

operations and a summary of the operation status thereof”

- (2) “Consolidated Statement of Changes in Equity”
- (3) “Notes to Consolidated Financial Statements”
- (4) “Non-consolidated Statement of Changes in Equity”
- (5) “Notes to Non-consolidated Financial Statements”

Accordingly, the documents provided along with this notice of convocation are part of the documents audited by the Accounting Auditor when preparing the Independent Auditor’s Report and the Audit & Supervisory Board Members when preparing their Audit Report.

- When you attend the meeting, please present the enclosed ballot form on the day of the meeting to the reception desk.
- Please note that if any revisions are made to the contents of the Reference Documents for the General Meeting of Shareholders, the Business Report, the Non-consolidated Financial Statements, and the Consolidated Financial Statements, the revised contents will be made available online via the Company’s website (<https://www.atsugi.co.jp>).

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Appropriation of Surplus

1. Reasons for the proposal

The Company has reported a deficit of ¥1,799,059,707 in retained earnings carried forward as of March 31, 2022. Accordingly, in order to remedy its capital structure and to ensure the flexibility of capital policies going forward, as well as achieve the early resumption of dividend payment, the Company proposes to reduce the amount of other capital surplus and transfer the entire amount to retained earnings, to cover the deficit in the retained earnings.

2. Details of the appropriation of surplus

In accordance with the provisions of Article 452 of the Companies Act, the amount of other capital surplus will be reduced and transferred to retained earnings.

(1) Item of surplus to be reduced and the amount thereof

Other capital surplus	¥1,770,527,181
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(2) Item of surplus to be increased and the amount thereof

Retained earnings carried forward	¥1,770,527,181
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(3) Effective date of the appropriation of surplus

June 30, 2022

As a result, after the transfer the amount of retained earnings carried forward will be a negative ¥28,532,526 and other capital surplus will be ¥3,890,482,518.

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

- (1) To establish a management structure capable of promptly responding to the changes in the business environment and to strengthen corporate governance by clearly defining the management responsibility of Directors and increasing opportunities for gaining the confidence of shareholders, the Company will shorten the term of office of Directors set forth in Article 21 of the current Articles of Incorporation (Term of Office of Directors) from two (2) years to one (1) year.
- (2) The amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) will be enforced on September 1, 2022. Accordingly, in order to prepare for the introduction of the system for electronic provision of documents for general meetings of shareholders, the Articles of Incorporation of the Company shall be amended as follows.
 - 1) The proposed Article 16, Paragraph 1 provides that information contained in the reference documents for the general meeting of shareholders, etc. shall be provided electronically.
 - 2) The purpose of the proposed Article 16, Paragraph 2 is to establish a provision to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested it.
 - 3) The provisions related to the internet disclosure and deemed provision of the reference documents for the general meeting of shareholders, etc. (Article 16 of the current Articles of Incorporation) will become unnecessary and will therefore be deleted.
 - 4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. shall be established.

2. Details of the amendments

The details of the amendments are as follows. These amendments to the Articles of Incorporation shall become effective as of the closing of this General Meeting of Shareholders.

(Underlines indicate amended parts)

Current Articles of Incorporation	Proposed Amendments
<p><u>(Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u></p> <p><u>Article 16 The Company may, when convening a general meeting of shareholders, deem that it has provided information to shareholders pertaining to matters to be described or indicated in the reference documents for the general meeting of shareholders, business report, non-consolidated financial statements, and consolidated financial statements (including the Independent Auditor’s Report and the Audit Report on the consolidated financial statements), by disclosing such information through the internet in accordance with the provisions provided in the Ordinance of the Ministry of Justice.</u></p>	<p style="text-align: center;"><Deleted></p>

Current Articles of Incorporation	Proposed Amendments
<p data-bbox="427 271 667 304" style="text-align: center;"><Newly established></p> <p data-bbox="392 689 702 723" style="text-align: center;">Articles 17 to 20 (Omitted)</p> <p data-bbox="256 734 587 768">(Term of Office of Directors)</p> <p data-bbox="256 779 820 936">Article 21 The term of office of a Director shall expire at the close of the Annual General Meeting of Shareholders for the last business year ending within <u>two (2) years</u> after such Director is elected to office.</p> <p data-bbox="256 943 836 1099">2. <u>The term of office of a Director who was elected as a substitute Director or due to an increase in the number of Directors shall expire upon the conclusion of the term of office of the other Directors.</u></p> <p data-bbox="392 1111 702 1144" style="text-align: center;">Articles 22 to 43 (Omitted)</p>	<p data-bbox="863 237 1331 271">(Measures for Electronic Provision, Etc.)</p> <p data-bbox="863 277 1426 434"><u>Article 16 The Company shall, when convening a general meeting of shareholders, provide information contained in the reference documents for the general meeting of shareholders, etc. electronically.</u></p> <p data-bbox="863 441 1426 658">2. <u>Among the matters to be provided electronically, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</u></p> <p data-bbox="975 692 1318 725" style="text-align: center;">Articles 17 to 20 (Unchanged)</p> <p data-bbox="863 736 1193 770">(Term of Office of Directors)</p> <p data-bbox="863 781 1426 938">Article 21 The term of office of a Director shall expire at the close of the Annual General Meeting of Shareholders for the last business year ending within <u>one (1) year</u> after such Director is elected to office.</p> <p data-bbox="1086 943 1206 976" style="text-align: center;"><Deleted></p> <p data-bbox="975 1111 1318 1144" style="text-align: center;">Articles 22 to 43 (Unchanged)</p>
<p data-bbox="427 1216 667 1249" style="text-align: center;"><Newly established></p>	<p data-bbox="863 1171 1161 1205"><u>Supplementary Provisions</u></p> <p data-bbox="911 1216 1426 1608"><u>The deletion of Article 16 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) of the current Articles of Incorporation and the proposed Article 16 (Measures for Electronic Provision, Etc.) shall come into effect on the date of enforcement of the amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (the “Effective Date”).</u></p> <p data-bbox="863 1619 1426 1809">2. <u>Notwithstanding the provisions of the preceding paragraph, Article 16 of the current Articles of Incorporation shall remain in force with respect to a general meeting of shareholders to be held on a date within six months from the Effective Date.</u></p> <p data-bbox="863 1821 1426 2033">3. <u>These supplementary provisions shall be deleted after the lapse of six months from the Effective Date or the lapse of three months from the date of the general meeting of shareholders set forth in the preceding paragraph, whichever is later.</u></p>

Proposal 3: Election of Five (5) Directors

The term of office of all five (5) Directors shall expire at the close of this General Meeting of Shareholders. Accordingly, the Company proposes the election of five (5) Directors.

The candidates for Directors are as follows.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	<p style="text-align: center;">Shinji Nikko (December 12, 1956)</p> <p style="text-align: center;">[New appointment]</p>	<p>April 1979 Joined Teijin Shoji Co., Ltd. (currently Teijin Frontier Co. Ltd.)</p> <p>June 2003 President of N.I. Teijin Shoji (Thailand) Co., Ltd.</p> <p>April 2008 President of N.I. Teijin Shoji (U.S.A.) Inc.</p> <p>June 2011 Director and General Manager, Industrial &Automotive Fabrics Division of NI Teijin Shoji Co., Ltd. (currently Teijin Frontier Co. Ltd.)</p> <p>April 2012 Director and Chief Officer, Industrial Textiles & Materials Division Group of NI Teijin Shoji Co., Ltd. (currently Teijin Frontier Co., Ltd.)</p> <p>June 2013 Managing Director and Chief Officer, Industrial Textiles & Materials Division Group of Teijin Frontier Co., Ltd.</p> <p>June 2014 Senior Managing Director and Chief Officer, Textile & Apparel Division Group II of Teijin Frontier Co., Ltd.</p> <p>April 2015 Corporate Officer, General Manager, Product Converting Business Group of Teijin Group, and President and Representative Director of Teijin Frontier Co., Ltd.</p> <p>April 2017 Executive Officer and General Manager, Fibers & Products Converting Business Group of Teijin Group, and President and Representative Director of Teijin Frontier Co., Ltd.</p> <p>April 2021 Director and Senior Adviser of Teijin Frontier Co., Ltd.</p> <p>June 2021 Senior Adviser of Teijin Frontier Co., Ltd.</p> <p>April 2022 Adviser of the Company (current position)</p>	0
<p>[Reason for nomination as candidate for Director]</p> <p>Mr. Shinji Nikko, having served as the President and Representative Director of Teijin Frontier Co., Ltd. and Corporate Officer of the Teijin Group, is extremely knowledgeable about the textile industry and possesses deep insight into the industry as well as a broad network. He also has extensive management experience including experience abroad.</p> <p>Based on his experience and track record described above, the Company determined that he will demonstrate strong leadership and appropriately perform his duties as a Director toward restoring the Group’s business performance and the improvement of medium to long-term corporate value, and therefore, nominates him as a candidate for Director.</p>			

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	Tomoya Makino (October 12, 1975) [Reappointment]	April 2000 Joined the Company April 2013 General Manager, Chain Store No. 2 Branch of the Company April 2016 General Manager, Osaka Branch of the Company April 2019 Executive Officer of the Company (current position) April 2019 Supervisor, Structural Reforms Promotion of the Company April 2020 Supervisor, Sales of the Company (current position) June 2020 Director of the Company (current position) April 2022 Director of RENOWN INX INCORPORATED (current position)	5,322 shares
<p>[Reason for nomination as candidate for Director]</p> <p>Mr. Tomoya Makino has abundant onsite experience and an extensive track record in the sales division and has been playing a leading role in the sales strategies of the Group, including the promotion of structural reforms such as the expansion of e-commerce and directly operated stores. Based on his experience and track record described above, the Company determined that he will appropriately perform his duties as a Director toward restoring the Group's business performance and the improvement of medium to long-term corporate value, and therefore, nominates him as a candidate for Director.</p>			

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
3	Masahiro Furukawa (January 2, 1979) [New appointment]	April 2001 Joined the Company April 2010 President of Atsugi Stocking (Yantai) Co., Ltd. April 2016 General Manager, Accounting Department, Administration Division of the Company April 2020 Executive Officer of the Company (current position) April 2020 Supervisor, Administration of the Company (current position) April 2021 General Manager, Corporate Planning Office of the Company (current position)	1,790 shares
<p>[Reason for nomination as candidate for Director]</p> <p>Mr. Masahiro Furukawa has experience in plant management as the President of a Chinese production subsidiary and has been playing a leading role in the business administration of the Group, including the strengthening of governance as a supervisor of administration, leading the renewal of the core systems, and coordinating the medium-term management plan. Based on his experience and track record described above, the Company determined that he will appropriately perform his duties as a Director toward restoring the Group's business performance and the improvement of medium to long-term corporate value, and therefore, nominates him as a candidate for Director.</p>			

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
5	Naoko Harima (October 27, 1980) [Reappointment] [Outside] [Independent]	<p>October 2003 Joined Asahi & Co. (currently KPMG AZSA LLC)</p> <p>July 2007 Registered as certified public accountant</p> <p>April 2008 Founded Naoko Harima Accounting Firm Representative of Naoko Harima Accounting Firm (current position)</p> <p>April 2008 Joined Japan Hotel and Resort, Inc. (currently Japan Hotel REIT Advisors Co., Ltd.)</p> <p>July 2017 Auditor of JEPLAN, INC.</p> <p>January 2018 Auditor of KinoPharma, Inc. (current position)</p> <p>June 2018 Director of the Company (current position)</p> <p>January 2019 Outside Auditor of BizReach, Inc. (current position)</p> <p>February 2020 Outside Director (Full-time Audit and Supervisory Committee Member) of Visional, Inc. (current position)</p>	4,494 shares
<p>[Reason for nomination as candidate for Outside Director and expected roles]</p> <p>Ms. Naoko Harima has professional knowledge of finance and accounting as a certified public accountant, and has been proactively voicing her opinions at the Company's Board of Directors meetings based on her experience of supervising management as the auditor and the audit and supervisory committee member of general business companies. She has also played an important part in the strengthening of governance as a member of the Nomination and Remuneration Committee of the Company. Ms. Harima has not been involved in the management of a company in the past other than in the capacity of an outside officer. However, based on her experience and knowledge described above, the Company expects that she will appropriately supervise the Group's management from an independent position, as well as bring a woman's perspective to the Company's business strategies, etc., and continue to contribute to the Group's sustained growth and improvement of medium to long-term corporate value, and therefore, nominates her as a candidate for Director. Currently, she serves as the Outside Director of the Company and her term of office as Outside Director will be four (4) years at the close of this General Meeting of Shareholders.</p>			

- Notes:
1. There are no special interests between each candidate and the Company.
 2. The number of shares of the Company held by each candidate includes the number of shares owned through the stock ownership plan.
 3. Ms. Naoko Harima's registered name is Naoko Takagi.
 4. Mr. Toshio Takanashi and Ms. Naoko Harima are candidates for Outside Director.
 5. If the election of Mr. Toshio Takanashi and Ms. Naoko Harima is approved, the Company, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, intends to conclude an agreement with both candidates that limits their liability in accordance with Article 423, Paragraph 1 of the Companies Act. The amount of individual liability under such an agreement is the minimum amount stipulated by laws and regulations.
 6. The Company has concluded with an insurance company a directors and officers liability insurance contract stipulated in Article 430-3, Paragraph 1 of the Companies Act, with Mr. Tomoya Makino, Mr. Masahiro Furukawa, Mr. Toshio Takanashi, and Ms. Naoko Harima as the insured. This insurance contract covers damage that may arise as a result of the insured Directors assuming liability related to the execution of their duties or receiving a claim related to the pursuit of such liability. However, no compensation may be given for liability attributable to acts in violation of laws or regulations that were carried out with full knowledge of their illegality. If the election of the candidates is approved, they will continue

to be insured under the insurance contract, which is scheduled to be renewed with the same terms and conditions during their terms of office. In addition, if the election of Mr. Shinji Nikko is approved, the Company intends to conclude an insurance contract with Mr. Nikko as the insured under the same terms and conditions.

7. The Company, conditional upon the approval of this proposal, will register Mr. Toshio Takanashi and Ms. Naoko Harima with the Tokyo Stock Exchange, as independent officers as specified by the Tokyo Stock Exchange.

(For reference) Skill Matrix

The skill matrix of the Directors and the Audit & Supervisory Board Members, conditional upon the election of the candidates presented in this notice of convocation of the general meeting of shareholders, is as follows:

	Name	Attributes	Areas in which they are expected to demonstrate their expertise and experience (Major three areas were selected)						
			Corporate management and business strategies	Sales, product development and marketing	Production, technological development and quality management	Overseas business	Organization, human resource development and diversity	Finance, accounting and taxation	Legal affairs, risk management and governance
Directors	Shinji Nikko	Internal	●	●		●			
	Tomoya Makino	Internal	●	●		●			
	Masahiro Furukawa	Internal	●		●			●	
	Toshio Takanashi	Outside / Independent	●	●		●			
	Naoko Harima	Outside / Independent					●	●	●
Audit & Supervisory Board Members	Chiaki Sato	Internal	●		●				●
	Kenichi Gogami	Outside / Independent	●	●					●
	Kengo Takano	Outside / Independent	●			●		●	