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(Stock code: 6246)

June 9, 2023

To our shareholders

**Masami Yanai**  
President and Representative Director  
Techno Smart Corp.  
2-5-28 Kyutaramachi, Chuo-ku, Osaka

## Notice of Convocation of the 89th Ordinary General Meeting of Shareholders

We are pleased to inform you that the 89th Ordinary General Meeting of Shareholders (the “Meeting”) will be held as detailed below.

In convening the Meeting, we have taken electronic provision measures for information contained in the Reference Documents for the General Meeting of Shareholders and other documents (the “Matters Subject to Electronic Provision Measures”). They are posted on our website, etc. as the “Notice of Convocation of the 89th Ordinary General Meeting of Shareholders.” Please access one of the following websites to review the information.

The Company’s Website

[https://www.technosmart.co.jp/en/cat\\_ir/notification/](https://www.technosmart.co.jp/en/cat_ir/notification/)

(Access the Company’s website above to review the information by clicking on “PDF” at the right of “Notice of Convocation of the 89th Ordinary General Meeting of Shareholders.”)



If you will not attend the Meeting in person, you have the option to exercise your voting right via the Internet or in writing. We cordially request that you review the Reference Documents for the General Meeting of Shareholders and exercise your rights by 5:35 p.m. on Monday, June 26, 2023.

1. **Date and Time** Tuesday, June 27, 2023 at 10:00 a.m.
2. **Place** Meeting Room Nos. 5 and 6, Tekko Hall,  
Midosuji Honmachi Urban Building 11F,  
3-5-12 Kitakyuhojimachi, Chuo-ku, Osaka
3. **Purpose**  
**Matters to be reported:** Notice of Convocation of the 89th Ordinary General Meeting of Shareholders (for the Period of April 1, 2022 to March 31, 2023)  
**Matters to be resolved:**  
**Proposal No. 1** Appropriation of Surplus  
**Proposal No. 2** Election of Five (5) Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)  
**Proposal No. 3** Election of Three (3) Directors Who Are Audit & Supervisory Committee Members  
**Proposal No. 4** Election of One (1) Substitute Director Who Is an Audit & Supervisory Committee Member  
**Proposal No. 5** Introduction of a Performance-Linked, Share-Based Remuneration System for Directors (Excluding Directors and Outside Directors Who Are Audit & Supervisory Committee Members)
4. **Matters Decided upon Convocation**
  - (1) If you exercise your voting right via both the Internet and by the voting form, the vote exercised via the Internet will be counted as valid. If you exercise your voting right multiple times via the Internet, the last vote you enter will be counted as valid.
  - (2) If there is no indication of either approval or disapproval of the respective proposals on the voting form, it will be deemed a vote of approval.

- ⊙ When attending the Meeting in person, please submit the voting form that has been sent to you together with this Notice of Convocation to the reception desk at the venue.
- ⊙ Any amendments to the Matters Subject to Electronic Provision Measures will be posted on the Company's website, the TSE's website, and the website for general meeting of shareholders materials.
- ⊙ Shareholders considering attending the Meeting in person are kindly requested to take care of their health and take all precautions before the date of the Meeting. In addition, please be advised that the Company's executives and staff may wear masks.

## Reference Documents for the General Meeting of Shareholders

### Proposals and Matters for Reference

#### Proposal No. 1 Appropriation of Surplus

Based on a basic principle of continuous dividend payments to shareholders, the Company proposes a year-end dividend of ¥55 per share, which consists of an ordinary dividend of ¥20 per share and a special dividend of ¥35 per share, in consideration of the Company's business results for the fiscal year under review, future management environment, and internal reserves for business development.

Year-End Dividends	
① Dividends to be paid	Cash
② Allotment of dividend assets for shareholders and total amount	¥55 per common share of the Company (¥20 ordinary dividend, ¥35 special dividend) Total amount: ¥676,219,060 This results in an annual dividend, including interim dividends, of ¥74 per share for the fiscal year under review.
③ Effective date of payment of surplus available for dividends	June 28, 2023

**Proposal No. 2 Election of Five (5) Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)**

The term of office of all five (5) directors (excluding directors who are Audit & Supervisory Committee members) will expire at the closing of the Meeting. Accordingly, the Company proposes the election of five (5) directors (excluding directors who are Audit & Supervisory Committee members).

For reference, this proposal has been reviewed by the Audit & Supervisory Committee, which has expressed its opinion that the candidates are suitable as directors (excluding directors who are Audit & Supervisory Committee members) of the Company in light of their execution of duties, performance, experience, etc. during the fiscal year under review.

The candidates for election as directors (excluding directors who are Audit & Supervisory Committee members) are as follows:

Candidate No.	Name (Date of Birth)	Career Summary, Positions, Responsibilities, and Significant Concurrent Positions	Number of Company Shares Owned
1	Masami Yanai (December 26, 1953)	<p>April 1972    Joined the Company</p> <p>April 2004    Senior Manager of the Mechanical Engineering Department, Engineering Division</p> <p>April 2007    Senior Manager of the Outsourcing Management Department, Procurement Division</p> <p>April 2008    Acting Division Manager of the Procurement Division</p> <p>April 2010    Division Manager of the Procurement Division</p> <p>October 2013    Senior General Manager and Division Manager of the Procurement Division</p> <p>June 2014    Director and General Manager of the Administration Division, and General Manager of the Mechanical Engineering Division</p> <p>June 2015    Director and General Manager of the Administration Department, and General Manager of the Engineering Department</p> <p>June 2016    Managing Director in charge of the Engineering Department, the Procurement Department, and the Information Systems Department</p> <p>June 2017    Managing Director in charge of the Engineering Department, the Procurement Department, and the Manufacturing Department</p> <p>April 2019    President and Representative Director (to present)</p>	12,900
<p>Reasons for Nomination Mr. Masami Yanai has been re-nominated as a director since he possesses a wealth of experience and track record in the engineering and procurement divisions of the Company as well as managerial insight into the entire company, including the manufacturing and administration divisions, and has exercised strong leadership in his direction and supervision over business management in general.</p>			

Candidate No.	Name (Date of Birth)	Career Summary, Positions, Responsibilities, and Significant Concurrent Positions	Number of Company Shares Owned	
2	Haruhiro Iida (October 28, 1964)	April 1988	Joined the Company	7,500
		April 2010	Senior Manager of the Planning & Design Department, Engineering Division	
		April 2012	Acting Department Manager of the Planning & Design Department, Engineering Division	
		April 2013	Group Manager of the Planning & Design Group, Engineering Department	
		April 2015	Senior General Manager and Group Manager of the Planning & Design Group and R&D Group, Engineering Department	
		June 2015	Director and Deputy General Manager of the Engineering Department, and Department Manager of the Information Systems Department	
		June 2016	Director and General Manager of the Sales Department, Manager of the Tokyo Branch, and Head of the Planning & Design Group, Engineering Department	
		April 2019	Managing Director in charge of the Engineering Department, the Manufacturing Department, and the Procurement Department	
		April 2021	Managing Director in charge of the Engineering, Manufacturing, and Procurement Division, and Manager of the Shiga Plant	
		June 2021	Managing Director in charge of the Engineering, Manufacturing, Procurement, and Administration Division	
		June 2022	Managing Director and Manager of the Shiga Plant, and Overall Manager of the Procurement and Administration Division (to present)	
<p>Reasons for Nomination Mr. Haruhiro Iida has been re-nominated as a director since he has been deemed to be capable of making appropriate decisions on key managerial matters as a director of the Company due to his wealth of experience and track record in the mechanical design division of the Company as well as managerial insight through his contribution in winning orders in the sales division.</p>				
3	Toshikazu Shimomura (August 13, 1971)	April 1994	Joined the Company	3,200
		April 2011	Senior Section Manager of the Section I, Mechanical Engineering Department	
		April 2013	Acting Department Manager of Engineering Department	
		April 2015	Department Manager of Engineering Department	
		October 2015	Group General Manager of the Mechanical Engineering Group I, Engineering Department	
		May 2017	Senior General Manager and Group General Manager of the Mechanical Engineering Group I, Engineering Department	
		June 2017	Director and General Manager of the Engineering Department, and Department Manager of the Information Systems Department	
		April 2021	Director and General Manager of the Engineering Division (to present)	
<p>Reasons for Nomination Mr. Toshikazu Shimomura has been re-nominated as a director since he has been deemed to be capable of making appropriate decisions on key managerial matters as a director of the Company due to his wealth of experience and track record in the mechanical design division of the Company, deep knowledge in the Company's mechanical engineering, and managerial insight.</p>				

Candidate No.	Name (Date of Birth)	Career Summary, Positions, Responsibilities, and Significant Concurrent Positions	Number of Company Shares Owned	
4	Ichiro Enomoto (February 3, 1957)	April 1979 October 2001 January 2002 June 2007 April 2015 May 2017 June 2017 April 2018 April 2019 June 2019 April 2021	Joined Marubeni Corporation General Manager of the Machinery Department, Marubeni Korea Corporation Seconded to Marubeni Tekmatex Corporation (now Marubeni Techno-Systems Corporation) Director of Marubeni Tekmatex Corporation (now Marubeni Techno-Systems Corporation) Transferred to Marubeni Tekmatex Corporation (now Marubeni Techno-Systems Corporation) Resigned as Director of Marubeni Tekmatex Corporation (now Marubeni Techno-Systems Corporation) Joined the Company and was appointed Department Manager in charge of the Tokyo Branch, Sales Department Senior General Manager and Group General Manager of the Tokyo Branch, Sales Department Senior General Manager and Department Manager of the Sales Department, and Manager of the Tokyo Branch Director and General Manager of the Sales Department, and Manager of the Tokyo Branch Director and General Manager of the Sales Division, and Manager of the Tokyo Branch (to present)	3,200
		Reasons for Nomination Mr. Ichiro Enomoto has been re-nominated as a director since he has been deemed to be capable of making appropriate decisions on key managerial matters as a director of the Company due to his many years of involvement in overseas sales in the industrial machinery area, his contribution to net sales for the fiscal year under review and overall sales activities as general manager of the Sales Division, leveraging his wealth of knowledge and experience gained through his previous job, and his excellent management skills.		
5	Yoshiki Nishimiya (December 28, 1964)	April 1988 May 2006 November 2017 April 2018 April 2021 June 2022	Joined Hitachi Maxell, Ltd. (now Maxell, Ltd.) Chief Engineer of the Manufacturing Department, Kyoto Plant of Hitachi Maxell, Ltd. (now Maxell, Ltd.) Joined the Company Group General Manager of the Manufacturing Group, Manufacturing Department Senior General Manager and Deputy General Manager of the Manufacturing Division Director and General Manager of the Manufacturing Division (to present)	1,200
		Reasons for Nomination Mr. Yoshiki Nishimiya has been re-nominated as a director since he has been deemed to be capable of making appropriate decisions on key managerial matters as a director of the Company due to his many years of experience in the launch and quality improvement of mass production facilities for rechargeable batteries and the launch of plants abroad, his contribution to business streamlining in the manufacturing division, safety promotion and work improvement after joining the Company, leveraging the above knowledge and experience, and his excellent management skills.		

- Notes: 1. There are no special financial interests between the candidates and the Company.
2. The Company has entered into a directors and officers (D&O) liability insurance policy with an insurance company as prescribed in Article 430-3, Paragraph (1) of the Companies Act. This policy is designed to indemnify the directors, who are the insureds, from damages that arise while pursuing their official responsibilities or that result from personal lawsuits brought against them seeking compensation on the grounds of such responsibilities. However, there are certain exclusions, such as cases where an act is carried out with the knowledge that it is in violation of the law. 90% of the insurance premium is borne by the Company and 10% by the insured. Each candidate will be included as an insured of the insurance policy. The Company plans to renew the insurance policy with the same terms and conditions at the next renewal.

### Proposal No. 3 Election of Three (3) Directors Who Are Audit & Supervisory Committee Members

The term of office of all three (3) directors who are Audit & Supervisory Committee members will expire at the closing of the Meeting. Accordingly, the Company proposes the election of three (3) directors who are Audit & Supervisory Committee members.

The consent of the Audit & Supervisory Committee has been obtained for this proposal.

Furthermore, each director who is an Audit & Supervisory Committee member reviewed this proposal but expressed no opinion.

The candidates for election as directors who are Audit & Supervisory Committee members are as follows:

Candidate No.	Name (Date of Birth)	Career Summary, Positions, Responsibilities, and Significant Concurrent Positions	Number of Company Shares Owned
1	Toru Aoki (July 11, 1961)	<p>April 1984    Joined Asahi Kasei Corporation            March 1990    Joined LCA Japan            July 1992    Joined Sanwa Research Institute Corp. (now Mitsubishi UFJ Research and Consulting Co., Ltd.)            April 2002    General Manager of Management Strategy Department No. 1, UFJ Institute, Ltd.            April 2006    General Manager of Management Strategy Department, Mitsubishi UFJ Research and Consulting Co., Ltd.            June 2014    Corporate Officer, Deputy Head of the Osaka Unit, Consulting &amp; International Business Division, and General Manager of Personnel Strategy Department of Mitsubishi UFJ Research and Consulting Co., Ltd.            March 2016    Resigned from Mitsubishi UFJ Research and Consulting Co., Ltd.            April 2016    Representative of Caliber Management AOKI and Chief Advisor of Consulente HYAKUNEN            June 2017    Outside Director [Audit &amp; Supervisory Committee Member] of the Company (to present)</p> <p>(Significant Concurrent Positions)            Representative of Caliber Management AOKI and Chief Advisor of Consulente HYAKUNEN</p>	0
<p>Reasons for Nomination and Outline of Expected Roles            Mr. Toru Aoki has been re-nominated as an outside director who is an Audit &amp; Supervisory Committee member since we believe he will be able to perform his duties as an Audit &amp; Supervisory Committee member appropriately from an objective standpoint independent of executive members of management, leveraging his wealth of knowledge and insight in corporate management based on his knowledge and experience gained from many years of involvement in management consulting. The main role expected of Mr. Aoki is to promote appropriate operation of the Company's audit system based on this knowledge and experience.</p>			

Candidate No.	Name (Date of Birth)	Career Summary, Positions, Responsibilities, and Significant Concurrent Positions	Number of Company Shares Held
2	Kenji Oka (February 27, 1961)	<p>April 1983      Joined Management System Laboratory Co., Ltd.</p> <p>February 1990    Registered as a tax accountant (Kinki Certified Public Tax Accountants' Association)</p> <p>March 1990      Opened Oka Accounting Firm</p> <p>June 2015      Outside Auditor of Sankyo Kasei Corporation</p> <p>June 2019      Outside Director [Audit &amp; Supervisory Committee Member] of Sankyo Kasei Corporation</p> <p>June 2021      Outside Director [Audit &amp; Supervisory Committee Member] of the Company (to present)</p> <p>June 2023      To retire as Outside Director [Audit &amp; Supervisory Committee Member] of Sankyo Kasei Corporation</p> <p>(Significant Concurrent Positions) Tax accountant (head of Oka Tax Firm), Outside Director [Audit &amp; Supervisory Committee Member] of Sankyo Kasei Corporation (scheduled to retire in June 2023)</p>	0
<p>Reasons for Nomination and Outline of Expected Roles</p> <p>Mr. Kenji Oka has been re-nominated as an outside director who is an Audit &amp; Supervisory Committee member since, although he has not been directly involved in corporate management other than by becoming an outside executive, we believe he will be able to perform his duties as an Audit &amp; Supervisory Committee member appropriately from an objective standpoint independent of executive members of management, leveraging his advanced knowledge and experience in tax affairs and accounting gained from his many years of service as a tax accountant and his knowledge and experience gained from serving as auditor and director who is an Audit &amp; Supervisory Committee member of several companies. The main role expected of Mr. Oka is to improve the Company's corporate structure and audit system in terms of tax affairs and accounting.</p>			
3	Ayako Hiramatsu (October 23, 1974)	<p>October 2002    Registered as an attorney (Osaka Bar Association)</p> <p>                      Joined Kyoei Law Office</p> <p>July 2014        National Tax Trial Examiner, Osaka National Tax Tribunal</p> <p>July 2018        Re-registered as an attorney (Osaka Bar Association)</p> <p>August 2018    Registered as a tax accountant (Kinki Certified Public Tax Accountants' Association)</p> <p>August 2020    Partner of Kyoei Law Office</p> <p>April 2020      Audit Committee Member, Ikoma City</p> <p>May 2020       Administrative Appeal Examination Board Member, Osaka City</p> <p>December 2020 Fixed Asset Evaluation Review Committee Member, Toyonaka City</p> <p>June 2021      Outside Director [Audit &amp; Supervisory Committee Member] of the Company</p> <p>December 2022 Fixed Asset Evaluation Review Committee Member, Moriguchi City (to present)</p> <p>June 2023      To be appointed Outside Director [Audit &amp; Supervisory Committee Member] of ODK Solutions Co., Ltd.</p> <p>(Significant Concurrent Positions) Attorney (Partner of Kyoei Law Office), tax accountant, Outside Director [Audit &amp; Supervisory Committee Member] of ODK Solutions Co., Ltd. (scheduled to be appointed in June 2023)</p>	0
<p>Reasons for Nomination and Outline of Expected Roles</p> <p>Ms. Ayako Hiramatsu has been re-nominated as an outside director who is an Audit &amp; Supervisory Committee member since, although she has not been directly involved in corporate management, we believe she will be able to reflect her advanced expertise and experience gained from her many years of service as an attorney and tax accountant and in other roles in local government, such as Audit Committee member, to the Company's audit system. The main role expected of Ms. Hiramatsu is to enhance the Company's audit system appropriately, leveraging this expertise and experience.</p>			



- Notes:
1. There are no special financial interests between the candidates and the Company.
  2. Messrs. Toru Aoki, Kenji Oka, and Ayako Hiramatsu are candidates for election as outside directors who are Audit & Supervisory Committee members.
  3. The years served as the Company's outside director who is an Audit & Supervisory Committee members will be six years for Mr. Toru Aoki and two years for Messrs. Kenji Oka and Ayako Hiramatsu at the closing of the Meeting.
  4. In accordance with Article 427, Paragraph (1) of the Companies Act, the Company has entered into agreements with Messrs. Toru Aoki, Kenji Oka, and Ayako Hiramatsu that limit their liability to the minimum amount stipulated in Article 425, Paragraph (1) of said Act. The agreements will be continued if the candidates are re-elected.
  5. The Company has entered into a directors and officers (D&O) liability insurance policy with an insurance company as prescribed in Article 430-3, Paragraph (1) of the Companies Act. This policy is designed to indemnify the directors, who are the insureds, from damages that arise while pursuing their official responsibilities or that result from personal lawsuits brought against them seeking compensation on the grounds of such responsibilities. However, there are certain exclusions, such as cases where an act is carried out with the knowledge that it is in violation of the law. 90% of the insurance premium is borne by the Company and 10% by the insured. Each candidate will be included as an insured of the insurance policy. The Company plans to renew the insurance policy with the same terms and conditions at the next renewal.
  6. The Company has registered Messrs. Toru Aoki, Kenji Oka, and Ayako Hiramatsu as independent officers with the Tokyo Stock Exchange. The Company requests Kyohei Law Office, of which Ms. Ayako Hiramatsu has been a partner since August 2020, to prepare contracts and provide legal advice as needed. However, there have been no requests since October 2017, and the number of requests and total fees paid in the six years prior to that were six and ¥3.75 million, respectively. The Company has requested Ms. Hiramatsu to provide harassment prevention training to all employees of the Company and has paid approximately ¥600,000 in total between March and June 2022 as compensation. However, these payments have no significance that would affect her independence.

**(Reference) Skill Matrix of Directors after the Closing of the Meeting**

The skill matrix of directors if Proposal Nos. 2 and 3 of the Meeting are approved as proposed will be as follows:

**Skill Matrix of Directors**

Name	Attribute	Corporate management	Finance & accounting	Legal affairs	Risk management	Personnel & labor affairs	Manufacturing, technology, R&D	Sales	Global experience
<b>Masami Yanai</b> President and Representative Director		○	○		○	○	○		
<b>Haruhiro Iida</b> Managing Director		○	○			○	○	○	
<b>Toshikazu Shimomura</b> Director		○					○		
<b>Ichiro Enomoto</b> Director		○						○	○
<b>Yoshiki Nishimiya</b> Director		○					○		○
<b>Toru Aoki</b> Director (Audit & Supervisory Committee Member)	Outside Independent	○				○			
<b>Kenji Oka</b> Director (Audit & Supervisory Committee Member)	Outside Independent	○	○						
<b>Ayako Hiramatsu</b> Director (Audit & Supervisory Committee Member)	Outside Independent		○	○	○				

#### Proposal No. 4 Election of One (1) Substitute Director Who Is an Audit & Supervisory Committee Member

To prepare for a shortage in the statutory number of directors who are Audit & Supervisory Committee members, the Company proposes the election of one (1) substitute director who is an Audit & Supervisory Committee member.

The consent of the Audit & Supervisory Committee has been obtained for this proposal.

Furthermore, each director who is an Audit & Supervisory Committee member reviewed this proposal but expressed no opinion.

The candidate for election as a substitute director who is an Audit & Supervisory Committee member is as follows:

Name (Date of Birth)	Career Summary and Significant Concurrent Positions	Number of Company Shares Owned
<p style="text-align: center;">Shoichi Nakashita (May 9, 1968)</p>	<p>April 1991      Joined The Sanwa Bank, Ltd. (now MUFG Bank, Ltd.)                      September 2005      Resigned from the bank (now MUFG Bank, Ltd.)                      October 2005      Joined AIG Edison Life Insurance Company (now The Gibraltar Life Insurance Co., Ltd.)                      June 2007      Founder and Representative Director of One To One Synergy Co., Ltd.                      June 2009      Director of Kamitsu Seisakusho Ltd. (now TMT Kamitsu, Inc.)                      April 2015      Representative Director of Kamitsu Seisakusho Ltd. (now TMT Kamitsu, Inc.)                      May 2015      Representative Director of Sun Business Support Co., Ltd.                      April 2020      Joined Fujii Electric Works Co., Ltd.                      August 2020      Representative Director of Fujii Electric Works Co., Ltd. (to present)</p> <p>(Significant Concurrent Positions)                      Representative Director of One To One Synergy Co., Ltd.                      Representative Director of Sun Business Support Co., Ltd.                      Representative Director of Fujii Electric Works Co., Ltd.</p>	0
	<p>Reasons for Nomination and Outline of Expected Roles</p> <p>Mr. Shoichi Nakashita has been nominated as a substitute outside director who is an Audit &amp; Supervisory Committee member since we believe he will be able to appropriately reflect his knowledge and experience in corporate management gained from his management consulting operations and his direct involvement in management as representative directors of business enterprises to the Company's audit system if he is appointed director who is an Audit &amp; Supervisory Committee member. The main role expected of Mr. Nakashita is to offer advice on the increase of corporate value and reinforcement of the audit system from a wide range of viewpoints.</p>	

- Notes:
1. There are no special financial interests between the candidate and the Company.
  2. Mr. Shoichi Nakashita is a candidate for election as a substitute outside director. If he is appointed outside director who is an Audit & Supervisory Committee member, the Company plans to register him as an independent officer with the Tokyo Stock Exchange.
  3. If Mr. Shoichi Nakashita is appointed outside director who is an Audit & Supervisory Committee member, the Company plans to enter into an agreement with him that limits his liability to the minimum amount stipulated in Article 425, Paragraph (1) of the Companies Act in accordance with Article 427, Paragraph (1) of said Act.
  4. The Company has entered into a directors and officers (D&O) liability insurance policy with an insurance company as prescribed in Article 430-3, Paragraph (1) of the Companies Act. This policy is designed to indemnify the directors, who are the insureds, from damages that arise while pursuing their official responsibilities or that result from personal lawsuits brought against them seeking compensation on the grounds of such responsibilities. However, there are certain exclusions, such as cases where an act is carried out with the knowledge that it is in violation of the law. 90% of the insurance premium is borne by the Company and 10% by the insured. If Mr. Shoichi Nakashita is appointed outside director who is an Audit & Supervisory Committee member, he will be included as an insured of the insurance policy. The Company plans to renew the insurance policy with the same terms and conditions at the next renewal.

## Proposal No. 5 Introduction of a Performance-Linked, Share-Based Remuneration System for Directors (Excluding Directors and Outside Directors Who Are Audit & Supervisory Committee Members)

The remuneration system for the Company's directors (excluding directors who are Audit & Supervisory Committee members) consists of base remuneration and profit-linked remuneration linked to the performance of a single fiscal year. The amounts of base remuneration and profit-linked remuneration were approved at the 85th Ordinary General Meeting of Shareholders held on June 25, 2019 as an annual amount not exceeding ¥280,000 thousand. (However, this does not include employee salaries and bonuses for directors who concurrently serve as employees.)

The Company has decided to review the officers' remuneration system and seeks approval for introducing a new, performance-linked, share-based remuneration system (the "System"), which is remuneration based on the percentage of achievement of certain performance targets during the evaluation period, for the Company's directors (excluding directors who are Audit & Supervisory Committee members and outside directors; hereinafter, the "Eligible Directors") with the aim of providing them with incentives to continuously increase corporate value of the Company by further strengthening the link between the remuneration of the Eligible Directors and the Company's performance and stock value and to further promote value-sharing with shareholders. It also seeks approval for paying remuneration to the Eligible Directors under the System as described in section I. below within the remuneration limit of the System, which shall be within the remuneration limit mentioned above (no more than ¥280,000 thousand annually).

The number of Eligible Directors is currently five. If Proposal No. 2 is approved as proposed, the number of Eligible Directors will remain the same as the present at five.

### I. Outline of the System

It is a performance-linked, share-based remuneration system that grants monetary compensation claims to provide the Eligible Directors with the number of Company shares in accordance with the percentage of achievement of numerical targets as remuneration for the performance evaluation period. The numerical targets are targets for the Company's performance during the performance evaluation period that consists of the fiscal years corresponding to the Company's medium-term management plan and are set in advance by the Company's Board of Directors. Therefore, the payment of the monetary compensation claims to the Eligible Directors will be made after the end of the performance evaluation period, in principle.

The Eligible Directors shall pay the monetary compensation claims calculated in 2. and 3. below as investment-in-kind assets to receive issuance or disposal of Company shares. The payment of monetary compensation claims and the delivery of the Company's common shares to the Eligible Directors will be made after the end of the period subject to evaluation, which is stipulated in 1. below. Therefore, whether or not this issuance or payments will be made to the Eligible Directors and the number of common shares of the Company to be delivered or paid to them were not determined at the time of introduction of the System.

#### 1. Target period

The period for evaluating the degree of achievement of performance targets shall be the three fiscal years that correspond to the Company's third Medium-Term Management Plan announced on March 24, 2023, which is from the fiscal year ending March 2024 to the fiscal year ending March 2026 (the "Period Subject to Evaluation"). In principle, the System will continue to be implemented after the end of the initial Period Subject to Evaluation, with the following three fiscal years as the Period Subject to Evaluation.

## 2. Upper limits to the number of shares and amount of monetary compensation claims provided to Eligible Directors

Under the System, the total number of the Company's common shares to be delivered to the Eligible Directors shall be no more than 40,000 shares (the "Maximum Number of Shares to be Delivered"), and the total amount of monetary compensation claims to be paid to the Eligible Directors shall be no more than ¥70,000 thousand. These upper limits are based on the assumption that the amounts equivalent to the compensation for the execution of duties over multiple fiscal years corresponding to the Period Subject to Evaluation will be provided after the end of the Period Subject to Evaluation in a lump sum. Since the Period Subject to Evaluation is assumed to be three fiscal years, the upper limit per fiscal year will be the number of shares and amount that correspond to a third of each of the overall upper limits. If a stock split (including an allotment of Company shares without contribution) or a reverse stock split of the Company's common shares is conducted on or after the day of the resolution of this Proposal, the maximum number of shares to be delivered may be adjusted within a reasonable limit as needed according to the ratio of the split or reverse split on or after the effective day of the split or reverse split.

## 3. Calculation method of the final number of shares to be delivered and the final amount to be paid under the System

The number of the Company's common shares to be delivered to each Eligible Director (the "Final Number of Shares to be Delivered") will be determined by the Company's Board of Directors. It shall be calculated by dividing the total amount of remuneration for each fiscal year, which is derived by multiplying the remuneration base amount determined in light of the rank of each Eligible Director by the payment rate for each fiscal year calculated from the degree of achieving the performance targets for the Period Subject to Evaluation, by the share price at the time of delivery.

## 4. Procedures for delivery of shares, etc.

The delivery of the Company's common shares pertaining to the Final Number of Shares to be Delivered as determined in 3. above will be made as follows:

- (i) The Company will pay each Eligible Director monetary compensation claims in the amount calculated by multiplying the Final Number of Shares to be Delivered to the Eligible Directors by the amount to be paid for the issuance or disposal of the Company's common shares and deliver the subject common shares of the Company in exchange for the contribution in kind of said monetary compensation claims by the Eligible Directors.
- (ii) The amount to be paid for the issuance or disposal of the Company's common shares stipulated in (i) above will be determined by the Company's Board of Directors on the basis of the share price at the time of delivery, to the extent that the amount is not particularly favorable to the Eligible Director who subscribes to the Company's common shares.

## 5. Requirements for the delivery of shares to Eligible Directors

Under the System, the Company's common shares will be delivered to the Eligible Directors when the Period Subject to Evaluation has ended and the following requirements have been satisfied:

- 1) The Eligible Director continuously held the position of director of the Company or any other position determined by the Company's Board of Directors during the Period Subject to Evaluation;
- 2) There was no certain act of misconduct as determined by the Company's Board of Directors; and
- 3) Any other requirements stipulated by the Company's Board of Directors as necessary to achieve the purpose of the System have been met.

For reference, shares in the number and amount reasonably adjusted may be delivered, or, instead of such delivery, cash in the amount reasonably calculated by the Company's Board of Directors as an amount equivalent to said shares may be paid at a time reasonably determined by the Company's Board of Directors as needed in the following cases: (a) if an Eligible Director loses his/her position as a director of the Company or any other position determined by the Company's Board of Directors due to death or other reasons deemed justifiable by the Company's Board of Directors; (b) if an individual who was not an Eligible Director at the start of the Period Subject to Evaluation was newly appointed an Eligible Director; (c) if a merger agreement in which the Company becomes the merged company, a share exchange agreement, a share transfer plan, or any other matter concerning a reorganization in which the Company becomes a wholly owned subsidiary is approved by the Company's general meeting of shareholders (or the Company's Board of Directors if the approval of Company's general meeting of shareholders is not required for said reorganization); or (d) if there is any other reason deemed justifiable by the Company's Board of Directors.

## 6. Acquisition without consideration after payment of remuneration

If an Eligible Director engages in misconduct, etc. as stipulated by the Company's Board of Directors, the Company may request a refund of all remuneration paid to said Eligible Director in accordance with the System.

## II. Reasons for deeming the content of this proposal as appropriate

The System is aimed at providing the Eligible Directors with incentives to continuously increase the Company's corporate value by further strengthening the link between the remuneration of the Eligible Directors and the Company's performance and stock value and to further promote value-sharing with shareholders.

The Company has set forth a policy for determining the details of the individual remuneration of directors, the outline of which is described on page 24 of the Business Report. If this proposal is approved, the Company plans to revise the content of the policy to include the System. The Company deems the contents of this proposal to be appropriate since the total number of the Company's common shares that the Company will issue or dispose of to Eligible Directors is limited to 40,000 shares, the dilution rate of which is minor at approximately 0.32% of the total number of shares outstanding.