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(Stock Exchange Code 4350)

June 5, 2023

(Start date of measures for electronic provision: May 30, 2023)

To Our Shareholders

Inao Tajiri  
President and Representative Director  
Medical System Network Co., Ltd.  
24-3 Kitajujo-Nishi, Chuo-ku, Sapporo

## **Notice of the 25th Ordinary General Meeting of Shareholders**

We are pleased to announce that the 25th Ordinary General Meeting of Shareholders of Medical System Network Co., Ltd. (the “Company”) will be held for the purposes as described below.

For the convocation of this General Meeting of Shareholders, the Company has adopted the measures for electronic provision of materials, and the items that apply to the said measures are posted on the website shown below.

Company website                    <https://www.msnw.co.jp/ir/stock/general-meeting/>

In addition to the above website, such items are also posted on the following website.

Tokyo Stock Exchange website  
<https://www2.jpx.co.jp/tseHpFront/JJK020030Action.do>

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

You may exercise your voting rights in writing or via electronic means (the Internet, etc.) in lieu of attending the meeting in person. Please review the attached Reference Documents for the General Meeting of Shareholders, and follow the guide on page 3 to exercise your voting rights no later than 5:30 p.m. on Tuesday, June 20, 2023 (JST).

**1. Date and Time:** Wednesday, June 21, 2023 at 9:30 a.m. (JST)  
(The time of the meeting is different from last year. Please make sure to arrive at the correct time)

**2. Place:** Park Hall A and B, 3F, Sapporo Park Hotel  
3-1-1 Minamijujo-Nishi, Chuo-ku, Sapporo

**3. Meeting Agenda:**

- Matters to be reported:**
1. Business Report and Consolidated Financial Statements for the Company's 25th Fiscal Year (April 1, 2022–March 31, 2023) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
  2. Non-consolidated Financial Statements for the Company's 25th Fiscal Year (April 1, 2022–March 31, 2023)

**Proposals to be resolved:**

- Proposal 1:** Appropriation of surplus
- Proposal 2:** Partial amendments to the Articles of Incorporation
- Proposal 3:** Election of thirteen (13) Directors (excluding those serving as Audit & Supervisory Committee Members)
- Proposal 4:** Election of four (4) Directors serving as Audit & Supervisory Committee Members
- Proposal 5:** Setting of the amount of remuneration for Directors (excluding those serving as Audit & Supervisory Committee Members)
- Proposal 6:** Setting of the amount of remuneration for Directors serving as Audit & Supervisory Committee Members
- Proposal 7:** Introduction of stock compensation plan for Directors (excluding those serving as Audit & Supervisory Committee Members)

In the event the status of COVID-19 and other factors going forward result in major changes in the operation of the General Meeting of Shareholders such as a decision to change the date, time, or place of the event stated in this Notice, we shall make an announcement on our website (<https://www.msnw.co.jp/ir/stock/general-meeting/>).

- \* When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
- \* If amendments are made to the items provided as per the measures for electronic provision, details of such amendments will be posted on the respective websites where the materials are being posted.
- \* Reference Document for the General Meeting of Shareholders will be sent together with the Voting Rights Exercise Form to those shareholders who have not requested delivery of printed documents.
- \* A printed document covering the items provided as per the measures for electronic provision will also be sent to those shareholders who have requested delivery of printed documents. However, the following items will not be stated in such document in accordance with the laws and regulations as well as Article 13 of the Company's

Articles of Incorporation.

(1) Notes to Consolidated Financial Statements

(2) Notes to Non-consolidated Financial Statements

Therefore, such document is only a part of the document audited by the Audit & Supervisory Board Members and the Accounting Auditor upon preparation of the Company's Audit Report.

#### Information regarding a Management Policy Briefing

Following the 25th Ordinary General Meeting of Shareholders, we will hold a briefing session at the same venue to discuss our management policy. We cordially invite you to attend this session as well. (The event will last approximately 20 minutes.)

## Reference Documents for the General Meeting of Shareholders

### Proposals and reference items

#### Proposal 1: Appropriation of surplus

The Company's basic policy is to maintain stable payment of dividends to shareholders in a manner commensurate with our business performance, while securing the internal reserves necessary to strengthen our financial position, expand the scale of business, and develop human resources.

In accordance with the above policy, the Company proposes to pay year-end dividends for the fiscal year under review as follows.

Matters concerning year-end dividends

(1) Matters concerning the allotment of dividend property to shareholders and the total amount thereof

Per share of ordinary shares of the Company:	6 yen
Total amount:	183,477,270 yen

(2) Effective date of distribution of surplus: June 22, 2023

\* As the Company has already paid an interim dividend of 6 yen per share, the annual dividend for the fiscal year under review will be 12 yen per share.

## Proposal 2: Partial amendments to the Articles of Incorporation

### (1) Reason for the proposal

In order to strengthen the supervisory function of the Board of Directors, further improve corporate governance, and increase efficiency through prompt decision-making and execution of duties by means of delegating authority, the Company wishes to transition to a company with an Audit & Supervisory Committee by having Audit & Supervisory Committee Members in charge of audit, etc. of the Directors' execution of duties serve as members of the Board of Directors. To this end, the Company proposes to establish new provisions concerning the Audit & Supervisory Committee and Audit & Supervisory Committee Members and delete the provisions concerning the Audit & Supervisory Board and the Audit & Supervisory Board Members.

### (2) Details of the changes

The details of the changes are as follows.

The amendments to the Articles of Incorporation in this proposal shall come into effect at the conclusion of this General Meeting of Shareholders.

(Underlines indicate changes.)

Current Articles of Incorporation	Proposed change
<p style="text-align: center;"><b>Chapter 1: General Provisions</b></p> <p>Articles 1 to 4 (Omitted)</p> <p style="text-align: center;"><b>Chapter 2: Shares</b></p> <p>Articles 5 to 7 (Omitted)</p> <p>(Shareholder Registry Administrator)</p> <p>Article 8</p> <p>1. (Omitted)</p> <p>2. The Shareholder Registry Administrator and location of the handling office shall be <u>selected</u> by resolution of the Board of Directors, and be publicly announced.</p> <p>3. (Omitted)</p> <p>(Share Handling Rules)</p> <p>Article 9</p> <p>The handling and fees pertaining to shares of the Company, other than as stipulated by laws and regulations or these Articles of Incorporation, shall be governed by the Share Handling Rules set forth by the Board of Directors.</p>	<p style="text-align: center;"><b>Chapter 1: General Provisions</b></p> <p>Articles 1 to 4 (No change)</p> <p style="text-align: center;"><b>Chapter 2: Shares</b></p> <p>Articles 5 to 7 (No change)</p> <p>(Shareholder Registry Administrator)</p> <p>Article 8</p> <p>1. (No change)</p> <p>2. The Shareholder Registry Administrator and location of the handling office shall be <u>determined by resolution of the Board of Directors or the Directors entrusted</u> by resolution of the Board of Directors, and be publicly announced.</p> <p>3. (No change)</p> <p>(Share Handling Rules)</p> <p>Article 9</p> <p>The handling and fees pertaining to shares of the Company, other than as stipulated by laws and regulations or these Articles of Incorporation, shall be governed by the Share Handling Rules set forth by the Board of Directors <u>or the Directors entrusted by resolution of the Board of Directors.</u></p>

Current Articles of Incorporation	Proposed change
<p><b>Chapter 3: General Meeting of Shareholders</b> Articles 10 to 15 (Omitted)</p> <p><b>Chapter 4: Directors, Board of Directors, and Executive Officers</b> Article 16 (Omitted)</p> <p>(Number of Directors) Article 17 1. The Company shall have up to fifteen (15) Directors.</p> <p>(Newly established)</p> <p>(Election Method) Article 18 1. Directors shall be elected at a General Meeting of Shareholders.</p> <p>2. (Omitted) 3. (Omitted)</p> <p>(Term of Office) Article 19 1. The term of office of Directors shall expire at the close of the Ordinary General Meeting of Shareholders convened for the last fiscal year ending within <u>two (2) years</u> from their election.</p> <p>(Newly established)</p> <p><u>2. The term of office of a Director elected due to an increase in the number of Directors or as a substitute to fill a vacancy shall be the remaining term of those Directors in office.</u></p>	<p><b>Chapter 3: General Meeting of Shareholders</b> Articles 10 to 15 (No change)</p> <p><b>Chapter 4: Directors, Board of Directors, and Executive Officers</b> Article 16 (No change)</p> <p>(Number of Directors) Article 17 1. The Company shall have up to fifteen (15) Directors <u>(excluding those serving as Audit &amp; Supervisory Committee Members)</u>.</p> <p>2. <u>The Company shall have up to four (4) Directors serving as Audit &amp; Supervisory Committee Members.</u></p> <p>(Election Method) Article 18 1. Directors shall be elected at a General Meeting of Shareholders, <u>making a distinction between Directors serving as Audit &amp; Supervisory Committee Members and the other Directors.</u></p> <p>2. (No change) 3. (No change)</p> <p>(Term of Office) Article 19 1. The term of office of Directors (excluding those serving as <u>Audit &amp; Supervisory Committee Members</u>) shall expire at the close of the Ordinary General Meeting of Shareholders convened for the last fiscal year ending within <u>one (1) year</u> from their election.</p> <p>2. <u>The term of office of Directors serving as Audit &amp; Supervisory Committee Members shall expire at the close of the Ordinary General Meeting of Shareholders convened for the last fiscal year ending within two (2) years from their election.</u></p> <p>3. <u>The term of office of a substitute Director serving as an Audit &amp; Supervisory Committee Member who has been elected to fill a vacancy left by a Director serving as an Audit &amp; Supervisory Committee Member who retired before the end of term shall be the remaining term of the said retired Director.</u></p>

Current Articles of Incorporation	Proposed change
(Newly established)	4. <u>The resolution of the election of a substitute Director serving as an Audit &amp; Supervisory Committee Member under Article 329, Paragraph 3 of the Companies Act shall remain in effect until the start of the Ordinary General Meeting of Shareholders convened for the last fiscal year ending within two (2) years from the said election.</u>
<p>(Representative Director and Directors with Title) Article 20</p> <p>1. The Board of Directors shall, by its resolution, select a Representative Director.</p> <p>2. The Board of Directors may, by its resolution, appoint a President as well as other Directors with title whom it deems necessary.</p>	<p>(Representative Director and Directors with Title) Article 20</p> <p>1. The Board of Directors shall, by its resolution, select a Representative Director <u>from among the Directors (excluding those serving as Audit &amp; Supervisory Committee Members).</u></p> <p>2. The Board of Directors may, by its resolution, appoint <u>from among the Directors (excluding those serving as Audit &amp; Supervisory Committee Members)</u> a President as well as other Directors with title whom it deems necessary.</p>
(Convener and Chair of Board of Directors Meeting) Article 21 (Omitted)	(Convener and Chair of Board of Directors Meeting) Article 21 (No change)
<p>(Notification of Convocation of Board of Directors Meeting) Article 22</p> <p>1. Notification of the convening of a Board of Directors meeting shall be issued to each Director <u>and Audit &amp; Supervisory Board Member</u> no later than three (3) days before the meeting date. However, this period may be shortened in the event of an emergency.</p> <p>2. A Board of Directors meeting may be convened without following the convocation procedures, provided there is consent of all Directors <u>and Audit &amp; Supervisory Board Members.</u></p>	<p>(Notification of Convocation of Board of Directors Meeting) Article 22</p> <p>1. Notification of the convening of a Board of Directors meeting shall be issued to each Director no later than three (3) days before the meeting date. However, this period may be shortened in the event of an emergency.</p> <p>2. A Board of Directors meeting may be convened without following the convocation procedures, provided there is consent of all Directors.</p>

Current Articles of Incorporation	Proposed change
<p>Articles 23 and 24 (Omitted)</p> <p>(Newly established)</p>	<p>Articles 23 and 24 (No change)</p> <p><u>(Delegation of Decisions on Important Business Execution)</u>  <u>Article 25</u>  Pursuant to the provisions of Article 399-13, Paragraph 6 of the Companies Act, the Company may <u>delegate all or part of the decision-making on important business execution (excluding the matters outlined in each item of Paragraph 5 of the same article) to the Directors (excluding those serving as Audit &amp; Supervisory Committee Members) by means of a resolution of the Board of Directors.</u></p>
<p>Article <u>25</u> (Omitted)</p> <p>(Remuneration, etc.)  Article <u>26</u>  Remuneration, bonus, and other financial benefits (hereinafter, "remuneration, etc.") the Directors receive from the Company as compensation for the execution of duties shall be determined by resolution of the General Meeting of Shareholders.</p>	<p>Article <u>26</u> (No change)</p> <p>(Remuneration, etc.)  Article <u>27</u>  Remuneration, bonus, and other financial benefits (hereinafter, "remuneration, etc.") the Directors receive from the Company as compensation for the execution of duties shall be determined by resolution of the General Meeting of Shareholders, <u>making a distinction between Directors serving as Audit &amp; Supervisory Committee Members and the other Directors.</u></p>
<p>Articles <u>27</u> and <u>28</u> (Omitted)</p> <p><b><u>Chapter 5: Audit &amp; Supervisory Board Members And Audit &amp; Supervisory Board</u></b>  (Establishment of an Audit &amp; Supervisory Board)  Article <u>29</u>  The Company shall have <u>Audit &amp; Supervisory Board Members and an Audit &amp; Supervisory Board.</u></p> <p><u>(Number of Audit &amp; Supervisory Board Members)</u>  Article <u>30</u>  <u>The Company shall have up to four (4) Audit &amp; Supervisory Board Members.</u></p>	<p>Articles <u>28</u> and <u>29</u> (No change)</p> <p><b><u>Chapter 5: Audit &amp; Supervisory Committee</u></b>  (Establishment of an Audit &amp; Supervisory Committee)  Article <u>30</u>  The Company shall have an <u>Audit &amp; Supervisory Committee.</u></p> <p>(Deleted)</p>



Current Articles of Incorporation	Proposed change
<p><u>(Election Method)</u>  <u>Article 31</u>  <u>1. Audit &amp; Supervisory Board Members of the Company shall be elected at a General Meeting of Shareholders.</u>  <u>2. Resolutions to elect Audit &amp; Supervisory Board Members shall require the attendance of shareholders representing no less than one-third (1/3) of the voting rights of all shareholders entitled to exercise voting rights, and shall be adopted by a majority of affirmative votes thereof.</u></p>	<p>(Deleted)</p>
<p><u>(Term of Office)</u>  <u>Article 32</u>  <u>1. The term of office of Audit &amp; Supervisory Board Members shall expire at the close of the Ordinary General Meeting of Shareholders convened for the last fiscal year ending within four (4) years from their election.</u>  <u>2. The term of office of an Audit &amp; Supervisory Board Member who has been elected as a substitute shall be the remaining term of the Audit &amp; Supervisory Board Member who retired.</u></p>	<p>(Deleted)</p>
<p><u>(Full-time Audit &amp; Supervisory Board Members)</u>  <u>Article 33</u>  <u>The Audit &amp; Supervisory Board shall, by its resolution, select full-time Audit &amp; Supervisory Board Members.</u></p>	<p><u>(Full-time Audit &amp; Supervisory Committee Members)</u>  <u>Article 31</u>  <u>The Audit &amp; Supervisory Committee may, by its resolution, select full-time Audit &amp; Supervisory Committee Members.</u></p>
<p><u>(Notification of Convocation of an Audit &amp; Supervisory Board Meeting)</u>  <u>Article 34</u>  <u>1. Notification of the convening of an Audit &amp; Supervisory Board meeting shall be issued to each Audit &amp; Supervisory Board Member no later than three (3) days before the meeting date. However, this period may be shortened in the event of an emergency.</u>  <u>2. An Audit &amp; Supervisory Board meeting may be convened without following the convocation procedures, provided there is consent of all Audit &amp; Supervisory Board Members.</u></p>	<p><u>(Notification of Convocation of an Audit &amp; Supervisory Committee Meeting)</u>  <u>Article 32</u>  <u>1. Notification of the convening of an Audit &amp; Supervisory Committee meeting shall be issued to each Audit &amp; Supervisory Committee Member no later than three (3) days before the meeting date. However, this period may be shortened in the event of an emergency.</u>  <u>2. An Audit &amp; Supervisory Committee meeting may be convened without following the convocation procedures, provided there is consent of all Audit &amp; Supervisory Committee Members.</u></p>

Current Articles of Incorporation	Proposed change
<p>(Method of Resolutions of the <u>Audit &amp; Supervisory Board</u>)  <u>Article 35</u>  Resolutions of <u>the Audit &amp; Supervisory Board</u> shall be adopted by a majority of <u>Audit &amp; Supervisory Board Members unless otherwise stipulated by laws and regulations.</u></p>	<p>(Method of Resolutions of the <u>Audit &amp; Supervisory Committee</u>)  <u>Article 33</u>  Resolutions of <u>the Audit &amp; Supervisory Committee</u> shall be adopted by a majority of <u>Audit &amp; Supervisory Committee Members present at a meeting where a majority of Audit &amp; Supervisory Committee Members who are entitled to participate in the voting are present.</u></p>
<p>(<u>Audit &amp; Supervisory Board Rules</u>)  <u>Article 36</u>  Matters pertaining to the <u>Audit &amp; Supervisory Board</u>, other than as stipulated by laws and regulations or these Articles of Incorporation, shall be governed by the <u>Audit &amp; Supervisory Board Rules</u> set forth by the <u>Audit &amp; Supervisory Board.</u></p>	<p>(<u>Audit &amp; Supervisory Committee Rules</u>)  <u>Article 34</u>  Matters pertaining to the <u>Audit &amp; Supervisory Committee</u>, other than as stipulated by laws and regulations or these Articles of Incorporation, shall be governed by the <u>Audit &amp; Supervisory Committee Rules</u> set forth by the <u>Audit &amp; Supervisory Committee.</u></p>
<p>(<u>Remunerations, etc.</u>)  <u>Article 37</u>  <u>Remunerations, etc. of the Audit &amp; Supervisory Board Members shall be determined by resolution of the General Meeting of Shareholders.</u></p>	<p>(Deleted)</p>
<p>(<u>Exemption from Liability of Audit &amp; Supervisory Board Members</u>)  <u>Article 38</u>  1. <u>Pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, the Company may, by resolution of the Board of Directors and to the extent permitted by laws and regulations, exempt Audit &amp; Supervisory Board Members (including former Audit &amp; Supervisory Board Members) from liability for damages due to negligence of their duties.</u>  2. <u>The Company may enter into agreements with Audit &amp; Supervisory Board Members, limiting the amount of liability for damages due to negligence of their duties, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act. However, the maximum amount of liability shall be the higher of a previously designated amount no less than one hundred (100) million yen or the amount stipulated by laws and regulations.</u></p>	<p>(Deleted)</p>

Current Articles of Incorporation	Proposed change
<p data-bbox="158 155 745 201"><b>Chapter 6: Accounting Auditor</b> Articles <u>39</u> to <u>41</u> (Omitted)</p> <p data-bbox="158 231 745 284"><b>Chapter 7: Accounts</b> Articles <u>42</u> to <u>45</u> (Omitted)</p> <p data-bbox="158 344 745 367">(Newly established)</p> <p data-bbox="158 730 745 752">(Newly established)</p> <p data-bbox="158 1062 745 1085">(Newly established)</p>	<p data-bbox="763 155 1350 201"><b>Chapter 6: Accounting Auditor</b> Articles <u>35</u> to <u>37</u> (No change)</p> <p data-bbox="763 231 1350 284"><b>Chapter 7: Accounts</b> Articles <u>38</u> to <u>41</u> (No change)</p> <p data-bbox="763 314 1350 337"><u>(Supplementary Provisions)</u></p> <p data-bbox="763 344 1350 397"><u>(Transitional measures for exemption from liability of Audit &amp; Supervisory Board Members)</u></p> <p data-bbox="763 405 1350 700">1. Pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, the Company may, by resolution of the Board of Directors and to the extent permitted by laws and regulations, exempt Audit &amp; Supervisory Board Members (including former Audit &amp; Supervisory Board Members) from liability for damages due to negligence of duties occurring before the partial amendments to the Articles of Incorporation resolved at the 25th Ordinary General Meeting of Shareholders takes effect.</p> <p data-bbox="763 707 1350 752"><u>(Transitional measures for agreements that limit the liability of Audit &amp; Supervisory Board Members)</u></p> <p data-bbox="763 760 1350 1032">2. The provisions of Article 38, Paragraph 2 of the Articles of Incorporation prior to amendments through resolution of the 25th Ordinary General Meeting of Shareholders shall apply with respect to the agreements, based on Article 423, Paragraph 1 of the Companies Act, that limit liability for the acts of Audit &amp; Supervisory Board Members (including former Audit &amp; Supervisory Board Members) before the conclusion of the said Ordinary General Meeting of Shareholders</p> <p data-bbox="763 1040 1350 1168">3. These supplementary provisions shall be deleted at the close of the Ordinary General Meeting of Shareholders convened for the last fiscal year ending within one (1) year since the 25th Ordinary General Meeting of Shareholders.</p>

**Proposal 3: Election of thirteen (13) Directors (excluding those serving as Audit & Supervisory Committee Members)**

Subject to approval of Proposal 2 “Partial amendments to the Articles of Incorporation,” the Company will transition to a company with an Audit & Supervisory Committee. At the same time, the terms of office of all twelve (12) Directors will expire at the end of this General Meeting of Shareholders. Therefore, we propose to elect thirteen (13) Directors (excluding those serving as Audit & Supervisory Committee Members) with the addition of one (1) such Director to the current number, so that we can further strengthen our management structure.

The resolution of this proposal will only take effect on the condition that Proposal 2 “Partial amendments to the Articles of Incorporation” is approved as originally proposed, and the amendments to the Articles of Incorporation come into effect as a result.

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

No.	Name (Date of birth)	Past experience, positions in the Company (significant concurrent positions)	Number of Company shares held
1	Inao Tajiri (May 20, 1948)	<p>March 1974      Joined Ichino Yamagata Pharmaceutical Co., Ltd.</p> <p>January 1981    Joined Medical Yamagata Pharmaceutical Co., Ltd.</p> <p>November 1989   Representative Director of Medical Yamagata Pharmaceutical Co., Ltd.</p> <p>June 1991       Director of Akiyama Aiseikan Co., Ltd. (currently Suzuken Co., Ltd.)</p> <p>September 1999 Established the Company and became Representative Director and President (current position)</p> <p>April 2000       President of Social Welfare Corporation Nomad Fukushima (current position)</p> <p>December 2004   Representative Director of Nihon Leben Co., Ltd.</p> <p>February 2005   Representative Director of MM Net Co., Ltd.</p> <p>April 2013       Representative Director and President of SMO-MDS Co., Ltd.</p> <p>July 2013        Executive Vice President and Representative Director of H&amp;M Co., Ltd.</p> <p>June 2015        Representative Director and President of H&amp;M Co., Ltd.</p> <p>January 2016     President of Social Welfare Corporation Hokushikai</p> <p>September 2016 Representative Director and President of Feldsenf Pharma Co., Ltd.</p> <p>October 2017    In charge of the SCM Division of the Company In charge of the Development Division of the Company</p> <p>June 2019        In charge of the Leasing and Facility Related Business of the Company (current position)</p> <p>June 2020        Representative Director and Chairman of Feldsenf Pharma Co., Ltd. (current position)</p>	757,500
<p>Reason for nomination as candidate for Director: The candidate works to expand operations and enhance sustainable corporate value of the Company and the Group as a whole through strong leadership, and based on abundant business experience and broad insight concerning all aspects of business management. He also fulfills his role appropriately in making decisions on important management matters and in supervising business execution. Therefore, we propose his continued appointment as Director.</p>			

No.	Name (Date of birth)	Past experience, positions in the Company (significant concurrent positions)	Number of Company shares held
2	<p style="text-align: center;"><b>Jiro Akino</b> (May 7, 1948)</p>	<p>March 1971     Joined Ichino Yamagata Pharmaceutical Co., Ltd.</p> <p>January 1983    Established Ichino Akino YK and became Representative Director</p> <p>September 1999 Established the Company and became Representative Director and Senior Managing Director</p> <p>September 2004 Representative Director of Pharma Holding Co., Ltd.</p> <p>June 2015        Executive Vice President of the Company (current position)</p> <p>October 2017    In charge of the Pharmacy Division of the Company</p>	2,220,700
<p>Reason for nomination as candidate for Director:  The candidate works to expand operations and enhance sustainable corporate value of the Company and the Group as a whole through strong leadership, and based on abundant business experience in all aspects of business management as well as broad insight into management of community pharmacies. He also fulfills his role appropriately in making decisions on important management matters and in supervising business execution. Therefore, we propose his continued appointment as Director.</p>			

No.	Name (Date of birth)	Past experience, positions in the Company (significant concurrent positions)	Number of Company shares held
3	Yoshihiro Tanaka (December 4, 1969)	April 1992      Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.) June 2006      Joined the Company as General Manager of Corporate Planning Department December 2006    Director and General Manager of Corporate Planning Department of the Company December 2008    Managing Director and General Manager of Corporate Planning Department of the Company October 2012      Managing Director of the Company June 2015          Senior Managing Director of the Company June 2017          Director and Senior Managing Executive Officer of the Company October 2017      In charge of the Management Strategy Division of the Company (current position) June 2019          In charge of the Community Pharmacy Network Business of the Company (current position) June 2021          Representative Director and Executive Vice President of the Company (current position)	72,000
Reason for nomination as candidate for Director: The candidate has abundant experience and broad insight concerning corporate planning and M&A. As the one in charge of the community pharmacy network and management strategy domains, he also fulfills his role appropriately in making decisions on important management matters and in supervising business execution. Therefore, we propose his continued appointment as Director.			

No.	Name (Date of birth)	Past experience, positions in the Company (significant concurrent positions)	Number of Company shares held
4	Makoto Sakashita (May 23, 1957)	May 2001      Joined Pharma Holding Co., Ltd. December 2004      Director of the Company June 2005      Representative Director of AKK Co., Ltd. December 2005      Retired from the position of Director of the Company December 2007      Joined the Company and became General Manager of General Affairs Department December 2008      Director and General Manager of General Affairs Department of the Company December 2010      Managing Director and General Manager of General Affairs Department of the Company April 2012      Managing Director of the Company June 2015      Senior Managing Director of the Company June 2017      Director and Senior Managing Executive Officer of the Company (current position) October 2017      Head of Administrative Division and General Head of Medical and Welfare Support Division of the Company (current position)	11,500
Reason for nomination as candidate for Director: The candidate has abundant experience and broad insight in the HR, general affairs, and the medical and welfare consulting domains, and fulfills his role appropriately in making decisions on important management matters and in supervising business execution. Therefore, we propose his continued appointment as Director.			





No.	Name (Date of birth)	Past experience, positions in the Company (significant concurrent positions)	Number of Company shares held
6	<p><b>Akira Aoyama</b> (February 23, 1957)</p>	<p>April 1980      Joined Suwa Seikosha Co., Ltd. (currently Seiko Epson Corporation)</p> <p>January 1992    Director of Epson Medical Co., Ltd. (currently EM Systems Co., Ltd.)</p> <p>October 1994    Managing Director of Epson Medical</p> <p>June 2002       Representative Director and Senior Managing Director of Epson Medical</p> <p>November 2012   Director and Executive Vice President of Epson Medical</p> <p>June 2013       Managing Director of the Company</p> <p>June 2017       Director and Managing Executive Officer of the Company (current position)</p> <p>October 2017    Head of Systems Division of the Company (current position)</p> <p>April 2019       General Manager of Pharmacy Systems Department of the Company</p> <p>June 2020       General Manager of Field Service Department of the Company</p>	100,000
<p>Reason for nomination as candidate for Director: The candidate has abundant experience and broad insight in the information systems domain, and fulfills his role appropriately in making decisions on important management matters and in supervising business execution. Therefore, we propose his continued appointment as Director.</p>			



No.	Name (Date of birth)	Past experience, positions in the Company (significant concurrent positions)	Number of Company shares held
8	Kentarō Tago (May 29, 1974)	<p>April 1997      Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)</p> <p>April 2002      Joined Mizuho Securities Co., Ltd.</p> <p>September 2015      Joined the Company</p> <p>January 2016      General Manager of Corporate Planning Department of the Company</p> <p>June 2016      Director and General Manager of Corporate Planning Department of the Company</p> <p>June 2017      Executive Officer and General Manager of Corporate Planning Department of the Company</p> <p>October 2017      Head of Management Strategy Division of the Company (current position)</p> <p>June 2019      Director and Executive Officer of the Company (current position) In charge of Meal Catering Business of the Company (current position)</p> <p>October 2020      Representative Director and President of PharmaShift Co., Ltd. (current position)</p>	24,300
<p>Reason for nomination as candidate for Director: In addition to having abundant experience and broad insight in the management strategy domain, the candidate drives the Digital Shift Business as Representative Director and President of PharmaShift Co., Ltd., and also fulfills his role appropriately in making decisions on important management matters and in supervising business execution. Therefore, we propose his continued appointment as Director.</p>			

No.	Name (Date of birth)	Past experience, positions in the Company (significant concurrent positions)	Number of Company shares held
9	* Kenji Shimizu (October 29, 1961)	April 1984      Joined Sanseido Co., Ltd. (currently Mediceo Corporation) April 2020      Joined the Company and became General Manager of the SCM Division December 2020    Executive Officer and Head of the SCM Division of the Company (current position)	0
Reason for nomination as candidate for Director: The candidate has abundant experience in the pharmaceuticals wholesale industry and has achieved results in the Company's pharmaceuticals network business domain. As such, we believe he will sufficiently fulfill a Director's role in making decisions on important management matters and in supervising business execution, and thus propose his appointment as Director.			

No.	Name (Date of birth)	Past experience, positions in the Company (significant concurrent positions)	Number of Company shares held
10	Shuichi Nakamura (August 22, 1948)	<p>April 1973      Joined Ministry of Health and Welfare</p> <p>August 2002    Director General of Health and Welfare Bureau for the Elderly at the Ministry of Health, Labour and Welfare</p> <p>August 2005    Director General of Social Welfare and War Victims' Relief Bureau</p> <p>September 2008 Head of Health Insurance Claims Review &amp; Reimbursement Services</p> <p>October 2010   Head of team on social security reform deliberations, Cabinet Secretariat of Japan</p> <p>January 2012   President of general incorporated association, Forum for Social Security Policies (current position)</p> <p>April 2012      Professor, Graduate School of the International University of Health and Welfare (current position)</p> <p>June 2014      Outside Director (Audit &amp; Supervisory Committee Member) of France Bed Holdings Co., Ltd. (current position)</p> <p>June 2019      Director of the Company (current position)</p>	0
<p>Reason for nomination as candidate for Director: The candidate has many years of government experience in health, labor, and welfare administration, and we would like him to apply his abundant experience and broad insight in the fields of medical care, long-term care, and welfare to the management of the Company. Therefore, we propose his continued appointment as Director.</p>			

No.	Name (Date of birth)	Past experience, positions in the Company (significant concurrent positions)		Number of Company shares held
11	Akio Koike (July 28, 1946)	July 1969 April 1987	Joined Japanese National Railways Joined Hokkaido Railway Company (HRC) General Manager of Business Management Office, General Planning Division	22,800
		June 1994	Director and Deputy Head of General Planning Division of HRC	
		June 2000	Representative Director, Senior Managing Director, and General Manager of Development Division of HRC	
		June 2003	Representative Director and President of HRC	
		June 2007	Representative Director and Chairman of HRC	
		November 2011	Representative Director and President of HRC	
		June 2013 June 2015	Representative Director and Chairman of HRC Director of the Company (current position)	
<p>Reason for nomination as candidate for Outside Director: We would like the candidate to apply his knowledge, abundant experience, and broad insight as a top executive to the management of the Company. Therefore, we propose his continued appointment as Director.</p> <p>Summary of expected role to be fulfilled if elected Outside Director: If elected an Outside Director, we expect Mr. Akio Koike to provide appropriate advice and supervision regarding the Company's business management, from a standpoint that is independent from those Directors engaging in business execution.</p>				

No.	Name (Date of birth)	Past experience, positions in the Company (significant concurrent positions)	Number of Company shares held
12	<p style="text-align: center;"><b>Kozo Isshiki</b> (January 28, 1946)</p>	<p>July 1969      Joined Development Bank of Japan (currently Development Bank of Japan Inc.)</p> <p>June 2001      Executive Director of Development Bank of Japan Inc.</p> <p>May 2005      Director and Chairman of Technology Alliance Investment Ltd.</p> <p>July 2007      Outside Director of Fukoku Mutual Life Insurance Company</p> <p>June 2009      Full-time Audit &amp; Supervisory Board Member of Isuzu Motors Limited</p> <p>July 2013      Senior Advisor to New Otani Co., Ltd.</p> <p>June 2015      Director of the Company (current position)</p> <p>June 2019      Outside Director of Showa Denko K.K. (currently Resonac Holdings Corporation) (current position)</p>	0
<p>Reason for nomination as candidate for Outside Director: We would like the candidate to apply to the management of the Company his extensive knowledge of finance, deep insight into corporate audit, and business experience in a wide range of fields. Therefore, we propose his continued appointment as Director.</p> <p>Summary of expected role to be fulfilled if elected Outside Director: If elected an Outside Director, we expect Mr. Kozo Isshiki to provide appropriate advice and supervision regarding the Company's business management, from a standpoint that is independent from those Directors engaging in business execution.</p>			



No.	Name (Date of birth)	Past experience, positions in the Company (significant concurrent positions)	Number of Company shares held
13	Toshiko Ibe (January 3, 1947)	<p>April 1969      Joined St. Luke's International Hospital</p> <p>April 1987      Lecturer, Japanese Red Cross College of Nursing</p> <p>May 1993        Vice President of the Hospital and Chief Nursing Officer, St. Luke's International Hospital</p> <p>April 2003      Professor, St. Luke's College of Nursing (currently St. Luke's International University)</p> <p>April 2004      President, St. Luke's College of Nursing</p> <p>April 2012      Director of general incorporated association Forum for Social Security Policies (current position)</p> <p>October 2014   Representative Director and President of Japanese Nursing Association Publishing Company (current position)</p> <p>April 2016      Specially Appointed Professor, St. Luke's International University</p> <p>April 2017      Professor Emeritus, St. Luke's International University (current position)</p> <p>                    Representative Director of IBE Institute of Nursing Administration (current position)</p> <p>April 2019      Vice Chairperson and Dean of the Faculty of Nursing, Nagano University of Health and Medicine</p> <p>June 2019      Director of the Company (current position)</p>	0
<p>Reason for nomination as candidate for Outside Director: The candidate has many years of experience in the work, management, and education of nurses, and we would like her to apply her abundant experience and broad insight in the fields of medical care, long-term care, and welfare to the management of the Company. Therefore, we propose her continued appointment as Outside Director.</p> <p>Summary of expected role to be fulfilled if elected Outside Director: If elected an Outside Director, we expect Ms. Toshiko Ibe to provide appropriate advice and supervision regarding the Company's business management, from a standpoint that is independent from those Directors engaging in business execution.</p>			

- (Notes)
1. The asterisk (\*) next to a name represents a candidate for newly appointed Director.
  2. Matters that require special mention regarding special interests between the Director candidates and the company are as follows.
    - (1) Mr. Shuichi Nakamura and Ms. Toshiko Ibe concurrently serve as President and Director of the general incorporated association Forum for Social Security Policy, respectively, and the Company makes donations to the said entity. Ms. Toshiko Ibe serves the said entity on a part-time basis and does not receive and remuneration therefrom.
    - (2) There are no special interests between the other Director candidates and the Company.
  3. Matters concerning the candidates for Outside Directors are as follows.
    - (1) Mr. Akio Koike, Mr. Kozo Isshiki, and Ms. Toshiko Ibe are candidates for Outside Directors.
    - (2) Mr. Akio Koike and Mr. Kozo Isshiki are currently Outside Directors of the Company, and they will have served for eight (8) years in office as of the end of this Ordinary General Meeting of Shareholders. Ms. Toshiko Ibe is currently an Outside Director of the Company, and she will have served for four (4) years in office as of the end of this Ordinary General Meeting of Shareholders.
    - (3) The Company has notified the Tokyo Stock Exchange, Inc. of the positions of Mr. Akio Koike, Mr. Kozo Isshiki, and Ms. Toshiko Ibe as Independent Officers stipulated in Article 436-2 of the Securities Listing Regulations of the said Exchange. If elected, they will continue to be Independent Officers.
  4. The Company has entered into agreements with Mr. Shuichi Nakamura, Mr. Akio Koike, Mr. Kozo Isshiki, and Ms. Toshiko Ibe to limit their liability for damages in accordance with Article 423, Paragraph 1 of the Companies Act. If they are elected, the Company plans to continue to have these agreements in place.
  5. The Company has entered into an indemnity agreement with each Director as stipulated in Article 430-2, Paragraph 1 of the Companies Act. Under the indemnity agreement, the Company will provide compensation for expenses as per Paragraph 1, Item 1 of the said Article and for losses as per Item 2 of the said Paragraph, within the range stipulated by laws and regulations. If the Directors are reelected, the Company plans to continue the said indemnity agreement with each of them. If the appointment of Kenji Shimizu is approved, the Company also plans to enter into the same indemnity agreement with him.
  6. The Company enters into a directors and officers liability insurance agreement stipulated in Article 430-3, Paragraph 1 of the Companies Act, with an insurance company. The agreement covers compensation for damages that may be incurred by the insured as a result of assuming responsibility for the execution of their duties or for being subject to claims related to the pursuit of such responsibility. Each candidate, if elected, will be insured under the said insurance agreement. The Company also plans to have such agreement renewed under the same conditions during each Director's term in office.

**Proposal 4: Election of four (4) Directors serving as Audit & Supervisory Committee Members**

Subject to approval of Proposal 2 “Partial amendments to the Articles of Incorporation,” the Company will transition to a company with an Audit & Supervisory Committee. Accordingly, we propose to newly elect four (4) Directors serving as Audit & Supervisory Committee Members. Please note that the Company has already obtained the approval of the Audit & Supervisory Board for submitting this proposal.

The resolution of this proposal will only take effect on the condition that Proposal 2 “Partial amendments to the Articles of Incorporation” is approved as originally proposed, and the amendments to the Articles of Incorporation come into effect as a result.

The candidates for Directors serving as an Audit & Supervisory Committee Members are as follows.

No.	Name (Date of birth)	Past experience, positions in the Company (significant concurrent positions)	Number of Company shares held
1	* Mitsuharu Watanabe (January 31, 1956)	April 1979      Joined the City of Sapporo municipal office April 2009      Director of Construction Bureau, City of Sapporo April 2011      Director of Economy Bureau, City of Sapporo April 2013      Director, Policy Office of the Mayor of City of Sapporo May 2015        Director of Waterworks Projects, City of Sapporo City June 2016       Representative Director and President, Sapporo Urban Development Public Corporation June 2021       Full-time Audit & Supervisory Board Member of the Company (current position)	1,800
	<p>Reason for nomination as candidate for Outside Director serving as Audit &amp; Supervisory Committee Member:</p> <p>The candidate has assumed leadership roles of the City of Sapporo over many years and also has experience in corporate management. As such, we have determined that he would be able to apply his abundant experience and broad insight concerning public administration and corporate management to the audit and supervision of the Company's Community Pharmacy Business and other businesses. Therefore, we propose his appointment as Outside Director serving as an Audit &amp; Supervisory Committee Member.</p> <p>Summary of expected role to be fulfilled if elected Outside Director serving as Audit &amp; Supervisory Committee Member:</p> <p>If elected Outside Director serving as an Audit &amp; Supervisory Committee Member, we expect Mr. Mitsuharu Watanabe to provide appropriate advice and supervision regarding the Company's business management, from a standpoint that is independent from those Directors engaging in business execution.</p>		

No.	Name (Date of birth)	Past experience, positions in the Company (significant concurrent positions)	Number of Company shares held
2	* Satoshi Sato (September 7, 1960)	<p>April 1983      Joined Hokkaido Government</p> <p>April 2012      Health and Safety Bureau Chief, Health and Welfare Department, Hokkaido Prefecture</p> <p>April 2014      Community Safety Promotion Bureau Chief, Environmental and Community Affairs Department, Hokkaido Prefecture</p> <p>April 2016      Deputy Executive Director, Construction Department, Hokkaido Prefecture</p> <p>April 2017      Executive Director of Health and Welfare Department, Hokkaido Prefecture</p> <p>April 2019      Executive Director of General Affairs Department and Head of the Northern Territories Task Force</p> <p>April 2020      Audit and Inspection Commissioner, Hokkaido Prefecture</p> <p>June 2022      Full-time Audit &amp; Supervisory Board Member of the Company (current position)</p>	0
<p>Reason for nomination as candidate for Outside Director serving as Audit &amp; Supervisory Committee Member: The candidate has many years of experience in administrative posts at the Hokkaido Government as well as experience as an Audit and Inspection Commissioner of the Hokkaido Prefecture. As such, we have determined that he would be able to apply his abundant experience and broad insight concerning public administration to the audit and supervision of the Company's Community Pharmacy Business and other businesses. Therefore, we propose his appointment as Outside Director serving as an Audit &amp; Supervisory Committee Member.</p> <p>Summary of expected role to be fulfilled if elected Outside Director serving as Audit &amp; Supervisory Committee Member: If elected Outside Director serving as an Audit &amp; Supervisory Committee Member, we expect Mr. Satoshi Sato to provide appropriate advice, audit, and supervision regarding the Company's business management, from a standpoint that is independent from those Directors engaging in business execution.</p>			

No.	Name (Date of birth)	Past experience, positions in the Company (significant concurrent positions)	Number of Company shares held
	* Yoshifumi Yoneya (February 17, 1960)	April 1987 Registered as an attorney at law (Sapporo Bar Association) April 1987 Joined Akio Hashimoto Law Office April 1991 Opened Yoshifumi Yoneya Law Office (currently Yoneya & Hayashi Law Office) (current position) April 2000 Audit & Supervisory Board Member of the Company (current position) September 2000 Audit & Supervisory Board Member of Nihon Leben Co., Ltd. December 2001 Audit & Supervisory Board Member of Pharma Holding Co., Ltd.	0
3	<p>Reason for nomination as candidate for Outside Director serving as Audit &amp; Supervisory Committee Member:</p> <p>As the candidate has abundant experience and broad knowledge as an attorney at law, we have determined that he would appropriately perform his duties as an Audit &amp; Supervisory Committee Member mainly from a legal perspective. Therefore, we propose his appointment as Outside Director serving as an Audit &amp; Supervisory Committee Member.</p> <p>Summary of expected role to be fulfilled if elected Outside Director serving as Audit &amp; Supervisory Committee Member:</p> <p>If elected Outside Director serving as an Audit &amp; Supervisory Committee Member, we expect Mr. Yoshifumi Yoneya to provide appropriate advice, audit, and supervision regarding the Company's business management, from a standpoint that is independent from those Directors engaging in business execution.</p>		

No.	Name (Date of birth)	Past experience, positions in the Company (significant concurrent positions)	Number of Company shares held
	<p>* Yuji Maeda (October 18, 1958)</p>	<p>February 1990 Registered as a certified public accountant  July 2000 Director, Maeda CPA Office (current position)  October 2015 Director, One Nine Consulting Co., Ltd. (current position)  March 2016 Director (Audit &amp; Supervisory Committee Member) of SOLXYZ Co., Ltd.  July 2018 Partner, Grant Thornton Taiyo LLC</p>	<p>0</p>
<p>4</p>	<p>Reason for nomination as candidate for Outside Director serving as Audit &amp; Supervisory Committee Member:  With many years of experience as a certified public accountant, the candidate has specialized knowledge on finance and accounting as well as experience as director and audit &amp; supervisory committee members of other corporate entities. Accordingly, we have determined that he would appropriately perform his duties as an Audit &amp; Supervisory Committee Member mainly from a broad and advanced perspective. Therefore, we propose his appointment as Outside Director serving as an Audit &amp; Supervisory Committee Member.</p> <p>Outline of expected roles to be fulfilled when elected Outside Director serving as Audit &amp; Supervisory Committee Member:  If elected Outside Director serving as an Audit &amp; Supervisory Committee Member, we expect Mr. Yuji Maeda to provide appropriate advice, audit, and supervision regarding the Company's business management based on his broad insight and specialized experience in finance and accounting, and from a standpoint that is independent from those Directors engaging in business execution.</p>		

- (Notes) 1. The asterisk (\*) next to a name represents a candidate for newly appointed Director serving as an Audit & Supervisory Committee Member.
2. There are no special interests between the candidates for Directors serving as Audit & Supervisory Committee Members and the Company.
3. Matters concerning the candidates for Outside Directors serving as Audit & Supervisory Committee Members are as follows.
- (1) Mr. Mitsuharu Watanabe, Mr. Satoshi Sato, Mr. Yoshifumi Yoneya, and Mr. Yuji Maeda are candidates for Outside Directors serving as Audit & Supervisory Committee Members.
- (2) The Company has notified the Tokyo Stock Exchange, Inc. of the positions of Mr. Mitsuharu Watanabe, Mr. Satoshi Sato, and Mr. Yoshifumi Yoneya as Independent Officers stipulated in Article 436-2 of the Securities Listing Regulations of the said Exchange. If elected, they will continue to be Independent Officers. Further, if Mr. Yuji Maeda is elected an Outside Director serving as an Audit & Supervisory Committee Member, the Company plans to newly notify the said Exchange of his position as an Independent Officer.
4. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with Mr. Mitsuharu Watanabe, Mr. Satoshi Sato, and Mr. Yoshifumi Yoneya to limit their liability for damages as Audit & Supervisory Board Members, under Article 423, Paragraph 1 of the Companies Act. Upon approval of the appointment of Mr. Mitsuharu Watanabe, Mr. Satoshi Sato, Mr. Yoshifumi Yoneya, and Mr. Yuji Maeda as Directors serving as Audit & Supervisory Committee Members, the Company plans to enter into an agreement with each of them, limiting each of their liability to the higher of 5 million yen or the minimum amount stipulated by laws and regulations, provided they perform their duties as Audit & Supervisory Committee Members in good faith and without gross negligence.
5. The Company has entered into an indemnity agreement with each Audit & Supervisory Board Member as stipulated in Article 430-2, Paragraph 1 of the Companies Act. Under the indemnity agreement, the Company will provide compensation for expenses as per Paragraph 1, Item 1 of the said Article and for losses as per Item 2 of the said Paragraph, within the range stipulated by laws and regulations. If Mr. Mitsuharu Watanabe, Mr. Satoshi Sato, Mr. Yoshifumi Yoneya, and Mr. Yuji Maeda are elected as Directors serving as Audit & Supervisory Committee Members, the Company plans to enter into the said indemnity agreement with them.
6. The Company enters into a directors and officers liability insurance agreement stipulated in Article 430-3, Paragraph 1 of the Companies Act, with an insurance company. The agreement covers compensation for damages that may be incurred by the insured as a result of assuming responsibility for the execution of their duties or for being subject to claims related to the pursuit of such responsibility. Each candidate, if elected a Director serving as an Audit & Supervisory Committee Member, will be insured under the said insurance agreement. The Company also plans to have such agreement renewed under the same conditions during each Director's term in office.



**Proposal 5: Setting of the amount of remuneration for Directors (excluding those serving as Audit & Supervisory Committee Members)**

At the 18th Ordinary General Meeting of Shareholders held on June 24, 2016, the maximum amount of total remuneration for the Company's Directors was approved at 500 million yen per year (of which the maximum amount of total remuneration for Outside Directors was approved at 50 million yen per year), and the resolution stands to date.

Subject to approval of Proposal 2 "Partial amendments to the Articles of Incorporation," the Company will transition to a company with an Audit & Supervisory Committee. Accordingly, we propose to set the total remuneration for Directors (excluding those serving as Audit & Supervisory Committee Members) after the transition to a company with an Audit & Supervisory Committee at the same amount, no more than 500 million yen per year (of which the amount of total remuneration for Outside Directors will be set at no more than 50 million yen per year).

Please note that this remuneration amount for Directors (excluding those serving as Audit & Supervisory Committee Members) does not include employee salaries for Directors who concurrently serve as employees.

This proposal was determined upon discussions by the Board of Directors, taking into account the opinions of several outside officers, and in comprehensive consideration of the Company's business scale, the executive compensation system and its payment level, the current number of Directors and future trends, among other factors. As such, we believe that this proposal is appropriate.

The Company's policy for determining the details of remuneration, etc. for each Director is as described in the Business Report section, 2. Company Status, 3) Status of Company Officers, (5) Remuneration, etc. for Directors and Audit & Supervisory Board Members for the fiscal year under review, A. Matters related to the policy for determining the details of remuneration, etc. for each Director.

Currently, there are twelve (12) Directors. In the event Proposal 2 "Partial amendments to the Articles of Incorporation" and Proposal 3 "Election of thirteen (13) Directors (excluding those serving as Audit & Supervisory Committee Members) are approved as originally proposed, the number of Directors (excluding those serving as Audit & Supervisory Committee Members) after the Company's transition to a company with an Audit & Supervisory Committee will be thirteen (13; of which three [3] are Outside Directors).

The resolution of this proposal will only take effect on the condition that Proposal 2 "Partial amendments to the Articles of Incorporation" is approved as originally proposed, and the amendments to the Articles of Incorporation come into effect as a result.

## **Proposal 6: Setting of the amount of remuneration for Directors serving as Audit & Supervisory Committee Members**

In the event Proposal 2 “Partial amendments to the Articles of Incorporation” is approved as originally proposed, the Company will transition to a company with an Audit & Supervisory Committee. Accordingly, we propose to set the total remuneration for Directors serving as Audit & Supervisory Committee Members at no more than 100 million yen per year, with the specific amounts for each Director serving as an Audit & Supervisory Committee Member, the timing of payment, and other matters being determined through discussions among the Directors serving as Audit & Supervisory Committee Members.

Upon comprehensive assessment of the responsibilities of the Directors serving as Audit & Supervisory Committee Members, the Company’s business scale, the current number of officers, and future trends of the business environment, among other factors, we believe that this proposal is appropriate.

In the event Proposal 2 “Partial amendments to the Articles of Incorporation” and Proposal 4 “Election of four (4) Directors serving as Audit & Supervisory Committee Members” are approved as originally proposed, the number of Directors serving as Audit & Supervisory Committee Members) will be four (4).

The resolution of this proposal will only take effect on the condition that Proposal 2 “Partial amendments to the Articles of Incorporation” is approved as originally proposed, and the amendments to the Articles of Incorporation come into effect as a result.

## **Proposal 7: Introduction of stock compensation plan for Directors (excluding those serving as Audit & Supervisory Committee Members)**

### 1. Reasons for the proposal and for deeming it appropriate

At the 17th Ordinary General Meeting of Shareholders held on June 19, 2015, the introduction of a stock compensation plan, the Board Benefit Trust (hereinafter, the “Plan”), for the Company’s Directors (excluding Outside Directors) was approved (hereinafter, the “Original Resolution”), and the resolution stands to date. The Company will transition to a company with an Audit & Supervisory Committee, subject to the approval of Proposal 2 “Partial amendments to the Articles of Incorporation” as originally proposed. Accordingly, this proposal requests approval to abolish the Plan’s compensation framework pertaining to current Directors (excluding Non-Executive Directors and Outside Directors) and introduce a new compensation framework pertaining to Directors (excluding Directors serving as Audit & Supervisory Committee Members, Non-Executive Directors, and Outside Directors; hereinafter, the “Directors”).

This is a procedural proposal in line with the Company’s transition to a company with an Audit & Supervisory Committee, and the substance of the Plan’s compensation framework is effectively the same as that, which was approved at the 17th Ordinary General Meeting of Shareholders held on June 19, 2015. As with the Original Resolution, the purpose of the Plan’s introduction is to raise awareness toward making contributions to improve Company performance and enhance corporate value over the medium to long term by further clarifying the linkage between Directors’ remuneration and the value of the Company’s shares. Since this is also consistent with the policy of determining Directors’ remuneration as resolved by the Company’s Board of Directors, we believe the content of this proposal is appropriate.

As stock compensation will be provided to the Company’s Directors separately from the remuneration amount for Directors proposed for approval in Proposal 5, this proposal requests approval of the specific calculation method and specific details of the amount of such stock compensation, etc. Please note that the details of the Plan will be entrusted to the Board of Directors within the framework outlined in section 2 below.

At present, there are eight (8) Directors subject to the Plan. However, in the event Proposal 2 and Proposal 3 are approved as originally proposed, the number of Directors subject to the Plan will be nine (9).

The resolution of this proposal will only take effect on the condition that Proposal 2 “Partial amendments to the Articles of Incorporation” is approved as originally proposed, and the amendments to the Articles of Incorporation come into effect as a result.

### 2. Specific method to calculate compensation, etc. and specific details pertaining to compensation, etc. under the said Plan

#### (1) Overview of the Plan

The Plan is a stock compensation plan under which shares of the Company will be acquired

through a trust (the trust established based on the Plan shall be hereinafter referred to as the “Trust”) using the Company’s cash contributions as the source of funds; the Company shares will be delivered to the Directors through the Trust in accordance with the Officer Stock Benefit Regulations set forth by the Company. In principle, the Directors will be delivered the Company shares at the time of their retirement from office.

(2) Persons eligible for the Plan

Directors of the Company (excluding Directors serving as Audit & Supervisory Committee Members, Non-Executive Directors, and Outside Directors)

(3) Trust period

From November 2, 2015 until the termination of the Trust. No specific termination date of the Trust will be set, as the Trust shall continue as long as the Plan continues. The Plan shall be terminated when the Company stock is delisted or the Officer Stock Benefit Regulations is abolished, etc.

(4) Amount in trust

The company has introduced the Plan to cover the four (4) fiscal years from the fiscal year ended March 31, 2016 to the fiscal year ended March 31, 2019 (hereinafter, the “Initial Applicable Period”; each four-fiscal-year period that starts after the Initial Applicable Period is referred to as the “Applicable Period”) and each subsequent Applicable Period. To deliver the Company shares to the Directors, the Company has established the Trust by contributing 210 million yen in cash for the Initial Applicable Period and 120 million yen in cash for the Applicable Period from the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2023.

With the transition to a company with an Audit & Supervisory Committee at this time, the Trust will continue to exist as a trust whose beneficiaries are the Directors who satisfy the requirements for beneficiaries.

Until the termination of the Plan, the Company will, in principle, make a reasonable estimate of the number of shares necessary to deliver to the Directors in accordance with the Plan, and additionally contribute to the Trust, per each Applicable Period going forward, the funds deemed necessary for acquiring such shares in advance. However, in cases where such additional contributions are being made, if Company shares (excluding any undelivered portion of the Company shares corresponding to the number of points granted to the Directors for each Applicable Periods immediately preceding) and cash (hereinafter, the “Remaining Shares, etc.”) remain within the trust assets, the Remaining Shares, etc. will be used as a source of shares for delivery as per the Plan in the Applicable Periods that follow or as source of funds to acquire shares. Accordingly, the Company will calculate the amount of additional

contributions, taking into account the Remaining Shares, etc.

When the Company decides to make additional contributions, the matter shall be disclosed in a timely and appropriate manner.

(5) Method of acquiring shares of the Company

The Trust will use the funds contributed, as per (4) above, and acquire shares of the Company through the stock market, etc. or by means of subscription to the treasury shares being disposed by the Company. Whenever the Trust acquires the Company shares, the details will be disclosed in a timely and appropriate manner.

(6) Calculation method and maximum number of Company shares to be delivered to the Directors

Every fiscal year, Directors are granted a certain number of points as determined by their posts in accordance with the Officer Stock Benefit Regulations. The upper limit of the total number of points granted to Directors per fiscal year is set at 70,000. The number has been determined upon comprehensive consideration of the current level of officer remunerations, trends in the number of Directors and future outlook, etc., and we believe this to be appropriate.

With regard to the points granted to Directors, one (1) point will be converted to one (1) common share of the Company when Company shares are granted, as per (7) shown below. (However, should a stock split, gratis allotment of shares, or a reverse stock split, etc. in relation to the Company's shares take place after the approval of this proposal, the upper limit of the number of points, the number of points already granted, or the conversion ratio, etc. shall be adjusted reasonably, depending on the ratio, etc. of such transactions.)

In principle, a Director's point count, which forms the basis for the delivery of Company shares as shown in (7) below, is calculated by multiplying the sum of points that have been granted to the said Director up to his/her retirement by a predetermined coefficient set for each reason for retirement (hereinafter, points calculated in this manner shall be referred to as the "Number of Fixed Points").

(7) Delivery of shares and the method to calculate the total amount of compensation, etc.

When a Director retires from office and meets the beneficiary requirements prescribed in the Officer Stock Benefit Regulations, in principle, such Director shall receive from the Trust, after his/her retirement, the Company shares whose numbers correspond to the "Number of Fixed Points" determined in accordance with (6) above, provided relevant beneficiary determination procedures are followed by the said Director.

Regardless of whether a Director has been granted points, if a resolution is passed at a General Meeting of Shareholders to dismiss such Director, or if such Director retires from office due to a breach of duties as an officer, he/she shall no longer have the right to be

delivered shares.

The total amount of compensation, etc. received by the Directors shall be based on the sum of the number of points granted to each Director, multiplied by the book value per share of the Company shares held by the Trust, at the time the points are granted. (However, should a stock split, gratis allotment of shares, or a reverse stock split, etc. in relation to the Company's shares take place, a reasonable adjustment shall be made based on the ratio, etc. of such transactions.) When cash is granted as an exceptional case in accordance with the Officer Stock Benefit Regulations, the total amount of compensation, etc. received by the Directors shall include such cash if deemed appropriate.