

Note: This document is a translation of the Japanese language original for convenience purposes only, and in the event of any discrepancy, the Japanese language original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

(Stock Exchange Code 3992)
December 8, 2022

To Shareholders with Voting Rights:

Kozo Funatsu
President and CEO
Needs Well Inc.
4-1 Kioi-cho, Chiyoda-ku, Tokyo, Japan

**NOTICE OF CONVOCATION OF
THE 36TH ANNUAL SHAREHOLDERS MEETING**

Dear Shareholders:

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

You are hereby notified that the 36th Annual Shareholders Meeting of Needs Well Inc. (the “Company”) will be held as described below.

If you are not able to attend the meeting, you can exercise your voting rights by either of the following methods. To avoid the risk of COVID-19 infection, we would like to ask our shareholders to consider not attending the meeting if possible, and to exercise your voting rights after reviewing the attached Reference Documents for the Shareholders Meeting.

[If exercising voting rights in writing]

Please indicate your votes for or against the proposals on the enclosed Voting Rights Exercise Form and return it such that it arrives by 5:30 p.m. on Thursday, December 22, 2022, Japan time.

[If exercising voting rights via the Internet]

Please access the voting rights exercise website designated by the Company (<https://evote.tr.mufg.jp/>) and enter your approval or disapproval of the proposals in accordance with the instructions onscreen by 5:30 p.m. on Thursday, December 22, 2022, Japan time.

- 1. Date and Time:** Friday, December 23, 2022 at 10:00 a.m., Japan time
(Reception begins at 9:30 a.m.)
- 2. Place:** 6F “Hall 6B,” TKP Ichigaya Conference Center located at
8 Ichigayahachiman-cho, Shinjuku-ku, Tokyo, Japan
(Please refer to the map in the original Japanese document.)
- 3. Meeting Agenda:**
Matters to be reported: The Business Report and Non-consolidated Financial Statements for the
Company’s 36th Fiscal Year (October 1, 2021 – September 30, 2022)
Proposals to be resolved:
Proposal 1: Appropriation of Surplus
Proposal 2: Partial Amendments to the Articles of Incorporation
Proposal 3: Election of Eight Directors
Proposal 4: Payment of Remuneration for Allocation of Shares with Restriction on Transfer
to Directors

4. Matters related to disclosure on the Internet

Of the documents to be provided with this Notice of Convocation, the Notes on Non-consolidated Financial Statements are posted on the Company’s website on the Internet in accordance with the stipulations of laws and regulations as well as Article 13 of the Articles of Incorporation, and are not included in the attachment to this Notice. Therefore, the attachment to this Notice is a subset of the documents audited by the Audit & Supervisory Board and the Accounting Auditor in preparing their audit reports.

- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk. Furthermore, please bring this Notice as reference materials for the proceedings.
- Seating will be spaced out as a measure to prevent the spread of infection and the number of seats will be fewer than in previous years. We request your understanding in case of limitations to entry.
- As concerns over COVID-19 infections are ongoing, if attending the meeting, we request your attendance after checking your physical condition and taking measures to prevent infection such as wearing a mask.
- Should the Reference Documents for the Shareholders Meeting, Business Report, or Non-consolidated Financial Statements require revisions, the revised items will be provided on the Company’s website.

The Company’s website (<https://www.needswell.com/ir/>)

Reference Documents for the Shareholders Meeting

Proposal 1: Appropriation of Surplus

The Company believes returning profit to shareholders is one of the most important issues. Taking into consideration future business development while fundamentally maintaining stable dividends, year-end dividends for the 36th fiscal year are as follows.

Matters concerning the year-end dividend

In consideration of factors including business results for the current fiscal year and future business development, the Company proposes the following for year-end dividends for the current fiscal year.

Type of dividend property	Cash
Matters related to allocation of dividend property to shareholders and its total amount	20.0 yen per share of the Company's common stock Total dividends: 197,244,480 yen
Effective date of distribution of surplus	December 26, 2022

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

The revised stipulations stipulated in the proviso of Article 1 to the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) have been enforced from September 1, 2022, and the Company proposes the following amendments to the Company’s Articles of Incorporation for the implementation of the system for electronic provision of materials for shareholders meetings.

- (1) As it became the Company’s obligation to stipulate in the Articles of Incorporation to the effect that information that is the content of Reference Documents for the Shareholders Meeting, etc., shall be provided electronically, the Company proposes to newly establish Article 13, Paragraph 1 (Measures for electronic provision, etc.) of the proposed amendments.
- (2) Among matters to be performed concerning electronic provision measures for information that is the content of Reference Documents for the Shareholders Meeting, etc., Article 13, Paragraph 2 (Measures for electronic provision, etc.) of the proposed amendments shall be newly established to limit the scope, as provided for by the Ministry of Justice Order, of matters to be recorded in physical documents that are provided to shareholders who request provision of physical documents.
- (3) Upon the implementation of the system for electronic provision of materials for shareholders meetings, Article 13 (Internet disclosure and deemed provision of Reference Documents for the Shareholders Meeting, etc.) of the current Articles of Incorporation becomes unnecessary, and this shall be deleted.
- (4) Supplementary provisions shall be established concerning the efficacy of deletion of the stipulation above. In addition, the supplementary provisions shall be deleted after the passing of the effective date.

2. Contents of the amendments

The contents of the amendments are as follows.

(Underlines indicate amended sections)

Current Articles of Incorporation	Proposed amendments
<p><u>(Internet disclosure and deemed provision of Reference Documents for the Shareholders Meeting, etc.)</u> <u>Article 13 In the convocation of shareholders meetings, the Company may deem that it has provided to shareholders information concerning matters that must be displayed in the Reference Documents for the Shareholders Meeting, Business Report, Non-consolidated Financial Statements, and Consolidated Financial Statements via Internet disclosure in conformity with definitions provided in the Ministry of Justice Order.</u></p> <p>(Newly established)</p>	<p>(Deleted)</p> <p><u>(Measures for electronic provision, etc.)</u> <u>Article 13 In the convocation of shareholders meetings, the Company shall provide electronically information that is the content of Reference Documents for the Shareholders Meeting, etc.</u> <u>2 Of the matters to which electronic provision measures apply, the Company may choose not to record all or part of matters stipulated in the Ministry of Justice Order in the physical documents provided to shareholders who made requests for provision of physical documents by the record date for voting rights.</u></p>

Current Articles of Incorporation	Proposed amendments
(Newly established)	<u>(Supplementary provisions)</u> <u>(Transitional measures concerning electronic provision of materials for shareholders meetings)</u>
(Newly established)	<u>Article 1 Article 13 (Internet disclosure and deemed provision of Reference Documents for the Shareholders Meeting, etc.) of the Articles of Incorporation shall remain valid for the shareholders meeting to be held on a day that is within six months from September 1, 2022.</u> <u>2 This article shall be deleted on the day after which three months have elapsed since the day of the shareholders meeting in the previous paragraph.</u>

Proposal 3: Election of Eight Directors

The terms of office of all seven Directors will expire at the conclusion of this Annual Shareholders Meeting. In addition, Mr. Kazuhiro Shinohara retired on November 15 due to resignation. Accordingly, the Company proposes the election of eight Directors.

The candidates for Director were nominated based on the deliberation of the Nomination and Remuneration Committee of which the majority members are Outside Directors.

The candidates for Director are as follows.

Candidate No.	Name	Positions	Responsibilities	
1	Kozo Funatsu	President and CEO	–	Reappointment
2	Nobumasa Goto	Director and Managing Executive Officer	In charge of New Businesses and Affiliates	Reappointment
3	Hajime Matsuoka	Director and Executive Officer	In charge of Technology Division; General Manager of System Business Unit II	Reappointment
4	Shinji Wakano	Managing Executive Officer	General Manager of System Business Unit III	New appointment
5	Koji Tabata	Executive Officer	In charge of Administrative Division; General Manager of Business Promotion Management Department; General Manager of General Affairs Department	New appointment
6	Hiroki Yanagawa	Director	–	Reappointment Outside Independent
7	Mamoru Yasuoka	Director	–	Reappointment Outside Independent
8	Nobuo Terauchi	–	–	New appointment Outside Independent

<Reference> Nomination Policies and Procedures for Candidates for Director

Directors of the Company are expected to perform decision making after evaluating risk from diverse viewpoints through concrete and lively discussions based on individual knowledge from being well versed in their areas of responsibility and knowledge of finance, legal affairs, labor, etc. When nominating candidates, emphasis is placed on work experience and leadership in software development, sales, planning, etc., having knowledge of finance, legal affairs, labor, etc., ability to appropriately manage risk and monitor business execution, and being thoroughly ethical. Candidates for Outside Director are nominated from persons who will contribute to improving the Company's corporate governance function among persons possessing a high degree of specialty in law and company finance, etc., and views, etc., concerning international affairs and trends in society and the economy. As per the Articles of Incorporation, the total number of Directors is to be 13 or less. In addition, persons well versed in the Company's business and having excellent personality, views, and ability to execute and recognized by the Board of Directors as having the ability to fulfill duties are elected as senior management who execute business based on decisions of the Board of Directors.

The Board of Directors deliberates based on reports from the "Nomination and Remuneration Committee," comprised of several officers with the majority Independent Outside Officers, on nominations for candidates for Director based on the aforementioned policies.

Candidate No. 1

Career summary and positions and responsibilities at the Company

Kozo Funatsu

Reelection

Date of birth

July 27, 1951

Number of shares of the Company held

85,698 shares

Terms of office

8 years

Attendance at meetings of the Board of Directors

21 / 21

April 1970	Joined Hitachi, Ltd.
July 1973	Joined FUJI SOFTWARE LABORATORY, Ltd. (current FUJI SOFT INCORPORATED)
June 1991	Director of Software Planning Co., Ltd. (current Cyber Com Co., Ltd.)
June 1996	Director of FUJI SOFT INCORPORATED
June 1998	Managing Director of FUJISOFT ABC Incorporated (current FUJI SOFT INCORPORATED)
April 1999	Representative Director and Vice President of Diamond Fujisoft Co., Ltd.
May 1999	Director of FUJISOFT ABC SERVICE BUREAU INCORPORATED (current FUJISOFT SERVICE BUREAU INCORPORATED)
October 2001	Senior Managing Director of FUJISOFT ABC Incorporated (current FUJI SOFT INCORPORATED)
May 2004	Joined Cyber Com Co., Ltd.
June 2004	Chairman and Representative Director of Cyber Com Co., Ltd.
June 2009	President and Representative Director of Cyber Com Co., Ltd.
June 2012	Chairman and Director of Cyber Com Co., Ltd.
June 2013	Advisor of Cyber Com Co., Ltd.
June 2014	Corporate Auditor of Cyber Com Co., Ltd.
July 2014	Counselor of the Company
December 2014	Outside Director
June 2015	Corporate Auditor of FUJISOFT SERVICE BUREAU INCORPORATED
December 2016	President and CEO of the Company (current position)

Significant concurrent positions

Not applicable

Reasons for nomination as a candidate for Director

The candidate, possessing an abundance of experience and accomplishments as the management executive of the Company, is deemed able to appropriately monitor the Company as a whole together with making efforts to realize strategy aimed at business growth and improving company business results, and the Company therefore proposes his continued election as Director.

Candidate No. 2

Career summary and positions and responsibilities at the Company

Nobumasa Goto

Reelection

Date of birth

April 5, 1971

Number of shares of the Company held

22,566 shares

Terms of office

4 years

Attendance at meetings of the Board of Directors

21 / 21

April 1997	Joined Unytite Corporation
July 2003	Joined CLEAVE Co., Ltd.
January 2006	Joined the Company
April 2016	General Manager of System Department III, System Business Headquarters
October 2017	General Manager of System Department I, System Business Unit II
July 2018	General Manager of System Business Unit II; General Manager of System Department I, System Business Unit II
October 2018	Executive Officer and General Manager of System Business Unit II
December 2018	Director and General Manager of System Business Unit II
October 2019	Director in charge of System Business Unit I and System Business Unit II
December 2019	Executive Director in charge of Technology & Sales Division
October 2020	Executive Director in charge of Technology & Sales Division; General Manager of Sales Management Department
December 2020	Director and Senior Managing Executive Officer in charge of Technology & Sales Division; General Manager of Sales Management Department
August 2021	Director and Senior Managing Executive Officer in charge of Technology Division
December 2021	Director and Managing Executive Officer in charge of Technology Division
July 2022	Senior Managing Director of Souken-sys Inc., a subsidiary of the Company (current position)
October 2022	Director and Managing Executive Officer in charge of New Businesses and Affiliates (current position)
October 2022	President and Representative Director of COMSOFT CO., LTD., a subsidiary of the Company (current position)

Significant concurrent positions

Senior Managing Director of Souken-sys Inc.
President and Representative Director of COMSOFT CO., LTD.

Reasons for nomination as a candidate for Director

The candidate, possessing an abundance of experience and accomplishments related to systems as Manager of the Company's System Division, is deemed able to appropriately monitor affiliates as a whole together with making efforts to realize strategy aimed at business growth and improving company business results of affiliates, and the Company therefore proposes his continued election as Director.

Candidate No. 3

Career summary and positions and responsibilities at the Company

**Hajime
Matsuoka**

Reelection

Date of birth
August 3, 1979

**Number of shares of
the Company held**
8,222 shares

Terms of office
1 year

**Attendance at meetings
of the Board of
Directors**
15 / 15

April 2002	Joined COMSIS Co., Ltd.
April 2006	Joined the Company
October 2019	General Manager of System Department I, System Business Unit II
June 2021	Executive Officer and General Manager of System Business Unit II
October 2021	Managing Executive Officer and General Manager of System Business Unit II
October 2021	Senior Managing Director of Zeroichi Production Co., Ltd., a subsidiary of the Company (current position)
December 2021	Director and Executive Officer in charge of System Business Unit II; General Manager of System Business Unit II
October 2022	Director and Executive Officer in charge of Technology Division; General Manager of System Business Unit II (current position)
October 2022	Director of BO STUDIO Inc., a subsidiary of the Company (current position)

Significant concurrent positions

Senior Managing Director of Zeroichi Production Co., Ltd.
Director of BO STUDIO Inc.

Reasons for nomination as a candidate for Director

The candidate, possessing many years of work experience in the IT industry and an abundance of experience and accomplishments related to systems as General Manager of the Company's System Division, is deemed able to appropriately monitor the Technology Division as a whole together with making efforts to realize strategy aimed at business growth and improving company business results, and the Company therefore proposes his continued election as Director.

Candidate No. 4

Career summary and positions and responsibilities at the Company

Shinji Wakano

New election

Date of birth

June 11, 1960

**Number of shares of
the Company held**

887 shares

April 1981	Joined Asahi Business Consultant Co., Ltd. (current FUJI SOFT INCORPORATED)
October 2006	Joined Quest Co., Ltd.
April 2016	General Manager of IT Value-Up Business Division, Quest Co., Ltd.
April 2020	Joined the Company as General Manager of System Department III, System Business Unit III
October 2020	General Manager of System Department III, System Business Unit II
April 2021	Executive Officer and General Manager of System Business Unit III; General Manager of System Department I
October 2021	Managing Executive Officer and General Manager of System Business Unit III; General Manager of System Department I
January 2022	Managing Executive Officer and General Manager of System Business Unit III; General Manager of System Department II (current position)

Significant concurrent positions

Not applicable

Reasons for nomination as a candidate for Director

The candidate, possessing many years of work experience in financial systems and an abundance of experience and accomplishments in the ERP Introduction Business, is deemed able to appropriately monitor the System Division together with making efforts to realize strategy aimed at business growth and improving company business results, and the Company therefore proposes his election as Director.

Candidate No. 5

Koji Tabata

New election

Date of birth

August 31, 1975

Number of shares of the Company held

22,296 shares

Career summary and positions and responsibilities at the Company

April 1999	Joined Atlux Inc. (current NOC Outsourcing & Consulting Inc.)
November 2005	Joined FFC Co., Ltd. (current Fujitsu Limited)
September 2006	Joined the Company
October 2018	General Manager of Human Resources Department
October 2019	General Manager of General Affairs Department
October 2021	Executive Officer and General Manager of General Affairs Department
April 2022	Executive Officer in charge of Business Promotion Management Department; General Manager of General Affairs Department
October 2022	Executive Officer in charge of Administrative Division; General Manager of Business Promotion Management Department; General Manager of General Affairs Department (current position)

Significant concurrent positions

Not applicable

Reasons for nomination as a candidate for Director

The candidate, involved in operations of the General Affairs and Human Resources Divisions since joining the Company and possessing specialized knowledge and an abundance of experience, is currently in charge of the Administrative Division as Executive Officer. He is deemed able to apply said knowledge and experience to the Company's Director system, and the Company therefore proposes his election as Director.

Candidate No. 6

Career summary and positions and responsibilities at the Company

**Hiroki
Yanagawa**

Reelection

Date of birth
January 19, 1954

**Number of shares of
the Company held**
7,901 shares

Terms of office
6 years

**Attendance at meetings
of the Board of
Directors**
21 / 21

April 1978	Joined NEC Corporation
June 2002	Concurrently served as Member of the Board of NEC's overseas subsidiaries, namely Tianjin NEC Telecommunication Engineering (current NEC (China) Co., Ltd.) and VNPT-NEC Telecommunication Systems Company Limited (current NEC Vietnam Co., Ltd.)
April 2004	Seconded to NEC Communication Systems, Ltd. as General Manager of Mobile Communication Business Division
April 2007	Deputy General Manager of Domestic Network Development Business Headquarters, NEC Communication Systems, Ltd.
June 2007	Returned to NEC Corporation
April 2009	General Manager of Corporate Network Development Headquarters, NEC Corporation
January 2014	Principal of Community Systems, Cross Cat Co., Ltd.
February 2014	Counselor of Verint Systems Japan K.K.
March 2015	Counselor of SecuLynx Co., Ltd.
September 2016	Counselor of SEC Hitech Co., Ltd. (current position)
December 2016	Outside Director of the Company (current position)

Significant concurrent positions

Counselor of SEC Hitech Co., Ltd.

Reasons for nomination as a candidate for Outside Director and outline of expected roles

The candidate, possessing an abundance of experience and accomplishments as a person experienced in technology, is deemed as someone from who advice on management of the Company from an objective perspective can be expected in order to make efforts to realize strategy aimed at business growth and improving company business results, and the Company therefore proposes his continued election as Director. In addition, if elected, he will continue as Chairperson of the Nomination and Remuneration Committee, and we plan for him to be involved in nominating officer candidates of the Company and deciding officer remuneration, etc., from an objective and neutral standpoint.

Candidate No. 7

**Mamoru
Yasuoka**

Reelection

Date of birth

March 18, 1956

**Number of shares of
the Company held**

560 shares

Terms of office

2 years (including 1
year serving as an Audit
& Supervisory Board
Member)

**Attendance at meetings
of the Board of
Directors**

21 / 21 (6 / 6 as an
Audit & Supervisory
Board Member)

Career summary and positions and responsibilities at the Company

April 1978	Joined Fujitsu Limited
December 2003	General Manager of Financial System Department I, Financial Solution Division, Fujitsu Limited
April 2004	General Manager of Project Management Department, Financial Solution Division, Fujitsu Limited
June 2007	General Manager of Banking Solution Business Division I, Fujitsu Limited
June 2007	Director of The Japan Net Bank, Limited
June 2009	Director of FUJITSU ADVANCED SOLUTIONS LIMITED
May 2011	Assistant to Chief of Financial Solution Business Group, Fujitsu Limited
April 2012	Director and Managing Executive Officer of FUJITSU ADVANCED SOLUTIONS LIMITED
June 2016	Corporate Auditor of Nissay Information Technology Co., Ltd.
July 2020	Senior Advisor of Nissay Information Technology Co., Ltd. (current position)
July 2020	Senior Advisor of CLIMB CO., LTD.
July 2020	Counselor of TRYSERVE Co., Ltd. (current position)
December 2020	Outside Audit & Supervisory Board Member of the Company
December 2021	Outside Director of the Company (current position)
April 2022	Outside Director (not full-time) of Mizuho Research & Technologies, Ltd. (current position)

Significant concurrent positions

Senior Advisor of Nissay Information Technology Co., Ltd.
Counselor of TRYSERVE Co., Ltd.
Outside Director (not full-time) of Mizuho Research & Technologies, Ltd.

**Reasons for nomination as a candidate for Outside Director and outline of
expected roles**

The candidate, possessing specialized knowledge and experience related to the area of financial systems, is deemed able to apply said abundance of knowledge and experience to the Company's management, being well versed on the Company's business matters and as someone from who advice on management of the Company from an objective perspective can be expected in order to make efforts to realize strategy aimed at business growth and improving company business results, and the Company therefore proposes his continued election as Director. In addition, if elected, he will continue as a member of the Nomination and Remuneration Committee, and we plan for him to be involved in nominating officer candidates of the Company and deciding officer remuneration, etc., from an objective and neutral standpoint.

Candidate No. 8

Career summary and positions at the Company

**Nobuo
Terauchi**

New election

Date of birth

March 7, 1958

**Number of shares of
the Company held**

0 shares

April 1986	Joined FUJI SOFT INCORPORATED
April 1998	General Manager of Sales Department, Tokyo Office, FUJI SOFT INCORPORATED
April 2003	Deputy General Manager of IT Business Division, FUJI SOFT INCORPORATED
December 2004	Executive Officer and Chief of Department Dept., EM Systems Co., Ltd.
June 2006	Director and Chief of Development HQ, EM Systems Co., Ltd.
June 2009	Managing Director and Chief of Development HQ, EM Systems Co., Ltd.
April 2015	Managing Director and Chief of Medical Information Alliance Promotion HQ, EM Systems Co., Ltd.
June 2017	Full-time Auditor of EM Systems Co., Ltd.
June 2018	Director and Full-time Member of Audit and Supervisory Committee, EM Systems Co., Ltd.
July 2020	Representative Director of EM Technology Lab. limited

Significant concurrent positions

Not applicable

Reasons for nomination as a candidate for Outside Director and outline of expected roles

The candidate, possessing an abundance of experience as a person experienced in technology and based on specialized knowledge and experience related to the area of medical systems, is deemed as someone from who advice on management of the Company from an objective perspective can be expected in order to make efforts to realize strategy aimed at business growth and improving company business results, and the Company therefore proposes his election as Outside Director. In addition, if elected, he will continue as a member of the Nomination and Remuneration Committee, and we plan for him to be involved in nominating officer candidates of the Company and deciding officer remuneration, etc., from an objective and neutral standpoint

- (Notes)
1. There are no special interests between each of the candidates and the Company.
 2. Each candidate's number of shares of the Company held is as of the end of the current fiscal year (September 30, 2022). In addition, this includes the candidate's equity through the shareholder's association.
 3. Mr. Hiroki Yanagawa, Mr. Mamoru Yasuoka, and Mr. Nobuo Terauchi are candidates for Outside Director.
 4. Mr. Hiroki Yanagawa currently serves as the Company's Outside Director. His term of office as Outside Director will be six years at the conclusion of this Annual Shareholders Meeting.
 5. Mr. Mamoru Yasuoka currently serves as the Company's Outside Director. His term of office as Outside Director will be one year at the conclusion of this Annual Shareholders Meeting, and his total term of office of two years includes serving as an Audit & Supervisory Board Member.
 6. The Company has entered into agreements with Mr. Hiroki Yanagawa and Mr. Mamoru Yasuoka in accordance with stipulations of Article 427, Paragraph 1 of the Companies Act, to limit their liability for damages stipulated in Article 423, Paragraph 1 of the same Act. In the event that the reelections of Mr. Hiroki Yanagawa and Mr. Mamoru Yasuoka are approved, the Company plans to continue such agreements with them. The maximum liability amount based on said agreements is the amount stipulated by laws and regulations. However, said liability limitation is recognized only when performance of the duties that caused the liability have been in good faith and without gross negligence by said Directors (excluding Directors executing business, etc.) In addition, if the election of Mr. Nobuo Terauchi is approved, the Company plans to conclude a similar liability limitation agreement with him.
 7. The Company has submitted a notification of the appointment of Mr. Hiroki Yanagawa and Mr. Mamoru Yasuoka as Independent Directors in accordance with the stipulations of the Tokyo Stock Exchange. In the event that Mr. Hiroki Yanagawa and Mr. Mamoru Yasuoka are reappointed, the Company plans to continue to appoint them as Independent Directors. In addition, Mr. Nobuo Terauchi also satisfies the requirements of Independent Director as stipulated under the regulations of the Tokyo Stock Exchange, and the Company plans to designate him as an Independent Director.

8. The Company has entered into a directors and officers liability insurance agreement to insure all officers with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. This insurance agreement covers compensation for damages and litigation costs to be borne by the insured persons in the event of claims made against them for actions taken to execute duties of the Company. The Company bears the full amount of all insurance premiums for the insured persons. If this proposal is approved, each candidate will be insured under the insurance agreement. The Company plans to renew the insurance agreement with the same content during their terms of office.

(Reference) Skill Matrix of Directors and Audit & Supervisory Board Members

Aiming to realize the Company's Medium-Term Management Plan, areas of particular expectations are defined as the areas of (1) Corporate management, (2) Manufacturing, technology, and PMO, (3) Marketing and sales, (4) Finance and accounting, (5) Personnel affairs, labor, and talent development, (6) Legal affairs and risk management, and (7) ESG and sustainability. If this proposal is approved, the following chart is a summary of the skills of Directors.

Name		Areas						
		Corporate management	Manufacturing, technology, and PMO	Marketing and sales	Finance and accounting	Personnel affairs, labor, and talent development	Legal affairs and risk management	ESG and sustainability
Director	Kozo Funatsu	●	●	●	●	●	●	●
	Nobumasa Goto	●	●	●		●	●	
	Hajime Matsuoka	●	●	●		●	●	●
	Shinji Wakano	●	●	●		●	●	
	Koji Tabata	●			●	●	●	●
	Hiroki Yanagawa	●	●	●		●	●	
	Mamoru Yasuoka	●	●	●		●	●	
	Nobuo Terauchi	●	●	●	●	●	●	
Audit & Supervisory Board Member	Kazuhiko Kato		●		●	●	●	●
	Kotaro Niwa					●	●	
	Shigeru Sato				●		●	

Proposal 4: Payment of Remuneration for Allocation of Shares with Restriction on Transfer to Directors

The maximum total amount of remuneration, etc., for Directors was approved at the 28th Annual Shareholders Meeting held on December 16, 2014 to be 300 million yen or less per year (this amount does not include employee salaries for Directors concurrently serving as employees), and has not been changed as of today.

The Company cordially requests shareholders to introduce a system of remuneration of shares with restriction on transfer for Directors (hereafter, the “Remuneration System”) and to approve the payment of a new remuneration for granting shares with restriction to Directors (excluding Outside Directors; hereafter, “Eligible Directors”) separately from the above-mentioned remuneration, in order to give Directors an incentive to sustainably enhance the corporate value of the Company and promote further shared value between Directors and shareholders.

Based on this proposal, the total amount of monetary remuneration receivables to be paid to Eligible Directors will be 50 million yen or less per year, an amount found to be appropriate based on the above purposes. In addition, concrete payment timing and allocation for each Eligible Director will be decided by the Board of Directors consulting with the Nomination and Remuneration Committee, based on deliberations and reports by the Nomination and Remuneration Committee.

The number of Directors is currently seven (of which three are Outside Directors). If Proposal 3 is approved and passed as proposed, the number of Directors will be eight (of which three will be Outside Directors).

The details for the allocation of shares with restriction on transfer to Eligible Directors are as follows.

1. Payment for the issuance of shares with restriction on transfer

Every fiscal year in principle, Eligible Directors will provide to the Company all monetary remuneration receivables to be paid based on the resolution of the Board of Directors of the Company as property contributed in kind, and common shares of the Company will be issued or disposed of.

2. The number of shares with restriction on transfer allocated to Eligible Directors

The total number of common shares which the Company may issue or dispose of with regard to the Eligible Directors under the Remuneration System is to be up to 80,000 shares per year. However, in the case of division or share merger of common shares of the Company (including gratis allocation of common shares of the Company) with an effective date after the date of resolution at this Annual Shareholders Meeting, the total number concerned is to be adjusted within a reasonable scope as necessary after the effective date.

Note that the amount to be paid per share of common shares that are issued or disposed of with regard to the Eligible Directors based on the Remuneration System shall be determined by the Board of Directors within the scope of an amount that is not particularly advantageous to Eligible Directors, based on the closing price of the common shares on the Tokyo Stock Exchange on the business day immediately prior to the date of each resolution of the Board of Directors that decides subscription requirements for said common shares (in the case that the transaction has not been concluded on that day, the closing price on the most recent trading day preceding that day).

3. Shares with restriction on transfer allocated to Eligible Directors

The Company shall enter into contracts for the allocation of shares with restriction on transfer (hereafter the “Allocation Contracts”) with Eligible Directors including following contents (allocated common shares received through Allocation Contracts are hereafter, “Allocated Shares.”)

(1) Period of restriction on transfer

Eligible Directors shall not transfer, pledge, make an advancement, or otherwise dispose of the Allocated Shares during the period from the dates on which payment is made for the Allocated Shares to the dates on which Eligible Directors retire or resign from the position of Director or any other positions defined by the Board of Directors of the Company (hereafter, the “Transfer Restriction Period”).

(2) Conditions for cancelling restriction on transfer

Restriction on transfer of all Allocated Shares will be cancelled at the point in time when the Transfer Restriction Period expires with the condition that Eligible Directors have continued to serve as Director of the Company or any other positions defined by the Board of Directors of the Company during the period from the dates on which payment is made for the Allocated Shares to the conclusion of the first Annual Shareholders Meeting that is held.

However, if Eligible Directors retire or resign for legitimate reasons or retire or resign due to death from the dates on which payment is made for the Allocated Shares to the conclusion of the first Annual

Shareholders Meeting that is held, the number of the Allocated Shares for which the restriction on transfer is cancelled and the timing of the cancellation of the restriction on transfer shall be reasonably adjusted as necessary.

(3) Reasons for gratis acquisition

If Eligible Directors retire or resign for non-legitimate reasons from the dates on which payment is made for the Allocated Shares to the conclusion of the first Annual Shareholders Meeting that is held, the Company shall rightfully acquire the Allocated Shares at no cost.

In addition, if there are Allocated Shares from which the restriction on transfer is not removed upon cancellation of restriction on transfer defined by the above (2), the Company shall rightfully acquire them at no cost.

(4) Handling in the event of organizational restructuring

Notwithstanding what is defined in the above (1), if, during the Transfer Restriction Period, matters relating to a merger agreement under which the Company will be the absorbed entity, a share exchange agreement or share transfer plan under which the Company will become a wholly owned subsidiary, or any other corporate reorganizations are approved at an Annual Shareholders Meeting of the Company (or at a meeting of the Board of Directors of the Company when an approval at an Annual Shareholders Meeting is not required for such corporate reorganizations), the number of the Allocated Shares for which the restriction on transfer is cancelled and the timing of the cancellation of the restriction on transfer shall be reasonably adjusted as necessary by the Company through a resolution of the Board of Directors of the Company. In this case, if there are Allocated Shares from which the restriction on transfer is not removed at the time immediately after cancellation of the restriction on transfer, the Company shall rightfully acquire them at no cost.

(5) Other provisions

Other provisions regarding the Allocation Contracts are to be determined by the Board of Directors of the Company.

4. Reasons for the appropriateness of allocation of shares with restriction on transfer

The Company defined the policy to determine the remuneration, etc., for each individual Director at a meeting of the Board of Directors held on December 22, 2020, and the outline of the policy is described on page 38 of the Business Report (in the original Japanese document). The granting of shares with restriction on transfer under this proposal is in line with this policy, and the Company plans to revise the policy to include the Remuneration System if this proposal is approved. The granting of shares with restriction on transfer is deemed appropriate as the value of the granted shares with restriction on transfer evaluated at the time of resolution by the Board of Directors has a market value of 50 million yen or less per year, the total number of common shares which the Company may issue or dispose of with regard to the Eligible Directors is up to 80,000 shares per year, and the dilution rate of the total number of issued shares is minor at an approximate 0.79%.

Furthermore, during the Transfer Restriction Period, so Eligible Directors will not transfer, pledge, make an advancement, or otherwise dispose of the shares that are allocated under the Remuneration System, the Company plans to manage through a special account established by Eligible Directors at a securities company defined by the Company during the Transfer Restriction Period.