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(Code: 4847 TSE Prime market)

September 6, 2023

(Start Date of Measures for Electronic Provision: September 5, 2023)

**To Shareholders with Voting Rights:**

Kunimitsu Sato  
Chief Executive Officer,  
Representative Director  
INTELLIGENT WAVE INC.  
1-21-2, Shinkawa, Chuo-ku, Tokyo,  
Japan

**NOTICE OF  
THE 40TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

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

We are pleased to inform you that the 40th Annual General Meeting of Shareholders of INTELLIGENT WAVE INC. (the “Company”) will be held for the purposes as described below.

The Company has adopted measures for electronic provision in convening this General Meeting of Shareholders by posting the “Notice of the 40th Annual General Meeting of Shareholders” to each of the websites given below. Please check each of the following websites.

<The Company website>

[https://www.iwi.co.jp/en/ir/stock/general\\_meeting.html](https://www.iwi.co.jp/en/ir/stock/general_meeting.html)

<Tokyo Stock Exchange Website>

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

Enter “INTELLIGENT WAVE” in the “Issue name (company name)” field or “4847” in the “Code” field and run a search. After finding the Company, select “Basic Information,” followed by “Documents for public inspection/PR information.” Look for the “Notice of General Shareholders Meeting/Informational Materials for a General Shareholders Meeting” field under the “Filed information available for public inspection” section.

Instead of attending the meeting, you may exercise your voting rights by either of the methods below. Please review the Reference Documents for the General Meeting of Shareholders included in the matters subject to measures for electronic provision and exercise your voting rights by no later than 6:00 p.m. Japan time on Tuesday, September 26, 2023.

[Exercising Voting Rights by Mail]

Please indicate your vote of approval or disapproval for the proposals on the enclosed Voting Rights Exercise Form and return it so that it arrives by the above exercise deadline.

[Exercising Voting Rights via the Internet]

Please access the URL indicated on the Voting Rights Exercise Form and enter your vote of approval or disapproval for the proposals by the above exercise deadline. For details, please see the “Guide to Exercising Voting Rights via the Internet” on page 4 (Japanese version only).

- 1. Date and Time:** Wednesday, September 27, 2023 at 10:00 a.m. Japan time  
(Reception opens: 9:00 a.m.)
- 2. Place:** “EAST21 HALL,” first floor of Hotel East 21 Tokyo located at  
6-3-3, Toyo, Koto-ku, Tokyo, Japan
- 3. Meeting Agenda:**
- Matters to be reported:** The Business Report and the Non-consolidated Financial Statements for the  
Company’s 40th Fiscal Year (July 1, 2022 - June 30, 2023)
- Proposals to be resolved:**
- Proposal 1:** Distribution of Surplus
- Proposal 2:** Election of 6 Directors
- Proposal 3:** Final Payment of Retirement Benefits in Conjunction with the Abolition of the  
Retirement Benefit Plan for Officers
- Proposal 4:** Introduction of a Stock-Based Compensation Plan for Directors

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- Ⓞ If attending the meeting, please present the enclosed Voting Rights Exercise Form at the reception desk upon your arrival.  
Additionally, please bring this Convocation Notice with you in order to conserve resources.
- Ⓞ If the matters subject to measures for electronic provision are amended, the amended items will be posted on the respective websites where they were posted.

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### Proposal 1: Distribution of Surplus

The Company considers the return of profits to shareholders an important management issue, and our basic policy is to maintain a stable level of dividends, while taking into consideration the internal reserves required for strengthening our business foundations.

Based on this basic policy, the year-end dividend for the fiscal year under review shall be 20 yen per share, a 3 yen increase from the previous fiscal year, as a part of measures to enhance shareholder returns.

#### Items Related to the Year-end Dividend

(1) Type of dividend property

Cash

(2) Items related to the allocation of dividend property to shareholders and its total amount

20 yen per common share

Total amount: 525,598,980 yen

(3) Effective date of distribution of surplus

September 28, 2023

**Proposal 2:** Election of 6 Directors

The terms of office of all 6 Directors will expire at the conclusion of this year's General Meeting of Shareholders. Accordingly, the Company proposes the election of 6 Directors.

The candidates are as follows:

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
1	Kunimitsu Sato (December 23, 1959)	<p>April 1983      Joined Dai Nippon Printing Co., Ltd.</p> <p>October 2001    General Manager of Sales Development Dept., IC Card Div., Business Forms &amp; Securities Operations</p> <p>April 2006      General Manager of IC Card Business Development Dept., IC Card Business Development Div., Information Processing Solutions Operations</p> <p>April 2007      General Manager of IC Card Business Development Div., Information Processing Solutions Operations</p> <p>October 2012    General Manager of Digital Security Div., Information Solutions Operations</p> <p>April 2016      Deputy General Manager of C&amp;I Center, Information Innovation Operations</p> <p>April 2018      General Manager of C&amp;I Center, Information Innovation Operations</p> <p>September 2019    Director of the Company</p> <p>April 2020      Deputy General Manager of Information Innovation Operations, Dai Nippon Printing Co., Ltd.</p> <p>September 2020    Chief Executive Officer, Representative Director of the Company (current)</p>	14,300
<p>&lt;Reason for nomination as candidate for Director&gt;</p> <p>Mr. Kunimitsu Sato took office as Chief Executive Officer, Representative Director in September 2020. He possesses abundant experience and insight in the industry. With his strong leadership and deep understanding of the Company's entire organization, he may be expected to fulfill a sufficient role in providing appropriate advice and information as well as managing and supervising the execution of business operations at the Company, and we therefore propose his continued election as Director.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
2	Kenichi Tachinooka (August 16, 1963)	<p>April 1988      Joined the Company</p> <p>July 2010      Executive Officer; General Manager of Securities Solution Business Division</p> <p>September 2014      Director; General Manager of Financial System Development Division; General Manager of Securities System Development Division; Director of Security System Development Division</p> <p>July 2022      Managing Executive Officer; Director of Strategy &amp; R&amp;D Division; Director of Security System Division; Director of Quality Assurance Department</p> <p>September 2022      Director, Senior Executive Officer; Director of Overseas Business Promotion Office and Strategy &amp; R&amp;D Division; Director of Security System Division; Director of Quality Assurance Department</p> <p>April 2023      Director, Senior Executive Officer; Director of Global Business Promotion Office; Director of Strategy &amp; R&amp;D Division; Director of Security System Division; Director of Quality Assurance Department; Director of Human Capital Management Office; Director of Information Security Department</p> <p>June 2023      Director, ODN Solution Inc. (current)</p> <p>July 2023      Director, Senior Executive Officer; Director of Global Business Promotion Office; Director of Strategy &amp; R&amp;D Division; Director of Quality Assurance Department; Director of Human Capital Management Office; Director of Information Security Department, the Company (current)</p>	5,500
<p>&lt;Reason for nomination as candidate for Director&gt;</p> <p>Mr. Kenichi Tachinooka has a wide range of operational knowledge and experience concerning system development, security product development and sales, and quality assurance in general. He may be expected to fulfill a sufficient role in managing and supervising the execution of business operations at the Company, and we therefore propose his continued election as Director.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
3	Taisuke Goto (April 27, 1974)	<p>December 1998    Joined Software Japan Laboratory</p> <p>March 2005        Joined the Company</p> <p>September 2018    Director; General Manager of 3rd System Development Division</p> <p>July 2019          Director; Director of Business Administration Division; Director of Management Planning Office</p> <p>June 2020          Board Member of the Software Association of Japan (current)</p> <p>September 2020    Director; Executive Officer of Business Administration Division and Director of Management Planning Office, the Company</p> <p>September 2021    Director; Managing Executive Officer of Business Administration Division and Director of Management Planning Office</p> <p>September 2022    Director; Managing Executive Officer of Management Planning Office and Information Systems Department</p> <p>February 2023     Director; Managing Executive Officer of 2nd System Division and Information Systems Department (current)</p>	4,000
<p>&lt;Reason for nomination as candidate for Director&gt;</p> <p>Mr. Taisuke Goto possesses abundant operational knowledge and experience, having overseen development of the Company's products, primarily in relation to the development of systems to detect fraudulent credit card transactions, since joining the Company. He may be expected to fulfill a sufficient role in managing and supervising the execution of business operations at the Company, and we therefore propose his continued election as Director.</p>			
4	Mitsue Sako (May 26, 1964)	<p>January 1990      Joined Dai Nippon Sapporo ISD Co., Ltd.</p> <p>June 2002          General Manager of Sapporo System Development Department I, Hokkaido System Division, DNP Information Systems Co., Ltd.</p> <p>April 2005          General Manager of Embedded System Development Division</p> <p>October 2012       Corporate Officer, General Manager of Information Processing Solutions System Development Division</p> <p>April 2017          Corporate Officer, in charge of System Integration Division, System Product Development Division, Hokkaido System Division, Tohoku System Division, and Western Japan System Division, DNP Digital Solutions Co., Ltd.</p> <p>April 2019          Senior Corporate Officer</p> <p>October 2020       Deputy General Manager of System Platform Development Division, ICT Center, Information Innovation Operations, Dai Nippon Printing Co., Ltd.</p> <p>September 2021    Director; Executive Officer; Director of 2nd System Development Division, the Company</p> <p>September 2022    Director, Executive Officer, Director of 1st and 2nd System Divisions</p> <p>February 2023     Director; Executive Officer; Director of 1st System Division</p> <p>April 2023          Director of the Company (current)</p> <p>April 2023          Director, DNP Information Systems Co., Ltd. (current)</p> <p>June 2023          Executive Officer; Chief Director of Information System, Dai Nippon Printing Co., Ltd. (current)</p>	1,100
<p>&lt;Reason for nomination as candidate for Director&gt;</p> <p>Ms. Mitsue Sako possesses abundant operational knowledge and experience, having long been engaged in a variety of system development projects. She may be expected to fulfill a sufficient role in managing and supervising the execution of business operations at the Company, and we therefore propose her continued election as Director.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
	Akira Watanabe (May 13, 1953)	April 1979 Registered as attorney at law (current) Akira Watanabe Law Office April 1999 Special Visiting Professor of Faculty of Law, Gakushuin University April 2003 Visiting Professor of Faculty of Law, Seikei University April 2004 Professor of Gakushuin University Law School September 2013 Project Professor of Research Center for Advanced Science and Technology, The University of Tokyo September 2014 Director of the Company (current) April 2019 Visiting Fellow of Research Center for Advanced Science and Technology, The University of Tokyo April 2023 Senior Visiting Fellow of Research Center for Advanced Science and Technology, The University of Tokyo (current)	18,600
5	<p data-bbox="193 667 1129 696">&lt;Reason for nomination as candidate for Outside Director and overview of expected roles&gt;</p> <p data-bbox="193 696 1461 1032">Mr. Akira Watanabe possesses legal expertise as an attorney at law, in addition to academic knowledge from serving in numerous positions, including Project Professor of Research Center for Advanced Science and Technology, The University of Tokyo. As Outside Director, he participates in management from an objective standpoint and provides appropriate advice and suggestions when the Board of Directors is making decisions, from a standpoint independent of the management team engaged in the execution of business operations. In addition, in June 2021, he became a member of the Nomination and Compensation Committee, and engages in making decisions on nominating candidates for Directors, selecting Executive Officers and compensation for Directors and other matters from an objective and neutral standpoint. The Company expects him to contribute to further strengthening its governance system and give appropriate advice and suggestions, and therefore proposes his continued election as Outside Director. Although he does not have experience of engaging in corporate management other than as an outside officer, the Company deems that he is capable of performing his duties as an Outside Director appropriately as he did to this day.</p> <p data-bbox="193 1032 1461 1144">In addition, the Company has entered into a separate advisory agreement with another lawyer from the Akira Watanabe Law Office, but this does not constitute a transaction with Mr. Akira Watanabe himself. The Company believes that there is no risk of influencing the judgment of shareholders and investors in light of the size and nature of the transactions according to this agreement.</p>		

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
6	Kenichi Miki (July 11, 1955)	<p>April 1978      Joined Daiwa Securities Co. Ltd.</p> <p>August 1979    Joined Daiwa Computer Service Co., Ltd. (currently Daiwa Institute of Research Ltd.)</p> <p>June 2002      General Manager of System Solution Business Headquarters</p> <p>April 2004      Executive Officer; General Manager of System Solution Business Headquarters; General Manager of Telecom System Business Headquarters; Officer in charge of Social Insurance System Business Headquarters; Information Security Officer</p> <p>April 2005      Executive Officer in charge of operations, Daiwa Securities SMBC Co. Ltd.</p> <p>June 2006      Outside Director, Japan Securities Depository Center, Incorporated</p> <p>April 2008      Managing Executive Officer in charge of operations, Daiwa Securities SMBC Co. Ltd.</p> <p>January 2010    Managing Executive Officer in charge of operations, Daiwa Securities Capital Markets Co. Ltd.</p> <p>April 2010      Executive Managing Director; Deputy Head of Administrative Division, Daiwa Securities Co. Ltd.</p> <p>April 2011      Senior Executive Managing Director, Daiwa Institute of Research Holdings Ltd.; President, DIR Information Systems Co., Ltd.</p> <p>April 2015      Senior Executive Managing Director, Daiwa Institute of Research Business Innovation Ltd.; President, DIR Xunhe Business Innovation (Beijing) Limited; President, DIR Xunhe Business Innovation (Jinan) Limited</p> <p>April 2016      Advisor, Daiwa Institute of Research Business Innovation Ltd.</p> <p>April 2017      Retired as Advisor</p> <p>September 2017   Director of the Company (current)</p>	—
<p>&lt;Reason for nomination as candidate for Outside Director and overview of expected roles&gt;</p> <p>Mr. Kenichi Miki possesses experience as a manager and abundant knowledge and expertise in the industry, having overseen system development departments at Daiwa Institute of Research Ltd. over many years, before serving as Managing Executive Officer in charge of operations at Daiwa Securities SMBC Co. Ltd., Managing Executive Officer in charge of operations at Daiwa Securities Capital Markets Co. Ltd., and subsequently Executive Managing Director at Daiwa Securities Co. Ltd. As Outside Director, he participates in management from an objective standpoint and provides appropriate advice and suggestions when the Board of Directors is making decisions, from a standpoint independent of the management team engaged in the execution of business operations. In June 2021, he became the chair of the Nomination and Compensation Committee, and engages in making decisions on nominating candidates for Directors, selecting Executive Officers and compensation for Directors and other matters from an objective and neutral standpoint. The Company expects him to contribute to further strengthening its governance system and give appropriate advice and suggestions, and therefore proposes his continued election as Outside Director.</p> <p>Mr. Kenichi Miki has held positions as a director and advisor at Daiwa Securities Co., Ltd., Daiwa Institute of Research Holdings Ltd., and Daiwa Institute of Research Business Innovation Ltd., with whom the Company has had transactions related to software development and maintenance. However, he has retired from these positions in April 2017, and the Company believes that there is no risk of influencing the judgment of shareholders and investors in light of the size and nature of the transactions he has with each of these companies.</p>			

(Notes)

1. There are no special interests between the candidates for Directors and the Company.
2. Messrs. Akira Watanabe and Kenichi Miki are candidates for Outside Directors.  
The Company has designated Messrs. Akira Watanabe and Kenichi Miki as Independent Directors as stipulated by the rules of the Tokyo Stock Exchange, and has registered them as such with the Exchange. If their reelection is approved at this year's General Meeting of Shareholders, they will remain as Independent Directors.
3. Number of years as Outside Director of the Company since each candidate for Outside Director assumed office  
Mr. Akira Watanabe will have served as Outside Director of the Company for 9 years at the conclusion of this year's General Meeting of Shareholders.  
Mr. Kenichi Miki will have served as Outside Director of the Company for 6 years at the conclusion of this year's General Meeting of Shareholders.
4. In accordance with Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with



Messrs. Akira Watanabe and Kenichi Miki under which their liability for damages pursuant to Article 423, Paragraph 1 of the same act shall be limited to the amount provided for in laws and regulations. If their reelection is approved at this year's General Meeting of Shareholders, the Company intends to continue the same liability limitation agreement with each of them as stipulated in the Company's Articles of Incorporation, in order to allow them to adequately fulfill their expected roles as Outside Directors.

5. The Company has entered into a directors and officers liability insurance contract as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company to insure its Directors, Auditors, and Executive Officers. The insurance covers claims for damage and legal costs incurred by the insured in the event that claims for damages arise due to their actions made in their capacity as an officer. The candidates for Director will be insured by the contract if they are elected. The contract term of the insurance is 1 year, and the Company intends to renew the insurance contract before the expiration of the contract term upon the resolution of the Board of Directors.

**Proposal 3:** Final Payment of Retirement Benefits in Conjunction with the Abolition of the Retirement Benefit Plan for Officers

As part of the review of the compensation system for officers, the Company resolved at the Board of Directors meeting held on August 23, 2023 to abolish the retirement benefits system for directors and auditors as of the conclusion of this General Meeting of Shareholders. Accordingly, on the condition that Proposal 2, “Election of 6 Directors,” is approved as originally proposed, the Company proposes the final payment of retirement benefits to 6 Directors and 4 Auditors in the amount stipulated in the standard criteria established by the Company, as compensation for their services during their tenures from assuming their offices until the conclusion of this meeting.

The amount of retirement benefits for each Director and Auditor will be calculated based on the criteria set forth in the Company’s rules for payment of retirement benefits to officers (accumulated points awarded annually for position, professional qualifications, and years of service multiplied by the unit price of points). The timing of the payments shall be the time of the retirement of each Director or Auditor. Regarding the specific amounts and method of the payment, we ask our shareholders to leave them to the discretion of the Board of Directors for each Director, and to a discussion among Auditors for each Auditor.

The content of this proposal has been decided by the Board of Directors following deliberations by the Nomination and Compensation Committee in accordance with the Company’s policy for determining the content of compensation, etc. for each individual Director and internal regulations established in advance by the Board of Directors. The content of this proposal is therefore deemed appropriate.

The Company’s policy for determining the specific compensation of individual Directors is given on pages 30–31 of this Convocation Notice (Japanese version only).

The career summaries of the Directors and Auditors who will receive a final payment of retirement benefits in conjunction with the abolition of the Retirement Benefit Plan for Officers are as follows:

Name	Career summaries	
Kunimitsu Sato	September 2019 September 2020	Director of the Company Chief Executive Officer, Representative Director of the Company (current)
Kenichi Tachinooka	September 2022	Director of the Company (current)
Taisuke Goto	September 2018	Director of the Company (current)
Mitsue Sako	September 2021	Director of the Company (current)
Akira Watanabe	September 2014	Outside Director of the Company (current)
Kenichi Miki	September 2017	Outside Director of the Company (current)
Takeshi Matsuda	September 2022	Auditor of the Company (current)
Hiroshi Sato	September 2016	Outside Auditor of the Company (current)
Noboru Takebayashi	September 2020	Outside Auditor of the Company (current)
Masayuki Horie	September 2020	Outside Auditor of the Company (current)

#### **Proposal 4:** Introduction of a Stock-Based Compensation Plan for Directors

The Company seeks to introduce a stock-based compensation plan for Directors (excluding Outside Directors and part-time Directors) in order to allow Directors to share both the benefits and risks of stock price fluctuations with the Company's shareholders and also to motivate Directors to contribute more to improving the Company's corporate value over the medium to long term.

##### 1. Reasons for this proposal and the grounds for its appropriateness

This proposal requests shareholders to approve the introduction of a new share-based remuneration plan, "Board Benefit Trust (BBT)" (hereinafter the "Plan"), for the Company's Directors (excluding Outside Directors and part-time Directors; the same applies hereinafter in this proposal unless otherwise stated) and Executive Officers (hereinafter collectively the "Eligible Directors and Officers").

The proposal aims to increase awareness for contributing to medium- to long-term performance increase as well as corporate value increase, by more clearly linking Eligible Directors and Officers' remuneration with the Company's share value, and by allowing Eligible Directors and Officers to share not only the benefits of share price increases but also the risks of share price decreases with shareholders. If this proposal is approved as originally proposed, the purpose is consistent with the Company's policy for determining the details of remuneration, etc. of individual Directors (see below), which is scheduled to be resolved at a meeting of the Board of Directors of the Company after the conclusion of this Annual General Meeting of Shareholders. Therefore, the content of this proposal is deemed appropriate. In addition, the Company's Nomination and Compensation Committee has reported that, in light of the plan's stated purpose and its effectiveness in providing incentives to improve medium- to long-term business performance, the introduction of this plan is appropriate.

This proposal requests shareholders to approve the specific calculation method and details of the amount of remuneration, etc. to be provided to the Company's Directors based on the Plan, separate from the remuneration amount for Directors approved at the 23rd Annual General Meeting of Shareholders held on September 27, 2006 (up to ¥300 million annually, excluding the employee salary portion for Directors concurrently serving as employees). In addition, we ask our shareholders to leave the details of the Plan to the discretion of the Board of Directors within the range described in 2 below.

If Proposal 2 is approved as proposed, then 3 Directors will be eligible for the Plan.

##### 2. Specific calculation method and details of the amount of remuneration, etc. under the plan

###### (1) Overview of the Plan

The Plan is a share-based remuneration plan under which, using the money the Company contributes as funds, the Company's shares are acquired by a trust (hereinafter the trust that is established based on the Plan is referred to as the "Trust"), and the Company's shares and money equivalent to the amount of the Company's shares converted at market price (hereinafter the "Company's Shares, etc.") are provided through the Trust to Eligible Directors and Officers in accordance with the Share-Based Board Benefit Regulations stipulated by the Company. The timing the Eligible Directors and Officers receive the Company's Shares, etc. shall be the time of the retirement of the Eligible Directors and Officers, in principle.

###### (2) Those who are eligible for the Plan

Directors (excluding Outside Directors and part-time Directors as well as Auditors) and Executive Officers

###### (3) The period of the trust

From November 2023 (scheduled) to the termination of the Trust

(No specific termination dates have been determined regarding the period of the Trust, and the Trust will be continued as long as the Plan continues. The Plan will be terminated in events such as delisting of the Company's shares or the abolition of the Share-Based Board Benefit Regulations.)

###### (4) The amount of the trust

Subject to approval of this proposal, the Company shall introduce the Plan covering the following periods: the three fiscal years starting from the fiscal year ending June 30, 2024 to the fiscal year ending June 30, 2026 (hereinafter such period of three fiscal years shall be referred to as the "Initial Evaluation Period," and the Initial Evaluation Period and each of the subsequent periods of three fiscal years, which commence after the elapse of the Initial Evaluation Period, shall hereinafter be individually referred to as the "Evaluation Period") and each of Evaluation Periods that follow. In order to provide the Eligible Directors and Officers with the Company's Shares, etc., the Company shall contribute the following money to the Trust as funds for the acquisition of the Company's shares by the Trust.

First, at the time of establishing the Trust (scheduled in November 2023), the Company will contribute an equivalent amount of money that is expected to be necessary corresponding to the Initial Evaluation Period. Since the maximum points to be granted to Eligible Directors and Officers based on the Plan are 100,000 points per one fiscal year as stated in (6) below, the Company will, in establishing the Trust, contribute to the Trust the funds that are reasonably expected to be necessary for the acquisition of up to 300,000 shares, taking into consideration the last closing price of the Company's common shares in ordinary transactions on the Tokyo Stock Exchange. For reference, the necessary funds will amount to approximately ¥269 million using the closing price as of August 22, 2023 of ¥897.

After the elapse of the Initial Evaluation Period until the time when the Plan is terminated, the Company shall, in principle, reasonably estimate the number of shares necessary to provide to Eligible Directors and Officers under the Plan for each Evaluation Period, and make additional contributions to the Trust in the amount deemed necessary for the Trust to acquire such shares in advance. Provided, however, that, at the time of such additional contributions, if there remain the Company's shares (excluding the Company's shares equivalent to the number of points that were granted to Eligible Directors and Officers for each of the Evaluation Periods to date, but have not been provided to Eligible Directors and Officers yet) and money (hereinafter collectively the "Remaining Shares, etc.") in the trust assets, such Remaining Shares, etc. shall be appropriated for the funds of benefits based on the Plan in the subsequent Evaluation Period, and therefore the amount of the Remaining Shares, etc. shall be taken into account when calculating the amount for additional contributions. Upon determination of additional contributions, the Company shall make appropriate disclosure in a timely manner.

(Note) The money which the Company practically contributes to the Trust includes the estimated necessary expenses such as trust fees, in addition to the above funds contributed for the purpose of acquiring the Company's shares.

(5) Method for acquiring the Company's shares and the number of shares to be acquired by the Trust

The Trust shall acquire the Company's shares through a securities exchange market or by underwriting the disposition of the Company's treasury shares using the money contributed by the Company in the manner set forth in (4) above as funds, and no new shares will be issued.

Since the maximum points to be granted to Eligible Directors and Officers are 100,000 points per one fiscal year as set forth in (6) below, the maximum number of the Company's shares to be acquired by the Trust for each Evaluation Period is 300,000 shares. The Company will disclose the details of the acquisition of the Company's shares by the Trust in a timely and appropriate manner.

(6) Maximum number of the Company's Shares, etc. granted to Eligible Directors and Officers

For each fiscal year, Eligible Directors and Officers shall be granted points that are decided by taking into consideration their respective positions in accordance with the Share-Based Board Benefit Regulations. The total maximum points to be granted to Eligible Directors and Officers per one fiscal year shall be 100,000 points (of which, 60,000 points will be for Directors). These numbers were decided by comprehensively considering the current level of officers' remuneration as well as the trends and outlook in the number of Eligible Directors and Officers, and therefore are deemed appropriate.

Each point granted to Eligible Directors and Officers shall be converted into one share of the Company's common stock at the time of the provision of the Company's Shares, etc. as described in (7) below (provided, however, that, with regard to the Company's shares, if a share split, gratis allotment of shares, or consolidation of shares, etc. is carried out after the approval of this proposal, then the maximum number of points and the number of points already granted, or the conversion ratio shall be adjusted in a reasonable manner in proportion to the relevant ratios, etc.).

The number of shares equivalent to the maximum number of points to be granted to Eligible Directors and Officers per one fiscal year (100,000 shares) accounts for approximately 0.38% of the total number of outstanding shares (26,340,000 shares as of June 30, 2023, net of treasury shares).

In principle, the number of points for Eligible Directors and Officers that will be the basis for the provision of the Company's Shares, etc. in (7) below, shall be defined as the number of points granted to the Eligible Directors and Officers until their retirement. (Points calculated in such manner shall be hereinafter referred to as "defined number of points.")

(7) Provision of the Company's Shares, etc. and specific calculation method for the amount of the remuneration, etc.

When Eligible Directors and Officers retire and have satisfied the beneficiary requirements stipulated in the Share-Based Board Benefit Regulations, such Eligible Directors and Officers shall, in principle, receive the Company's shares from the Trust after his/her retirement, in the number corresponding to the defined number of points set forth in (6) above, by carrying out beneficiary certification procedures as required. Provided, however, that if such Eligible Directors and Officers satisfy the requirements stipulated in the Share-Based Board Benefit Regulations, he/she shall receive a

certain portion of the benefit in money in lieu of the provision of the Company's shares, in the amount equivalent to the market value of the Company's shares. The Trust may sell the Company's shares in order to provide benefit in money.

Note that if a resolution for dismissal of any of the Eligible Directors and Officers was passed by a General Meeting of Shareholders or a meeting of the Board of Directors, or if any of the Eligible Directors and Officers retires due to a certain illegal act carried out while in office, or has engaged in inappropriate or other act that would cause damage to the Company while in office, then such Eligible Directors and Officers, whether he/she has been granted points or otherwise, may not be able to acquire rights to receive the benefit. In addition, in the event that any of the matters stipulated in the Share-Based Board Benefit Regulations take place, even Eligible Directors and Officers who have already received benefits may be subject to claims to return the economic value equivalent to the shares and money they have received.

The amount of remuneration, etc., that Directors receive shall be based on the amount calculated by multiplying the total number of points to be granted to Directors by the carrying amount per share of the Company's share held by the Trust at the time when points are granted (provided, however, that with regard to the Company's shares, if a share split, gratis allotment of shares, or consolidation of shares, etc. is carried out, there shall be reasonable adjustments based on relevant ratios, etc.). In cases where money is provided as benefit exceptionally in accordance with the Share-Based Board Benefit Regulations, such amount shall be added if deemed appropriate.

(8) Exercise of voting rights

The voting rights of the Company's shares in the Trust's account shall not be exercised uniformly based on the instructions of the trust administrator. Through this arrangement, the Company intends to ensure neutrality in relation to the Company's management with respect to the exercise of the voting rights attached to the Company's shares in the Trust's account.

(9) Treatment of dividends

The Trust will receive the dividends of the Company's shares held in the Trust's account and allot these dividends to the payment of the acquisition price of the Company's shares, the trust fees for the trustee of the Trust, and others. If the Trust is terminated, the dividends, etc. remaining in the Trust shall be distributed to the Eligible Directors and Officers then in office in proportion to the number of points held by each of the Eligible Directors and Officers in accordance with the provisions of the Share-Based Board Benefit Regulations.

(10) Treatment upon termination of the trust

The Trust will terminate upon events such as delisting of the Company's shares or the abolition of the Share-Based Board Benefit Regulations. All of the Company's shares in the residual assets of the Trust at the time of termination will be acquired by the Company free of charge and cancelled in accordance with the resolution of the Board of Directors. Any money in the residual assets of the Trust at the time of termination of the Trust shall be distributed to the Company excluding the portion that will be distributed to the Eligible Directors and Officers in accordance with (9) above.

## Independence Standards for Independent Officers

The Company has established the following standards for the independence of Outside Directors and Outside Auditors (hereinafter referred to as “Outside Officers”), in order to ensure the objectivity and neutrality of corporate governance. Those who are deemed to not fall under any of the following items will be designated as Independent Officers.

1. An individual, or an executive of a company, that has the Company as a major business partner (Note 1)  
An individual or company that has the Company as a major business partner is defined as one that received payments from transactions with the Company amounting to 5% or more of its annual consolidated net sales during any of the 3 most recent fiscal years (Note 2).
2. A major business partner of the Company, or an executive thereof (Note 1)  
A major business partner of the Company is defined as one to which the Company made payments for transactions with the Company amounting to 5% or more of the Company’s annual consolidated net sales during any of the 3 most recent fiscal years (Note 2).
3. A consultant, accounting expert or legal expert who received large sums of money or other assets from the Company, apart from compensation as an officer of the Company  
Large sums of money or other assets are defined as those for which the annual monetary value is 10 million yen or greater.
4. An individual who fell under any of the above items 1. to 3. at any time during the past 3 fiscal years (Note 2)
5. An individual who fell under any of the items 1) to 3) below, at any time during the past 10 years before becoming an Independent Officer
  - 1) An executive, or non-executive director, of the Company’s parent company
  - 2) An auditor of the Company’s parent company (only in cases where an Outside Auditor is to be designated as an Independent Officer)
  - 3) An executive of a sister company of the Company
6. An individual within two degrees of kinship to an individual who falls under any of the items 1) to 4) below
  - 1) An individual falling under any of the items 1. to 5. above
  - 2) An executive of a subsidiary of the Company (Note 1)
  - 3) A non-executive director of a subsidiary of the Company (in cases where an Outside Auditor is to be designated as an Independent Officer)
  - 4) An individual who, at any time during the past 3 fiscal years (Note 2), fell under 1) or 2) above or was an executive of the Company (Note 1)
7. A major shareholder of the Company, or an executive thereof (Note 1)  
Major shareholders are defined as those holding 10% or more of the voting rights of the Company, either directly or indirectly.

(Note 1) Executives are as defined under Article 2, Paragraph 3, Item 6 of the Regulation for Enforcement of the Companies Act.

(Note 2) Beginning from the date when the proposal for election to be submitted to the General Meeting of Shareholders is determined.

**Reference: Structure of Directors and Auditors after Proposal 2 is approved (planned)**

\*If the candidates listed in this Convocation Notice are elected as originally proposed, the main expertise, knowledge, and experience possessed by Directors and Auditors will be as follows.

Name	Management/Corporate					Strategy/Business promotion					
	Corporate management	Business management	Finance/Accounting	Legal compliance	Personnel labor	Sales	System development	Project management	Business development	M&A	Overseas business
Kunimitsu Sato	○	○					○	○	○	○	○
Kenichi Tachinooka		○				○	○	○	○		○
Taisuke Goto		○			○		○	○			
Mitsue Sako		○					○	○			
Akira Watanabe				○							
Kenichi Miki	○	○			○		○	○	○		○
Takeshi Matsuda		○					○	○	○		
Naoyuki Beppu	○				○						
Hiroshi Sato	○	○				○					
Noboru Takebayashi	○	○					○	○	○		
Masayuki Horie			○								