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Securities Code: 7976

March 4, 2020

To our shareholders:

Eiichiro Suhara
Representative Director, Chairman and President
Mitsubishi Pencil Co., Ltd.
5-23-37, Higashi-ohi, Shinagawa-ku, Tokyo

Notice of the 145th Annual General Meeting of Shareholders

You are cordially invited to attend the 145th Annual General Meeting of Shareholders of Mitsubishi Pencil Co., Ltd. (the “Company”), which will be held as indicated below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:10 p.m. on Wednesday, March 25, 2020 (JST).

- 1. Date and Time:** Thursday, March 26, 2020 at 10:00 a.m. (The venue opens at 9:00 a.m.)
- 2. Venue:** Event Hall, 7F, Shinagawa General Culture Community Center (Curian)
5-18-1, Higashi-ohi, Shinagawa-ku, Tokyo

3. Purpose of the Meeting

Matters to be reported:

1. Business Report and Consolidated Financial Statements for the 145th fiscal year (from January 1, 2019 to December 31, 2019), and the results of audits of the Consolidated Financial Statements by the Financial Auditor and the Audit & Supervisory Board
2. Non-consolidated Financial Statements for the 145th fiscal year (from January 1, 2019 to December 31, 2019)

Matters to be resolved:

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| Proposal No. 1 | Appropriation of Surplus |
| Proposal No. 2 | Election of Eight (8) Directors |
| Proposal No. 3 | Election of One (1) Audit & Supervisory Board Member |
| Proposal No. 4 | Election of One (1) Substitute Audit & Supervisory Board Member |
| Proposal No. 5 | Decision on Remuneration for Allotment of Restricted Shares to Directors (Excluding Outside Directors) |

- Of the documents to be provided at the time of this notice, the Consolidated Statement of Changes in Equity and the Notes to Consolidated Financial Statements, and the Non-consolidated Statement of Changes in Equity and the Notes to the Non-consolidated Financial Statements are posted on our website below in accordance with relevant laws and regulations and the Company’s Articles of Incorporation, and are not stated in this notice. Note that the Consolidated Financial Statements and the Non-consolidated Financial Statements audited by Audit & Supervisory Board Members and the Financial Auditor include the above Consolidated Statement of Changes in Equity, the Notes to the Consolidated Financial Statements, the Non-consolidated Statement of Changes in Equity, and the Notes to the Non-consolidated Financial Statements.
Company’s website: <https://www.mpuni.co.jp/ir/index.html>
- If there are any amendments made to the Business Report, Consolidated Financial Statements, Non-consolidated Financial Statements and Reference Documents for the General Meeting of Shareholders, we will post them on our website as noted above.

Reference Documents for the General Meeting of Shareholders

Proposal No. 1 Appropriation of Surplus

The Company proposes the appropriation of surplus as follows:

1. Year-end dividends

The Company has given consideration to the business performance of the fiscal year and future business development, and it proposes to pay year-end dividends for the 145th fiscal year as follows:

(1) Type of dividend property

Cash

(2) Allotment of dividend property and the total amount

15 JPY per common share of the Company

In this event, the total dividends will be 879,817,875 JPY.

(3) Effective date of dividends of surplus

March 27, 2020

2. Other appropriation of surplus

The Company proposes the following appropriation of surplus as for the retained earnings in order to strengthen the management foundation in preparation for aggressive business development in the future:

(1) Item of surplus to be decreased and amount of decrease

Retained earnings brought forward: 2,000,000,000 JPY

(2) Item of surplus to be increased and amount of increase

General reserve: 2,000,000,000 JPY

Proposal No. 2 Election of Eight (8) Directors

The terms of office of all nine (9) Directors will expire at the conclusion of this meeting. Therefore, the Company proposes the election of eight (8) Directors, decreasing the number of Directors by one (1) to ensure swift management decision making. The candidates for Directors are as follows:

Candidate No.	Name	Current position and responsibility in the Company	Attribute
1	Eiichiro Suhara	Representative Director, Chairman and President	Reelection
2	Shigehiko Suhara	Representative Director, Vice President	Reelection
3	Hiroshi Yokoishi	Director, Managing Executive Officer in charge of International Affairs	Reelection
4	Nobuyuki Nagasawa	Director, Managing Executive Officer in charge of Human Resources, General Affairs, Legal Affairs, and Compliance	Reelection
5	Kazuhisa Kirita	Director, Managing Executive Officer in charge of Engineering, Intellectual Property Rights, Cosmetics and Industrial Materials	Reelection
6	Kenichiro Senoh	Outside Director	Reelection Outside Independent Director
7	Tojiro Aoyama	Outside Director	Reelection Outside Independent Director
8	Asako Yano	Outside Director	Reelection Outside Independent Director Female

Reelection: Candidate for Director to be reelected

New election: Candidate for Director to be newly elected

Outside: Candidate for Outside Director

Independent Director: Independent Director as defined by the securities exchange

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company (Important concurrent positions)	Number of the Company's shares owned
1	Eiichiro Suhara (July 19, 1948) <u>Reelection</u>	Aug. 1974 Joined the Company Mar. 1980 Director Mar. 1982 Managing Director Mar. 1985 Director, Vice President Mar. 1987 Representative Director, President June 2015 Outside Director of Eisai Co., Ltd. Mar. 2019 Representative Director, Chairman and President of the Company (current position)	274,650 shares
		[Important concurrent positions] Representative Director, President of Yamagata Mitsubishi Pencil Precision Co., Ltd. Chairman of Mitsubishi Pencil Vietnam Co., Ltd.	
[Reasons for nomination as a candidate for Director] Ever since his appointment as Representative Director, President in 1987, Eiichiro Suhara has exhibited superior leadership and has been leading the Company's business for many years. He has played an important role in achieving sustainable growth and increasing the corporate value of the Group. His abundant experience and wide breadth of knowledge, as well as his perspective that takes a big-picture view of the Group, are essential for us in our aim to further strengthen the supervisory function hereafter. Therefore, the Company proposes his reelection as Director.			
2	Shigehiko Suhara (February 11, 1979) <u>Reelection</u>	Apr. 2005 Joined the Company Apr. 2010 General Factory Manager of Gunma Factory Apr. 2012 General Manager of Sales Planning Department Mar. 2013 Director in charge of Corporate Planning Nov. 2015 Director in charge of Corporate Planning and General Manager of International Operations Planning Department Mar. 2016 Director in charge of Product Development and New Business Development Mar. 2017 Managing Director in charge of Writing Business, New Business Development, Product Development and Quality Assurance Mar. 2018 Director, Vice President Mar. 2019 Representative Director, Vice President (current position)	46,440 shares
		[Reasons for nomination as a candidate for Director] Shigehiko Suhara has served as General Factory Manager of Gunma Factory and General Manager of Domestic and International Sales Planning, and has been in charge of Corporate Planning, Product Development, and New Business Development. He has diverse experience and knowledge ranging from production to sales in Japan and abroad. He has exhibited superior management execution capabilities and leadership since assuming office as Representative Director, Vice President in 2019, and has played an important role in efforts aimed at further enhancing the flexible management decisions and swift business execution, as well as at achieving business growth and increasing the corporate value of the Company. Therefore, the Company proposes his reelection as Director.	

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company (Important concurrent positions)	Number of the Company's shares owned
3	Hiroshi Yokoishi (April 17, 1959) Reelection	<p>Oct. 1985 Joined the Company</p> <p>Apr. 1998 General Manager of International Business Department</p> <p>Mar. 2001 Director and General Manager of International Business Department</p> <p>Apr. 2005 Director and General Manager of International Operations Department</p> <p>Mar. 2017 Managing Director and General Manager of International Operations Department</p> <p>Mar. 2018 Managing Director in charge of International Affairs</p> <p>Mar. 2019 Director, Managing Executive Officer in charge of International Affairs (current position)</p>	12,200 shares
<p>[Reasons for nomination as a candidate for Director]</p> <p>Hiroshi Yokoishi has been devoting efforts to cultivate new sales channels by leading international operations divisions for a long time with his extensive management experience in the International Operations Department. We consider that his wide-ranging insight will be essential for us in further expanding our business in the global market. In addition, he has played an important role in management decision-making. Therefore, the Company proposes his reelection as Director.</p>			
4	Nobuyuki Nagasawa (April 3, 1957) Reelection	<p>Apr. 1980 Joined the Company</p> <p>Apr. 2001 General Manager, assistant to International Business Department</p> <p>Apr. 2003 General Manager of Financial Resources and Accounting Department</p> <p>Mar. 2006 Director and General Manager of Financial Resources and Accounting Department</p> <p>Jan. 2008 Director in charge of Financial Affairs, Legal Affairs and Information System</p> <p>Apr. 2010 Director in charge of Financial Affairs, Legal Affairs, Information System and Internal Control</p> <p>Mar. 2016 Director in charge of Corporate Planning and Information System</p> <p>Mar. 2017 Managing Director in charge of Human Resources, Corporate Planning and Information System</p> <p>Mar. 2018 Managing Director in charge of Human Resources, General Affairs, Legal Affairs and Compliance</p> <p>Mar. 2019 Director, Managing Executive Officer in charge of Human Resources, General Affairs, Legal Affairs and Compliance (current position)</p>	21,100 shares
<p>[Reasons for nomination as a candidate for Director]</p> <p>Nobuyuki Nagasawa has extensive knowledge and experience in managerial divisions, including accounting, finance, legal affairs, and information system, and his achievements include establishing a group-wide compliance system and risk management system. He can grasp the Company's situation from a diversified perspective by leveraging his insights, and has played an important role in the strengthening of business execution supervising functions and in management decision-making. Therefore, the Company proposes his reelection as Director.</p>			

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company (Important concurrent positions)	Number of the Company's shares owned
5	Kazuhisa Kirita (November 13, 1958) <u>Reelection</u>	<p>Apr. 1981 Joined the Company</p> <p>Apr. 2003 General Manager of Product Development Department</p> <p>Apr. 2007 General Manager of Gunma Research and Development Center</p> <p>Apr. 2011 General Manager of Product Development Department</p> <p>Mar. 2012 Director and General Manager of Product Development Department</p> <p>Mar. 2016 Director in charge of Engineering, Patent Administrations and Cosmetics</p> <p>Mar. 2018 Managing Director in charge of Engineering, Intellectual Property Rights, Cosmetics and New Business Development</p> <p>Mar. 2019 Director, Managing Executive Officer in charge of Engineering, Intellectual Property Rights, Cosmetics and Industrial Materials (current position)</p>	5,800 shares
<p>[Reasons for nomination as a candidate for Director]</p> <p>Leveraging his experience in research and development, Kazuhisa Kirita has been involved in Product Development, Cosmetics, New Business Development, and other areas. Furthermore, he has made many achievements and accumulated wide experience of commercialization based on the combination of technology and business. We judged that his insight grounded on such extensive experience will contribute to the search and development of new business opportunities, and he plays an important role in management decision-making. Therefore, the Company proposes his reelection as Director.</p>			
6	Kenichiro Senoh (January 1, 1954) <u>Reelection</u> <u>Outside</u> <u>Independent Director</u>	<p>Apr. 1976 Joined Fuji Photo Film Co., Ltd. (currently FUJIFILM Corporation)</p> <p>Dec. 1999 Representative Director, Vice President of Keio Academic Enterprise Co., Ltd.</p> <p>Apr. 2001 Professor at the Graduate School of Media and Governance, Keio University</p> <p>Apr. 2004 President of the Industry-Academia Collaboration Initiative Nonprofit Organization (current position)</p> <p>June 2012 Independent Outside Director of Teijin Limited Member of the Advisory Board of Teijin Limited</p> <p>Mar. 2017 Outside Director of the Company (current position)</p> <p>Feb. 2019 External Director of giftee, Inc. (current position)</p> <p>[Important concurrent positions] President of the Industry-Academia Collaboration Initiative Nonprofit Organization Director of the Intellectual Property Association of Japan External Director of giftee, Inc.</p>	-
<p>[Reasons for nomination as a candidate for Outside Director]</p> <p>Based on his diverse experience and knowledge of practical research that connects the both fields of technology and business, Kenichiro Senoh has actively made comments that have contributed to enhancing governance system from an objective, multi-pronged perspective. Therefore, the Company proposes his reelection as Outside Director. His term of office as Outside Director of the Company will be three (3) years at the conclusion of this General Meeting of Shareholders.</p>			

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company (Important concurrent positions)	Number of the Company's shares owned
7	<p style="text-align: center;">Tojiro Aoyama (August 29, 1951) Reelection Outside Independent Director</p>	<p>Mar. 1979 Ph.D. in Engineering at Keio University Apr. 1988 Assistant Professor, Department of Mechanical Engineering, Faculty of Science and Technology, Keio University Apr. 1995 Professor, Department of Mechanical Engineering, Faculty of Science and Technology, Keio University Apr. 1996 Professor, Department of System Design Engineering, Faculty of Science and Technology, Keio University July 2009 Dean of Faculty of Science and Technology and Dean of Graduate School of Science and Technology, Keio University June 2015 Outside Director of DMG MORI CO., LTD. (current position) Mar. 2016 President of the Japan Society for Precision Engineering Mar. 2017 Outside Audit & Supervisory Board Member of the Company Apr. 2017 Professor Emeritus, Keio University May 2017 Vice-President of Keio University (current position) Mar. 2019 Outside Director of the Company (current position)</p> <p>[Important concurrent positions] Vice-President of Keio University Outside Director of DMG MORI CO., LTD.</p>	-
<p>[Reasons for nomination as a candidate for Outside Director] In addition to having extensive knowledge and experience in mechanical engineering, production engineering, and other fields, Tojiro Aoyama has served as Vice-President of Keio University, and possesses a wide breadth of knowledge. Based on this experience, he has been able to give beneficial opinions and advice from a viewpoint that is not confined to the industry to which the Company belongs, which will lead to improved soundness and transparency of management decision making. Therefore, the Company proposes his reelection as Outside Director. His term of office as Outside Director of the Company will be one (1) year at the conclusion of this General Meeting of Shareholders. His total term of office, including his time as an Outside Audit & Supervisory Board Member, will be three (3) years.</p>			

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company (Important concurrent positions)	Number of the Company's shares owned
8	Asako Yano (January 21, 1968) Female Reelection Outside Independent Director	<p>Apr. 1990 Joined Mercedes-Benz Japan Co., Ltd.</p> <p>Sept. 1997 Joined Boston Consulting Group Japan Co., Ltd.</p> <p>Mar. 2000 Joined Louis Vuitton Japan K.K.</p> <p>June 2002 COO of Celux Co., Ltd.</p> <p>Oct. 2008 Established Dramatic Co., Ltd.; Representative Director of Dramatic Co., Ltd.</p> <p>May 2014 Established ten to four inc.; Representative Director of ten to four inc. (current position)</p> <p>June 2015 Outside Director of Yaoko Co., Ltd. (current position)</p> <p>Aug. 2015 Director of Cogito Education and Management Inc.</p> <p>June 2018 Outside Director of Watabe Wedding Corporation</p> <p>Mar. 2019 Outside Director of the Company (current position)</p> <p>[Important concurrent positions] Representative Director of ten to four inc. Outside Director of YAOKO Co., Ltd.</p>	-
<p>[Reasons for nomination as a candidate for Outside Director]</p> <p>In addition to extensive knowledge relating to business management and diversity management, Asako Yano possesses a wide breadth of knowledge and achievement in marketing and branding. She has made diversified comments on enhancing corporate governance, promoting diversity, and other matters from a standpoint which is independent of the Company's management team. Therefore, as we have judged that this will lead to further invigoration of the Company's Board of Directors, the Company proposes her reelection as Outside Director. Her term of office as Outside Director of the Company will be one (1) year at the conclusion of this General Meeting of Shareholders.</p>			

- Notes:
1. Eiichiro Suhara concurrently serves as Representative Director, President of Yamagata Mitsubishi Pencil Precision Co., Ltd. The Company purchases its specified products from this company and is also leasing real estate to this company.
 2. Eiichiro Suhara concurrently serves as Chairman of Mitsubishi Pencil Vietnam Co., Ltd. The Company purchases its specified products from this company.
 3. Eiichiro Suhara concurrently serves as Representative Director, President of Ryoyu Trading Co., Ltd. The Company sells and purchases its specified products, etc. to and from this company and is also leasing real estate to this company.
 4. There is no special interest between each candidate for Director other than those stated in 1. to 3. and the Company.
 5. Kenichiro Senoh, Tojiro Aoyama, and Asako Yano are candidates for Outside Directors.
 6. Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company has entered into limited liability agreements with Kenichiro Senoh, Tojiro Aoyama, and Asako Yano to limit their liability for damages under Article 423, paragraph 1 of the Companies Act, on the condition that the requirements stipulated by laws and regulations are met. If their reelection is approved, the Company will continue the above-mentioned limited liability agreements with them. The maximum amount of liability for damages under this agreement is 5 million JPY or the minimum liability amount provided for under laws and regulations, whichever is the higher amount.
 7. The Company has designated Kenichiro Senoh, Tojiro Aoyama, and Asako Yano as Independent Directors under the provisions of the Tokyo Stock Exchange and has notified to the Exchange, and plans to continue to designate them as Independent Directors.
 8. Kenichiro Senoh, Tojiro Aoyama, and Asako Yano, who are candidates for Outside Directors, satisfy the "Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members" stipulated by the Company on page 11.
 9. Asako Yano's registered name is Asako Saito.

Proposal No. 3 Election of One (1) Audit & Supervisory Board Member

Audit & Supervisory Board Member Kiyokazu Sakurai will retire as Audit & Supervisory Board Member at the conclusion of this meeting due to the expiration of his term of office. Therefore, the Company proposes the election of one (1) Audit & Supervisory Board Member. The consent of the Audit & Supervisory Board has been obtained for this proposal. The candidate for Audit & Supervisory Board Member is as follows.

Name (Date of birth)	Career summary and position in the Company (Important concurrent positions)	Number of the Company's shares owned
Akira Fukai (January 3, 1959) New election	Apr. 1981 Joined the Company Apr. 2005 General Manager of Production Engineering Department Apr. 2008 General Manager of Production Control Department and General Factory Manager of Yokohama Factory Mar. 2009 Director, General Manager of Production Control Department and General Factory Manager of Yokohama Factory Apr. 2010 Director and General Manager of Production Control Department Mar. 2011 Director in charge of Production Jan. 2012 Director in charge of Production and General Factory Manager of Yokohama Factory Mar. 2018 Managing Director in charge of Production and General Factory Manager of Yokohama Factory Mar. 2019 Director, Managing Executive Officer in charge of Production (current position)	8,200 shares

[Reasons for nomination as a candidate for Audit & Supervisory Board Member]
 Akira Fukai has been in charge of the production division, in addition to serving as Director, etc. of multiple production subsidiaries in Japan and abroad, and has extensive experience and knowledge in the production of the Company. Therefore, as we anticipate that he will play an important role in enhancing audits and further strengthening the auditing system throughout the Group from his perspective that is closer to production sites, the Company proposes his election as Audit & Supervisory Board Member. At the conclusion of this meeting, he will retire as Director, Managing Executive Officer of the Company.

Notes: There is no special interest between the candidate for Audit & Supervisory Board Member and the Company.

Proposal No. 4 Election of One (1) Substitute Audit & Supervisory Board Member

The validity of election of Satoshi Sugano, who was elected as a Substitute Audit & Supervisory Board Member at the 144th Annual General Meeting of Shareholders held on March 28, 2019, will expire as of commencement of this meeting. Therefore, the Company requests approval for the election of one (1) Substitute Audit & Supervisory Board Member to be ready to fill a vacant position should the number of Audit & Supervisory Board Members fall below the number required by laws and regulations. The consent of the Audit & Supervisory Board has been obtained for this proposal. The candidate for Substitute Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Career summary (Important concurrent positions)	Number of the Company's shares owned
Satoshi Sugano (December 17, 1965) Reelection Outside Independent Audit & Supervisory Board Member	Apr. 1994 Registered as an attorney at law; joined Naritomi & Partners (currently Marunouchi Minami Law Office) Oct. 2003 Partner of Naritomi & Partners June 2015 Established Nakadori Law Office; Representative Attorney at Law (current position) [Important concurrent positions] Representative Attorney at Law of Nakadori Law Office	-
[Reasons for nomination as a candidate for Substitute Outside Audit & Supervisory Board Member] Satoshi Sugano has no prior experience in the management of a company, but has advanced professional legal knowledge as an attorney at law. As we judged that his extensive knowledge could be reflected in the Company's auditing system and that he could provide us with appropriate advice and suggestions for securing legal compliance from a standpoint which is independent from the Company's management team, the Company proposes his election as Substitute Outside Audit & Supervisory Board Member.		

- Notes:
1. There is no special interest between the candidate for Substitute Audit & Supervisory Board Member and the Company.
 2. Satoshi Sugano is a candidate for Substitute Outside Audit & Supervisory Board Member.
 3. If Satoshi Sugano has taken office of Audit & Supervisory Board Member, pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company plans to enter into a limited liability agreement with him to limit his liability for damages under Article 423, paragraph 1 of the Companies Act, on the condition that the requirements stipulated by laws and regulations are met. The maximum amount of liability for damages under this agreement will be 1 million JPY or the minimum liability amount provided for under laws and regulations, whichever is the higher amount.
 4. If Satoshi Sugano has taken office of Audit & Supervisory Board Member, the Company plans to designate him as an Independent Audit & Supervisory Board Member under the provisions of the Tokyo Stock Exchange and notify to the Exchange.
 5. Substitute Outside Audit & Supervisory Board Member candidate Satoshi Sugano satisfies the "Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members" stipulated by the Company on page 11.

[Reference] Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members

The Company deems that Outside Directors and Outside Audit & Supervisory Board Members (including candidates) who do not fall under any of the criteria of the following items possess independence with regard to the Company and do not pose a risk of conflict of interest with general shareholders.

1. Major shareholder
Major shareholder of the Company or its executing person. “Major shareholder” means any of those who directly or indirectly hold 10% or more of voting rights at the end of the Company’s most recent fiscal year.
 2. Major business partner
 - (1) Our principal business partner or its executing person. “Our principal business partner” means any one of the following:
 - The amount of payment from the said business partner to the Company in the most recent business year exceeds 2% of the Company’s annual consolidated net sales.
 - A business partner who is indispensable in fund procurement of the Company and whom the Company relies on to the extent that there is no substitution.
 - (2) A party who considers the Company as a major business partner or its executing person. “A party who considers the Company as a major business partner” means the following party:
 - The amount of payment from the Company to the said party in the most recent business year exceeds 2% of the said party’s annual consolidated net sales.
 3. Professional service provider
A legal expert such as an attorney at law, accounting or tax specialist such as a certified public accountant or tax accountant, consultant, corporate manager, university professor, etc. who obtains monetary or other property profit exceeding 10 million JPY per year other than executive remuneration from the Company. When such property is obtained by an organization such as a corporation or a partnership, this criterion applies to a person belonging to such organization.
 4. Donation/Grant
A person who receives donation or grant exceeding 10 million JPY per year from the Company. When such donation or grant is obtained by an organization such as a corporation or a partnership, this criterion applies to an executing person of such organization.
 5. A person who has fallen under any of the above 1. to 4. in the past three (3) years.
 6. A spouse or a relative within second degree of kinship of a Director or an employee of the Company or the Company’s subsidiary.
- * In these criteria, the term “executing person” means a person who executes business in an organization such as a corporation or a partnership regardless of his/her title or position name such as director, executive officer, employee, etc.

Proposal No. 5 Decision on Remuneration for Allotment of Restricted Shares to Directors (Excluding Outside Directors)

Regarding the remuneration amount for Directors of the Company, it was approved at the 144th Annual General Meeting of Shareholders held on March 28, 2019 that the amount of monetary remuneration to Directors for each business year shall be up to 500 million JPY (including the amount up to 60 million JPY per year for Outside Directors, but excluding the employee salaries of Directors who serve concurrently as employees).

The Company intends to adopt a remuneration plan under which shares of common stock of the Company subject to certain restrictions including a transfer restriction period and grounds for acquisition by the Company at no cost (“Restricted Shares”) will be allotted to Directors of the Company (excluding Outside Directors; “Eligible Directors”) as follows for the purpose of providing Eligible Directors with an incentive to sustainably increase the Company’s medium- to long-term business performance and corporate value and further promote the sharing of value with shareholders.

Comprehensively taking into account various factors such as the purpose of the adoption of the above plan, the Company proposes that the total amount of monetary remuneration claims to be provided as remuneration to Eligible Directors related to the Restricted Shares be determined to be up to 100 million JPY (excluding the employee salaries of Directors who serve concurrently as employees) for each business year in addition to the remuneration amount for Directors described above. The Company also determined the following specific terms and maximum number of the Restricted Shares to be allotted to Eligible Directors comprehensively taking into account various factors such as the purpose of the adoption of the above plan, and the Company considers that they are appropriate.

There are currently nine (9) Directors of the Company (including three (3) Outside Directors); if Proposal No. 2 is approved, there will be eight (8) Directors (including three (3) Outside Directors).

Specific terms and maximum number of the Restricted Shares to be allotted to Eligible Directors

1. Allotment and payment of the Restricted Shares

Based on the resolution at the Company’s Board of Directors, the Company provides to Eligible Directors monetary remuneration claims as remuneration related to the Restricted Shares up to the amount for each business year as described above, and each Eligible Director receives an allotment of the Restricted Shares by providing all of those monetary remuneration claims through contribution in kind.

The amount to be paid in for the Restricted Shares shall be determined by the Company’s Board of Directors within an amount that is not particularly favorable to Eligible Directors who subscribe for those Restricted Shares based on the closing price of the Company’s shares of common stock on the Tokyo Stock Exchange on the business day immediately prior to the date of the relevant resolution of the Company’s Board of Directors regarding the issuance or disposal thereof (or, if there are no transactions on such date, the closing price on the trading day immediately before such day).

The monetary remuneration claims described above shall be provided on the condition that Eligible Directors have agreed to the contribution in kind described above and have executed an agreement for allotment of restricted shares containing the terms set out in 3. below.

2. Total number of the Restricted Shares

100,000 shares of the total number of the Restricted Shares to be allotted to Eligible Directors shall be the maximum number of the Restricted Shares to be allotted for each business year.

However, if it becomes necessary to adjust the total number of the Restricted Shares to be allotted in case of a share split (including an allotment of shares of common stock of the Company at no cost) or share consolidation of the Company’s shares of common stock, or other similar cases on and after the date of the resolution of this Proposal, the total number of such Restricted Shares may be reasonably adjusted.

3. Terms of the agreement for allotment of restricted shares

The agreement for allotment of restricted shares to be executed upon the allotment of the Restricted Shares, based on the resolution at the Company’s Board of Directors, between the Company and Eligible Directors who receive an allotment of the Restricted Shares shall include provisions that substantially have the following content.

(1) Terms of restriction on transfer

Eligible Directors who receive an allotment of the Restricted Shares may not assign, pledge, create an assignment-based security right over, provide as an *inter vivos* gift, bequeath, or in any other way dispose of, those Restricted Shares to a third party during the period from the day on which they receive a delivery of the Restricted Shares to the day on which they retire from all of the positions of Directors and/or Executive Officers of the Company (excluding the cases where they are reappointed at the same time as the retirement) (the “Transfer Restriction Period”).

(2) Release of restriction on transfer

On the condition that an Eligible Director who receives an allotment of the Transfer Restricted Shares has continuously held a position as Director or Executive Officer of the Company throughout the period (the “Service Period”) from the date of the Annual General Meeting of Shareholders immediately prior to the resolution of the Company’s Board of Directors regarding the issuance or disposal of the Restricted Shares allotted to that Eligible Director (the “Allotted Shares”) to the date of the Annual General Meeting of Shareholders of the Company immediately after the commencement date of the Transfer Restriction Period, the Company shall release the restriction on transfer of all of the Allotted Shares held by that Eligible Director when the Transfer Restriction Period expires.

However, if the relevant Eligible Director retires from all of the positions of Director and/or Executive Officer of the Company before the expiration of the Service Period for any reason considered legitimate by the Company’s Board of Directors, the Company will, upon the expiration of the Transfer Restriction Period, release the restriction on transfer of such number of the Allotted Shares as reasonably adjusted based on the time of retirement.

(3) Acquisition of the Restricted Shares at no cost

If an Eligible Director who receives an allotment of the Restricted Shares retires from all of the positions of Director and/or Executive Officer of the Company before the expiration of the Service Period, the Company will automatically acquire the Allotted Shares at no cost unless there is a reason considered legitimate by the Company’s Board of Directors.

The Company shall, immediately after the expiration of the Transfer Restriction Period, automatically acquire at no cost the Allotted Shares, if any, for which, as of the time of expiration of the Transfer Restriction Period, the restriction on transfer has not been released pursuant to the reasons for release of restriction on transfer set out in (2) above.

(4) Treatment in case of organizational restructuring, etc.

If a proposal for a merger agreement under which the Company is a non-surviving company, a share exchange agreement or share transfer plan under which the Company becomes a wholly-owned subsidiary, or other organizational restructuring, etc. is approved by the Company’s Shareholders Meeting (or, if an approval of the Company’s Shareholders Meeting regarding such organizational restructuring, etc. is not required, by the Company’s Board of Directors) during the Transfer Restriction Period, the Company shall, based on the resolution at the Company’s Board of Directors and prior to the effective date of such organizational restructuring, etc., release the restriction on transfer of such number of the Allotted Shares as reasonably determined by taking into account the period from the commencement date of the Service Period to the date of the approval of such organizational restructuring, etc.

In this case, the Company will automatically acquire at no cost the Allotted Shares for which the restriction on transfer has not been released, immediately after the release of the restriction on transfer in accordance with the provisions set out above.

Reference

The Company will allot shares with restriction on transfer similar to the Restricted Shares set out above to Executive Officers of the Company after the conclusion of this General Meeting of Shareholders on the condition that this Proposal is approved and adopted at this General Meeting of Shareholders.