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Securities code: 6272

June 12, 2023

(Date of commencement of measures for electronic provision: June 5, 2023)

To Shareholders with Voting Rights:

Mikio Kobayashi
President & C.E.O.
RHEON AUTOMATIC MACHINERY CO., LTD.
2-3 Nozawa-machi, Utsunomiya, Tochigi, Japan

Notice of the 61st 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 61st Annual General Meeting of Shareholders of RHEON AUTOMATIC MACHINERY CO., LTD. (the “Company”) will be held as described below.

The Company has taken measures for electronic provision in convening this General Meeting of Shareholders and posted matters subject to measures for electronic provision in the “Notice of the 61st Annual General Meeting of Shareholders” and “Other Matters Subject to Measures for Electronic Provision (Matters Omitted From Paper Copy Delivered) for the Notice of the 61st Annual General Meeting of Shareholders” on the following website on the Internet.

[Website of the Company]

https://www.rheon.com/ir/stock/stock_meeting-information/ (available in Japanese)

In addition to the above, the matters subject to measures for electronic provision are posted on the following website on the Internet as well.

[Tokyo Stock Exchange website (TSE Listed Company Information Service)]

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

Please access the above TSE website, enter and search for <RHEON> in the “Issue name (company name)” or our security code <6272> in “Code,” and select “Basic information” and “Documents for public inspection/PR information” in that order, and check in the “Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting” column in “Filed information available for public inspection.”

Instead of attending the meeting in person, you can exercise your voting rights via the internet or by mail, and are kindly requested to exercise your voting rights by 5:30 p.m. on Monday, June 26, 2023 (Japan time), after reviewing the “Reference Documents for the General Meeting of Shareholders.”

1. Date and Time: Tuesday, June 27, 2023 at 10:00 a.m. (Reception opens at 9:00 a.m.)

2. Venue: Conference room on the 2nd floor of Rheon Solution Center
2-3 Nozawa-machi, Utsunomiya, Tochigi, Japan

3. Meeting Agenda:

- Matters to be reported:**
1. Business Report and Consolidated Financial Statements for the Company's 61st Fiscal Year (April 1, 2022–March 31, 2023), and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company's 61st Fiscal Year (April 1, 2022–March 31, 2023)

Matters to be resolved:

- Proposal 1:** Appropriation of Surplus
Proposal 2: Election of Six (6) Board Members
Proposal 3: Payment of Bonuses to Board Members
Proposal 4: Determination of Remuneration to Grant Restricted Stock to Board Members

4. Other Matters concerning this Notice

- ◎ The paper copy sent to you is the paper copy containing the matters subject to measures for electronic provision to be sent to shareholders who requested it. In the paper copy, the following matters are not contained pursuant to the provisions of laws and regulations as well as Article 14 of the Articles of Incorporation of the Company. As such, the paper copy is a part of the documents that were audited by the Audit & Supervisory Board Members and the Accounting Auditor when preparing their audit reports.
 - (i) “Systems and Policies of the Company” in the Business Report
 - (ii) Notes to the Consolidated Financial Statements
 - (iii) Notes to the Non-consolidated Financial Statements
- ◎ Should the matters subject to measures for electronic provision require any revisions, the revised matters will be posted on each of the websites on which they are posted.
- ◎ Administrative staff for the meeting will have their temperature taken and undergo health checks while serving you.
- ◎ No gifts will be provided to shareholders who attend the meeting.

Guidance for the Exercise of Voting Rights

There are three ways to exercise your voting rights.

[Exercise of Voting Rights via the Internet]

Exercise Deadline: To be sent no later than 5:30 p.m. on Monday, June 26, 2023

If you choose to exercise your voting rights via the internet, please access the Voting Rights Exercise Website to do it after reading the procedures on the next page.

* Using a smartphone with a bar-code reading function, you can read the log-in QR code shown on the Voting Rights Exercise Form to log into the Voting Rights Exercise Website.

(QR code is a registered trademark of DENSO WAVE INCORPORATED.).

[Exercise of Voting Rights by Mail]

Exercise Deadline: To be received no later than at 5:30 p.m. on Monday, June 26, 2023

Please indicate your approval or disapproval of each proposal on the enclosed Voting Rights Exercise Form and return it so that it is received by the exercise deadline.

If you send a Voting Rights Exercise Form without indicating your approval or disapproval, your vote shall be counted as an “approval”.

[Attending the Meeting]

Date and Time of Meeting Tuesday, June 27, 2023, at 10:00 a.m. (Reception opens at 9:00 a.m.)

Please bring the enclosed Voting Rights Exercise Form with you and submit it at the reception desk. Please also bring this “Notice of Annual General Meeting of Shareholders” with you as a reference material for the meeting.

On the day of the meeting, we will follow a business casual (“Cool Biz”) dress code. Shareholders are also welcomed to dress casually.

Procedures for the Exercise of Voting Rights via the Internet

1. Voting Rights Exercise Website

- (1) Exercise of your voting rights via the internet is possible only by accessing the Voting Rights Exercise Website designated by the Company (<https://evote.tr.mufg.jp/>). (Please note that access is unavailable from 2:00 a.m. to 5:00 a.m., daily.)
- (2) The exercise of voting rights using personal computers or smartphones may not be possible in certain operating environments due to factors including the use of a firewall when accessing the internet and the use of antivirus software.

2. Method of Exercising Voting Rights via the Internet

- (1) When using personal computers
 - On the Voting Rights Exercise Website (<https://evote.tr.mufg.jp/>), please use the “log-in ID” and “temporary password” shown on your Voting Rights Exercise Form and follow the on-screen instructions to indicate your approval or disapproval of each proposal.
 - To prevent unauthorized access by persons who are not qualified shareholders (“impersonation”) and manipulation of voting details, please be aware that shareholders using this website will be asked to change their “temporary password”.
 - Every time a general meeting of shareholders is convened, new “log-in ID” and “temporary password” will be issued.
- (2) When using smartphones
 - By reading the “log-in QR code” shown on your Voting Rights Exercise Form with a smartphone, you will be automatically directed to the Voting Rights Exercise Website and be able to exercise your voting rights. (It is not necessary to enter the “log-in ID” and “temporary password”.)
 - It might not be possible to log in with the QR code depending on your smartphone model. If you cannot log in with the QR code, please exercise your voting rights using the method described in 2. (1) “When using personal computers” above.

3. Treatment of Voting Rights Exercised Multiple Times

- (1) If voting rights are exercised in duplicate via the internet and by mail, the vote submitted via the internet shall be treated as valid.
- (2) If voting rights are exercised multiple times via the internet, the final vote submitted shall be treated as valid.

4. Costs Incurred when Accessing the Voting Rights Exercise Website

Any costs incurred when accessing the Voting Rights Exercise Website (internet connection fees, etc.) shall be borne by the shareholder.

For inquiries about the system, please contact the following.

Stock Transfer Agency Department (Help Desk), Mitsubishi UFJ Trust and Banking Corporation

Phone: 0120-173-027 (available from 9:00 a.m. to 9:00 p.m., toll-free in Japan)

Institutional investors are allowed to use the ICJ Platform, an electronic voting platform operated by ICJ, Inc.

Reference Documents for the General Meeting of Shareholders

Proposal 1: Appropriation of Surplus

The Company proposes the following with respect to the appropriation of surplus.

1. Matters regarding year-end dividend

The Company considers returning profits to shareholders as one of the most important management policies. Specifically, our basic policy is to return profits to shareholders based on the business performance with a target consolidated payout ratio of 30% while comprehensively taking into account, among other factors, retaining internal reserves for future business expansion.

The Company proposes to pay a year-end dividend of 19 yen per share for the fiscal year ended March 31, 2023 (the “fiscal year under review”), while comprehensively taking into account the business performance for the fiscal year under review and future outlook.

Together with the interim dividend of 12 yen per share, which were already paid, the total dividends for the fiscal year under review will be 31 yen per share.

(1) Type of dividend property	Cash
(2) Matters concerning the allotment of dividend property to shareholder and the total amount thereof	19 yen per share of the Company’s common stock Total amount: 509,343,089 yen
(3) Effective date of distribution of surplus	Wednesday, June 28, 2023

2. Matters regarding appropriation of surplus

To ensure the sound development of the management and strengthen the financial position while considering the management environment in the future, the Company proposes the appropriation of surplus as follows.

(1) Item and amount of surplus to be increased	General reserve 1,400,000,000 yen
(2) Item and amount of surplus to be decreased	Retained earnings brought forward 1,400,000,000 yen

Proposal 2: Election of Six (6) Board Members

The terms of office of all six (6) Board Members will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the Company proposes the election of six (6) Board Members.

The candidates for Board Member are as follows:

No.	Name	Current positions
1	Mikio Kobayashi [Reappointment] [Male]	President & C.E.O.
2	Tamotsu Kaneko [Reappointment] [Male]	Board Member, Managing Operating Officer in charge of quality control & personnel system reform & food division
3	Kazushige Onuki [Reappointment] [Male]	Board Member, Managing Operating Officer, Director of Sales Division
4	Masaki Hosoya [New appointment] [Male]	Operating Officer, Director of Development & Designing Department
5	Ko Hirahara [Reappointment] [Male]	Outside Board Member [independent officer]
6	Takae Akatsuka [New appointment] [Female]	—

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	<p>Mikio Kobayashi (February 25, 1955)</p> <p>[Reappointment] [Male]</p> <p>[Attendance at the Board of Directors meetings] 100% (13/13 meetings)</p>	<p>April 1977 Joined the Company</p> <p>April 2002 Director of Technical Service Department</p> <p>April 2007 Operating Officer, Director of Technical Service Department</p> <p>October 2011 President, ORANGE BAKERY, INC.</p> <p>September 2014 President, HOSHINO Natural Leaven Co.,Ltd</p> <p>June 2015 Board Member and Operating Officer in charge of food manufacturing and sales business Representative Chairman of the Board, Orange Bakery, Inc.</p> <p>July 2016 Representative Chairman and President of the Board, Orange Bakery, Inc.</p> <p>July 2018 Board Member and Operating Officer, Director of Administration Division, in charge of food manufacturing and sales business Representative Chairman of the Board, Orange Bakery, Inc.</p> <p>June 2019 Board Member, Managing Operating Officer, Director of Administration Division, in charge of purchase and food manufacturing and sales business</p> <p>April 2020 Board Member, Managing Executive Officer, Director of Administration Division, in charge of purchase and food manufacturing and sales business</p> <p>April 2021 President & C.E.O. (current position)</p>	31,784
<p>[Reason for nomination as candidate for Board Member]</p> <p>Mr. Mikio Kobayashi has promoted management with an enterprising attitude. Amid the changing and difficult business environment since the COVID-19 pandemic, he has secured profitability by improving the productivity, and worked to recover the operating performance. He is highly trusted both inside and outside the Company, and has been promoting efforts to establish internal systems toward the future, which include personnel and operational system reforms, leveraging his abundant practical experience, and therefore, the Company needs him in future management and enhancement of corporate value of the Group. Accordingly, the Company continuously selected him as a candidate for Board Member. If he is elected as originally proposed, he will be a member of the Nomination and Remuneration Committee, which is a voluntary advisory body to the Company.</p>			

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	<p>Tamotsu Kaneko (September 11, 1961)</p> <p>[Reappointment] [Male]</p> <p>[Attendance at the Board of Directors meetings] 100% (13/13 meetings)</p>	<p>April 1984 Joined the Company</p> <p>April 2015 Director of Technical Service Department</p> <p>April 2016 Operating Officer, Director of Technical Service Department Board Member, Orange Bakery, Inc.</p> <p>June 2017 Board Member and Operating Officer, Director of Technical Service Department</p> <p>April 2018 Board Member and Operating Officer, Director of Quality Control Department and Director of Technical Service Department</p> <p>April 2019 Board Member and Operating Officer, Director of Quality Control & Service Division</p> <p>June 2019 Board Member, Managing Operating Officer, Director of Quality Control & Service Division</p> <p>April 2021 Board Member, Managing Operating Officer, Director of Quality Control & Service Division in charge of food manufacturing and sales business Chairman and Representative Board Member, Orange Bakery, Inc. (current position)</p> <p>April 2022 Board Member, Managing Operating Officer in charge of quality control, personnel system reform and food manufacturing and sales business (current position)</p>	7,539
<p>[Reason for nomination as candidate for Board Member]</p> <p>Mr. Tamotsu Kaneko possesses extensive work experience and broad knowledge in the technical service department, domestic sales offices, and an overseas subsidiary, and has been steadily fulfilling his responsibilities in a variety of areas of responsibility which include production and quality control, a food manufacturing subsidiary, various committees, and personnel system reform. The Company needs him in future management and enhancement of corporate value of the Group. Accordingly, the Company continuously selected him as a candidate for Board Member.</p>			

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
3	Kazushige Onuki (November 23, 1964) [Reappointment] [Male] [Attendance at the Board of Directors meetings] 100% (13/13 meetings)	April 1987 July 2014 July 2018	Joined the Company President, RHEON U.S.A. Operating Officer, Director of Overseas Sales Department Representative Chairman of the Board, RHEON U.S.A. (current position)	5,289
		June 2019 April 2020 April 2021 June 2021	Managing Operating Officer, Director of Overseas Sales Supervisory Department Managing Operating Officer, Director of Sales Division, and Director of Overseas Sales Department Managing Operating Officer, Director of Sales Division, and Director of Overseas Sales Department Board Member, Managing Operating Officer, Director of Sales Division (current position)	
[Reason for nomination as candidate for Board Member] Mr. Kazushige Onuki has been contributing to the recovery of the operating performance by leveraging his experience in successively holding important positions in sales departments such as director of domestic sales offices and president of an overseas subsidiary, and broadly paying attention to the situation in the domestic and international markets since the COVID-19 pandemic. In addition to existing markets, he is always looking to develop new markets, and is also actively engaged in human resource development; and therefore, the Company needs him in future management and enhancement of corporate value of the Group. Accordingly, the Company continuously selected him as a candidate for Board Member.				
4	Masaki Hosoya (September 19, 1963) [New appointment] [Male] [Attendance at the Board of Directors meetings] —	April 1988 April 2021	Joined the Company Operating Officer, Director of Development and Design Department (current position) Board Member, Orange Bakery, Inc.	1,953
		[Reason for nomination as candidate for Board Member] Mr. Masaki Hosoya possesses extensive experience and broad knowledge in the development and designing department, and has contributed to research and development of products of the Company. As the Company is a corporate that is engaged in development, a viewpoint familiar with development and design practices is essential in management decisions, and the Company expects that he is capable of playing the role. The Company also expects that he will vitalize the development and designing department with a broad, company-wide perspective through his new experience in the core of management; and therefore, the Company needs him in future management and enhancement of corporate value of the Group. Accordingly, the Company selected him as a candidate for Board Member.		

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
5	Ko Hirahara (July 15, 1973) [Reappointment] [Outside] [Independent] [Male] [Attendance at the Board of Directors meetings] 100% (13/13 meetings)	April 2000 Registered as an attorney-at-law Joined OOKURA LAW OFFICE June 2015 Outside Board Member, the Company (current position) February 2019 Joined Kenchodori Law Office (current position) [Significant concurrent position] • Attorney-at-law, Kenchodori Law Office	1,600
<p>[Reason for nomination as candidate for Outside Board Member and outline of expected role] Mr. Ko Hirahara possesses extensive experience, achievements, and insight in corporate legal affairs as an attorney-at-law, and has provided proper recommendations and advice in meetings of the Board of Directors of the Company from an objective standpoint independent of the management team which executes business. In addition, he is also fulfilling an important role in determining the appropriateness and enhancing the transparency of decision-making processes as the chairman of the Nomination and Remuneration Committee, which is a voluntary advisory body to the Company. We expect him to continue providing appropriate guidance in decision-making, etc. of the Board of Directors. Accordingly, the Company continuously selected him as a candidate for Outside Board Member. Although he has no experience in being directly involved in corporate management other than as an Outside Board Member, the Company has judged that he will appropriately fulfill his duties as an Outside Board Member based on the above reasons and achievements at the Company. If he is elected as originally proposed, he will continue leading the Company's selection of candidates for officers and determination of officers' remuneration, etc. from an objective and neutral standpoint as the chairman of the Nomination and Remuneration Committee.</p> <p>[Liability limitation agreements with candidates for Outside Board Member] To enable Outside Board Members to fully demonstrate their expected roles, Article 30 of the Company's Articles of Incorporation prescribes that the Company may enter into agreements with Outside Board Members to limit their liability for damages set forth under Article 423, Paragraph 1 of the Companies Act if requirements set forth by laws and regulations are met. Based on the foregoing, Mr. Ko Hirahara and the Company has entered into a liability limitation agreement to limit his liability for damages to the amount set forth by laws and regulations. If he is elected as originally proposed, the Company will continue said agreement with him.</p> <p>[Number of years the candidate for Outside Board Member has served as Outside Board Member of the Company] Mr. Ko Hirahara will have served for eight years as Outside Board Member at the conclusion of this General Meeting of Shareholders.</p>			

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
	<p>Takae Akatsuka (March 19, 1970)</p> <p>[New appointment] [Outside] [Independent] [Female]</p> <p>[Attendance at the Board of Directors meetings] —</p>	<p>October 2000 PricewaterhouseCoopers Tax Japan (currently PwC Tax Japan)</p> <p>April 2004 Registered as a Japanese Certified Public Accountant</p> <p>July 2006 Nikko Citigroup Limited (currently Citigroup Global Markets Japan Inc.)</p> <p>May 2008 Deloitte Tohmatsu FAS Co., Ltd. (currently Deloitte Tohmatsu Financial Advisory LLC)</p> <p>February 2010 Registered as a Certified Public Tax Accountant</p> <p>October 2010 Coca-Cola (Japan) Company, Limited</p> <p>August 2016 Fair Consulting Tax Corporation</p> <p>February 2022 Representative of Premier Tax & Advisory (current position)</p> <p>[Significant concurrent position] • Representative of Premier Tax & Advisory</p>	—
6	<p>[Reason for nomination as candidate for Outside Board Member and outline of expected role] Ms. Takae Akatsuka is a Japanese Certified Public Accountant and a Certified Public Tax Accountant highly specializing in international tax and accounting. In addition to that, she has been involved in various corporate strategy and management roles as a project leader, including IPO and corporate finance at an investment bank, M&A advisory at a consulting firm, corporate management and planning at listed Japanese and multinational companies. In pursuing sustainable enhancement of corporate value of the Group, the Company highly expects that she will oversee and provide advice on overall management from an objective viewpoint based on the aforementioned extensive experience and broad insight, and bring diversity into the Board of Directors and vitalize its discussions. Accordingly, the Company proposes her as a candidate for Outside Board Member. If she is elected as originally proposed, she will provide advice and recommendations through deliberation on the Company's selection of candidates for officers and determination of officers' remuneration, etc. as a member of the Nomination and Remuneration Committee, which is a voluntary advisory body to the Company.</p> <p>[Liability limitation agreements with candidates for Outside Board Member] To enable Outside Board Members to fully demonstrate their expected roles, Article 30 of the Company's Articles of Incorporation prescribes that the Company may enter into agreements with Outside Board Members to limit their liability for damages set forth under Article 423, Paragraph 1 of the Companies Act if requirements set forth by laws and regulations are met. Based on the foregoing, if Ms. Takae Akatsuka, a candidate for Outside Board Member, is elected as originally proposed, the Company will enter into said agreement with her.</p>		

- Notes:
1. There are no special interests between each candidate for Board Member and the Company.
 2. Mr. Ko Hirahara, a candidate for Outside Board Member, is an Independent Board Member stipulated by Tokyo Stock Exchange, Inc. If his reelection is approved, the Company intends to continue register him as Independent Board Member.
 3. If Ms. Takae Akatsuka, a candidate for Outside Board Member, is elected as originally proposed, she will be an Independent Board Member stipulated by Tokyo Stock Exchange, Inc.
 4. The Company has entered into a directors and officers liability insurance contract with an insurance company, which includes all Board Members of the Company as insured parties. The said insurance contract will cover damage (legal costs, damages, etc.) incurred by an insured party arising from a reason such as a claim for damages (including derivative lawsuits) associated with the insured party's execution of duties which is filed during the insurance period; provided, however, that there are certain exemptions; for example, damage caused as a result of any conduct committed while knowing that the conduct is in violation of laws and regulations shall not be covered. If each candidate for Board Member is elected and assumes office of Board Member as originally proposed, they will be insured under said insurance contract. The Company plans to renew the contract with the same contents at the time of the next renewal.
 5. The number of shares of the Company held by Mr. Masaki Hosoya, a candidate for Board Member, includes the number of shares held by him in the employee shareholding association of Rheon Automatic Machinery Co.,Ltd.

<Reference> Officer structure if Proposal 2 is approved

The attributes and main areas of expertise and experience of the members constituting the Board of Directors of the Company are as shown below.

	Name	Position, etc. at the Company	Gender	Years served	Corporate management	Manufacturing/R&D	Sales/Marketing	Finance/Accounting	Legal affairs/Risk management	Global
Board Member	Mikio Kobayashi	President & C.E.O.	Male	8 years	○	○	○	○		○
	Tamotsu Kaneko	Board Member, Managing Operating Officer	Male	6 years	○	○			○	○
	Kazushige Onuki	Board Member, Managing Operating Officer	Male	2 years	○		○			○
	Masaki Hosoya	Board Member, Managing Operating Officer	Male	—		○				
	Ko Hirahara	Outside Board Member (independent officer)	Male	8 years					○	
	Takae Akatsuka	Outside Board Member (independent officer)	Female	—	○			○		○
Audit & Supervisory Board Member	Tadashi Miyaoka	Audit & Supervisory Board Member	Male	3 years				○	○	
	Ryoko Hirabayashi	Outside Audit & Supervisory Board Member (independent officer)	Female	7 years	○			○		
	Fujio Yokoyama	Outside Audit & Supervisory Board Member (independent officer)	Male	2 years				○		

Proposal 3: Payment of Bonuses to Board Members

The Company proposes that an amount totaling 16,800,000 yen be paid as bonuses to the three Board Members serving in those posts at the end of the fiscal year under review (excluding the Chairman of the Board and Outside Board Members) while considering the business performance for the fiscal year under review and other factors.

At the Board Meeting held on May 10, 2019, the Company resolved its policy on determining the remuneration of each Board Member, which is explained on pages 33 to 35 in the Japanese version. This proposal is in accordance with the said policy and is considered to be appropriate.

Proposal 4: Determination of Remuneration to Grant Restricted Stock to Board Members

The monthly maximum amount of remuneration, etc. for Board Members of the Company has been approved to be within 20 million yen (excluding, however, employee salaries for Board Members concurrently serving as employees) at the 25th Annual General Meeting of Shareholders held on June 26, 1987. It was also approved at the 54th Annual General Meeting of Shareholders held on June 23, 2016, and the 59th Annual General Meeting of Shareholders held on June 28, 2021, that stock acquisition rights will be allotted to Board Members of the Company (excluding Outside Board Members) as stock-based-remuneration-type stock options within the annual maximum amount of 50 million yen.

This time, the Company requests for approval for payment of new remuneration to grant restricted stock to Board Members (excluding Outside Board Members; hereinafter, “Eligible Board Members”), separately from the above remuneration amount, for the purpose of providing them with incentives to aim for sustainable growth of the Company’s corporate value and further promoting sharing of value with shareholders. Please note that, if this proposal is approved, the system of stock-based-remuneration-type stock options will be abolished excluding stock options that have already been granted, and in the future, the Company will not issue new stock acquisition rights as stock-based-remuneration-type stock options to the Eligible Board Members.

Common stock of the Company shall be issued or disposed to the Eligible Board Members who deliver all monetary remuneration receivables paid pursuant to this proposal as property contributed in kind, and the total amount of monetary remuneration paid to the Eligible Board Members pursuant to this proposal to grant restricted stock is proposed to be up to 60 million yen annually, which is deemed appropriate in light of the above purpose. In addition, the total annual number of shares in common stock issued or disposed of by the Company based on the foregoing shall be up to 100 thousand shares; provided, however, that, if the total number of shares issued by the Company increases or decreases due to consolidation or split of shares (including allotment of share without contribution), the upper limit number shall be adjusted according to the ratio. The Board of Directors will determine the per share amount to be paid in for said issuance or disposal based on the closing price of common stock of the Company at Tokyo Stock Exchange on the business day immediately preceding the date of resolution at each Board of Directors meeting (if transactions are not executed on that day, the closing price on the most recent trading day preceding that day), within the range that is not an amount particularly advantageous to the Eligible Board Members.

Moreover, the Board of Directors will determine the specific allocation to each Eligible Board Member, upon seeking and obtaining the fair and objective advice of the Nomination and Remuneration Committee which is a voluntary advisory committee.

The number of the current Eligible Board Members is four, and the number of the Eligible Board Members will remain four if Proposal 2 is approved as originally proposed.

In addition, when granting restricted stock under this proposal, the Company shall enter into a restricted stock allotment agreement with the Eligible Board Members, which, in summary, contains the following contents (hereinafter referred to as the “Allotment Agreement”).

- (1) The Eligible Board Members may not transfer, pledge as collateral, or otherwise dispose of their shares in common stock of the Company allotted to them under the Allotment Agreement

(hereinafter referred to as the “Allotted Shares”) (hereinafter referred to as “Transfer Restriction”) during the period from the date of delivery of the Allotted Shares to the date on which a Board Member retires from as Board Member of the Company or other positions designated by the Board of Directors of the Company or resigns from the Company (however, if the Eligible Board Member retires from their positions or resigns from the Company by the time before the lapse of three months from the beginning of the fiscal year in which the date of delivery of the Allotted Shares falls and if there is any day within six months from the beginning of said fiscal year separately specified by the Board of Directors of the Company, then, that day) (hereinafter referred to as the “Transfer Restriction Period”).

- (2) If an Eligible Board Member retires from their positions in above (1) or resigns from the Company before the expiration of the period specified by the Company (hereinafter referred to as the “Service Period”), the Company will naturally acquire their Allotted Shares gratuitously unless such retirement or resignation is due to any reason that the Board of Directors of the Company determines legitimate.
- (3) The Company will remove the Transfer Restriction for all the Allotted Shares of an Eligible Board Member upon the expiration of the Transfer Restriction Period, on the condition that the Eligible Board Member has been in the positions in above (1) during the Service Period on a continuous basis; provided, however, that, if the Eligible Board Member retires from their positions in above (1) or resigns from the Company before the expiration of the Service Period due to any reason that the Board of Directors of the Company determines legitimate as in (2) above, the Company will reasonably adjust the number of the Allotted Shares for which the Transfer Restriction is removed, as necessary.
- (4) The Company will naturally acquire the Allotted Shares for which the Transfer Restriction has not been removed pursuant to the provisions of above (3) as of the expiration of the Transfer Restriction Period gratuitously.
- (5) The Company will naturally acquire the Allotted Shares of an Eligible Board Member gratuitously if any of the reasons set forth by the Board of Directors of the Company as reasons for which it is appropriate for the Company to acquire the Allotted Shares gratuitously, has become applicable to said Eligible Board Member during the Transfer Restriction Period. Such reasons include, but not limited to, violation of laws and regulations and breach of internal rules or the Allotment Agreement.
- (6) Notwithstanding the provisions of (1) above, if a merger agreement based on which the Company becomes a disappearing company, a share exchange agreement based on which the Company becomes a wholly owned subsidiary, or any matter concerning organizational restructuring, etc., including a share transfer plan, is approved by the General Meeting of Shareholders of the Company (however, if approval of the General Meeting of Shareholders of the Company is not required for said organizational restructuring, etc., then, the Board of Directors of the Company) during the Transfer Restriction Period, the Company removes the Transfer Restriction for the reasonably determined number of the Allotted Shares in light of the period between the date of commencement of the Service Period and the date of approval of said organizational restructuring, etc., by a resolution of the Board of Directors of the Company, prior to the effective date of said organizational restructuring, etc.

- (7) In the event stipulated in (6) above, the Company will naturally acquire the Allotted Shares for which the Transfer Restriction has not yet been removed as of the time immediately after the time when the Transfer Restriction was removed pursuant to the provisions of (6) above gratuitously.

[Reasons that granting restricted stock is appropriate]

The purpose of this proposal is to pay remuneration to grant restricted stock to Eligible Board Members for the purpose of providing them with incentives to aim for sustainable growth of the Company's corporate value and further promoting sharing of value with shareholders.

The Company's Board of Directors has stipulated the policy on determining the remuneration of each Board Member, which is explained on pages 33 to 35 of the Business Report (the Japanese version). On the condition that this proposal is approved, the Company intends to revise the policy according to this proposal.

In addition, the ratio of the number of shares issued or disposed of in a year pursuant to this proposal to the upper limit of the total number of shares issued and outstanding (as of March 31, 2023) is 0.35%. As such, the dilution factor is insignificant. Therefore, the Company has judged that the contents of this proposal is appropriate.

(Reference)

The Company plans to grant restricted stock also to Operating Officer of the Company.