

To All Shareholders

1-3-5, Oji-cho, Fukuyama, Hiroshima

Aoyama Trading Co., Ltd.

President and Representative Director AOYAMA Osamu

Notice of the Convocation of the 57th Ordinary General Meeting of Shareholders

Description

1. **Date** June 29 (Tuesday), 2021, at 10:00 a.m.
2. **Place** Meeting Room, 4th floor, Headquarters
Aoyama Trading Co., Ltd., 1-3-5, Oji-cho, Fukuyama, Hiroshima
3. **Objects**
 1. **Matters to be reported** Report on the business report for the 57th term (from April 1, 2020 to March 31, 2021), the contents of the consolidated financial statements, and the results of audit of the consolidated financial statements by the account auditors and the Board of Corporate Auditors
 2. Report on the contents of the financial statements for the 57th fiscal year (from April 1, 2020 to March 31, 2021)

Matters to be resolved

- | | |
|----------------|--|
| Proposal No. 1 | Appropriation of Retained Earnings |
| Proposal No. 2 | Election of Five (5) Directors |
| Proposal No. 3 | Determination of Compensation for Allotment of Restricted Stock to Directors (Excluding Outside Directors) |

- ⊙ If you do not attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the Reference Documents for General Meeting of Shareholders provided in a later section, and exercise your voting rights by no later than Monday, June 28, 2021, 6:30 p.m., in accordance with the guidance presented in a later section.
- ⊙ Please note that if it becomes necessary to amend any matters related to the contents stated in the reference documents for the Ordinary General Meeting of Shareholders, Business Report, Consolidated Financial Statements, or Financial Statements, it will be presented on the Company's website at: <https://www.aoyama-syouji.co.jp>

4. Guidance on exercise of voting rights

(1) If attending the General Meeting of Shareholders

Please present the Voting Rights Exercise Form at the reception.

Date and time of the Meeting: Tuesday, June 29, 2021, at 10:00 a.m.

(2) If you are unable to attend the General Meeting of Shareholders

Exercising voting rights in writing

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return.

Deadline: To arrive by no later than 6:30 p.m. on Monday, June 28, 2021

Exercising voting rights via the Internet

Please access the voting rights exercise website designated by the Company, and enter your votes for or against the proposals.

If exercising voting rights by smartphone, please use "Smart Koushi."

Deadline: No later than 6:30 p.m. on Monday, June 28, 2021

5. Using the voting rights exercise platform (for institutional investors)

For this planned General Meeting of Shareholders, institutional investors may exercise their voting rights via the Internet using the Electronic Voting Platform operated by ICJ Incorporated.

- ⊙ If you exercise your voting rights both in writing and via the Internet, the voting right exercised via the Internet shall be deemed as a valid exercise of your voting rights. In addition, if you exercise your voting rights several times via the Internet, or if you exercise your voting rights more than once using the computer, smartphone and mobile phone, the most recent vote shall be deemed as the valid exercise of your voting rights.

End.

Reference Document for the General Meeting of Shareholders

Proposal No. 1: Appropriation of Retained Earnings

We recognize that returning profits to shareholders is one of the most important management issues. However, in the fiscal year ending March 31, 2021, following the issuance of a state-of-emergency declaration due to the spread of novel coronavirus disease, the Group's business performance is affected seriously, resulting in a situation where it is difficult to forecast when the disease will be eradicated. Under these harsh circumstances, we place the top priority on ensuring the liquidity in hand and reinforcing the financial strength. Therefore, we regretfully propose to pay no year-end dividend.

In addition, with the expectation for the sound development of the management, in order to strengthen the financial structure in consideration of the management environment in the future, we propose to reverse general reserve as follows, and transfer it to retained earnings brought forward, pursuant to the provision of Article 452 of the Companies Act.

Matters regarding appropriation of retained earnings

- (1) Retained earnings item to be decreased and amount thereof
General reserve 40,000,000,000 yen
- (2) Retained earnings item to be increased and amount thereof
Retained earnings brought forward 40,000,000,000 yen

Proposal No. 2: Election of Five (5) Directors

The terms of office of all seven (7) Company Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the Company requests the election of five (5) Directors.

The candidates for Directors are as follows.

The candidates for Directors have been selected in consultation with the Nomination Advisory Committee.

*The Nomination Advisory Committee has been established to deliberate and verify personnel matters concerning Directors and Corporate Auditors in order to ensure the objectivity and transparency of the Company's management. The Committee provides the Board of Directors with recommendations on proposals concerning the appointment or dismissal of Directors and Corporate Auditors to be submitted to the General Meeting of Shareholders. The Committee is chaired by an Independent Outside Director and consists of a total of four members, including three other Directors of which two are Outside Directors.

Number	Name	Current position and responsibilities at the Company	Attendance at Board of Directors' meetings
1	Reelected AOYAMA Osamu	President	27 out of 27 (100%)
2	Reelected OKANO Shinji	Director, Managing Executive Officer, and General Manager of Product Div.	27 out of 27 (100%)
3	Reelected YAMANE Koichi	Director, Managing Executive Officer, and General Manager of Group Management Div., Manager of General Planning and Policy Dept.	27 out of 27 (100%)
4	Reelected Outside Director Independent Officer KOBAYASHI Hiroaki	Director	27 out of 27 (100%)
5	Reelected Outside Director Independent Officer WATANABE Toru	Director	27 out of 27 (100%)

Number	Name (Date of birth)	Brief profile and position at the Company (Significant concurrent positions)	Number of the Company's shares owned
1	<p data-bbox="309 1088 497 1146">AOYAMA Osamu (March 1, 1959)</p> <p data-bbox="352 1182 454 1209">Reelected</p>	<p data-bbox="579 309 1241 1218"> April 1981 Joined Aoyama Trading Co., Ltd. December 1987 General Manager of the Purchasing Dept., Aoyama Trading Co., Ltd. June 1988 Director and General Manager of the Purchasing Dept., Aoyama Trading Co., Ltd. June 1989 Director and Vice Chief General Manager of the Purchasing Dept., Aoyama Trading Co., Ltd. June 1991 Managing Executive Director and Vice Chief General Manager of the Purchasing Dept., Aoyama Trading Co., Ltd. June 1997 Senior Director, General Manager of the Purchasing Div., and Assistant General Manager of the General Planning and Policy Dept., Aoyama Trading Co., Ltd. October 2001 Senior Director and General Manager of the Suit Business Dept., Aoyama Trading Co., Ltd. February 2003 Senior Director and General Manager of the Marketing and Sales Div., Aoyama Trading Co., Ltd. June 2005 President and CEO, Aoyama Trading Co., Ltd. June 2017 President, Aoyama Trading Co., Ltd. June 2019 President and CEO, and General Manager of the Marketing and Sales Div., Aoyama Trading Co., Ltd. April 2021 President, Aoyama Trading Co., Ltd. (current position) </p> <p data-bbox="579 1227 1241 1473"> Significant concurrent positions Representative Director, Aoyama Bussan, Ltd. Director, Aoyama Capital Co., Ltd. Director, Seigo Co., Ltd. Director, MDS Co., Ltd. Director, Eisho Co., Ltd. Director, glob Co., Ltd. </p> <p data-bbox="579 1482 1241 1550"> Attendance at Board of Directors' meetings 27 out of 27 (100%) </p> <p data-bbox="579 1559 1241 1693"> Special interest in the Company The Company has business relationships, such as office leasing, with Seigo Co., Ltd. and glob Co., Ltd., of which Mr. AOYAMA Osamu currently holds the position of Director. </p> <p data-bbox="579 1702 1241 1989"> Reasons for nomination as a candidate for Director Since assuming the position of Director in 1988, Mr. AOYAMA Osamu served as the General Manager of the Company's Purchasing Division and Marketing and Sales Division. In 2005, he assumed the position of President and Representative Director, supervising the overall management of the Company. Based on his outstanding achievements, ability and corporate management experience, as well as his excellent personality and insight, he has been nominated as a candidate for Director. </p>	<p data-bbox="1305 1120 1409 1178">1,511,665 shares</p>

Number	Name (Date of birth)	Brief profile and position at the Company (Significant concurrent positions)	Number of the Company's shares owned
2	<p data-bbox="304 981 504 1037">OKANO Shinji (February 18, 1962)</p> <p data-bbox="352 1070 456 1099">Reelected</p>	<p data-bbox="579 309 1233 1182"> March 1984 Joined Aoyama Trading Co., Ltd. June 2005 Executive Officer, General Manager of the Purchasing Div., and General Manager of the Purchasing Dept. No. 2, Aoyama Trading Co., Ltd. June 2008 Executive Officer and General Manager of the Purchasing Div., Aoyama Trading Co., Ltd. June 2009 Director, Executive Officer and General Manager of the Purchasing Div., Aoyama Trading Co., Ltd. May 2013 Director, Executive Officer, General Manager of the Purchasing Div., and General Manager of the Casual Wear/Reuse Business Div., Aoyama Trading Co., Ltd. June 2013 Director, Managing Executive Officer, General Manager of the Purchasing Div., and General Manager of the Casual Wear/Reuse Business Div., Aoyama Trading Co., Ltd. June 2017 Director, Senior Managing Executive Officer, General Manager of the Purchasing Div., and General Manager of the Casual Wear/Reuse Business Div., Aoyama Trading Co., Ltd. April 2021 Director, Managing Executive Officer, and General Manager of Product Div., Aoyama Trading Co., Ltd. (current position) </p> <p data-bbox="579 1193 1054 1301"> Significant concurrent positions Director, FUKURYO Co., Ltd. Director, Aoyama Suits (Shanghai) Co., Ltd. </p> <p data-bbox="579 1312 1027 1377"> Attendance at Board of Directors' meetings 27 out of 27 (100%) </p> <p data-bbox="579 1388 963 1453"> Special interest in the Company None </p> <p data-bbox="579 1464 1233 1767"> Reasons for nomination as a candidate for Director Since assuming the position of Director in 2009, Mr. OKANO Shinji has gained abundant business knowledge and experience as the General Manager of the Company's Purchasing Division, where he appropriately executes important duties, administrative decision-making and supervision. He has been nominated as a candidate for Director because we believe that he will utilize such knowledge and experience to contribute to increasing the Company's corporate value. </p>	8,600 shares

Number	Name (Date of birth)	Brief profile and position at the Company (Significant concurrent positions)	Number of the Company's shares owned
3	<p data-bbox="316 987 496 1048">YAMANE Koichi (June 25, 1963)</p> <p data-bbox="355 1084 453 1108">Reelected</p>	<p data-bbox="579 309 1233 954"> April 1986 Joined The Sumitomo Bank, Limited (presently Sumitomo Mitsui Banking Corporation) April 2013 General Manager of the Umeda Corporate Banking Dept. No.3, Sumitomo Mitsui Banking Corporation May 2016 Joined Aoyama Trading Co., Ltd. General Manager of the General Planning and Policy Dept., Aoyama Trading Co., Ltd. June 2017 Executive Officer and General Manager of the General Planning and Policy Dept., Aoyama Trading Co., Ltd. June 2019 Director, Managing Executive Officer and General Manager of the General Planning and Policy Dept., Aoyama Trading Co., Ltd. April 2020 Director, Managing Executive Officer, and General Manager of Group Management Div., Manager of General Planning and Policy Dept., Aoyama Trading Co., Ltd. (current position) </p> <p data-bbox="579 958 1153 1133"> Significant concurrent positions Corporate Auditor, Customlife K.K. Director, Eisho Co., Ltd. Director, MDS Co., Ltd. Corporate Auditor, Aoyama Suits (Shanghai) Co., Ltd. </p> <p data-bbox="579 1144 1031 1207"> Attendance at Board of Directors' meetings 27 out of 27 (100%) </p> <p data-bbox="579 1218 963 1281"> Special interest in the Company None </p> <p data-bbox="579 1292 1233 1792"> Reasons for nomination as a candidate for Director Mr. YAMANE Koichi has experience with a wide range of financial practices and network gained through his career at a major bank, including involvement with international sections in Hong Kong and mainland China as well as corporate marketing sections in Japan. Since assuming the position of Director of the Company in 2019, he has served as the General Manager of the General Planning and Policy Dept. and the Group Management Div. in charge of corporate management planning. He has been nominated as a candidate for Director because we believe that he will contribute to increasing the Company's corporate value by utilizing his wealth of experience and knowledge, promptly understanding changes in the environment surrounding the Company's businesses and promoting the enhancement of competitiveness of each business as well as the Group management. </p>	4,400 shares

Number	Name (Date of birth)	Brief profile and position at the Company (Significant concurrent positions)	Number of the Company's shares owned
4	<p>KOBAYASHI Hiroaki (July 12, 1975)</p> <p>Reelected Outside Director Independent Officer</p>	<p>April 2000 Joined The Hiroshima Bank, Ltd.</p> <p>March 2002 Joined Nitto Seimo, Co., Ltd.</p> <p>May 2002 The Head of the President's Office, Nitto Seimo Co., Ltd.</p> <p>July 2005 Director, Nitto Seimo Co., Ltd.</p> <p>January 2007 President, Nitto Seimo Co., Ltd. (current position)</p> <p>June 2016 Director, Aoyama Trading Co., Ltd. (current position)</p> <p>Significant concurrent positions</p> <p style="padding-left: 40px;">Representative Director, Nitto Seimo Co., Ltd.</p> <p style="padding-left: 40px;">Representative Director, Nippon Turning Co., Ltd.</p> <p style="padding-left: 40px;">Director, Taito Co., Ltd.</p> <p>Attendance at Board of Directors' meetings</p> <p style="padding-left: 120px;">27 out of 27 (100%)</p> <p>Special interest in the Company</p> <p style="padding-left: 120px;">None</p> <p>Reasons for nomination as a candidate for Outside Director and the expected role to play</p> <p style="padding-left: 40px;">Mr. KOBAYASHI Hiroaki has gained a wealth of experience and knowledge as a corporate manager and runs companies mainly in the field of manufacturing. Therefore, we believe that he is capable of giving us appropriate advice and proposals from a perspective different from that of the Company and has fulfilled duties as a member of non-mandatory committees: the Nomination Advisory Committee and the Compensation Advisory Committee.</p> <p style="padding-left: 40px;">The term of office of Mr. KOBAYASHI as an Outside Director will be five (5) years at the conclusion of this General Meeting of Shareholders.</p>	— shares

Number	Name (Date of birth)	Brief profile and position at the Company (Significant concurrent positions)	Number of the Company's shares owned
5	<p>WATANABE Toru (February 2, 1966)</p> <p>Reelected Outside Director Independent Officer</p>	<p>March 1993 Completed legal apprenticeship</p> <p>April 1993 Registered with the Osaka Bar Association Joined Kitahama Partners</p> <p>January 1998 Partner, Kitahama Partners</p> <p>June 2013 Corporate Auditor, Aoyama Trading Co., Ltd.</p> <p>June 2019 Director, Aoyama Trading Co., Ltd. (current position)</p> <p>January 2020 Representative Partner, Kitahama Partners (current position)</p> <p>Significant concurrent positions</p> <p>Outside Director, Audit and Supervisory Committee Member, SHOBIDO Corporation</p> <p>Outside Director, Audit and Supervisory Committee Member, O-WELL CORPORATION</p> <p>Attendance at Board of Directors' meetings 27 out of 27 (100%)</p> <p>Special interest in the Company None</p> <p>Reasons for nomination as a candidate for Outside Director and the expected role to play</p> <p>Mr. WATANABE Toru has rich experience and insight as a lawyer who specializes in laws related to the Companies Act. He is able to view corporations as a whole, including related laws and regulations, from an objective viewpoint, and we believe that he is a suitable person to supervise and oversee management of the Company in terms of risk management and corporate governance among others. While Mr. WATANABE has never been involved in any kind of business management other than holding the position of an Outside Director or an Outside Corporate Auditor, the Company believes that he will be able to adequately perform the duties of an Outside Director for the above-mentioned reasons. He also has fulfilled important duties as the chairperson of non-mandatory committees: the Nomination Advisory Committee and the Compensation Advisory Committee.</p> <p>The term of office of Mr. WATANABE as an Outside Director will be two (2) years at the conclusion of this General Meeting of Shareholders.</p>	— shares

- (Notes)
1. Candidates, Mr. KOBAYASHI Hiroaki and Mr. WATANABE Toru are candidates for Outside Director.
 2. Article 29 of the Articles of Incorporation of the Company stipulates that the Company may enter into an agreement with Outside Directors to limit liability due to negligence in performing their duties in order to enable them to do their utmost. Accordingly the Company concluded a limitation of liability agreement with Mr. KOBAYASHI Hiroaki and Mr. WATANABE Toru, candidates for Outside Director. If they are reelected as proposed, the Company plans to continue the said agreements with them. The maximum amount of liability under the agreement is the minimum amount set forth in Article 425, Paragraph 1 of the Companies Act.
 3. Special remarks regarding the candidates for Outside Directors are as follows.
 - (1) No corresponding item existed regarding the records of violation of laws and regulations and the Articles of Incorporation or other inappropriate actions at the Company.

- (2) Regarding the candidates' service over the past five years as Director, Executive Officer, or Auditor of other companies, no corresponding item existed regarding records of violations of laws and regulations and Articles of Incorporation or other inappropriate actions at these companies during the candidates' term of office therein.
 - (3) Mr. KOBAYASHI Hiroaki and Mr. WATANABE Toru are registered as Independent Officers with the Tokyo Stock Exchange (TSE) since they meet the TSE's independence criteria for outside directors as well as the Company's independence standard for appointing outside directors.
 - (4) Mr. WATANABE Toru used to be Corporate Auditor of the Company. His term of office was six (6) years.
4. The Company has entered into a directors and officers liability insurance contract with an insurance company. Directors and Corporate Auditors of the Company and its subsidiaries will be insured under the contract. The insurance policy covers damage payments and litigation expenses in the event that a claim for damages is made against the insured due to execution of his or her duties. However, the insurance contract does not cover claims for damages caused by intent or gross negligence. The insurance premiums are fully borne by the Company. The candidates will be insured under the insurance contract. The Company plans to renew the contract with the same details at the next renewal.

(Reference)

■ **Independence standard for appointing outside directors/auditors**

1. The outside director/auditor has never worked for our Group.
2. The outside director's/auditor's spouse or any relative within the second degree of relationship has never worked for our Group.
3. The outside director/auditor has never been affiliated with any of the following organizations that have relationships with the Company.
 - (1) Organizations that are major shareholders
 - (2) Major banks or securities companies
 - (3) Major accounting auditors, business consultants, law firms, etc.
 - (4) Major suppliers and other business partners that have business relationships with the Company
 - (5) Companies and organizations of which the Company is a major business client.
4. The outside director's/auditor's spouse or any relative within the second degree of relationship has never worked for any of the organizations, etc. listed in the preceding paragraph 3.

Proposal No. 3: Determination of Compensation for Allotment of Restricted Stock to Directors (Excluding Outside Directors)

Compensation for the Company's Directors have been approved at the 42nd Ordinary General Meeting of Shareholders held on June 29, 2006 to be within the limit of 600 million yen per year (the amount includes officers' bonuses but does not include the portion of employee's salary for Directors who concurrently serve as employees). In addition, it was approved at the 54th Ordinary General Meeting of Shareholders held on June 28, 2018 to grant monetary compensation claims as compensation, etc. under a post-delivery type stock compensation scheme for the Company's Directors (excluding Outside Directors) within the abovementioned limit for compensation.

The Company proposes to allot its common stock ("restricted stock") which is subject to a certain period of transfer restrictions and conditions such as the Company acquiring them without consideration, to the Company's Directors (excluding Outside Directors) as described below. This is intended to motivate Directors (excluding Outside Directors) even more to contribute to raising the share price and enhancing corporate value by having them share both the benefits and risks of fluctuations in share price with shareholders.

Upon comprehensively considering a range of factors, including the degree of Directors' contribution to the Company, the Company proposes to establish a maximum total amount of monetary compensation claims to be delivered as compensation, etc. pertaining to restricted stock to Directors (excluding Outside Directors) at 100 million yen per year, within the Directors' compensation limit described above. The allotment of restricted stock has been determined upon comprehensively considering a range of factors, including the degree of Directors' contribution to the Company, and given that the total number of shares of restricted stock to be allotted is within 160,000 shares per year, corresponding to around 0.32% of the Company's issued shares (or around 3.2% of the Company's issued shares, if the maximum number of shares of restricted stock were issued each year for 10 years), dilution will be minimal. Therefore, the details of the restricted stock are deemed appropriate.

The specific amount of monetary compensation claims to be delivered as compensation, etc. pertaining to restricted stock shall be determined by the Company's Board of Directors within the total compensation limit described above, based on the findings of the Compensation Advisory Committee, upon consideration of factors such as the degree to which performance criteria have been achieved. Key performance indicators (KPI) shall consist of the degree of achievement against the medium-term management plan, including corporate performance indicators such as consolidated operating income, and evaluation of ESG initiatives, a social indicator.

The post-delivery type stock compensation scheme shall be abolished, subject to the approval and passing of this proposal.

The Company presently has seven (7) Directors (including three (3) Outside Directors). If Proposal No. 2 is approved and passed, then the Company will have five (5) Directors (including two (2) Outside Directors).

<Details of the Restricted Stock Allotment Scheme>

The main details of the restricted stock allotment scheme (the "Scheme") are proposed as follows. Under the Scheme, the Company's common stock shall be issued or disposed of when eligible Directors pay in all of the monetary compensation claims delivered to them as compensation, etc. pertaining to restricted stock as a contribution in kind. The monetary compensation claims shall be delivered to eligible Directors on the condition that they consent to the contribution in kind and they conclude a restricted stock allotment agreement (the "Agreement") with the Company containing some of the details presented below.

Other matters concerning the Scheme and the Agreement shall be determined by the Company's Board of Directors.

Eligibility	The Company's Directors (excluding Outside Directors)
Total amount of monetary compensation claims to be delivered	No more than 100 million yen per year
Amount of monetary compensation claims to be granted to each eligible Director	Determined each year based on factors such as the degree to which performance criteria have been achieved, and rank
Class of shares to be allotted and method of allotment	Issuance or disposal of the Company's common stock of (under the Agreement, subject to restrictions on transfer, use as collateral or in a pledge as security, inter vivos gift, bequeathment, or disposal by other means; hereinafter referred to as the "Transfer Restriction")
Total number of shares to be allotted	No more than 160,000 shares per year
Amount to be paid-in	To be determined by the Company's Board of Directors, based on the closing price of the Company's common stock on TSE on the business day immediately preceding the day of each meeting of the Board of Directors where the issuance or disposal of the restricted stock is decided, and at a price that is not particularly advantageous to the eligible Directors
Transfer Restriction period	The period beginning on the day when restricted stock is delivered, and ending on the day when the relevant eligible Director retires from the position of the Company's Director
Conditions for removing the Transfer Restriction	Where an eligible Director has served continuously as the Company's Director from the commencement of the Transfer Restriction period until the date of the first subsequent Ordinary General Meeting of Shareholders of the Company, the Company shall remove the Transfer Restriction pertaining to all the allotted restricted stock at the expiry of the Transfer Restriction period However, where the eligible Director retires from the position of Director after the commencement of the Transfer Restriction period and up to the day before the date of the first subsequent Ordinary General Meeting of Shareholders of the Company due to the expiration of his or her term of office, death, or other reason deemed proper by the Company's Board of Directors, the number of shares of restricted stock for which the Transfer Restriction are to be removed, and the timing of the removal of the Transfer Restriction, shall be reasonably adjusted as necessary
Acquisition without consideration by the Company	The Company may acquire some or all of the shares of restricted stock allotted to a Director for no consideration, during the Transfer Restriction period, in cases where laws or regulations have been violated, or for other causes predesignated by the Company's Board of Directors

<p>Treatment in the event of organizational restructuring, etc.</p>	<p>Where a merger agreement with the Company as the non-surviving company, a share exchange agreement where the Company becomes a wholly-owned subsidiary, a share transfer plan or other proposal concerning an organizational restructuring, etc. is approved by the Company's General Meeting of Shareholders (or the Company's Board of Directors, for organizational restructuring, etc. that does not require the approval of the General Meeting of Shareholders) during the Transfer Restriction period, the Company shall remove the Transfer Restriction before the effective date of the organizational restructuring, etc., for a number of shares of restricted stock to be determined reasonably based upon the length of the period from the day when the Transfer Restriction period commenced to the day when the organizational restructuring, etc. was approved</p> <p>In this case, the Company shall rightfully acquire, for no consideration, restricted stock for which the Transfer Restriction have not yet been removed, immediately subsequent to the said removal of the Transfer Restriction</p>
<p>Non-delivery condition</p>	<p>Restricted stock shall not be allotted in cases such as those where scandals or other events have occurred that render such delivery inappropriate based on social norms, or where such allotment is inappropriate in view of the Company's financial condition</p>

<Overview of the New Compensation System for Directors and Other Corporate Officers>

The Company established policies for deciding the details of compensation, etc. for individual Directors, at the meeting of the Company's Board of Directors held on March 22, 2021. The allotment of restricted stock based on this proposal is in accordance with this policy.

(1) Basic policy

The Company shall establish and operate a compensation system for Directors in accordance with the following compensation policy, based on the Company's basic approach to corporate governance.

<Compensation policy>

- i) The compensation system shall be designed for the improvement of performance and the continuing enhancement of corporate value.
- ii) The compensation system shall enable shared interests with shareholders.
- iii) The method of determining compensation under the compensation system shall be objective and transparent.
- iv) Compensation for individual Directors shall be determined with regard to compensation levels standard in society, and the Company's business performance and financial condition, in addition to each Director's responsibilities.

Specifically, compensation for executive Directors shall be composed of basic compensation paid as a fixed salary, performance-linked compensation (performance compensation) and non-cash compensation (stock compensation). Compensation for Outside Directors and Corporate Auditors, who undertake a supervisory function, shall comprise only basic compensation.

(2) Policy concerning the determination of the amount of compensation, etc. for individual Directors (including the policy concerning the timing and conditions for the payment of compensation, etc.)

Basic compensation for the Company's Directors shall be paid as a fixed monthly salary, determined upon comprehensive consideration of factors including their positions, responsibilities, and the Company's financial condition.

(3) Policy concerning the methods used to calculate the details and amounts of performance-linked compensation and non-cash compensation (including the policy concerning the timing and conditions for the payment of compensation, etc.)

Performance-linked compensation shall be cash compensation reflecting key performance indicators (KPI) designed to increase awareness of improving performance in each fiscal year. Performance compensation shall comprise an amount calculated based on the degree to which consolidated operating income targets are achieved each fiscal year, the consolidated operating income growth rate compared to the previous fiscal year, the degree to which consolidated net income targets are achieved, as well as the result of individual evaluation. One twelfth (1/12) of this amount shall be paid each month.

The performance indicator targets shall be revised as appropriate in accordance with changes in the business environment, based on the findings of the Compensation Advisory Committee.

Non-cash compensation shall comprise stock compensation utilizing restricted stock.

(4) Policy concerning the determination of the relative proportions of basic compensation, performance-linked compensation, and non-cash compensation within total compensation for individual Directors

The Compensation Advisory Committee shall deliberate on the relative proportions of each form of compensation for executive Directors, with reference to external circumstances such as the proportions general among other companies in the industry. The Board of Directors shall respect the findings of the Compensation Advisory Committee, and determine proportions of compensation that will function appropriately as an incentive.

The relative proportions of basic compensation to performance-linked compensation to non-cash compensation (if performance targets are achieved 100%) shall be in the vicinity of 63 : 27 : 10.

Note: Performance-linked compensation shall be performance compensation, and non-cash compensation shall be stock compensation.

- (5) Matters concerning the determination of the details of compensation, etc. for individual Directors. The Compensation Advisory Committee shall deliberate on these matters after the conclusion of the Ordinary General Meeting of Shareholders, and report its findings to the Board of Directors, which shall then deliberate based on these findings, before deciding on the total amount of compensation for Directors. The Board of Directors shall delegate to the President and Representative Director the authority to decide on the amount of compensation for individual directors. The President and Representative Director shall determine the amounts of basic compensation for individual directors and performance-linked compensation, and the number shares to be delivered as stock compensation, for each Director, based on the resolution to delegate authority.

End.