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Securities Code: 9052

June 1, 2022

To our shareholders:

Kazuhiro Uekado,
President and Representative Director
Sanyo Electric Railway Co., Ltd.
1-1 Oyashikidori 3-chome, Nagata-ku, Kobe

Notice of the 133rd Annual General Meeting of Shareholders

It is my pleasure to inform you that the 133rd Annual General Meeting of Shareholders of Sanyo Electric Railway Co., Ltd. (hereinafter the “Company”) will be held as described below.

In view of the novel coronavirus disease (COVID-19) pandemic, we request that you carefully consider whether to attend the meeting in person. Please read the attached Reference Documents for the General Meeting of Shareholders and **exercise your voting rights in writing or through the Internet, etc. by 5:30 p.m. on Thursday, June 16, 2022.**

1. Date and Time: Friday, June 17, 2022, at 10:00 a.m. (JST)
(Reception opens at 9:00 a.m.)

2. Venue: Kobe Shimbun Matsukata Hall, 4F, Kobe Information Culture Building
5-7 Higashi-kawasaki-cho 1-chome, Chuo-ku, Kobe

3. Purpose of the Meeting

Matters to be reported

1. The Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements for the Company’s 133rd Fiscal Year (April 1, 2021 to March 31, 2022)
2. The audit results of the Consolidated Financial Statements by the Financial Auditor and the Audit & Supervisory Board

Matters to be resolved

- Proposal No. 1:** Dividend of Surplus
Proposal No. 2: Amendment to the Articles of Incorporation
Proposal No. 3: Election of Two Directors
Proposal No. 4: Election of Two Audit & Supervisory Board Members
Proposal No. 5: Determination of the Amount and Details of Stock-based Remuneration, etc. for Directors Who Concurrently Serve as Executive Officers
Proposal No. 6: Revision of the Amount of Remuneration, etc. for Directors

4. Other

- If attending the meeting, please submit the enclosed voting form to the reception desk at the venue upon your arrival.
- If the Reference Documents for the General Meeting of Shareholders, the Business Report, Consolidated Financial Statements, or Non-consolidated Financial Statements are amended, then the amendments will be posted on the Company’s website (<https://www.sanyo-railway.co.jp/company/soukai.html>).

Reference Documents for the General Meeting of Shareholders

Proposals and Reference Information

Proposal No. 1: Dividend of Surplus

The Company determines dividends based on comprehensive consideration of factors such as maintenance of stable dividend payments that are balanced with internal reserves, financial position, the level of profits and the dividend payout ratio.

In the fiscal year ended March 31, 2022, the Company was again significantly impacted by COVID-19 and was forced to operate its business in a difficult business environment. However, considering that extraordinary income was recorded due to the sale of business real estate, the Company proposes to pay a year-end dividend for the fiscal year under review as follows.

Year-end dividend

- (1) Allotment of dividend property to shareholders and the aggregate amount of this allotment
¥15 per common share of the Company Total payment: ¥333,289,425
The annual dividend will be ¥30 per share, including the interim dividend of ¥15.
- (2) Effective date of dividend of surplus
June 20, 2022

Proposal No. 2: Amendment to the Articles of Incorporation

1. Reasons for the proposal

- (1) The Company proposes to delete Article 15 (Venue) of the current Articles of Incorporation, which limits the place of convocation of the General Meeting of Shareholders, in order to broaden the options for the venue of the General Meeting of Shareholders in case of natural disasters or other unforeseen circumstances.
- (2) Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation in preparation for the introduction of the system for providing informational materials for the general meeting of shareholders in electronic format.
 - (i) A new provision is to be established in Article 17 in “Proposed amendments” below, which stipulates that the Company shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format, and limits the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
 - (ii) Since Article 18 of the current Articles of Incorporation (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) will no longer be required, it will be deleted.
 - (iii) Accompanying the aforementioned establishment and deletion of provisions, supplementary provisions regarding the effective date, etc. will be established.
- (3) Accordingly, the Company intends to renumber the articles of the Articles of Incorporation.

2. Details of the amendment

Details of the amendment are as follows:

(Amended parts are underlined)

Current Articles of Incorporation	Proposed amendments
Chapter 3 General Meeting of Shareholders	Chapter 3 General Meeting of Shareholders
<u>(Venue)</u>	
<u>Article 15</u>	
<u>The Company shall hold its general meeting of shareholders in Kobe, Japan.</u>	(Deleted)
(Record Date of Annual General Meeting of Shareholders)	(Record Date of Annual General Meeting of Shareholders)
<u>Article 16</u>	<u>Article 15</u>
to (Omitted)	to (Unchanged)
(Chairperson)	(Chairperson)
<u>Article 17</u>	<u>Article 16</u>
<u>(Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u>	
<u>Article 18</u>	
<u>When the Company convenes a general meeting of shareholders, if it discloses information that is to be stated or presented in the reference documents for the general meeting of shareholders, business report, financial statements and consolidated financial statements through the internet in accordance with the provisions prescribed by the Ministry of Justice Order, it may be deemed that the Company has provided this information to shareholders.</u>	(Deleted)

Current Articles of Incorporation	Proposed amendments
<p>(Newly established)</p> <p>(Method of Resolution) <u>Article 19</u> to (Omitted) (Exclusion Period for Dividends) <u>Article 40</u></p>	<p><u>(Measures, etc. for Providing Information in Electronic Format)</u> <u>Article 17</u> <u>When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.</u> <u>Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p> <p>(Method of Resolution) <u>Article 18</u> to (Unchanged) (Exclusion Period for Dividends) <u>Article 39</u></p>
<p>(Newly established)</p> <p>(Newly established)</p> <p>(Newly established)</p>	<p style="text-align: center;"><u>Supplementary Provisions</u></p> <p><u>Article 1</u> <u>The deletion of Article 18 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) in the pre-amended Articles of Incorporation and the establishment of the new Article 17 (Measures, etc. for Providing Information in Electronic Format) in the amended Articles of Incorporation shall be effective from September 1, 2022, which is the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”).</u></p> <p><u>Article 2</u> <u>Notwithstanding the provision of the preceding article, Article 18 of the pre-amended Articles of Incorporation shall remain effective regarding any general meeting of shareholders held on a date within six months from the Date of Enforcement.</u></p> <p><u>Article 3</u> <u>These Supplementary Provisions shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the general meeting of shareholders in the preceding article, whichever is later.</u></p>

Proposal No. 3: Election of Two Directors

As two Directors, Ikuo Yoshida and Akihiko Kanatani will resign at the conclusion of this General Meeting of Shareholders, the Company proposes the election of two Directors to fill their vacancies. In accordance with the provisions of Article 23 of the Company's current Articles of Incorporation, the term of office of the Directors elected at this General Meeting of Shareholders will expire at the conclusion of the Annual General Meeting of Shareholders to be held in June 2023, the remaining term of office of their predecessors.

The candidates are as follows:

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
1	Masahiro Ito (January 2, 1964) New election Male	Apr. 1987 Joined the Company July 2007 General Manager of Automotive Department, Automotive Sales Division Feb. 2011 President and Representative Director of Osaka Sanyo Taxi Co., Ltd. Feb. 2014 Senior Managing Director of Sanyo Bus Co., Ltd. July 2017 President and Representative Director of Sanyo Taxi Co., Ltd. (current position) Dec. 2021 Manager of Sustainability Promotion Department, Corporate Management Division, the Company (current position) Significant concurrent positions outside the Company President and Representative Director of Sanyo Taxi Co., Ltd.	1,400
(Reasons for election and summary of expected roles) Mr. Ito currently serves as Manager of Sustainability Promotion Department, Corporate Management Division, as well as President and Representative Director of a subsidiary. He possesses abundant knowledge acquired through service as Director of subsidiaries, as well as in important positions in the Company's management division. The Company has nominated him as a new candidate for Director because he can be expected to contribute to further enhancing the Group's corporate value.			

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
2	Fumiteru Kawakubo (December 31, 1970) New election Male	<p>Apr. 1993 Joined the Company</p> <p>July 2009 Manager of Housing Business Department, Development Business Division</p> <p>Jan. 2014 Manager of Housing Business Department, Development Business Division</p> <p>July 2016 Manager of Development Business Division</p> <p>Apr. 2020 Executive Officer (current position) In charge of Sales Management, Site Management and Business Promotion Group, Development Business Division and Manager of Development Business Division</p> <p>July 2020 In charge of Sales Management, Site Management and Business Promotion Group, Development Business Division and Manager of Development Business Division</p> <p>July 2021 In charge of Sales Management, Site Management and Business Promotion Group, Development Business Division and Manager of Business Promotion Department (current position)</p> <p>Responsibilities: In charge of Sales Management, Site Management and Business Promotion Group, Development Business Division and Manager of Business Promotion Department</p>	2,200
<p>(Reasons for election and summary of expected roles)</p> <p>Mr. Kawakubo currently serves as Executive Officer in charge of Sales Management, Site Management and Business Promotion Group, Development Business Division. He possesses abundant knowledge acquired through service in important positions in the real estate division. The Company has nominated him as a new candidate for Director because he can be expected to contribute to further enhancing the Group's corporate value.</p>			

- Notes:
1. Masahiro Ito and Fumiteru Kawakubo are new candidates for Director.
 2. There are no special interests between either of the candidates for Director, Mr. Ito and Mr. Kawakubo, and the Company.
 3. The Company has entered into a directors and officers liability insurance contract with an insurance company, as set forth in Article 430-3, paragraph (1) of the Companies Act. Insured parties under this contract include Directors, Audit & Supervisory Board Members, and Executive Officers of the Company, as well as Directors and Audit & Supervisory Board Members of all subsidiaries of the Company. The insurance premium associated with this contract is paid entirely by the Company. The contract covers losses that may arise from an insured party's assumption of liability incurred as a result of his or her performance of duties, or receipt of claims pertaining to the pursuit of such liability. The Company intends to renew the contract under the same terms after the present term of the insurance expires. The contract also contains certain exceptions, excluding from coverage liability arising from acts that deliberately contravene laws or regulations. Each candidate elected will be an insured party under the insurance contract.
 4. Both Ikuo Yoshida and Akihiko Kanatani will retire from the position of Executive Officer at the conclusion of this General Meeting of Shareholders.

Proposal No. 4: Election of Two Audit & Supervisory Board Members

As two Audit & Supervisory Board Members, Osamu Moriya and Hironori Katsuda will resign at the conclusion of this General Meeting of Shareholders, the Company proposes the election of two Audit & Supervisory Board Members to fill their vacancies. In accordance with the provisions of Article 32 of the Company's current Articles of Incorporation, the term of office of the Audit & Supervisory Board Members elected at this General Meeting of Shareholders will expire at the conclusion of the Annual General Meeting of Shareholders to be held in June 2024, the remaining term of office of their predecessors.

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

The candidates are as follows:

Candidate No.	Name (Date of birth)	Career summary and position in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
1	Jiroh Kagawa (January 3, 1953) New election Male Outside Independent Officer	Apr. 1976 Joined The Kansai Electric Power Company, Incorporated June 2009 Managing Director June 2011 Executive Vice President and Representative Director June 2013 Representative Director and Executive Vice President June 2018 Chairperson, Representative Director of Kanden Realty & Development Co., Ltd. (current position)	0
		Significant concurrent positions outside the Company Chairperson, Representative Director of Kanden Realty & Development Co., Ltd.	
(Reasons for election) Mr. Kagawa possesses broad experience related to corporate management, abundant knowledge acquired through the practice of real estate business, etc., as well as insight into audit services. The Company has nominated him as a new candidate for outside Audit & Supervisory Board Member to harness his experience and knowledge in the audit of the Company.			
2	Akihiko Kanatani (January 21, 1961) New election Male	Apr. 1984 Joined the Company July 2006 Counselor to Business Promotion Office Feb. 2007 Counselor to Audit Office July 2007 Manager of Technical Department, Railway Business Division June 2013 Manager (Manager in charge of Safety) of Railway Sales Department, Railway Business Division June 2015 Director (current position) Deputy General Manager of Railway Business Division, and Manager of Safety Promotion and Planning Department Apr. 2020 Executive Officer (current position) June 2020 General Manager of Audit Office (current position)	7,100
		(Reasons for election) Mr. Kanatani has gained, through his service in important positions in the railway and audit divisions, experience and abundant knowledge required of an audit & supervisory board member within the Company. The Company has nominated him as a new candidate for Audit & Supervisory Board Member to harness his experience and knowledge in the audit of the Company.	

- Notes:
1. Jiroh Kagawa and Akihiko Kanatani are new candidates for Audit & Supervisory Board Member.
 2. There are no special interests between either of the candidates for Audit & Supervisory Board Member, Mr. Kagawa and Mr. Kanatani, and the Company.
 3. Mr. Kagawa is a candidate for outside Audit & Supervisory Board Member.
 4. In accordance with Article 427, paragraph (1) of the Companies Act, if the election of Mr. Kagawa is approved, the Company intends to enter into an agreement with him under which his liability for damages pursuant to Article 423, paragraph (1) of the same act is limited to the amount provided for by laws and regulations.

5. At The Kansai Electric Power Company, Incorporated of which Mr. Kagawa served as Director and Kanden Realty & Development Co., Ltd. of which he currently serves as Chairperson, Representative Director, executives and employees of both companies received cash and gifts, etc. from Eiji Moriyama, a former Deputy Mayor of the town Takahama, Oigun, Fukui Prefecture, and other relevant parties. The tax inspection conducted by the Kanazawa Regional Taxation Bureau of the National Tax Agency from February 2018 led to an internal investigation and an investigation by a third-party committee. In March 2020, The Kansai Electric Power Company, Incorporated received a business improvement order from the Minister of Economy, Trade and Industry under the Electricity Business Act.
6. The Company has entered into a directors and officers liability insurance contract with an insurance company, as set forth in Article 430-3, paragraph (1) of the Companies Act. Insured parties under this contract include Directors, Audit & Supervisory Board Members, and Executive Officers of the Company, as well as Directors and Audit & Supervisory Board Members of all subsidiaries of the Company. The insurance premium associated with this contract is paid entirely by the Company. The contract covers losses that may arise from an insured party's assumption of liability incurred as a result of his or her performance of duties, or receipt of claims pertaining to the pursuit of such liability. The Company intends to renew the contract under the same terms after the present term of the insurance expires. The contract also contains certain exceptions, excluding from coverage liability arising from acts that deliberately contravene laws or regulations. Each candidate elected will be an insured party under the insurance contract.
7. Mr. Kagawa fulfills the criteria for an independent officer as prescribed by the Tokyo Stock Exchange, and the Company intends to register him as an independent officer with the exchange.

(Reference) If Proposals No. 3 and No. 4 are approved and passed without alteration, the skill matrix of the Company's Directors and Audit & Supervisory Board Members will be as follows:

	Name	Corporate management	Finance and accounting	Legal, risk management and internal audit	Human resources, labor relations and organizational strategy	Transportation	Real estate
Director	Kazuhiro Uekado	●		●	●	●	
	Takashi Nakano	●	●	●	●		
	Shinichi Yoneda	●					●
	Ryuji Masuda					●	
	Masahiro Ito	●		●		●	
	Fumiteru Kawakubo						●
	Takaoki Fujiwara	●			●	●	
	Makoto Nagao	●			●	●	
	Yoko Sato		●	●			
Audit & Supervisory Board Member	Takashi Imae	●		●		●	
	Akihiko Kanatani	●		●		●	
	Kazuhiko Nakao	●	●	●	●		●
	Jiroh Kagawa	●		●	●		●

Proposal No. 5: Determination of the Amount and Details of Stock-based Remuneration, etc. for Directors Who Concurrently Serve as Executive Officers

1. Reasons for the proposal and reasons that the proposed remuneration plan is considered to be appropriate

The remuneration for the Company's Directors who concurrently serve as Executive Officers (excluding outside Directors; hereinafter the same applies and referred to as "Eligible Persons") is composed of "fixed remuneration (supervisory remuneration and executive remuneration)" and "performance-linked remuneration." The Company now requests approval to additionally introduce a stock-based remuneration plan (hereinafter the "Plan"). The Company would like to leave the decision on the details of the Plan to the discretion of the Board of Directors within the scope shown in 2 below.

The Plan is aimed at further clarifying the linkage between the remuneration for Eligible Persons and the Company's stock value and having the Eligible Persons share profit and risk arising from stock price fluctuations with shareholders, thereby motivating the Eligible Persons to contribute to improving business performance and raising corporate value in the medium to long term.

Specifically, this proposal is separate from the maximum amount of remuneration, etc. for Directors of ¥250 million per annum (including up to ¥32 million per annum as remuneration, etc. for outside Directors, but not including remuneration, etc. received in the capacity of an employee), for which the Company requests approval in Proposal No. 6. The amount of remuneration under the Plan shall be paid to the Eligible Persons who will be in office during the three fiscal years from the fiscal year ending on March 31, 2023 to the fiscal year ending on March 31, 2025 (hereinafter the "Covered Period").

The current maximum amount of remuneration, etc. for Directors is ¥290 million per annum (including up to ¥32 million per annum as remuneration, etc. for outside Directors, but not including remuneration, etc. received in the capacity of an employee). The Company requests approval to revise the maximum amount to be ¥250 million (including up to ¥32 million per annum as remuneration, etc. for outside Directors, but not including remuneration, etc. received in the capacity of an employee), subject to passing of this proposal without alteration in Proposal No. 6. Such revision will reduce the amount of remuneration, etc. paid in cash to Directors by ¥40 million. However, this amount is equivalent to the maximum amount per annum of stock-based remuneration under the Plan (the maximum amount to be contributed by the Company as funds for stock acquisition during the Covered Period divided by the number of fiscal years during the Covered Period as described below), so even if this proposal and Proposal No. 6 are passed without alteration, there will be no actual increase in the amount of remuneration, etc. paid to Directors.

The purpose of introducing the Plan is as described above. In addition, a summary of the Policy Regarding the Determination of Officers' Remuneration which was established at the meeting of the Board of Directors held on May 16, 2022, is shown on page 14. This proposal is necessary and reasonable to provide remuneration, etc. in accordance with the policy. Based on the above, the Company believes that the contents of this proposal are appropriate.

If Proposal No. 3 is passed without alteration, the number of Directors who are Eligible Persons for the Plan will be six.

If this proposal is passed without alteration, the Company intends to introduce a similar stock-based remuneration plan for Executive Officers who do not concurrently serve as Directors of the Company.

2. Amount of remuneration, details, etc. under the Plan

(1) Summary of the Plan

Under the Plan, a trust to be established through monetary contribution by the Company (hereinafter the "Trust") shall acquire the Company's shares, then the number of the Company's shares equivalent to the number of points granted by the Company to each Eligible Person shall be delivered to the Eligible Person through the Trust.

In principle, an Eligible Person shall receive the delivery of the Company's shares upon the Eligible Person's resignation ("resignation" as used herein means resignation from the position of Director who concurrently serves as Executive Officer, and does not include the case where the Eligible Person resigns from one of the positions but continues to serve in the other position; hereinafter the same applies).

(i)	Eligible Persons of the Plan	Directors who concurrently serve as Executive Officers of the Company
(ii)	Covered Period	From the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025
(iii)	Maximum amount of money to be contributed by the Company to fund the acquisition of the Company's shares necessary to deliver the Company's shares to the Eligible Persons in (i) during the Covered Period in (ii)	Total ¥120 million
(iv)	Method of acquiring the Company's shares	Disposing of treasury shares or acquiring shares from the stock exchange (including off-floor trading)
(v)	Maximum total number of points to be granted to the Eligible Persons in (i)	25,000 points per fiscal year
(vi)	Criteria for granting points	Points to be granted according to positions, etc.
(vii)	When to deliver the Company's shares to the Eligible Persons in (i)	In principle, upon resignation

(2) Upper limit of cash contributed by the Company

The initial trust period of the Trust shall be approximately three years, and during the Covered Period, the Company shall contribute a total of up to ¥120 million as remuneration to the Eligible Persons in office during the Covered Period to fund the acquisition of the Company's shares necessary to be delivered to the Eligible Persons under the Plan, and shall establish the Trust with the Eligible Persons who will acquire beneficial interests in the Trust as beneficiaries as described in (3)(iii) below. The Trust shall acquire the Company's shares by disposing of treasury stock held by the Company or acquiring the Company's shares from the stock exchange (including off-floor trading) using the money entrusted by the Company as the source of funds.

Note: In addition to the funds for the acquisition of the Company's shares necessary for delivery to the aforementioned Eligible Persons, necessary expenses such as trust fees and trust administrator fees shall also be entrusted. In addition, as stated in "1. Reasons for the proposal and reasons that the proposed remuneration plan is considered to be appropriate," if a remuneration plan similar to the Plan is introduced for Executive Officers who do not concurrently serve as Directors, the funds necessary to acquire the Company's shares to be delivered to such Executive Officers shall also be placed in trust.

The Covered Period may be extended for a period of not more than three fiscal years, as determined by the Board of Directors of the Company on a case-by-case basis. The trust period of the Trust may be extended accordingly (including extending the trust period substantially by transferring the trust assets of the Trust to a trust established by the Company for the same purpose as the Trust; hereinafter the same applies), and the Plan may be continued. In this case, during the extended Covered Period, the Company shall make an additional contribution to the Trust in an amount up to ¥40 million multiplied by the number of fiscal years of the extended Covered Period, as funds for additional acquisition of the Company's shares necessary for delivery to the Eligible Persons under the Plan, and shall continue to grant points and deliver the Company's shares as described in (3) below.

Even if the Plan is not continued by extending the Covered Period as described above, if there are Eligible Persons who have already been granted points but have not yet resigned at the expiration of the trust period, the trust period of the Trust may be extended until such Eligible Persons resign and the delivery of the Company's shares is completed.

(3) Method for calculating the Company's shares to be delivered to the Eligible Persons and the upper limit

(i) Method, etc. of granting points to the Eligible Persons

In accordance with the Share Delivery Regulations established by the Board of Directors of the Company, the Company shall grant points to each Eligible Person on the point grant date specified in the Share Delivery Regulations during the trust period in accordance with his/her position, etc. However, the total number of points to be granted by the Company to the Eligible Persons shall be up to 25,000 points per fiscal year.

(ii) Delivery of the Company's shares corresponding to the number of points granted

The Eligible Persons shall receive delivery of the Company's shares in accordance with the procedure described in (iii) below in proportion to the number of points granted in (i) above.

One point shall be equal to one share of the Company's shares. However, in the event of a stock split, reverse stock split, or other event in which it is deemed reasonable to adjust the number of the Company's shares to be delivered, the number of the Company's shares per point shall be adjusted in accordance with such split or reverse stock split ratio.

(iii) Delivery of the Company's shares to the Eligible Persons

Each Eligible Person shall, in principle, acquire beneficial interests in the Trust by following the prescribed procedures at the time of his/her resignation and shall receive delivery of the Company's shares in (ii) from the Trust as a beneficiary of the Trust.

However, a certain percentage of the Company's shares may be sold and converted into cash by the Trust for the purpose of the Company's withholding funds for the payment of withholding income tax, etc., and then delivered in cash instead of the Company's shares. In addition, in the event that the Company's shares in the Trust are converted into cash, such as when the Company's shares in the Trust are tendered to a takeover bid and settled, the Eligible Persons may receive in cash instead of the Company's shares.

(4) Exercise of voting rights

Voting rights of the Company's shares in the Trust shall not be exercised uniformly based on the instructions of a trust administrator who is independent of the Company and its officers. This method is intended to ensure the neutrality of the Company's management with respect to the exercise of voting rights relating to the Company's shares in the Trust.

(5) Handling of dividends

Dividends on the Company's shares in the Trust shall be received by the Trust and shall be used to pay for the acquisition of the Company's shares and to cover the trustee's trust fees related to the Trust.

Proposal No. 6: Revision of the Amount of Remuneration, etc. for Directors

A maximum amount of remuneration, etc. for Directors of the Company of ¥290 million per annum (including up to ¥32 million per annum as remuneration, etc. for outside Directors) was approved by the Company's 132nd Annual General Meeting of Shareholders held on June 18, 2021. These limits still apply. Since Proposal No. 5 requests the introduction of a stock-based remuneration plan for Directors who concurrently serve as Executive Officers, the Company now requests approval to reduce the amount by ¥40 million, which is equivalent to the maximum amount per annum of stock-based remuneration under the plan, and to amend the maximum amount of remuneration, etc. for Directors to ¥250 million per annum (including up to ¥32 million per annum as remuneration, etc. for outside Directors), subject to approval and passing of the Proposal No. 5.

In addition, a summary of the Policy Regarding the Determination of Officers' Remuneration which was established at the meeting of the Board of Directors held on May 16, 2022, is shown on page 14. This proposal is necessary and reasonable to provide remuneration, etc. in accordance with the policy. Based on the above, the Company believes that the contents of this proposal are appropriate.

The abovementioned amounts of remuneration, etc. for Directors, both current and proposed, do not include remuneration received in the capacity of an employee, for those Directors concurrently serving as employees.

If Proposal No. 3 is approved and passed without alteration, the number of Directors will remain unchanged at nine (of which three will be outside Directors).

(Reference) Policy Regarding the Determination of Officers' Remuneration

The maximum amount of remuneration, etc. for Directors shall be determined by resolution of the General Meeting of Shareholders, but the Board of Directors shall, in advance, consult the Nominating and Remuneration Committee, which consists of the President and Representative Director and all outside Directors, about the calculation method of remuneration to be paid and the policy for allocation of remuneration to each individual Director, and based on the recommendation of the committee, shall resolve to leave the determination of the amount to be paid to each individual Director to the discretion of the President and Representative Director.

The Board of Directors shall also confirm that the method of determining the amount to be paid to each individual Director for the fiscal year in question and the details determined are consistent with the following policies and in accordance with the recommendation of the Nominating and Remuneration Committee.

- Remuneration for Directors shall consist only of “fixed remuneration (supervisory remuneration),” while remuneration for Executive Officers shall consist of “fixed remuneration (executive remuneration),” “performance-linked remuneration,” and “stock-based remuneration.”
- The monthly “fixed remuneration (supervisory remuneration and executive remuneration)” shall be determined in consideration of the roles and responsibilities of Directors and Executive Officers, as well as such factors as the remuneration levels of other companies in the same industry and of the same size and the business environment.
- The “performance-linked remuneration” to be paid after the closing of accounts for the relevant fiscal year shall vary according to the evaluation of each individual Director in comprehensive consideration of the degree of achievement against management indicators (operating revenue, operating profit, etc.) and priority targets set in the medium-term management plan based on the Company's business characteristics as well as the position and the degree of contribution to the Company, and shall be approximately 20% of the total amount of “fixed remuneration (executive remuneration)” and “performance-linked remuneration.”
- With respect to “stock-based remuneration,” a trust to be established through monetary contribution by the Company shall acquire the Company's shares and deliver the Company's shares to each Executive Officer through the trust, in order to clarify the linkage between the remuneration for Executive Officers and the Company's stock value and to have the Executive Officers share profit and risk arising from stock price fluctuations with shareholders, thereby motivating the Executive Officers to contribute to improving business performance and raising corporate value in the medium to long term.

The “stock-based remuneration” shall be approximately 15% of the total amount of “fixed remuneration (executive remuneration),” “base amount of performance-linked remuneration,” and “stock-based remuneration,” and each Executive Officer shall be granted points in accordance with the Share Delivery Regulations established by the Board of Directors.

In principle, the delivery of the Company's shares in proportion to the accumulated points granted shall be made upon resignation from both Executive Officer and Director.

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