

To Our Shareholders

Koshienguchi 6-1-45, Nishinomiya-shi, Hyogo
KYOKUTO KAIHATSU KOGYO CO., LTD.
Tatsuya Nunohara, President

NOTICE OF THE 86th ANNUAL MEETING OF SHAREHOLDERS

Dear Shareholders,

We would like to inform you that the 86th Annual Meeting of Shareholders will be held as follows.

In order to prevent the risk of infection with the novel coronavirus at the Meeting of Shareholders, we strongly encourage you not to attend the meeting and to exercise your voting rights either by mail or via the Internet.

You may use one of the methods below to exercise your voting rights. We ask that you exercise your voting rights by 5:30 p.m. on Thursday, June 24, 2021 (JST), after having considered the accompanying "Reference Material for the Meeting of Shareholders."

[Exercising voting rights by mail]

Please indicate your approval or disapproval for each of the proposals on the enclosed form for exercising voting rights and ensure that we receive it no later than the above-mentioned deadline.

[Exercising voting rights over the Internet]

Please access our designated voting website (<https://evote.tr.mufg.jp/>) from a computer, smartphone or cellular phone and use the Login ID and Temporary Password printed on the enclosed form for exercising voting rights (in case of a smartphone, there is no need to input if you read the QR code for login), and follow the onscreen instructions to enter your approval or disapproval for each of the proposals. In addition, if using the Internet to exercise your voting rights, we request that you kindly read the "Procedure for Exercising your Voting Rights via the Internet" (page 2).

Notice of Meeting

- 1. Date and Time** 10 a.m. on Friday June 25, 2021 (JST)
- 2. Place** Head Office Conference Room, KYOKUTO KAIHATSU KOGYO CO., LTD.
Koshienguchi 6-1-45, Nishinomiya-shi, Hyogo, Japan

3. Objectives of Meeting

- Reporting**
1. Report on contents of Business Report, Consolidated Financial Statement, and results of Audit on Consolidated Financial Statement by accounting auditors and board of auditors for the 86th business period (from April 1, 2020 to March 31, 2021)
 2. Report on contents of Financial Documents for the 86th business period (from April 1, 2020 to March 31, 2021)

Agenda

- Proposal 1** Appropriation of retained earnings
Proposal 2 Election of Eight (8) Directors
Proposal 3 Decision on remuneration for granting restricted shares to Directors of the Company (excluding Outside Directors)

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- If you plan to attend the meeting in person, please submit the enclosed Exercise of Voting Rights form to the receptionist at the meeting.
 - In case of any amendment to the Business Report, Consolidated Financial Statement, Financial Documents, and Reference Material for the Meeting of Shareholders, the amended documents will be posted on the company website.
(<http://www.kyokuto.com/>)

Procedure for exercising your voting rights via the Internet

If you exercise your voting rights via the Internet, please review the items below and exercise your voting rights.

If you intend to attend the General Meeting of Shareholders in person, you are not required to exercise the voting rights either by mail (using the Voting Rights Exercise Form) or via the Internet.

1. About the voting website

- (1) Voting rights via the Internet may be exercised by accessing our designated voting website (<https://evote.tr.mufig.jp/>) from a PC, smartphone or cellular phone. (However, this will be suspended from 2 a.m. to 5 a.m. every day.)
- (2) Exercise of voting rights via the Internet will be accepted until 5:30 p.m. on Thursday, June 24, 2021, Japan time. We ask you to exercise your voting rights at your earliest convenience. Please contact the help desk should you have any questions.
- (3) Depending on your Internet connection environment, you may not be able to exercise your voting rights through your computer or smartphone. Such environments include cases where a firewall is used for the Internet connection, any antivirus software has been installed, a proxy server is used, or TLS encrypted communication has not been designated.
- (4) When you exercise voting rights using your cellular phone, for security reasons, any cellular phones incompatible with TLS encrypted communication or transmission of cellular phone information cannot be used.

2. Method of exercising voting rights via the Internet

(1) With a PC or cellular phone

- Voting rights via the Internet may only be exercised by accessing the voting rights exercise website (<https://evote.tr.mufig.jp/>) from a computer, smartphone or cellular phone using the Login ID and Temporary Password printed on the enclosed form for exercising voting rights. You can then follow the onscreen instructions to enter your approval or disapproval for each of the proposals. (Please note that the website is unavailable from 2:00 a.m. through 5:00 a.m. every day.)
- Please note that you will be requested to change your Temporary Password on the voting rights exercise website in order to prevent any unauthorized access (“spoofing”) or alteration of your votes.
- A new Login ID and Temporary Password will be issued each time the General Meeting of Shareholders is convened.

(2) With a smartphone

- You can automatically log into the voting website and exercise your voting rights by scanning the QR Code for login printed on the enclosed form for exercising voting rights with your smartphone. (No need to enter the Login ID and Temporary Password.)
- For security reasons, you can exercise your voting rights with your QR Code only once. From the second time, you will be required to enter your Login ID and Temporary Password even if you scan your QR Code.
- Depending on your smartphone model, QR Code login may not be available. When you cannot login with your QR Code, please exercise your voting rights with the method explained in the above 2. (1) With a PC or cellular phone.

*QR Code is the registered trademark of DENSO WAVE INCORPORATED.

3. Handling of voting rights exercised multiple times

- (1) If you exercised your voting rights both in writing and via the Internet, the voting rights exercised via the Internet shall be treated as the valid vote.
- (2) If you exercised your voting rights multiple times using the same method, the voting rights exercised last shall be treated as the valid vote.

4. Costs incurred for accessing the voting rights exercise website

Costs incurred for accessing the voting rights exercise website (such as Internet connection charges, packet data fees, and other cellular phone charges) shall be borne by the shareholder.

Inquiries about the system

Stock Transfer Agency Department (help desk), Mitsubishi UFJ Trust and Banking Corporation

Phone: 0120-173-027 (inquiries accepted from 9 a.m. to 9 p.m., toll free (only within Japan))

5. Platform for electronic exercise of voting rights (for institutional investors)

Nominee shareholders (including standing proxies), such as custodian trust banks, may use the Voting Rights Electronic Exercise Platform operated by ICJ Co., Ltd., if applied for in advance.

Reference Material for the Meeting of Shareholders

Proposals and References

Proposal 1 Appropriation of retained earnings

1. Year-end dividend

After comprehensive consideration of the Company's business policy that regards return of profits to shareholders as the most important management policy, the Company's current financial status, and the need to respond to the support provided by the shareholders every day, it is proposed that the year-end dividend for the 86th business period be provided as follows:

(1) Type of dividend

Money

(2) Allocation of dividend and the total amount

Year-end dividend 24 yen per common share of the company

Total amount of dividend 958,326,888 yen

The annual dividend including the interim dividend for this business period will be 42 yen per share, up 2 yen from the former business period.

(3) Effective date of surplus allotment

June 28, 2021

2. Appropriation of retained earnings

In order to strengthen the financial structure of the Company, it is proposed to appropriate retained earnings as follows:

(1) Retained earnings increased and the amount

Contingent reserve 2,500,000,000 yen

(2) Retained earnings decreased and the amount

Earned surplus carried forward 2,500,000,000 yen

Proposal 2 Election of Eight (8) Directors

The terms of office of Eight (8) Directors — Kazuya Takahashi, Tatsuya Nunohara, Takeo Norimitsu, Noboru Horimoto, Kazuhiko Harada, Sadanobu Kato, Yoji Kido and Akira Michigami — will expire at the close of this Annual Meeting of Shareholders. Therefore, it is proposed to elect Eight (8) Directors.

The candidates for Directors are as follows:

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
1	Kazuya Takahashi (Feb. 16, 1957) <u>Reappointment</u>	<p>April 1980 Joined the Company</p> <p>April 2007 Director of Kyokuto Kaihatsu Parking Co., Ltd.</p> <p>June 2008 Representative Director of Kyokuto Kaihatsu Parking Co., Ltd.</p> <p>April 2010 Executive Officer of the Company</p> <p>April 2011 Overseas Operations Division Director of the Company</p> <p>June 2011 Director of the Company</p> <p>April 2012 Associate Senior Executive Officer of the Company SPV Division Director of the Company Chairman of the Kyokuto Special Automobile Trading (Shanghai) Co., Ltd. Chairman of the Kyokuto Kaihatsu (Kunshan) Machinery Co., Ltd.</p> <p>June 2013 Representative Director, President of the Company Chief Operating Officer of the Company</p> <p>June 2017 Chief Executive Officer of the Company</p> <p>June 2020 Representative Director, Chairperson of the Company (current position)</p> <p>(Representative position in other companies) Vice-president of Japan Auto-Body Industries Association Inc.</p>	22,900	None
<p>(Reason for selection as candidate for Director)</p> <p>He has been in charge of the management of the Company as Representative Director & President since June 2013 and as Representative Director & Chairperson since June 2020, after serving in the SPV Division and being in charge of the management of the Parking Division and overseas subsidiaries for many years. We nominate him as a candidate for Director in order to continuously strengthen the management of the Company based on his extensive experience and accomplishments above.</p>				

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
2	Tatsuya Nunohara (Jan. 21, 1959) <u>Reappointment</u>	<p>April 1982 Joined the Company</p> <p>April 2010 General Manager of Engineering, Miki Plant of the Company</p> <p>April 2012 General Manager of Development of the Company</p> <p>April 2013 Executive Officer of the Company Deputy Executive General Manager of Engineering of the Company</p> <p>April 2015 Executive General Manager of Engineering of the Company General Manager of Engineering Management of the Company</p> <p>April 2017 Executive General Manager of Production of the Company</p> <p>June 2017 Director of the Company</p> <p>April 2018 SPV Division Director of the Company</p> <p>June 2019 Associate Senior Executive Officer of the Company</p> <p>June 2020 Representative Director, President of the Company (current position) Chief Executive Officer of the Company (current position)</p> <p>(Representative position in other companies) Director of Japan Auto-Body Industries Association inc.</p>	9,000	None
<p>(Reason for selection as candidate for Director)</p> <p>He has been in charge of the management of the Company as Representative Director & President since June 2020, after serving in the SPV development and production division for many years. We nominate him as a candidate for Director in order to continuously strengthen the management of the Company based on his extensive experience and accomplishments above.</p>				

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
3	Takeo Norimitsu (Aug. 15, 1958) <u>Reappointment</u>	<p>April 1982 Joined the Company</p> <p>January 2005 Chairman and General Manager of Management of the Kyokuto Kaihatsu (Kunshan) Machinery Co., Ltd.</p> <p>April 2007 General Manager of Corporate Planning of the Company</p> <p>April 2011 Executive Officer of the Company General Manager of Overseas Promotion of the Company</p> <p>April 2017 Overseas Operations Division Director of the Company (current position) General Manager of Overseas Sales</p> <p>June 2017 Director of the Company (current position)</p> <p>April 2018 Chairman of the Kyokuto Special Automobile Trading (Shanghai) Co., Ltd. (current position) Chairman of the Kyokuto Kaihatsu (Kunshan) Machinery Co., Ltd. (current position) Director, Vice-chairman of Trex Thairung Co., Ltd.</p> <p>June 2019 Associate Senior Executive Officer of the Company (current position)</p> <p>September 2020 Director of SATRAC ENGINEERING PRIVATE LIMITED (current position)</p>	7,500	None
<p>(Reason for selection as candidate for Director)</p> <p>We nominate him as a candidate for Director in order to continuously strengthen the management of the Company based on his extensive experience and accomplishments as he served in the Overseas division and Planning division for many years and has been in charge of the management of overseas subsidiaries.</p>				

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company	
4	Kazuhiko Harada (Feb. 23, 1958) <u>Reappointment</u>	April 1980	Joined the Company	15,700	None
		April 2007	Director of NIPPON TREX Co., Ltd. Accounting Manager of NIPPON TREX Co., Ltd.		
		April 2011	General Manager of Finance of the Company		
		April 2012	Director of NIPPON TREX Co., Ltd. Executive Director of NIPPON TREX Co., Ltd. General Manager and Corporate Planning Manager of NIPPON TREX Co., Ltd.		
		April 2016	Executive Officer of the Company General Manager of Finance of the Company		
		April 2018	Deputy Executive General Manager of Administration of the Company		
		April 2019	Executive General Manager of Administration of the Company (current position) General Manager of Corporate Planning of the Company (current position)		
		June 2019	Director of the Company (current position)		
		April 2021	Associate Senior Executive Officer of the Company (current position)		
		<p>(Reason for selection as candidate for Director)</p> <p>We nominate him as a candidate for Director in order to continuously strengthen the management of the Company based on his knowledge of finance and accounting as he served in the Finance division for many years, as well as his extensive experience and accomplishments as he served in the management of the important subsidiary in the SPV segment.</p>			

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
5	Sadanobu Kato (Dec. 5, 1956) <u>Reappointment</u>	<p>April 1980 Joined the Company</p> <p>April 2005 General Manager of GB Sales department of the Company</p> <p>April 2006 General Manager of Eastern Area department II of the Company</p> <p>April 2010 General Manager of Kanto Sales department of the Company</p> <p>April 2011 General Manager of Sales Promotion department of the Company</p> <p>April 2012 Executive Officer of the Company Executive General Manager of Service of the Company General Manager of Eastern Road Service department of the Company</p> <p>February 2014 Executive General Manager of Sales of the Company</p> <p>April 2017 In Charge of Quality Assurance department of the Company</p> <p>April 2018 General Manager of Parts Center of the Company</p> <p>April 2020 SPV Division Director of the Company (current position)</p> <p>June 2020 Director of the Company (current position)</p> <p>April 2021 Associate Senior Executive Officer of the Company (current position)</p>	9,200	None
<p>(Reason for selection as candidate for Director)</p> <p>We nominate him as a candidate for Director in order to continuously strengthen the management of the Company based on his extensive experience and accomplishments as he served in the SPV sales and servicing division.</p>				

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
6	Noboru Horimoto (Feb. 28, 1965) <u>Reappointment</u>	<p>April 1988 Joined the Company</p> <p>April 2008 General Manager of Environmental Division Construction department of the Company</p> <p>April 2010 General Manager of Environmental Division Engineering department of the Company</p> <p>April 2011 Executive Officer of the Company (current position) Environmental Division Deputy Director of the Company</p> <p>April 2013 Executive General Manager of Environmental Division Sales department of the Company General Manager of Environmental Division Service department of the Company</p> <p>October 2013 General Manager of Environmental Division Planning department of the Company</p> <p>April 2019 Environmental Division Director of the Company (current position)</p> <p>June 2019 Director of the Company (current position) Related to affiliate companies, Environmental Division of the Company (current position)</p>	5,500	None
<p>(Reason for selection as candidate for Director)</p> <p>We nominate him as a candidate for Director in order to continuously strengthen the management of the Company based on his extensive experience and accomplishments as he served in the Environmental division for many years.</p>				

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
7	Yoji Kido (Dec. 3, 1951) <u>Reappointment</u> <u>Outside</u>	<p>April 1975 Joined HANSHIN ELECTRIC RAILWAY CO., LTD.</p> <p>June 2005 Director of HANSHIN ELECTRIC RAILWAY CO., LTD.</p> <p>June 2007 Executive Director of HANSHIN ELECTRIC RAILWAY CO., LTD.</p> <p>April 2011 Representative Director, Senior Executive Director of HANSHIN ELECTRIC RAILWAY CO., LTD.</p> <p>April 2013 Representative Director, Vice President of HANSHIN ELECTRIC RAILWAY CO., LTD. Representative Director, Chairman of HANSHIN HOTEL SYSTEMS CO., LTD.</p> <p>June 2013 Director of Japan Society of Civil Engineers</p> <p>March 2014 Director of Hankyu Hanshin Building Management Co., Ltd.</p> <p>April 2014 Vice Branch Director of Kansai Branch of the Japanese Geotechnical Society</p> <p>April 2015 Representative Director, Chairman of Hankyu Hanshin Building Management Co., Ltd. Advisor of HANSHIN ELECTRIC RAILWAY CO., LTD.</p> <p>June 2015 Outside Director of the Company (current position) Independent Executive of the Company (current position) Managing Director of Urban Innovation Institute (current position)</p>	0	None
<p>(Reason for selection as candidate for Outside Director and Overview of expected roles)</p> <p>He has broad knowledge obtained through being involved in management in different types of business and extensive experience and accomplishments in management for many years. Therefore, we nominate him as a candidate for Outside Director again because we expect he will be able to supervise our management objectively.</p>				

Candidate number	Name (Date of Birth)	Brief personal history and representative positions in other companies	# of shares held by the candidate	Special interest in the Company
8	Akira Michigami (May 5, 1953) Reappointment Outside	<p>April 1982 Registration as Lawyer</p> <p>April 1987 Vice President of Kobe Blue Sky Law Office (formerly Akagi & Michigami Lawyer's Office)</p> <p>April 1998 Deputy President of Hyogo Bar Association (Formerly Kobe Bar Association)</p> <p>April 1999 Mediator of Sumoto Branch Office of Kobe District Court (current position)</p> <p>April 2007 President of Hyogo Bar Association</p> <p>June 2007 Outside Corporate Auditor of the Company</p> <p>March 2010 Independent Executive of the Company (current position)</p> <p>April 2010 Deputy President of Japan Federation of Bar Associations</p> <p>June 2011 Part-time Director of AWAJI SHINKIN BANK (current position)</p> <p>January 2012 President of Kobe Blue Sky Law Office (current position)</p> <p>June 2014 Outside Corporate Auditor of TOA Corporation (current position) Independent Executive of TOA Corporation (current position)</p> <p>June 2015 Outside Director of the Company (current position)</p> <p>April 2020 Chairman of Kinki Federation of Bar Associations</p>	0	None
<p>(Reason for selection as candidate for Outside Director and Overview of expected roles)</p> <p>He is a lawyer and has broad knowledge and abundant experience in corporate law and legal affairs. Therefore, we nominate him as a candidate for Outside Director again because we expect him to supervise our management objectively.</p> <p>He has not been involved in management of a company except as Outside Director and Outside Corporate Auditor. However, we deem that he will fulfill his duty as Outside Director properly due to the above-mentioned background.</p>				

Notes: 1. Yoji Kido and Akira Michigami are candidates for Outside Directors.

2. Six years will have passed at the end of this Annual Meeting of Shareholders since Yoji Kido and Akira Michigami assumed the post of Outside Director of the Company.
3. Akira Michigami was Outside Corporate Auditor of the Company from June 27, 2007 to June 25, 2015.
4. We have reported Yoji Kido and Akira Michigami as Independent Executives of the Company in accordance with the regulation of Tokyo Stock Exchange, Incorporated.
5. The Company has entered into the limited liability contract prescribed in Article 427, Paragraph 1 of the Companies Act with Yoji Kido and Akira Michigami in accordance with the Articles of Incorporation of the Company. The limit of liability for damages pursuant to such limited liability contract is the minimum liability amount prescribed in Article 425, Paragraph 1 of the Companies Act. In the event that the reappointment of Yoji Kido and Akira Michigami is approved, the Company plans to continue such limited liability contracts.
6. The Company has entered into a directors and officers liability insurance policy with an insurance company. The policy provides coverage for compensation for damages and litigation expenses that the insured would legally be responsible for paying as a result of claims made against them during the insurance period due to the execution of duties as a corporate officer. The candidates shall be included as the insured of the relevant insurance policy. The Company plans to renew the policy with the same terms and conditions at the time of the next renewal.
7. The Board of Directors consulted with the Company's Nominating Committee and carefully assessed each candidate's career background, competence, character, expertise, etc. in accord with the Committee's counsel and recommendations before submitting this proposal.

The Committee was established in February 2020 as a voluntary advisory body under the Board of Directors, and is comprised of the Representative Director & President and two Outside Directors (an Outside Director serves as the chair).

Proposal 3 Decision on remuneration for granting restricted shares to Directors of the Company
(excluding Outside Directors)

The current amount of remuneration and other payments for Directors of the Company was resolved to be up to a maximum of 300 million yen per year (however, not including employee salaries for Directors who concurrently serve as employees) at the 79th Annual Meeting of Shareholders held on June 26, 2014.

As part of the review of the officers' remuneration system, the Company seeks approval for newly paying remuneration for the granting restricted shares to Directors of the Company (excluding Outside Directors; the "Eligible Directors"), separately from the remuneration limit as above, with a view to further promoting the sharing of value with our shareholders in addition to incentivizing the Eligible Directors to strive for sustainable improvement in the corporate value of the Company.

The remuneration to be paid for the granting restricted shares to the Eligible Directors in accordance with the Proposal shall be in monetary remuneration, and its total amount shall be up to 50 million yen per year (however, not including employee salaries for Directors who concurrently serve as employees). The specific timing of payment and allocation to each Eligible Director shall be resolved by the Board of Directors.

The number of Directors is currently eight (8) (including two (2) Outside Directors). Subject to the approval and adoption of Proposal 2, Election of Eight (8) Directors, as originally proposed, the number of Directors will be eight (8) (including two (2) Outside Directors).

The Eligible Directors shall contribute all of their monetary claims arising from the Proposal as payment in kind and receive issuance or disposal of the common shares of the Company, pursuant to the resolution of the Board of Directors of the Company. The total number of such common shares of the Company to be issued or disposed of shall be up to 50,000 shares per year (however, if the Company engages in a share split (including allotment of shares without contribution) or consolidation of the common shares of the Company or there arises other events requiring adjustments to the total number of the common shares of the Company to be issued or disposed of as restricted shares after the date of the approval of the Proposal, such total number shall be adjusted to a reasonable extent).

The payment amount per share shall be determined at the Board of Directors based on the closing price of the common shares of the Company on the Tokyo Stock Exchange on the day immediately preceding the resolution of the Board of Directors (in the event of no trades happening on such day, the closing price of the most recent trading day preceding it) to the extent that it shall not be particularly favorable to the Eligible Directors who are to underwrite such common shares. For such issuance or disposal of the common shares of the Company and the distribution of monetary claims as payment in kind, an agreement on allotment of shares with transfer restrictions (the "Allotment Agreement") the terms and conditions of which include the following shall be entered into between the Company and each Eligible Director. The maximum amount of remuneration, total number of common shares of the Company to be issued or disposed of, and other conditions for the granting restricted shares to the Eligible Directors pursuant to the Proposal are determined by taking into consideration the above objectives, the Company's business conditions, and the policies regarding the determination of the details of remuneration, etc., for individual Directors of the Company (which we plan to amend to the contents included in the [Reference] section below so that they are aligned to the details approved, if the Proposal is approved and adopted) as well as other various factors. As such, we believe they are reasonable.

[Outline of the terms and conditions of the Allotment Agreement]

(1) Transfer Restriction Period

An Eligible Director shall not transfer, create a security interest on, or otherwise dispose of the common shares of the Company (the "Transfer Restriction") allotted under the Allotment Agreement (the "Allotted Shares") for a period of three (3) years from the date of allotment received pursuant to the Allotment Agreement (the "Transfer Restriction Period").

(2) Upon resignation

If an Eligible Director resigns from a position as designated by the Board of Directors of the Company in advance among the positions as officers and employees of the Company or its

subsidiaries before the Transfer Restriction Period expires, the Company shall automatically acquire such Allotted Shares without contribution, unless there is a justifiable reason such as the expiry of the term or death.

(3) Lifting of the Transfer Restriction

Notwithstanding the provision in (1) above, the Company shall lift the Transfer Restriction of all of the Allotted Shares upon expiration of the Restriction Period, on the condition that the Eligible Director has remained in a position as designated by the Board of Directors of the Company in advance among the positions as officers and employees of the Company or its subsidiaries throughout the Transfer Restriction Period. However, if a relevant Eligible Director resigns from a position as designated by the Board of Directors of the Company in advance among the positions as officers and employees of the Company or its subsidiaries before the Transfer Restriction Period expires due to a justifiable reason such as the expiry of the term or death as specified in the provision in (2) above, the Company shall rationally adjust the number of the Allotted Shares on which the Transfer Restriction is to be lifted, and the timing of lifting as needed. Further, the Company shall automatically acquire without contribution the Allotted Shares on which the Transfer Restriction has not been lifted as of the time immediately after the Transfer Restriction was lifted as per the provision above.

(4) Handling in the case of reorganization, etc.

Notwithstanding the provision in (1) above, if, during the Transfer Restriction Period, matters relating to a merger agreement in which the Company is a non-surviving company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or other reorganization, etc., are approved at the Company's Meeting of Shareholders (or at a meeting of the Company's Board of Directors in the cases where approval at its Meeting of Shareholders is not required in relation to the reorganization, etc.), the Company shall lift the Transfer Restriction on the Allotted Shares in the number of shares that is reasonably determined considering the period from the start date of the Transfer Restriction Period to the date of approval of the reorganization, etc., prior to a date on which the reorganization, etc., becomes effective, by resolution of the Board of Directors of the Company. Further, in the case stipulated by the provision above, the Company shall automatically acquire without contribution the Allotted Shares on which the Transfer Restriction has not been lifted as of the time immediately after the Transfer Restriction was lifted.

(5) Other matters

Other matters relating to the Allotment Agreement shall be determined by the Board of Directors of the Company.

[Reference]

If the Proposal is approved and adopted, the Company plans to amend the policies regarding the determination of the details of remuneration, etc., for individual Directors of the Company as below so that they are aligned with the details approved.

[1] Basic policy

The basic policy for the remuneration for Directors of the Company is to use a remuneration system linked to the interests of our shareholders so that it works sufficiently as an incentive to seek sustainable improvement in corporate value and to set the remuneration of each Director at an appropriate level in consideration of his/her job responsibilities.

Specifically, the remuneration for Directors consists of basic remuneration which is the fixed portion, performance-linked remuneration, etc., and non-monetary remuneration, etc. For Outside Directors who are in charge of supervisory functions, basic remuneration only shall be paid in light of their professional duties.

[2] Policy regarding the determination of the amount of remuneration, etc., by individual with respect to basic remuneration (monetary remuneration)

(including the policy relating to the timing of granting remuneration, etc., or determining the terms.)

The basic remuneration of Directors of the Company shall be fixed monthly remuneration which is determined in the consideration of their positions, professional responsibilities, and numbers of years in service comprehensively, also in reference to their peers' remuneration

levels, the Company's operating performance, and the level of the employees' salaries.

- [3] Policy regarding the determination of the details of performance-linked remuneration, etc. and non-monetary remuneration, etc., and the method of determining their amounts or numbers (including the policy relating to the timing of granting remuneration, etc., or determining the terms.)

Performance-linked remuneration, etc., shall be paid in cash the level of which reflects operating performance targets with a view to providing increased incentive for improvements in operating performance during each financial year, and determined based on the magnitude of achievement of the consolidated operating income target for each financial year in light of the opinion of the Remuneration Committee.

Non-monetary remuneration, etc., shall be restricted shares, and the determination of the policy regarding its details and the method of calculating its numbers, as well as timing and terms of granting remuneration, etc., shall be resolved by the Board of Directors by taking into consideration comprehensively the Company's operating performance and environment as well as other factors in granting such restricted shares in light of the opinion of the Remuneration Committee.

- [4] Policy regarding the determination of the ratios of the amounts of monetary remuneration and performance-linked remuneration, etc., or non-monetary remuneration, etc., to the amount of remuneration, etc., for individual Directors

The ratios of remuneration by type for Directors shall be reviewed by the Remuneration Committee in light of the remuneration levels of companies that are similar in size to the Company and those that belong to the related industry sectors/business types as a benchmark. The Board of Directors (the Representative Director & President who has been delegated pursuant to [5]) shall respect the opinion of the Remuneration Committee and determine the details of remuneration, etc., for individual Directors within the range of remuneration by type suggested by such opinion.

A guide for the ratio by type of remuneration, etc., shall be 65:30:5 in terms of basic remuneration to performance-linked remuneration, etc. to non-monetary remuneration, etc., when the operating performance targets are fully met.

- [5] Matters relating to the determination of the details of remuneration, etc., for individual Directors

The decision on the specific details of the amount of monetary remuneration for individual Directors shall be delegated to the Representative Director & President pursuant to the resolution of the Board of Directors, and such delegated authority shall include the amount of basic remuneration and the allocation of performance-linked remuneration, etc., for each Director. The Board of Directors shall seek advice on an original proposal and receive a report from the Remuneration Committee to ensure such authority is exercised appropriately by the Representative Director & President, and the Representative Director & President who has been delegated the above authority must make a decision in accordance with the details of the relevant report. As for share-based remuneration, the number of shares allotted to individual Directors shall be resolved by the Board of Directors in light of the opinion of the Remuneration Committee.