The Company has signed a liability insurance agreement for executives with an insurance company as set forth in Article 430-3, paragraph (1) of the Companies Act. This insurance covers the legal damages and costs of disputes that the insured would incur were a claim for damages to be made in relation to acts performed based on their position with the Company. If each candidate's election is approved and they assume office, they will become an insured under the said insurance agreement. The full amount of the premiums for all of the insureds is borne by the Company based on the resolution passed at the meeting of the Board of Directors held on November 22, 2022. The insurance policy is scheduled to be renewed with the same contents at the next renewal.

Proposal No. 4: Election of Three Directors Who Are Audit and Supervisory Board Members

If the partial change to the Articles of Incorporation as proposed in Proposal No. 2 is approved, the Company will transition to a company with an Audit and Supervisory Board. Therefore, the Company proposes the election of three Directors who are Audit and Supervisory Board Members.

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

This proposal shall become effective on the condition that the amendment to the Articles of Incorporation in Proposal No. 2, "Partial Change to Articles of Incorporation," takes effect.

The candidates for Directors who are Audit and Supervisory Board Members are as follows:

Candidate No.	Name (Date of birth)	Career summary, position in the Company [Significant concurrent positions held]	Number of shares of the Company held
1	New appointment Yoshikatsu Sato (July 21, 1967)	Nov. 2000 Joined the Company Oct. 2002 General Manager of Sales Department Apr. 2004 Operating Officer Jan. 2005 General Manager of Sales Headquarters Mar. 2005 Director Mar. 2018 Resigned as Director	293,800

Candidate No.	Name (Date of birth)	Career summary, position in the Company [Significant concurrent positions held]	Number of shares of the Company held
2	New appointment Tokiko Maruno (July 21, 1973)	<p>Oct. 2002 Registered as lawyer (Dai-ichi Tokyo Bar Association)</p> <p>Oct. 2002 Joined Idesawa &amp; Partners (current position)</p> <p>Nov. 2016 Outside Auditor of CHIIKISHINBUNSHA CO., LTD. (current position)</p> <p>June 2017 Outside Auditor of NICHIRYOKU Co., Ltd.</p> <p>June 2019 Outside Auditor of RAITO KOGYO CO., LTD. (current position)</p> <p>Mar. 2022 Outside Audit and Supervisory Board Member of the Company (current position)</p> <p>[Significant concurrent positions held] Idesawa &amp; Partners (lawyer) Outside Auditor of CHIIKISHINBUNSHA CO., LTD. Outside Auditor of RAITO KOGYO CO., LTD.</p>	0

	Name (Date of birth)	Career summary, position in the Company [Significant concurrent positions held]	Number of shares of the Company held
3	New appointment Masaaki Koizumi (October 4, 1964)	<p>Oct. 1987    Joined Eiwa Audit Corporation (currently KPMG AZSA LLC)</p> <p>Aug. 1991    Registered as certified public accountant</p> <p>Oct. 2003    Founded Koizumi C.P.A. Office Director of Koizumi C.P.A. Office (current position)</p> <p>June 2004    Auditor of Internet Initiative Japan Inc.</p> <p>Aug. 2006    Representative Partner of Futaba Audit Corporation</p> <p>Mar. 2008    Director of Lifenet Insurance Company</p> <p>Feb. 2015    Outside Auditor of K.R.S. Corporation (current position)</p> <p>June 2018    Outside Director of Monex Group, Inc. (Chairperson of the Audit Committee) (current position)</p> <p>[Significant concurrent positions held] Director of Koizumi C.P.A. Office Outside Auditor of K.R.S. Corporation Outside Director of Monex Group, Inc. (Chairperson of the Audit Committee)</p>	0

- Notes: 1. There is no special interest between the candidates and the Company.
2. Tokiko Maruno and Masaaki Koizumi are candidates for outside Director.
3. The reason why Tokiko Maruno was nominated as a candidate for Director who is an Audit and Supervisory Board Member and an outline of her expected role is because the Company expects that her high-level professional knowledge as an attorney at law will be reflected in the auditing of the Company. She has not been involved in the management of a company aside for serving as an outside officer in the past, however, the Company determined that she would properly carry out the role of Director who is an Audit and Supervisory Board Member due to the reasons above.
4. The reason why Masaaki Koizumi was nominated as a candidate for Director who is an Audit and Supervisory Board Member and an outline of his expected role is because he is well versed in corporate management and corporate finance as a certified public accountant and the Company expects him to utilize this knowledge and experience to



strengthen the Company's auditing system.

5. Based on the statutes of Article 427, paragraph (1) of the Companies Act, the Company has signed an agreement with Tokiko Maruno to limit liability under Article 423, paragraph (1) of the Companies Act. If she is re-elected, this agreement will be renewed. The limit amount under the indemnity liability based on the subject agreement will be the statutorily stipulated minimum liability limit amount. However, the said limitation of liability will be available only if in the execution of the task giving rise to the subject liability due professional care has been exercised and no gross negligence has occurred. In addition, the Company plans to enter into the same liability limitation agreement with Masaaki Koizumi if he is elected.
6. The Company designates Tokiko Maruno as an independent officer as defined by the stipulations of the Tokyo Stock Exchange and has submitted documentation to that effect to this exchange. If this proposal is approved, the Company plans to continue to designate her as an independent officer.
7. Masaaki Koizumi satisfies the requirements for an independent officer as stipulated by the Tokyo Stock Exchange, and he will be designated as an independent officer if his election is approved.
8. The Company has signed a liability insurance agreement for executives with an insurance company as set forth in Article 430-3, paragraph (1) of the Companies Act. This insurance covers the legal damages and costs of disputes that the insured would incur were a claim for damages to be made in relation to acts performed based on their position with the Company. If each candidate's election is approved and they assume office, they will become an insured under the said insurance agreement. The full amount of the premiums for all of the insureds is borne by the Company based on the resolution passed at the meeting of the Board of Directors held on November 22, 2022. The insurance policy is scheduled to be renewed with the same contents at the next renewal.

(Reference)

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

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

Name	Position in the Company	Corporate management	Industry knowledge	Sales and marketing	New business development	Finance and accounting	Legal and risk management
Yasuyoshi Yanagisawa	Representative Director	•	•	•	•		
Hiroshi Matsumoto	Director	•	•	•	•		
Koji Ninomiya	Director	•	•	•	•		
Takashi Yoshinaga	Director	•	•	•			
Kazusuke Obi	Outside Director	•	•	•			
Satoshi Hoyano	Outside Director	•	•	•			
Yoshikatsu Sato	Audit and Supervisory Board Member	•	•	•			
Tokiko Maruno	Audit and Supervisory Board Member						•
Masaaki Koizumi	Audit and Supervisory Board Member					•	

Proposal No. 5: Election of One Director Who Is a Substitute Audit and Supervisory Board Member

If the partial change to the Articles of Incorporation as proposed in Proposal No. 2 is approved, the Company will transition to a company with an Audit and Supervisory Board. Accordingly, the Company proposes the election of one Director who is a Substitute Audit and Supervisory Board Member in the event that the number of Directors who are Audit and Supervisory Board Members falls below the number required by law.

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

This proposal shall become effective on the condition that the amendment to the Articles of Incorporation in Proposal No. 2, "Partial Change to Articles of Incorporation," takes effect.

The candidate for Director who is a Substitute Audit and Supervisory Board Member is as follows:

Name (Date of birth)	Career summary, position in the Company [Significant concurrent positions held]	Number of shares of the Company held
Kenji Yamada (May 3, 1958)	Apr. 1982	Joined AIU Insurance Company
	Apr. 1994	Established Funtech Co., Ltd.
	June 1998	Outside corporate auditor of KENKO Mayonnaise Co., Ltd.
	Dec. 2001	Representative Director of Funtech Co., Ltd. (current position)
	June 2022	Outside Audit and Supervisory Board Member of the Company (current position)
	[Significant concurrent positions held] Representative Director, Funtech Co., Ltd.	1,700

- (Notes) 1. Funtech Co., Ltd., where the candidate serves in the position as Representative Director, is an insurance agency engaged in the business of the solicitation and administration for part of the property and casualty insurance agreements taken out by the Company.
2. In the subject fiscal year, the Company has paid to Funtech Co., Ltd. a total amount of 5,118,600 yen, which is comprised entirely of insurance premiums. Funtech Co., Ltd. accounts for under 0.07% of the consolidated sales revenues of the Company group.
3. Kenji Yamada is the candidate for outside Director who is a Substitute Audit and Supervisory Board Member.

4. The reason why Kenji Yamada was nominated as a candidate for Director who is a Substitute Audit and Supervisory Board Member and an outline of his expected role is because he is well versed in corporate management and risk management, and the Company expects him to utilize this knowledge and experience to strengthen the Company's auditing system.
5. In case Kenji Yamada is inaugurated as outside Director who is an Audit and Supervisory Board Member, it is planned to conclude an agreement between Kenji Yamada and the Company based on the stipulations of Article 427, paragraph (1) of the Companies Act to limit the indemnity liability under Article 423, paragraph (1) of the Companies Act. The limit amount under the indemnity liability based on the subject agreement will be the statutorily stipulated minimum liability limit amount. However, the said limitation of liability will be available only if in the execution of the task giving rise to the subject liability due professional care has been exercised and no gross negligence has occurred.
6. The Company has signed a liability insurance agreement for executives with an insurance company as set forth in Article 430-3, paragraph (1) of the Companies Act. This insurance covers the legal damages and costs of disputes that the insured would incur were a claim for damages to be made in relation to acts performed based on their position with the Company. The insured of the said liability insurance agreement for executives are the Directors and Audit and Supervisory Board Members of the Company, and Kenji Yamada will become an insured party of such insurance agreement if he assumes office as an outside Director who is an Audit and Supervisory Board Member. The full amount of the premiums for all of the insureds is borne by the Company based on the resolution passed at the meeting of the Board of Directors held on November 22, 2022. The insurance policy is scheduled to be renewed with the same contents at the next renewal.

Proposal No. 6: Establishment of a Limit on Remuneration for Directors (Excluding Directors Who Are Audit and Supervisory Board Members)

The amount of remuneration, etc. for Directors of the Company was approved as an annual amount not exceeding 300,000 thousand yen at the 16th Annual General Meeting of Shareholders held on March 26, 2015, and has been approved to this day. However, if the partial amendment to the Articles of Incorporation as proposed in Proposal No. 2 is approved, the Company will transition to a company with an Audit and Supervisory Board. Accordingly, in accordance with the provisions of Article 361, paragraphs (1) and (2) of the Companies Act, the Company proposes to abolish the current limit of remuneration for Directors and to set the amount of remuneration, etc. for Directors (excluding Directors who are Audit and Supervisory Board Members) at not more than 300,000 thousand yen per year (including 30,000 thousand yen or less for outside Directors). The maximum amount of remuneration, etc. for Directors (excluding Directors who are Audit and Supervisory Board Members) is the same amount as that resolved at the 16th Annual General Meeting of Shareholders held on March 26, 2015.

This proposal is to determine the remuneration limit for Directors (excluding Directors who are Audit and Supervisory Board Members) within a reasonable range, taking into consideration various factors such as the economic situation, the size of the Company, and the number of Directors, and was deemed necessary and reasonable in the deliberations of the Compensation Advisory Committee, an optional advisory body of the Company.

The amount of remuneration for Directors (excluding Directors who are Audit and Supervisory Board Members) will not include the portion of employee salaries for Directors who serve concurrently as employees of the Company.

Currently, there are six Directors (including two outside Directors). If Proposals No. 2 and No. 3 are approved as originally proposed, the number of Directors (excluding Directors who are Audit and Supervisory Board Members) will be six (including two outside Directors).

This proposal shall become effective on the condition that the amendment to the Articles of Incorporation in Proposal No. 2, "Partial Change to Articles of Incorporation," takes effect.

Proposal No. 7: Establishment of a Limit on Remuneration for Directors Who Are Audit and Supervisory Board Members

If the partial amendment to the Articles of Incorporation as proposed in Proposal No. 2 is approved, the Company will transition to a company with an Audit and Supervisory Board.

Pursuant to the provisions of Article 361, paragraphs (1) and (2), and taking into consideration the economic situation and other circumstances, the Company proposes to set the amount of remuneration, etc. for Directors who are Audit and Supervisory Board Members at not more than 30,000 thousand yen per year.

The amount of remuneration, etc. for Audit and Supervisory Board Members of the Company was approved as an annual amount not exceeding 30,000 thousand yen at the 16th Annual General Meeting of Shareholders held on March 26, 2015, and it has been determined that this amount is necessary and appropriate, taking into consideration the amount of remuneration for Audit and Supervisory Board Members to date, the duties of Directors who are Audit and Supervisory Board Members, and other factors.

The number of Directors who are Audit and Supervisory Board Members will be three if Proposals No. 2 and No. 4 are approved as originally proposed.

This proposal shall become effective on the condition that the amendment to the Articles of Incorporation in Proposal No. 2, "Partial Change to Articles of Incorporation," takes effect.

Proposal 8: Issuance of Share Acquisition Rights as Stock Options for the Directors, Operating Officers, and Employees of the Company as Well as the Directors and Employees of Subsidiaries

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

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

1. Proposal outline

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

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

(2) Issuance of share acquisition rights as remuneration, etc. for Directors of the Company (excluding Directors who are Audit and Supervisory Board Members and outside Directors)

If the partial amendment to the Articles of Incorporation as proposed in Proposal No. 2 is approved, the Company will transition to a company with an Audit and Supervisory Board. In addition, the amount of remuneration for Directors of the Company (excluding Directors who are Audit and Supervisory Board Members) will be not more than 300,000 thousand yen per year (excluding the portion of employee salaries for Directors who serve concurrently as employees) if Proposal No. 6, "Establishment of a Limit on Remuneration for Directors (Excluding Directors Who Are Audit and

Supervisory Board Members)", is approved. Therefore, the Company requests approval to issue share acquisition rights within an annual range of 90,000 thousand yen as stock options, which is separate from the annual remuneration for Directors (excluding Directors who are Audit and Supervisory Board Members).

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

There are currently six Directors (including two outside Directors), and if Proposal No. 3 is approved, the number of Directors subject to this proposal will be four.



(3) Policy on Director compensation

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

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

2. Outline of the share acquisition rights

(1) Persons eligible to be allotted share acquisition rights

Directors (excluding Directors who are Audit and Supervisory Board Members and outside Directors), Operating Officers, and employees of the Company as well as Directors and employees of subsidiaries

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

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

Company stock.

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

Number of shares after adjustment =

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

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

(3) The total number of share acquisition rights

Limited to 1,000 share acquisition rights. Out of this number, share acquisition rights for allotment to Directors (excluding Directors who are Audit and Supervisory Board Members and outside Directors) of the Company shall be limited to a maximum of 1,000 share acquisition rights.

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

(4) Amount payable for share acquisition rights

The share acquisition rights shall be issued for no consideration.

(5) Exercise price of the share acquisition rights

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

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

However, if the said amount is lower than the closing price on the issuance

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

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

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

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

$$\text{Exercise price after adjustment} = \frac{\text{Exercise price before adjustment} \times \left( \frac{\text{Number of shares outstanding} + \frac{\text{Number of shares newly issued} \times \text{Subscription price payable per share}}{\text{Price per share before issuance of new shares}}}{\text{Number of shares outstanding} + \text{Number of shares newly issued}} \right)}{1}$$

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

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

(6) Exercise period of the share acquisition rights

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

(7) Conditions for exercise of the share acquisition rights

- (i) Persons who have share acquisition rights allotted to them (hereinafter "Share Acquisition Right Allottees") must at the time of the share acquisition right exercise hold a position as Director, Operating Officer, Audit and Supervisory Board Member, or employee of the Company or a subsidiary or affiliate of the Company. However, the above condition is not applicable when a legitimate reason for non-application exists in the judgment of the Board of Directors.
- (ii) Other conditions are prescribed in the "Share Acquisition Right Grant Agreement" to be concluded between the Company and a Share Acquisition Right Allottee based on the resolutions of this General Meeting of Shareholders and the Board of Directors.

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

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

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

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

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

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

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

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

(12) Handling in case of reorganization

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

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

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

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

Shares of common stock of the Reorganized Company.

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

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

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

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

(v) Exercise period of share acquisition rights

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

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

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

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

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

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

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

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

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

(13) Other features of the share acquisition rights

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

End of text.