

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Securities Code: 9517

June 4, 2021

To our shareholders:

Hitoshi Honna
President and Representative Director
eREX Co., Ltd.
2-2-1 Kyobashi, Chuo-ku, Tokyo

Notice of the 23rd Annual General Meeting of Shareholders

We are pleased to announce the 23rd Annual General Meeting of Shareholders of eREX Co., Ltd. (the “Company”), which will be held as indicated below.

You may exercise your voting rights either of the following ways if you are unable to attend on the day of the General Meeting of Shareholders. Please take the time to consider the Reference Documents for the General Meeting of Shareholders, indicate your vote on the matters on the voting form, and return your voting form by Monday, June 21, 2021, at 5:30 p.m. (JST)

[Exercise of voting rights in writing]

Please indicate your approval or disapproval for the proposal on the enclosed voting form and return it by postal mail to reach us by the above deadline.

[Exercise of voting rights via the Internet]

Please review the “Guidance of Exercise Voting Rights via the Internet, etc.” as described hereafter (Japanese only) and exercise your voting rights no later than the above mentioned exercise date.

The Company recommends that you exercise your voting rights via the Internet. If you exercise your voting rights in writing, please send the voting form early in preparation for various circumstances such as postal delay.

- 1. Date and Time:** Tuesday, June 22, 2021, at 10:00 a.m. (JST)
- 2. Venue:** Room C D E, 4th floor, Belle Salle Tokyo Nihonbashi
Tokyo Nihonbashi Tower, 2-7-1, Nihonbashi, Chuo-ku, Tokyo

3. Purpose of the Meeting

Matters to be reported:

1. Business Report and Consolidated Financial Statements for the 23rd Term (April 1, 2020 to March 31, 2021) as well as the results of an audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the 23rd Term (April 1, 2020 to March 31, 2021)

Matters to be resolved:

- | | |
|-----------------------|--|
| Proposal No. 1 | Appropriation of Surplus |
| Proposal No. 2 | Election of Eight Directors |
| Proposal No. 3 | Election of One Audit & Supervisory Board Member |
| Proposal No. 4 | Determination of Remuneration for the Allotment of Restricted Shares to Directors
(Excluding Outside Directors) |

- Please submit the enclosed voting form at the reception when attending at the General Meeting of Shareholders.
- In order to save resources, please bring this Notice when attending the meeting.
- Please note that there are no souvenirs available for shareholders attending the meeting. We would appreciate your kind understanding.
- The following documents that should be provided by this Notice of the Annual General Meeting of Shareholders are posted on the Company’s website (<http://www.erec.co.jp>) pursuant to the application of laws and regulations and the Company’s Articles of Incorporation. Therefore, these items are not included in the attached documents to this Notice of the General Meeting of Shareholders.

- (1) System to ensure that the Company operates in an appropriate manner and overview of its implementation

- (2) Consolidated financial statements of changes in equity
 - (3) Notes to the consolidated financial statements
 - (4) Non-consolidated financial statements of changes in equity
 - (5) Notes to the non-consolidated financial statements
- Accordingly, the attached documents to this Notice of the General Meeting of Shareholders constitute a part of the documents that were audited by the Accounting Auditor and the Audit & Supervisory Board Member in preparing the audit reports.
 - If any changes have been made to items in the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements or Non-Consolidated Financial Statements, such changes will be posted on the Company's website (<http://www.erec.co.jp>).

Measures against the novel coronavirus disease (COVID-19)

[Recommendation for prior exercise of voting rights]

In order to prevent the spread of infection, you are recommended to exercise your voting rights in writing or by using the Internet, etc.

You will be able to watch the meeting on the date it is held on our IR website at a later date (scheduled on or about June 25)

[Measures on the day of the General Meeting of Shareholders]

Directors and Audit & Supervisory Board Member, and organizing staff members of the Company will wear masks during the General Meeting of Shareholders after confirming their physical condition, which includes taking their temperature.

For shareholders who plan on attending, please take the condition of your health into consideration and do not overexert yourself.

We ask for your cooperation in wearing masks, using alcohol disinfectant and taking your temperature

Shareholders with a body temperature of 37.0 degrees or higher or who appear to be feeling unwell may be denied admission.

To prevent the spread of the disease, we will arrange seating to have adequate space between shareholders. Therefore, the number of seats available for shareholders is expected to be reduced and admissions may be restricted.

For shortening of time, we are planning efficient proceeding on the day of the General Meeting of Shareholders

In the case that there are changes concerning the operation of this General Meeting of Shareholders, details will be posted on the Company's website (<http://www.erec.co.jp>).

Reference Documents for the General Meeting of Shareholders

Proposal No. 1 Appropriation of Surplus

The Company recognizes an appropriate return of profit to its shareholders as a key management priority and makes it a basic policy of the Company to pay stable and continuous dividends while maintaining a sound financial position.

In comprehensive consideration of the Company's business performance for the current fiscal year and future business development, capital investment, etc., the Company proposes that year-end dividends will be paid for the current fiscal year as follows:

Year-end dividends

- (1) Type of dividend property
Cash
- (2) Allotment of dividend property to shareholders and their aggregate amount
¥18 per common share of the Company
Total payment amount: ¥1,064,574,630
- (3) Effective date of dividends of surplus
June 23, 2021

Proposal No. 2 Election of Eight Directors

At the conclusion of this meeting, the terms of office of all ten Directors will expire. As such, the Company proposes to revise the management structure to reduce the number of Directors by two, and requests the election of eight Directors.

The candidates for Director are as follows:

Candidate No.	Name (Date of Birth)	Career summary, position in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
1	Hitoshi Honna (October 28, 1948) Reelection	<p>Apr. 1973 Joined Toa Nenryo Kogyo K.K. (renamed Tonen Corporation, current ENEOS Corporation)</p> <p>Apr. 1997 General Manager, Business Planning Department of Tonen Corporation</p> <p>Apr. 2000 Executive Vice President and Representative Director of the Company</p> <p>Apr. 2012 Director of eREX New Energy Co., Ltd. (current position)</p> <p>July 2014 President and Representative Director of eREX New Energy Saiki Co., Ltd.</p> <p>Aug. 2015 President and Representative Director of Saiki Biomass Center Co., Ltd.</p> <p>Sept. 2015 Director of eREX Spark Marketing Co., Ltd. (current Evergreen Retailing Co., Ltd.)</p> <p>Sept. 2015 President and Representative Director of eREX Sales 3 Co., Ltd. (current Evergreen Marketing Co., Ltd.)</p> <p>Apr. 2016 Director of Okinawa gas new power Co., Ltd.</p> <p>June 2016 President and Representative Director of the Company (current position)</p> <p>Oct. 2016 President and Representative Director of Buzen Biomass Center Co., Ltd.</p> <p>June 2017 Director of EREX SINGAPORE PTE. LTD.</p> <p>July 2017 President and Representative Director of Okinawa Uruma New Energy K.K. (current position)</p>	204,000 shares
<p>(Reason for nomination as candidate for Director)</p> <p>Since he assumed the office of Representative Director of the Company during its start-up period in 2000, Mr. Hitoshi Honna has supervised its management for approximately 20 years and is well versed in its operations. As President and Representative Director since 2016, he has led the Company with his strong leadership and contributed to the substantial growth of the Company group. The Company proposes his election as Director as he is expected to continue his contribution to the sustainable improvement of the group's enterprise value.</p>			

Candidate No.	Name (Date of Birth)	Career summary, position in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
2	Takanobu Yasunaga (December 16, 1971) Reelection	<p>Apr. 1994 Joined Ministry of International Trade and Industry (current Ministry of Economy, Trade and Industry)</p> <p>June 2010 Director, Legislative Affairs Office, Energy Conservation and Renewable Energy Department of the Agency for Natural Resources and Energy</p> <p>Nov. 2011 Director for Electricity Industry Policy Planning Division, Electricity and Gas Industry Department, Agency for Natural Resources and Energy</p> <p>July 2014 Director-General, Policy Planning Division, Electricity and Gas Industry Department, Agency for Natural Resources and Energy</p> <p>July 2015 Director, Electricity Infrastructure Division, Electricity and Gas Industry Department, Agency for Natural Resources and Energy</p> <p>July 2016 Director, Corporate System Division, Economic and Industrial Policy Bureau</p> <p>June 2018 Outside Director of the Company</p> <p>June 2018 Outside Director of IR Japan Holdings, Ltd. (current position)</p> <p>June 2019 Managing Director of the Company (current position)</p> <p>Nov. 2020 Director [Chair of the Board of Director] of EREX (CAMBODIA) CO., LTD. (current position)</p>	—
<p>(Reason for nomination as candidate for Director)</p> <p>Since he joined the Ministry of International Trade and Industry (current the Ministry of Economy, Trade and Industry), Mr. Takanobu Yasunaga engaged in duties in the energy-related area for many years and has abundant operational experience and deep insight into the extensive energy-related area, and since he assumed the office of Managing Director of the Company, he has led the group's Corporate Planning Division. The Company proposes his election as Director as he is expected to continue his contribution to the sustainable improvement of the group's enterprise value.</p>			

Candidate No.	Name (Date of Birth)	Career summary, position in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
3	Yasushi Saito (November 23, 1971) Reelection	<p>Apr. 1995 Joined Showa Shell Sekiyu K.K.</p> <p>Oct. 2001 Joined the Company</p> <p>Oct. 2008 General Manager, Business Development Division of the Company</p> <p>Oct. 2015 Executive Officer and General Manager, Business Development Division of the Company</p> <p>July 2016 Executive Officer and General Manager, Corporate Planning Division of the Company</p> <p>Apr. 2018 Executive Officer and General Manager, Sales Division of the Company</p> <p>June 2018 Director and General Manager, Sales Division of the Company</p> <p>June 2018 Director of eREX Spark Marketing Co., Ltd. (current Evergreen Retailing Co., Ltd.)</p> <p>June 2018 Representative Director and Senior Managing Director of Okinawa gas new power Co., Ltd.</p> <p>Mar. 2019 Director and General Manager, Sales Division and Energy Marketing Division of the Company</p> <p>June 2019 President and Representative Director of eREX Spark Marketing Co., Ltd. (current Evergreen Retailing Co., Ltd.)</p> <p>Oct. 2019 Director and General Manager, Sales Division of the Company</p> <p>June 2020 Executive Officer of XOOM Energy Japan, G.K. (current T'dash G.K.) (current position)</p> <p>July 2020 Director and General Manager, Human Resources Division of the Company (current position)</p> <p>Mar. 2021 Director of Okinawa gas new power Co., Ltd. (current position)</p>	72,000 shares
<p>(Reason for nomination as candidate for Director)</p> <p>Since he joined the Company, Mr. Yasushi Saito engaged in business development, corporate planning, sales and other operations and has contributed to the development of the Company's businesses and growth of its sales with his abundant operational experience and deep insight into the energy industry. The Company proposes his election as Director as he is expected to continue his contribution to the sustainable improvement of the group's enterprise value.</p>			

Candidate No.	Name (Date of Birth)	Career summary, position in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
4	Toshimichi Tanaka (October 25, 1971) Reelection	<p>Apr. 1994 Joined Meitan Tradition Co., Ltd. (current Tradition Nihon Ltd.)</p> <p>Oct. 1999 Joined Nittan Exco Ltd. (current Nittan Capital Group Limited)</p> <p>Mar. 2000 Joined the Company</p> <p>Oct. 2008 General Manager, Sales Division of the Company</p> <p>June 2015 Executive Officer and General Manager, Sales Division of the Company</p> <p>Sept. 2015 Director of eREX Sales 3 Co., Ltd. (current Evergreen Marketing Co., Ltd.)</p> <p>Oct. 2015 Director of eREX Spark Marketing Co., Ltd. (current Evergreen Retailing Co., Ltd.)</p> <p>Apr. 2018 Senior Executive Officer and General Manager, Energy Market Division of the Company</p> <p>Mar. 2019 President and Representative Director of Evergreen Marketing Co., Ltd. (current position)</p> <p>June 2019 Director of the Company (current position)</p> <p>July 2020 President and Representative Director of Evergreen Retailing Co., Ltd. (current position)</p> <p>Mar. 2021 Director of Okinawa gas new power Co., Ltd. (current position)</p>	42,000 shares
<p>(Reason for nomination as candidate for Director)</p> <p>Since he joined the Company, Mr. Toshimichi Tanaka engaged in operations related to sales and the energy market and has contributed to the development of the Company's businesses and growth of its sales with his abundant operational experience and deep insight into the energy industry. The Company proposes his election as Director as he is expected to continue his contribution to the sustainable improvement of the group's enterprise value.</p>			

Candidate No.	Name (Date of Birth)	Career summary, position in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
5	Tomoki Kakuta (July 14, 1964) Reelection	<p>Apr. 1989 Joined Toa Nenryo Kogyo K.K. (renamed TonenGeneral Sekiyu K.K., current ENEOS Corporation)</p> <p>Jan. 2005 General Manager of the Wakayama Refinery Technical Department of TonenGeneral Sekiyu K.K.</p> <p>Apr. 2011 Executive Officer and General Manager, Public Relations Department of TonenGeneral Sekiyu K.K.</p> <p>Mar. 2013 Executive Officer and Wakayama Refinery Manager of TonenGeneral Sekiyu K.K.</p> <p>Jan. 2016 Executive Officer and General Manager, Corporate Planning Division of KH Neochem Co., Ltd.</p> <p>Oct. 2018 Joined the Company</p> <p>Oct. 2018 General Manager, Corporate Planning Division of the Company</p> <p>June 2019 Director and General Manager, Human Resources and Administration Division of the Company</p> <p>June 2019 Director of Okinawa gas new power Co., Ltd.</p> <p>Nov. 2019 Director of eREX Spark Marketing Co., Ltd. (current Evergreen Retailing Co., Ltd.)</p> <p>June 2020 Director of the Company (current position)</p> <p>June 2020 President and Representative Director of Saiki Biomass Center Co., Ltd. (current position)</p> <p>June 2020 President and Representative Director of Buzen Biomass Center Co., Ltd. (current position)</p> <p>July 2020 Director of EREX SINGAPORE PTE. LTD. (current position)</p>	—
<p>(Reason for nomination as candidate for Director)</p> <p>Mr. Tomoki Kakuta has a high level of knowledge based on his long-term experience in the energy industry and has contributed to the development of the Company's business as General Manager of the Corporate Planning Division and General Manager of the Human Resources and Administration Division. The Company proposes his election as Director as he is expected to continue his contribution to the sustainable improvement of the group's enterprise value.</p>			

Candidate No.	Name (Date of Birth)	Career summary, position in the Company, and significant concurrent positions outside the Company		Number of the Company's shares owned
6	Makoto Tamura (July 23, 1966) Tenure as Director: Seven years and five months Reelection Outside Independent	Apr. 1990	Joined Nomura Securities Co., Ltd.	—
		Oct. 2009	President and Representative Director of Shijo Co., Ltd. (current position)	
		Jan. 2014	Outside Director of the Company (current position)	
(Reason for nomination as candidate for outside Director and outline of expected roles) Mr. Makoto Tamura has a high level of knowledge based on his long-term experience in the financial and securities industry and extensive insight regarding overall business management. The Company believes that he is qualified as outside Director as he is expected to play a role in ensuring the reasonableness and appropriateness of decision-making by the Board of Directors and to continue providing useful advice on the group's management strategy.				
7	Michiaki Morita (March 7, 1949) Tenure as Director: Three years Reelection Outside Independent	Apr. 1972	Joined the Bank of Japan	—
		May 1999	Director-General, Operations Department	
		June 2003	General Manager, Financial Sales Division of Accenture Japan Ltd	
		May 2006	President and Representative Director of Ueda Yagi Tanshi Co., Ltd.	
		May 2014	Director and Executive Advisor of Ueda Yagi Tanshi Co., Ltd.	
		May 2016	Executive Advisor of Ueda Yagi Tanshi Co., Ltd.	
		May 2018	Adviser of Ueda Yagi Tanshi Co., Ltd.	
		June 2018	Outside Director of the Company (current position)	
(Reason for nomination as candidate for outside Director and outline of expected roles) Mr. Michiaki Morita has a high level of knowledge based on his long-term experience in the financial and securities industry and extensive insight regarding overall business management. The Company believes that he is qualified as outside Director as he is expected to play a role in ensuring the reasonableness and appropriateness of decision-making by the Board of Directors and to continue providing useful advice on the group's management strategy.				

Candidate No.	Name (Date of Birth)	Career summary, position in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
8	Shigeru Kimura (February 18, 1948) Tenure as Director: Two years Reelection Outside Independent	<p>July 1971 Joined Tokyo Electric Power Company Incorporated</p> <p>June 2001 General Manager, Electric Power Contract Department of Tokyo Electric Power Company, Incorporated</p> <p>June 2003 Director in charge of the Sales Department and General Manager of the Electric Power Contract Department of Tokyo Electric Power Company, Incorporated</p> <p>June 2004 Executive Officer and Deputy General Manager, Sales Division of Tokyo Electric Power Company, Incorporated</p> <p>June 2005 Managing Executive Director and Deputy General Manager, Marketing and Sales Division of Tokyo Electric Power Company, Incorporated</p> <p>June 2007 Executive Vice President and General Manager, Marketing and Sales Division of Tokyo Electric Power Company, Incorporated</p> <p>June 2010 Director of Tokyo Electric Power Company, Incorporated</p> <p>June 2010 Vice Chairman of The Federation of Electric Power Companies of Japan</p> <p>Mar. 2016 Outside Director (Audit and Supervisory Committee Member) of TOA OIL Co., Ltd. (current position)</p> <p>June 2019 Outside Director of the Company (current position)</p>	—
<p>(Reason for nomination as candidate for outside Director and outline of expected roles)</p> <p>Mr. Shigeru Kimura has a high level of knowledge based on his long-term experience in the electric power industry and extensive insight regarding overall business management. The Company believes that he is qualified as outside Director as he is expected to play a role in ensuring the reasonableness and appropriateness of decision-making by the Board of Directors and to continue providing useful advice on the group's management strategy.</p>			

- Notes:
1. The number of the Company's shares owned by each candidate doesn't include the number of shares owned through the officer stock ownership association of the Company.
 2. Mr. Hitoshi Honna is the President and Representative Director of Okinawa Uruma New Energy K.K., a subsidiary of the Company, and since the Company has transactions including outsourcing with the subsidiary, there is a special interest.
 3. Mr. Toshimichi Tanaka is the Representative Director of Evergreen Marketing Co., Ltd. and Evergreen Retailing Co., Ltd., which are subsidiaries of the Company, and since the Company has transactions including electricity wholesale with each of these subsidiaries, there is a special interest.
 4. There is no special interest between any candidates other than Mr. Hitoshi Honna, and Mr. Toshimichi Tanaka and the Company.
 5. The Company has entered into an agreement of Directors and officers liability insurance with an insurance company in accordance with paragraph 1 of Article 430-3 of the Companies Act and if claim for damages is made by shareholder(s) or any third party, the compensation for the damage, fees for legal actions, etc. shall be paid for by said insurance agreement. The candidates for Director are included in the insured of said insurance agreement and if they are reelected, they will be included in the insured of said insurance agreement. The insurance premiums including special insurance premiums are fully paid by the Company, and the insured will not pay the premiums.
 6. Mr. Makoto Tamura, Mr. Michiaki Morita and Mr. Shigeru Kimura are candidates for outside Director.
 7. The tenure of the candidates for outside Director shall be the term as of the conclusion of this meeting.
 8. Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company has entered into agreements with Mr. Makoto Tamura, Mr. Michiaki Morita, and Mr. Shigeru Kimura to limit their liability for damages under Article 423, paragraph 1 thereof. Pursuant to the said agreement, the defined maximum amount of liability for damages is the minimum liability amount provided for under Article 425, paragraph 1 of the Companies Act. If the reelection of Mr. Makoto Tamura, Mr. Michiaki Morita, and Mr. Shigeru Kimura are approved, the Company plans to renew the aforementioned agreement with them.

9. The Company has submitted notification to Tokyo Stock Exchange, Inc. that Mr. Makoto Tamura, Mr. Michiaki Morita, and Mr. Shigeru Kimura have been appointed as independent officers as provided for by the aforementioned exchange. If the reelection of Mr. Makoto Tamura, Mr. Michiaki Morita, and Mr. Shigeru Kimura are approved, the Company plans to submit notification concerning their appointment as independent officers.

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

Audit & Supervisory Board Member Tsuneo Tsuiki will retire at the conclusion of this meeting. Accordingly, the Company proposes the election of one new 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, position in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
<p>Hideki Kataoka (April 12, 1960) New candidate Outside Independent</p>	<p>Apr. 1986 Joined HANWA Co., Ltd. Apr. 2014 General Manager of Structural Steel Sheets Dept., Tokyo Head Office, HANWA Co., Ltd. Apr. 2015 Director in charge of Steel Sheets Sales Dept., Structural Steel Sheets Dept., and Niigata Branch Office, and General Manager of Structural Steel Sheets Dept., Tokyo Head Office, HANWA Co., Ltd. Apr. 2017 Executive Officer in charge of Steel Sheets Sales Dept., Structural Steel Sheets Dept., Pipe & Tube Sales Dept., Steel Sheets Dept., and Niigata Branch Office, HANWA Co., Ltd. Apr. 2019 Executive Officer in charge of Lumber & Plywood Division and Machinery Division, HANWA Co., Ltd. Apr. 2021 Executive Officer, HANWA Co., Ltd. (current position)</p>	<p>—</p>
<p>(Reason for nomination as candidate for outside Audit & Supervisory Board Member) Mr. Hideki Kataoka has a high level of knowledge based on his long-term experience in a trading company and extensive insight regarding overall business management as a manager. The Company believes that he is qualified as outside Audit & Supervisory Board Member as he is expected to contribute to ensuring the reasonableness of business decision, and transparency and soundness of management of the Company and to utilize his knowledge for auditing of decision-making by the Directors and the status of their execution of duties.</p>		

- Notes:
1. Mr. Hideki Kataoka is a new candidate for outside Audit & Supervisory Board Member.
 2. There is no special interest between the candidate and the Company.
 3. Mr. Hideki Kataoka is a candidate for outside Audit & Supervisory Board Member.
 4. The Company has entered into an agreement of Directors and officers liability insurance with an insurance company in accordance with paragraph 1 of Article 430-3 of the Companies Act and if claim for damages is made by shareholder(s) or any third party, the compensation for the damage, fees for legal actions, etc. shall be paid for by said insurance agreement. If he is elected, he will be included in the insured of said insurance agreement. The insurance premiums including special insurance premiums are fully paid by the Company, and the insured will not pay the premiums.
 5. If the election of Mr. Hideki Kataoka is approved, the Company plans to enter into an agreement with him to limit his liability for damages under Article 423, paragraph 1 of the Companies Act pursuant to the provisions of Article 427, paragraph 1 of the same Act. Pursuant to the said agreement, the defined maximum amount of liability for damages will be the minimum liability amount provided for under Article 425, paragraph 1 of the Companies Act.
 6. Furthermore, Mr. Hideki Kataoka satisfies the requirements for an independent officer as provided for by Tokyo Stock Exchange, Inc., and the Company plans to submit notification concerning his appointment as an independent officer if his election is approved.

Proposal No. 4 Determination of Remuneration for the Allotment of Restricted Shares to Directors (Excluding Outside Directors)

1. The purpose and reason for the changes to be made to the share-based remuneration to Directors (excluding outside Directors)

Remuneration to Directors of the Company consists of basic remuneration, bonus, and share-based remuneration. It was approved at the Extraordinary General Meeting of Shareholders held on January 16, 2014, which was before the Company was listed on the Mothers market of the Tokyo Stock Exchange, that the total amount of the basic remuneration and bonus (excluding salaries paid to the Directors who also serve as an employee of the Company for their performance as an employee) per year would be no more than ¥400 million (hereinafter referred to as the “Maximum Remuneration”).

For the share-based remuneration, it was approved at the 18th Annual General Meeting of Shareholders held on June 24, 2016 that the Company would introduce the share-based remuneration system based on performance utilizing the BIP (Board Incentive Plan) trust (hereinafter referred to as the “Current System”), the maximum amount of which was set aside separately from the Maximum Remuneration for Directors mentioned above.

The Company has reviewed the share-based remuneration and now proposes to introduce a new share-based remuneration system with restricted shares (hereinafter referred to as the “Proposed System”) to replace the Current System.

Introduction of the Proposed System entails a provision of monetary remuneration claims as remuneration to the Directors of the Company except for outside Directors (hereinafter referred to as the “Eligible Directors”) for the purpose of the allotment of restricted shares. Therefore, the Company seeks approval at this meeting for the provision of such remuneration.

If this proposal is passed, the Company will no longer make additional contributions under the Current System and terminate the Current System upon full provision of all remaining common shares and their equivalent of the Company.

The aim of the Proposed System is to promote further value sharing between the Eligible Directors and shareholders, and to serve as an added incentive for the ongoing enhancement of medium- to long-term business performance and shareholder value. The percentage of the maximum number of the restricted shares allotted as stipulated in item 2 (2) below in the total number of outstanding shares will be approximately 0.4% (the said percentage for the ten-year period from the introduction will be approximately 4% even if the maximum number of the restricted shares is issued each year), indicating that the dilution ratio is insignificant. Therefore, the Company believes it reasonable to introduce the Proposed System.

If this proposal is approved, the Company will revise the “Policies for the determination of individual remuneration to the Directors” stated in the Business Report, based on this proposal.

The Company currently has ten Directors including three outside Directors. If Proposal No. 2 is approved, the Company will have eight Directors including three outside Directors.

2. Outline of the Proposed System

(1) The total amount of monetary remuneration claims to be provided for the allotment of the restricted shares and payment thereof

The total amount of the monetary remuneration claims to be provided by the Company pursuant to the Proposed System to the Eligible Directors for the allotment of the restricted shares shall be no more than ¥200 million per year, which shall be separate from the Maximum Remuneration to the Directors as mentioned above.

The Company will, pursuant to a resolution of its Board of Directors, provide the monetary remuneration claims to the Eligible Directors, the total amount of which shall not exceed the total yearly amount stipulated above. The Eligible Directors will in turn pay the full amount of the monetary remuneration claim as an in-kind capital contribution, in exchange for the allotment of the restricted shares.

The amount to be paid in per share in relation to the allotment will be determined by the Board of Directors of the Company on the basis of the closing price of the common shares of the Company at the Tokyo Stock Exchange on the day prior to the day of resolution by the Board of Directors in relation to the issuance or disposition of the shares (if there is no trading on such date, the closing price of the

closest preceding day on which the trading took place), provided that the amount shall not be significantly favorable to the Eligible Directors.

Provision of the aforementioned monetary remuneration claims will be contingent on the Eligible Directors agreeing to pay in the in-kind capital contribution as above and executing an agreement on the allotment of restricted share that contains the provision stated in item (3) below.

(2) Total number of the restricted shares

Total number of the restricted shares to be allotted to the Eligible Directors in each fiscal year shall not exceed 200,000.

However, the Company may reasonably adjust the total number of the restricted shares, if it engages in a share split (including an allotment of its common shares without contribution) or consolidation of its common shares after the date of the resolution of this proposal, or in similar situations it becomes necessary to make certain adjustments in the total number of the restricted shares to be allotted.

(3) Summary of the Restricted Shares Allotment Agreement

In accordance with a resolution by the Company's Board of Directors, the restricted shares allotment agreement to be concluded between the Company and the Eligible Directors receiving an allotment of Restricted Shares shall include the following provisions.

(i) Definitions of Transfer Restrictions

The Eligible Directors who have received an allotment of Restricted Shares may not transfer, establish a pledge, establish transfer security interest, make a gift before death, bequeath or otherwise dispose of the Restricted Shares (hereinafter the "Applicable Allotted Shares") to a third party during a period over 3 years and set by the Company's Board of Directors (hereinafter the "Transfer Restriction Period").

(ii) Acquisition of Allotted Shares without contribution

In the event that the Eligible Director who has received an allotment of Restricted Shares retires from his or her position as Director before the day preceding the day of the first General Meeting of Shareholders following the Transfer Restriction Period start date, the Company shall acquire the Applicable Allotted Shares without contribution, unless there is a reason recognized as legitimate by the Company's Board of Directors.

Also, if there are any Applicable Allotted Shares for which the Transfer Restrictions have not been lifted in accordance with the provisions on reasons for the lifting of the Transfer Restrictions as mentioned in (iii) below at the time that the Transfer Restriction Period mentioned in (i) above has ended, the Company shall acquire these Applicable Allotted Shares without contribution.

(iii) Lifting of the Transfer Restrictions

On the condition that the Eligible Director who has received an allotment of Restricted Shares continuously maintains his or her position as a Director of the Company until the date of the first General Meeting of Shareholders following the Transfer Restriction Period start date, the Company shall lift the Transfer Restrictions for all Applicable Allotted Shares upon expiry of the Transfer Restriction Period.

However, if, due to a reason that the Company's Board of Directors deems as justifiable, the Eligible Director in question retires from his or her position as a Director of the Company prior to the expiry of the Transfer Restriction Period, the number

of Applicable Allotted Shares for which the Transfer Restrictions are lifted, as well as the timing of the lifting of the Transfer Restrictions shall be adjusted to the extent reasonable as needed.

(iv) Treatment during reorganization, etc.

If, during the Transfer Restriction Period, matters relating to a merger agreement in which the Company is the dissolving company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or some other reorganization, etc. are approved at the Company's General Meeting of Shareholders (or, in the case where the approval at the

Company's General Meeting of Shareholders is not required in relation to the reorganization, etc. in question, at a meeting of the Company's Board of Directors), by resolution of the Company's Board of Directors, the Company shall lift the Transfer Restrictions for the number of Applicable Allotted Shares determined rationally based on the period from the Transfer Restriction Period start date until the date on which the reorganization, etc. are approved, in advance of the date on which the reorganization, etc. enter into effect.

In this event, the Company shall acquire without contribution the Applicable Allotted Shares for which the Transfer Restrictions have not been lifted at the time immediately following the lifting of the Transfer Restrictions based on the above stipulation.