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Securities code: 5367  
May 26, 2023

**To Shareholders with Voting Rights:**

Hiroshi Ohnishi  
Director and President  
Nikkato Corporation  
3-2-24 Oriono-cho, Sakai-ku, Sakai,  
Osaka Prefecture, Japan

**NOTICE OF  
THE 153rd 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 153rd Annual General Meeting of Shareholders of Nikkato Corporation (the “Company”) will be held as described below.

When convening this General Meeting of Shareholders, the Company has taken measures for electronic provision and has posted matters subject to measures for electronic provision as “NOTICE OF THE 153rd ANNUAL GENERAL MEETING OF SHAREHOLDERS” on the following website on the Internet.

The Company website: <https://nikkato.co.jp/english/>

Please access the above website and select “Investor Relations” and “IR Library” to view the information.

In addition to the above, the information is also posted on the following website on the Internet.

Tokyo Stock Exchange website:

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

Please access the above website, enter the name of the Company or its securities code, and click “Search.” Then, select “Base information” and “Documents for public inspection/PR information” to view the information.

Shareholders not attending on the day of the meeting may exercise their voting rights in writing by postal mail or electronically via the Internet or other such means, so please review the Reference Documents for the General Meeting of Shareholders found in the posted matters subject to measures for electronic provision, and use either of the methods indicated on page 3 of the Japanese version to exercise your voting rights by Thursday, June 15, 2023 at 4:45 p.m. Japan time.

- 1. Date and Time:** Friday, June 16, 2023 at 10:00 a.m. Japan time  
(Registration begins at 9:00 a.m.)
- 2. Place:** Garden Court, 3rd Floor, HOTEL Agora Regency Osaka Sakai  
4-45-1 Ebisujima-cho, Sakai-ku, Sakai, Osaka Prefecture
- 3. Meeting Agenda:**
- Matters to be reported:** The Business Report and Non-Consolidated Financial Statements for the Company's 153rd Fiscal Year (April 1, 2022 - March 31, 2023)
- Proposals to be resolved:**
- Proposal 1:** Partial Amendments to the Articles of Incorporation
- Proposal 2:** Appropriation of Surplus
- Proposal 3:** Election of Three (3) Directors (excluding Directors who are Audit & Supervisory Committee Members)
- Proposal 4:** Election of Three (3) Directors who are Audit & Supervisory Committee Members
- Proposal 5:** Election of One (1) Substitute Director who is an Audit & Supervisory Committee Member
- Proposal 6:** Payment of Bonuses to Directors
- Proposal 7:** Revision of the Compensation Ceiling for Directors
- Proposal 8:** Granting of Retirement Benefits to Retiring Directors and Final Payments of Retirement Benefits in line with the Abolition of Retirement Benefits System for Directors
- Proposal 9:** Introduction of Performance-Linked Stock Compensation Plan for Directors
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1. Shareholders attending the General Meeting of Shareholders on the day of the meeting are requested to submit the enclosed Voting Rights Exercise Form at the venue's registration desk.
2. If circumstances arise that make it necessary to revise the matters subject to measures for electronic provision, the revisions will be posted on each website where the information is published.
3. COVID-19 prevention measures  
Shareholders attending this meeting are kindly asked to check the infection status and their health conditions on the day of the meeting. In addition, we may ask for your cooperation in taking prevention measures at the venue, such as temperature checks and alcohol sterilization.

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

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

#### 1. Reasons for amendments

With the introduction of the Executive Officer System, the number of Directors stipulated in Article 19 of the current Articles of Incorporation shall be amended from the current 13 to 10. The Company has also established rules concerning Executive Officers in the proposed Article 23, and in view of this insertion, the Articles shall be renumbered.

#### 2. Details of amendments

The details of the amendments are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
Chapter 4 Directors and the Board of Directors	Chapter 4 Directors and the Board of Directors
(Number of Directors) Article 19 The number of Directors of the Company shall be not more than <u>thirteen (13)</u> .	(Number of Directors) Article 19 The number of Directors of the Company shall be not more than <u>ten (10)</u> .
<Newly established>	(Executive Officers) <u>Article 23 The Board of Directors may, by its resolution, appoint Executive Officers to have them carry out their respective duties. The Board of Directors may, by its resolution, appoint Executive Officers with specific titles.</u>
From Article <u>23</u> to Article <u>38</u> <Omitted>	From Article <u>24</u> to Article <u>39</u> <Unchanged>

**Proposal 2:** Appropriation of Surplus

The Company has a basic policy of maintaining a stable dividend. It proposes to appropriate surplus as follows based on a consideration of operating results and future business development.

Items related to the year-end dividend

- (1) Type of dividend property

Cash

- (2) Allotment of dividend property to shareholders and its total amount

Per share of the Company's common stock: ¥13

Total: ¥155,160,941

Note: The full-year dividend for the fiscal year under review, which includes the interim dividend, is ¥23 per share (¥20 per share for the previous fiscal year).

- (3) Effective date of the distribution of surplus

June 19, 2023

**Proposal 3:** Election of Three (3) Directors (excluding Directors who are Audit & Supervisory Committee Members)

The terms of office of all six (6) Directors (excluding Directors who are Audit & Supervisory Committee Members) will expire at the close of this General Meeting of Shareholders. Accordingly, with the introduction of the Executive Officer System, the Company proposes to reduce the number of Directors and appoint a total of three (3) Directors.

The candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members) are as follows.

No.	Name (Birthdate)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	Hiroshi Ohnishi (March 15, 1958)	<p>April 1981    Joined the Company</p> <p>April 1998    General Manager of R&amp;D Department</p> <p>June 2003    Senior General Manager, General Manager of R&amp;D Department</p> <p>June 2010    Director, General Manager of R&amp;D Department</p> <p>April 2016    Director, General Manager of Production Division, General Manager of Production Management Department</p> <p>June 2016    Managing Director, General Manager of Production Division, General Manager of Production Management Department</p> <p>June 2017    Representative Director and Managing Director, General Manager of Production Division, General Manager of Production Management Department</p> <p>June 2018    Representative Director and President (current position)</p>	32,200
2	Etsuo Hamada (May 26, 1964)	<p>April 1987    Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.)</p> <p>April 2008    Branch Manager of Ikeda Branch</p> <p>June 2011    Branch Manager of Marunouchi-Chuo Branch</p> <p>April 2013    Branch Manager of Nanba Branch</p> <p>May 2016    Joined the Company</p> <p>June 2017    General Manager in charge of Accounting Department</p> <p>June 2021    Director, General Manager of Accounting Department</p> <p>June 2021    Managing Director, General Manager of Accounting Department (current position)</p>	1,400
3	Eriko Tanabe (January 12, 1985)	<p>December 2011 Registered as an attorney</p> <p>                  Joined Nakanoshima Chuo Law Office</p> <p>February 2013 Academic Advisor, Graduate School of Law, Kansai University</p> <p>June 2014    Joined Management Jurists Associations</p> <p>November 2015 Member, Higashiosaka City Planning Commission (current position)</p> <p>July 2018    Seconded as Fixed-Term Official (International Research Officer), Osaka Regional Taxation Bureau</p> <p>July 2020    Returned to Nakanoshima Chuo Law Office</p> <p>January 2021 Partner (current position)</p> <p>June 2022    Director, the Company (current position)</p>	-

Notes: 1. There are no special interest relationships between the Company and any of the candidates.

2. Ms. Eriko Tanabe is a candidate for Outside Director.

Ms. Tanabe possesses knowledge and experience as an attorney in such specialized fields as intellectual property and labor relations. The Company believes she will provide appropriate advice and supervision for the Company's management and initiatives for sustained growth and raising its corporate value, and is therefore proposing that she be appointed as an Outside Director. From an independent perspective, she will continue to provide appropriate advice and proposals on management, which gives the Company leverage to sustain growth and raise its corporate value. She will have held the position of Outside Director of the Company for one (1) year at the close of this General Meeting of Shareholders.

3. Ms. Eriko Tanabe has met the independence requirements set forth by the Tokyo Stock Exchange. If she is registered as an independent director in accordance with Rule 436-2 of the Tokyo Stock Exchange's Securities Listing Regulations and if her appointment is approved the Company, she will continue holding the position as an independent director.

4. The Company has entered into an agreement with Ms. Eriko Tanabe that limits her liability for damages under Article 423, Paragraph 1 of the Companies Act. If her reappointment is approved, the Company intends to continue the liability limitation agreement with her. Under the agreement, liability is limited to the minimum amount stipulated in Article 425, Paragraph 1 of the act.

**Proposal 4: Election of Three (3) Directors who are Audit & Supervisory Committee Members**

The terms of office of all three (3) Directors who are Audit & Supervisory Committee Members will expire at the close of this General Meeting of Shareholders. Accordingly, the Company proposes to appoint a total of three (3) Directors who are Audit & Supervisory Committee Members.

The candidates for Directors who are Audit & Supervisory Committee Members are as follows, and the Company has already obtained the consent of the Audit & Supervisory Committee for this proposal.

No.	Name (Birthdate)	Career summary, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
1	Yuji Doi (October 19, 1956)	April 1980 April 2009 April 2012  June 2012	Joined Asahi Mutual Life Insurance Company Branch Manager of Saitama-Nishi Branch Joined the Company General Manager in charge of General Affairs Department Director, General Manager of General Affairs Department (current position)	23,800
2	Motoaki Nishimura (July 9, 1943)	April 1969 June 2012 June 2015	Registered as an attorney (Osaka Bar Association) Corporate Auditor, the Company Director (Audit & Supervisory Committee Member) (current position)	10,500
3	Shinji Usuma (April 19, 1961)	March 1984 January 1991 January 2003  June 2012 June 2015	Joined Yubisui Kaikei Center KK Registered as a certified public tax accountant An employee of Yubisui Public Tax Accountant's Corp. (current position) Corporate Auditor, the Company Director (Audit & Supervisory Committee Member) (current position)	17,600

- Notes:
1. There are no special interest relationships between the Company and any of the candidates.
  2. Mr. Yuji Doi is a new candidate for a Director who is Audit & Supervisory Committee Member (full-time).
  3. Mr. Yuji Doi has been nominated because he possesses a wide range of knowledge and extensive experiences gained through his duties and heavy responsibilities for human resources, labor, and other operations as the Director, General Manager of General Affairs Department, and therefore the Company believes that he provides us with appropriate advice for raising the Company's corporate value.
  4. Mr. Motoaki Nishimura and Mr. Shinji Usuma are both candidates for Outside Directors. They have met the independence requirements set forth by the Tokyo Stock Exchange, and the Company has registered them as independent directors in accordance with Rule 436-2 of the Tokyo Stock Exchange's Securities Listing Regulations. If the appointment of both candidates is approved, they will continue to be independent directors. Both candidates will have held the position of Outside Directors of the Company for eight (8) years at the close of this General Meeting of Shareholders.
  5. Mr. Motoaki Nishimura is well versed in legal affairs and has sufficient knowledge to control business management. He was appointed as a Corporate Auditor of the Company in June 2012 and as a Director who is an Audit & Supervisory Committee Member in June 2015, since when he has been fulfilling his duties appropriately, and therefore, we request the appointment of Mr. Nishimura for another term as a Director who is an Audit & Supervisory Committee Member. He will have served as a Director who is an Audit & Supervisory Committee Member for eight (8) years at the close of this General Meeting of Shareholders.  
Mr. Nishimura, as an attorney, possesses legal expert perspectives and extensive experiences, and thus the Company expects him to audit and supervise the performance of duties of the Directors from a neutral and objective standpoint, which we believe enhances the company management and the function of the Company's Board of Directors.
  6. Mr. Shinji Usuma, as a tax accountant, possesses expertise and wide range of experiences in finance, accounting, and tax practices. Having been considered able to appropriately perform duties, he was appointed as a Corporate Auditor of the Company in June 2012 and as a Director who is an Audit & Supervisory Committee Member in June 2015, since when he has been appropriately performing his duties. We, therefore, request the appointment of Mr. Usuma for another term as a Director who is an Audit & Supervisory Committee Member. He will have served as a Director who is an Audit & Supervisory Committee Member for eight (8) years at the close of this General Meeting of Shareholders. By leveraging his extensive experiences and expertise as a tax accountant, Mr. Usuma is expected to provide the Company with appropriate advice and opinions mainly on finance, accounting, and tax practices and to audit and

supervise the performance of duties of the Directors from an independent standpoint, which we believe enhances the company management and the function of the Company's Board of Directors.

7. The Articles of Incorporation of the Company provides that the Company may enter into a contract with Directors (excluding executive directors, managers or any other type of employee) to limit their maximum liability for damages to the Company within a certain range under Article 427, Paragraph 1 of the Companies Act. Accordingly, if Mr. Motoaki Nishimura and Mr. Shinji Usuma are reappointed, the Company intends to continue the limited liability agreement with them.

The content of this agreement is summarized as follows.

- If the Outside Directors are liable to the Company for any damage attributable to their failure of duties, their liability will be limited to the minimum amount set forth in Article 425, Paragraph 1 of the Companies Act.
- This limit stated above is applicable only when the Outside Directors conduct, in good faith and with no gross negligence, their duties which caused their liabilities.



For Reference: Specialization and Experience of the Company's Directors and Directors who are Audit & Supervisory Committee Members (Skill Matrix)

Name	Position at the Company	Attributes	Years in office	Specific areas of specialization					Nomination and Compensation Committee
				Corporate management	Manufacturing and research	Sales and marketing	Financial affairs	Legal affairs and risk management	
Hiroshi Ohnishi	Representative Director and President		13	•	•	•		•	•
Etsuo Hamada	Managing Director, General Manager of Accounting Dept.		6	•		•	•	•	
Eriko Tanabe	Director	Independent Outside	1					•	•
Yuji Doi	Director	Full-Time Audit & Supervisory Committee Member	11					•	
Motoaki Nishimura	Director	Independent Outside Audit & Supervisory Committee Member	8					•	•
Shinji Usuma	Director	Independent Outside Audit & Supervisory Committee Member	8	•			•		•

Note: This skill matrix shows the composition of the Board of Directors assuming Proposal 3 and Proposal 4 are approved as originally proposed at the General Meeting of Shareholders.

**Proposal 5:** Election of One (1) Substitute Director who is an Audit & Supervisory Committee Member

To prepare for a contingency in which the number of Directors who are Audit & Supervisory Committee Members falls below that required by laws and regulations, the Company proposes to appoint one (1) substitute Director who is an Audit & Supervisory Committee Member.

The above appointment may be nullified by a resolution of the Board of Directors with the consent of the Audit & Supervisory Committee only before the candidate assumes office.

The Company has already obtained the consent of the Audit & Supervisory Committee for this proposal.

The candidate for the substitute Director who is an Audit & Supervisory Committee Member is as follows.

Name (Birthdate)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
Kenji Tabuchi (May 18, 1959)	March 1985 Graduated from Faculty of Law, Kyoto University October 1987 Passed the bar examination April 1990 Registered as an attorney (Osaka Bar Association) April 1990 Joined Tsukaguchi Law Office April 1995 Opened Tabuchi Law Office June 2001 Opened Tabuchi Nishino Law Office (to present)	—

- Note:
1. There are no special interest relationships between the Company and the candidate.
  2. Mr. Kenji Tabuchi possesses a wide range of knowledge and insights as an attorney as well as extensive experiences as an outside director of another company. We, therefore, believe that he provides the Company with appropriate advice for raising its corporate value.
  3. Mr. Kenji Tabuchi is a candidate for Outside Director. If he is appointed, the Company intends to register him as an independent director in accordance with the rules of Tokyo Stock Exchange.

**Proposal 6: Payment of Bonuses to Directors**

The Company proposes to pay a total of ¥29,570,000 in bonuses to the five (5) Directors (excluding one (1) Outside Director and three (3) Directors who are Audit & Supervisory Committee Members) as of the end of the fiscal year under review based on a consideration of performance for the fiscal year and other factors.

Bonuses are paid to Directors (excluding one (1) Outside Director and three (3) Directors who are Audit & Supervisory Committee Members) in the form of cash compensation that is reflective of key performance indicators in order to increase awareness of improving performance each fiscal year. The bonuses are calculated based on the degree to which an operating margin target of 10% is achieved each fiscal year, and they are paid at a fixed time each year. Bonuses are determined upon the deliberations and reports of the Nomination and Compensation Committee based on the Policy for Determining the Amount of Compensation for Directors and Audit & Supervisory Committee Members and its Calculation Method, and the Company judges this to be appropriate. It is proposed that amounts for individual Directors (excluding Audit & Supervisory Committee Members) be left to the discretion of the Board of Directors.

**Proposal 7: Revision of the Compensation Ceiling for Directors**

Monetary compensation for the Company's Directors was approved at the 145th Annual General Meeting of Shareholders to be within ¥100 million per year (excluding the employee salary portion of the compensation of employees concurrently serving as directors), as basic compensation (fixed compensation), bonuses (performance-linked compensation), and retirement benefits for the medium to long term. However, considering the review of its officers' compensation system, changes in the business environment, and other factors for the Company's sustained growth and raising its corporate value, the Company proposes to revise the amount of compensation for Directors to within ¥150 million per year (within ¥15 million per year for Outside Director; excluding the employee salary portion of the compensation of employees concurrently serving as directors).

As this proposal was determined by the Board of Directors upon the deliberation of the Nomination and Compensation Committee, in comprehensive consideration of the review of its compensation system for directors and payment level in conjunction with the abolishment of the Retirement Benefits System for Directors, the Company judges this to be appropriate.

The Company presently has six (6) Directors (including one (1) Outside Director), but if Proposal 3 "Election of Three (3) Directors (excluding Directors who are Audit & Supervisory Committee Members)" is approved as originally proposed, the number of Directors shall be three (3) (including one (1) Outside Director).

**Proposal 8: Granting of Retirement Benefits to Retiring Directors and Final Payments of Retirement Benefits in line with the Abolition of Retirement Benefits System for Directors**

The Company proposes to grant retirement benefits to Directors Yuji Doi and Hiroshi Yasuoka, both of whom are retiring at the close of this General Meeting of Shareholders. These benefits shall be given within a reasonable amount in accordance with the company's standards in gratitude for work they have performed during their terms of office.

The Company judges this to be appropriate, as the retirement benefits for retiring Directors are to be granted to the medium- to long-term services of the Directors, as it is based on the Policy for Determining the Amount of Compensation for Directors and Audit & Supervisory Committee Members and its Calculation Method and the Retirement Benefits System. The Company also proposes that decisions regarding details such as specific amounts, timing and method of payment be left to the discretion of the Board of Directors.

The career summary of the retiring Directors are as follows.

Name	Career summary
Yuji Doi	June 2012 Director, General Manager of General Affairs Department (current position)
Hiroshi Yasuoka	June 2011 Director April 2020 Director, General Manager of Tokyo Management Division, General Manager in charge of structural reform of Engineering Department (current position)

In addition, as part of the Company's efforts to review the Directors' compensation system at the meeting of the Board of Directors on March 17, 2023, the Board of Directors passed a resolution to abolish the Retirement Benefits System for Directors at the close of this General Meeting of Shareholders.

Accordingly, we propose making final payments of retirement benefits within reasonable amounts to the Directors due to be elected pending approval of Proposal 3, namely Hiroshi Ohnishi and Etsuo Hamada, and to Toshikazu Harada, who is due to be elected as Executive Officer for their terms of office up to the close of this General Meeting of Shareholders. These benefits shall be given in accordance with the Policy for Determining the Amount of Compensation for Directors and Audit & Supervisory Committee Members and its Calculation Method and the Retirement Benefits System. The Company also proposes that payments to each Director or Executive Officer be timed to coincide with their retirement and that the decisions regarding details such as specific amounts and methods of the final payments of retirement benefits be left to the discretion of the Board of Directors in the case of retiring Directors or Executive Officer.

The career summaries of the Directors who will be eligible for the final payments are as follows.

Name	Career Summary
Hiroshi Ohnishi	June 2010 Director June 2016 Director, General Manager of Production Division June 2017 Representative Director and Managing Director, General Manager of Production Division June 2018 Representative Director and President (current position)
Etsuo Hamada	June 2017 Director June 2021 Managing Director, General Manager of Accounting Department (current position)
Toshikazu Harada	June 2019 Director April 2020 Director, General Manager of Ceramic Sales Division (current position)

Notes: Retirement benefits: Yuji Doi and Hiroshi Yasuoka

Final payments: Hiroshi Ohnishi, Etsuo Hamada, and Toshikazu Harada

Final payments are retained until retirement or resignation, so that the Company intends to record the balance as long-term accounts payable - other.

## **Proposal 9:** Introduction of Performance-Linked Stock Compensation Plan for Directors

### 1. Reasons for the proposal and reasons the proposal is deemed appropriate

The Company requests approval of this proposal to introduce a new performance-linked stock compensation plan, “Board Benefit Trust-Restricted Stock (BBT-RS),” (the “Plan”) for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors who are not Audit & Supervisory Committee Members; unless otherwise specified, the same applies hereinafter in this proposal.) and Executive Officers (the “Directors, etc.”).

This proposal aims to raise the motivation for contributing to improving results and increasing corporate value over the medium-to-long term by further clarifying the link between the compensation of the Directors, etc., and the performance and stock value of the Company by having Directors, etc. share not only the benefit of higher stock prices but also the risk of lower stock prices with the Company’s shareholders. The details of this proposal are deemed appropriate as the details of this proposal conform to the Company’s policy concerning decisions on the details of compensation for individual Directors (as below).

The Company requests approval of this proposal for the specific calculation method and details of the amount of compensation under the Plan to be paid to Directors of the Company, separately from the compensation ceiling on monetary compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) that is requested for approval as Proposal 7. The Company requests that details of the Plan be left to the discretion of the Board of Directors within the range specified in 2. below.

If Proposal 3 is approved as proposed, two Directors will be eligible under the Plan.

### 2. Specific calculation method and details of the amount of compensation under the Plan

#### (1) Outline of the Plan

The Plan is a performance-linked stock compensation plan whereby shares in the Company are acquired through a trust using money contributed by the Company as funds (hereinafter, the trust established pursuant to the Plan is referred to as the “Trust”), and shares in the Company and money, etc., equivalent to such shares at their market value (collectively, the “Company Shares, etc.”) are delivered through the Trust to Directors, etc., pursuant to the Officer Stock Delivery Regulations established by the Company. The time for Directors, etc., to receive delivery of Company Shares, etc., shall in principle be at a fixed time each year, and the time for Directors, etc., to receive money equivalent to such shares at their market value shall, in principle, be the date on which the Directors, etc., retire.

#### (2) Eligible persons of the Plan

Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors who are not Audit & Supervisory Committee Members) and Executive Officers

#### (3) Trust period

From August 2023 (scheduled) until termination of the Trust (However, regarding the trust period of the Trust, the Trust will continue as long as the Plan is in effect as a specific termination date has not been set. The Plan will terminate if the Company’s shares are delisted, or the Officer Stock Delivery Regulations are abolished.

#### (4) Trust amount

Subject to the approval of this proposal, the Company will introduce the Plan for the three fiscal years from the fiscal year ending March 31, 2024, to the fiscal year ending March 31, 2026 (the “Initial Target Period;” the Initial Target Period and each three-fiscal-year period after the Initial Target Period are called the “Target Period”) as well as for each subsequent Target Period, and

contribute the following money to the Trust as funds to acquire the Company's shares for the purpose of delivery of Company Shares, etc., to Directors, etc.

First, upon establishing the Trust (August 2023 (scheduled)), the Company will make contributions of an appropriate amount of money expected to be required to the Trust as necessary funds for the Initial Target Period to establish the Trust. Based on the Plan, the upper limit for points to be granted to Directors, etc., is 52,000 points per fiscal year, as described in (6) below. At the time of establishing the Trust, taking into account the closing price of the Company's common stock during regular trading on the Tokyo Stock Exchange just prior to establishment, the reasonably expected funds necessary to acquire the upper limit of 156,000 shares will be contributed to the Trust. In addition, for reference, if the closing price on March 16, 2023, of ¥573 is used, the necessary funds for the above will be approximately ¥90 million.

After the Initial Target Period has elapsed, the Company will make additional contributions to the Trust of funds deemed necessary for the Trust to make advance acquisitions of the necessary number of shares that are reasonably expected to be delivered to the Directors, etc., based on the Plan for each Target Period in principle, until the termination of the Plan. However, if, at the time of such additional contribution, there remain the Company's shares (excluding the Company's shares that correspond to the points granted to Directors, etc., for each Target Period up to the immediately preceding Target Period and that have not yet been delivered to Directors, etc.) and money (the "Residual Shares, etc.") in the trust assets, the Residual Shares, etc., will be allocated as funds for delivery based on the Plan for the next Target Period, and additional contributions will be calculated taking into consideration the Residual Shares, etc. The Company shall disclose said decision in a timely and appropriate manner in the case that the Company decides to make an additional contribution.

Note: The actual amount that will be contributed to the Trust by the Company is the total amount of the above funds to acquire shares in addition to the expected amount of necessary expenses for trust fees, etc.

(5) Method of acquisition and number of the Company's shares to be acquired under the Trust

The Trust will acquire the Company's shares, using the funds contributed through (4) above, either through the stock market or by underwriting the disposal of the Company's treasury stock.

Furthermore, as the upper limit for points to be granted to Directors, etc., is 52,000 points per fiscal year as described in (6) below, the upper limit for the number of the Company's shares to be acquired by the Trust is 156,000 shares during each Target Period. Details of the acquisition of the Company's shares through the Trust will be disclosed in a timely and appropriate manner.

(6) The upper limit for the number of the Company Shares, etc., to be delivered to Directors, etc.

For each fiscal year, Directors, etc., are granted points determined based on a consideration of their position and the level of achievement of goals, etc., under the Officer Stock Delivery Regulations. The total number of points per fiscal year granted to Directors, etc., is 52,000 points (of which 30,000 points are for Directors of the Company) as the upper limit, determined by comprehensively considering the current level of payment of executive compensation and trends and prospects for the number of Directors, etc. Therefore, it is deemed appropriate.

Each point granted to Directors, etc., is equivalent to one share of the Company's common stock in delivering the Company Shares, etc., as described in (7) below. (However, if, in regard to the Company's shares, a stock split, an allotment of shares without contribution, or a consolidation of shares is carried out after this proposal is approved, the Company will reasonably adjust the upper limit of points and the number of points already granted or their conversion ratio, according to the relevant ratios, etc.)

The ratio of the number of shares of 52,000, equivalent to the upper limit for points granted to Directors, etc., per fiscal year to the total number of issued shares of 11,935,457 (As of March 31, 2023. After deducting treasury stock.) is approximately 0.4%.

The number of points of Directors, etc., that form the basis for delivery of the Company Shares, etc., in (7) below are, in principle, the number of points granted to such Directors, etc., until the beneficiary rights are confirmed in (7) below (hereinafter, the points computed in this manner are referred to as “Defined Number of Points”).

(7) Delivery of the Company Shares, etc., and specific calculation method of the amount of compensation

Directors, etc., who meet the beneficiary requirements will receive from the Trust the Company’s shares that correspond to the number of their “Defined Number of Points” granted under (6) above in principle by carrying out specified beneficiary confirmation procedures at a fixed time each year. However, in case the requirements provided in the Officer Stock Delivery Regulations are met, Directors, etc., will, instead of the Company’s shares, receive the amount of money equivalent to the market value of such shares in respect to a certain portion of the points upon their retirement in principle. The Trust may sell the Company’s shares to make such delivery of money.

In case Directors, etc., receive the Company’s shares while in office, the Directors, etc., will, before receiving the Company’s shares, conclude with the Company a transfer restriction agreement as described in 3. below. Accordingly, the Company’s shares received by Directors, etc. while in office will be restricted from being transferred or disposed of until retirement.

In addition, even for Directors, etc., who were granted points, in case of dismissal by resolution of a General Meeting of Shareholders, resignation resulting from defined misconduct while in office, inappropriate conduct causing damage to the Company while in office or other matters, the right to receive delivery will be revoked.

The amount of compensation that Directors, etc., receive are based on the total number of points granted to Directors, etc., multiplied by the book value per share of the Company’s shares held by the Trust (However, for the Company’s shares, if a stock split, an allotment of shares without contribution, or a consolidation of shares is carried out, this will be reasonably adjusted according to the relevant ratios, etc.) at the time points were granted. In addition, when deemed appropriate in cases where money is delivered as an exception in accordance with the Officer Stock Delivery Regulations, the amount will be in addition to the said amount.

(8) Exercise of voting rights

In accordance with instructions from the trust administrator, the voting rights in connection with the Company’s shares in the Trust’s account will not be exercised, with no exceptions. This approach is taken to ensure neutrality to the management of the Company in the exercise of voting rights of the Company’s shares in the Trust’s account.

(9) Dividends

The Trust will receive dividends from the Company’s shares held in the Trust’s account and allocate them to the payment of the costs for acquiring the Company’s shares or to the trust fees for the trustee of the Trust, etc. If the Trust is terminated, residual funds in the Trust, including dividends, will be delivered to incumbent Directors, etc., at that time in proportion to the number of points they each hold, in accordance with the Officer Stock Delivery Regulations.

(10) Termination of trust

The Trust will terminate upon the occurrence of events such as the delisting of the Company’s shares or the abolition of the Officer Stock Delivery Regulations.

The Company's shares among the Trust's residual assets at the time of termination of the Trust will be acquired by the Company in whole without the contribution and be canceled by resolution of the Board of Directors. Of the residual assets of the Trust at the time of termination of the Trust, money will be delivered to the Company, excluding the amount to be delivered to Directors, etc., in accordance with (9) above.

3. Outline of transfer restriction agreement on the Company's shares delivered to Directors, etc.

In case of receiving the Company's shares while in office, Directors, etc. shall, before delivery of the Company's shares, conclude a transfer restriction agreement (the "Transfer Restriction Agreement") with the Company as the outline. (Directors, etc., will receive the Company's shares on the condition that they conclude the Transfer Restriction Agreement with the Company.) However, in case the Directors, etc., have already retired at the time of receiving the shares, the Company's shares may be delivered without the conclusion of the Transfer Restriction Agreement.

(1) Details of the restriction on the transfer of shares

Directors, etc., may not transfer, create a mortgage on, or otherwise dispose of the Company's shares delivered during the period from the grant date of the Company's shares to the date when they retire from all of the positions as an officer of the Company and its subsidiaries (the "Group").

(2) Acquisition without consideration by the Company

In case of specific illegal acts or any non-fulfillment of the requirements for lifting the transfer restriction in (3) below, the Company will acquire the shares without consideration.

(3) Lifting of transfer restriction

If Directors, etc., retire from all of their positions as an officer in the Group for valid reasons or due to death and on the condition that they have continuously been an officer of the Group during the period from the grant date of the Company's shares to the retiring date, the transfer restriction will be lifted at the time.

(4) Treatment in the event of reorganization, etc.

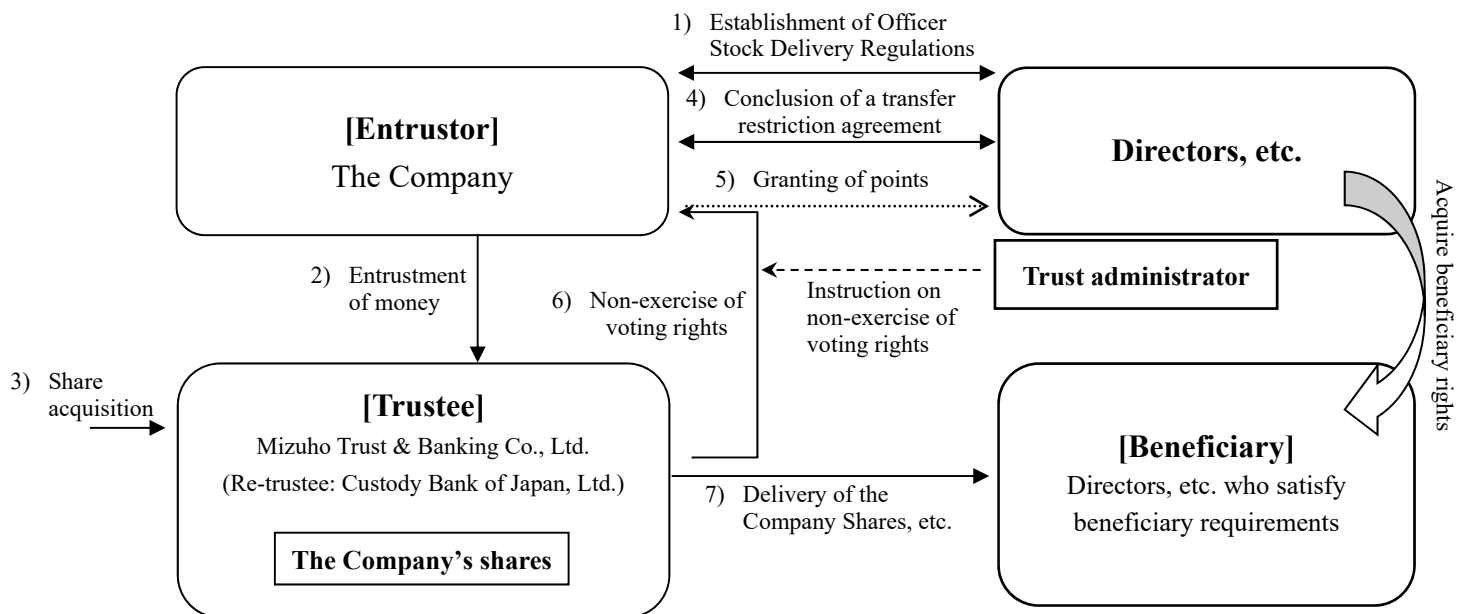
During the transfer restriction period, if proposals relating to a merger agreement in which the Company is the dissolving company or other reorganizations are approved at a General Meeting of Shareholders of the Company, the Company will lift the transfer restriction as of the time immediately preceding the business day before the effective date of the reorganization.

The Company's shares subject to the transfer restriction based on the Transfer Restriction Agreement will be managed in a dedicated account opened by eligible Directors, etc., at a securities company designated by the Company to prevent being transferred, pledged, or disposed of during the transfer restriction period.

In addition to the above, the Transfer Restriction Agreement shall stipulate the method of indicating one's intention and notification under the Agreement, the method of revising the Transfer Restriction Agreement and other matters to be decided by the Board of Directors.



<For Reference: Structure of the Plan>



- 1) The Company will establish the Officer Stock Delivery Regulations within the framework approved in this proposal.
- 2) The Company will entrust money within the limit approved in this proposal.
- 3) The Trust will acquire the Company's shares using the funds entrusted in 2) through the stock market or by underwriting the disposal of the Company's treasury stock.
- 4) Directors, etc. concludes with the Company a transfer restriction agreement under which the Company's shares will be restricted on transfer or other disposal until their retirement and which includes the clauses on acquisition without consideration.
- 5) The Company will grant points based on the Officer Stock Delivery Regulations.
- 6) In accordance with instructions from a trust administrator independent from the Company, the Trust will not exercise voting rights concerning the Company's shares in the Trust's account.
- 7) The Trust will provide the Company's shares to Directors, etc., who meet the beneficiary requirements provided in the Officer Stock Delivery Regulations (the "Beneficiaries") corresponding to the number of points granted to the said Beneficiaries on a fixed date each year. However, Directors, etc., who meet the requirements provided in the Officer Stock Delivery Regulations, will receive an amount of money equivalent to the Company's shares at market value with respect to a certain portion of the points upon their retirement.

[Reference: Policies concerning Decisions on Details of Compensation for Directors]

On the condition that the proposal on compensation for Directors of the Company is resolved at the 153rd Annual General Meeting of Shareholders as proposed, policies concerning decisions on compensation for Directors of the Company in the 154th Fiscal Year (FY2023) have been provided as follows.

(1) Basic policies

The compensation system for Directors of the Company is linked with shareholders' benefits in order to sufficiently function as an incentive for continuously raising its corporate value. Specifically, the compensation for Directors is comprised of basic compensation (fixed compensation), bonuses (performance-linked compensation), and performance-linked stock compensation, while the compensation system for Outside Directors (excluding Directors who are Audit & Supervisory Committee Members) provides only basic compensation from the perspective of their duties.

(2) Policies concerning decisions on the amount of basic compensation (monetary compensation) for individual Directors (including policies concerning decisions on the timing and terms for providing compensation)

Basic compensation for Directors of the Company is a monthly fixed compensation that is decided by comprehensively considering each Director's position, responsibilities, other companies' payment levels, the Company's results, and employee payment levels.

(3) Policies concerning decisions on details of performance-linked compensation and calculation method of the amounts (including policies concerning decisions on the timing and terms for providing compensation)

Performance-linked compensation is composed of monetary compensation (bonuses) that is reflective of key performance indicators in order to increase awareness of improving performance each fiscal year, as well as stock compensation with restriction on transfer as non-monetary compensation. Bonuses are calculated based on the degree to which an operating margin target of 10% is achieved each fiscal year, and they are paid at a fixed time each year. The target performance indicator and its amount are reviewed as appropriate upon the deliberations and reports of the Nomination and Compensation Committee in accordance with environmental changes.

(4) Policies concerning decisions on the ratio of the amounts of monetary compensation and performance-linked compensation for Directors to the amount of compensation for individual Directors

The ratio by types of compensation for Executive Directors will be reviewed by the Nomination and Compensation Committee, based on the compensation levels of companies whose business scale is similar to or who belong to the industry and business category related to the Company. The weighting of performance-linked compensation shall be higher for the higher positions. Based on the deliberation and report by the Nomination and Compensation Committee, the Representative Director and President shall determine the details of compensation for individual Directors within the range of the ratio by types of compensation indicated in the report. The ratio by type of compensation is referred to as the chart below.

	Basic compensation	Performance-linked compensation			Evaluation and allocation	
		Short-term cash bonuses	Medium- to long-term non-monetary compensation	Total	Performance-linked evaluation	Individual evaluation
Representative Director	55%	38%	7%	45%	130%–50%	130%–70%
Managing Director	55%	38%	7%	45%	130%–50%	130%–70%
Director	65%	28%	7%	35%	130%–50%	130%–70%
Outside Director	100%	0%	0%	0%	—	—
Director (Audit & Supervisory Committee Member)	100%	0%	0%	0%	—	—
Outside Director (Audit & Supervisory Committee Member)	100%	0%	0%	0%	—	—

(5) Matters concerning decisions on the details of compensation for individual Directors

The details on the amount of compensation for individual Directors are entrusted to the Representative Director and President based on a resolution by the Board of Directors, which has the authority to determine the amount of basic compensation for individual directors as well as the evaluation and allocation of performance-linked bonuses. The Board of Directors shall consult the Nomination and Compensation Committee on the draft compensation plan and obtain a report from the Committee to ensure that the Representative Director and President exercises its authority appropriately. The Board of Directors shall make decisions in accordance with the report.