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(Securities Code: 5009)

June 10, 2022

To our shareholders:

Naoto Hoya,
Representative Director and President
FUJI KOSAN COMPANY, LTD.
13, Kanda Higashimatsushita-cho,
Chiyoda-ku, Tokyo

Notice of the 92nd Annual General Meeting of Shareholders

We are pleased to announce the 92nd Annual General Meeting of Shareholders of FUJI KOSAN COMPANY, LTD. (the “Company”), which will be held as indicated below.

From the perspective of preventing the spread of novel Coronavirus disease (COVID-19), we request that shareholders exercise their voting rights in writing or via the Internet, etc. and consider exercising self-restraint on the date of the meeting in order to prevent infection.

Please examine the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights in writing or via the internet, etc. by 5:30 p.m. on Tuesday, June 28, 2022 (JST).

1. **Date and Time:** Wednesday, June 29, 2022, at 10:00 a.m. (JST) (Reception will open at 9:00 a.m.)
2. **Venue:** Conference room 606, 6F, Toshi Center Hotel Tokyo
2-4-1 Hirakawa-cho, Chiyoda-ku, Tokyo
(Please note that the conference room for the meeting is different from that of last year.)

3. Purpose of the Meeting

Matters to be reported

1. The Business Report and the Consolidated Financial Statements for the 92nd term (April 1, 2021 to March 31, 2022) and the results of audits of the Consolidated Financial Statements by the Financial Auditor and the Audit and Supervisory Committee
2. Non-consolidated Financial Statements for the 92nd term (April 1, 2021 to March 31, 2022)

Matters to be resolved

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Amendment to the Articles of Incorporation
- Proposal No. 3:** Election of Four Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
- Proposal No. 4:** Election of Three Directors Who Are Audit and Supervisory Committee Members
- Proposal No. 5:** Introduction of Restricted Share-based Compensation Plan for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members and Outside Directors)

4. Matters Regarding Disclosure on the Internet

Of the documents to be provided with this notice, “System to Ensure the Properness of Operations” and “Overview of Operational Status of System to Ensure the Properness of Operations” in the Business Report, “Notes to Consolidated Financial Statements” in the Consolidated Financial Statements and “Notes to Non-consolidated Financial Statements” in the Non-consolidated Financial Statements are not provided with this notice because they have been posted on the Company’s website (<https://www.fkoil.co.jp/>) (in Japanese only), pursuant to the provisions of applicable laws and regulations and Article 15 of the Articles of Incorporation. Accordingly, the attached documents to this notice make up only a part of the Consolidated Financial Statements and the Non-consolidated Financial Statements audited by the Financial Auditor in the course of the preparation of its accounting audit report.

- When attending the meeting in person, please hand in the enclosed voting form at the reception desk at the meeting venue.
- If there are any amendments to Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements and/or Non-consolidated Financial Statements, they will be posted on the Company’s website (<https://www.fkoil.co.jp/>) (in Japanese only).
- The Company will take necessary measures to prevent infection according to the COVID-19 situation on the date of the meeting. If future developments necessitate a major change in the way the General Meeting of Shareholders will be run, shareholders will be informed on the Company’s website (<https://www.fkoil.co.jp/>) (in Japanese only).

Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Appropriation of Surplus

The policy of the Company is that the return of profits to shareholders (from the term ending March 31, 2022 to the term ending March 31, 2024) meets the standard of a 100% total payout ratio.

For the year-end dividend, considering that net profit excluding special factors that were not initially envisaged exceeded the initial plan and that the number of shares in circulation decreased due to the acquisition of treasury stock, we have decided to pay an additional ¥11 per share to the initially forecast ¥31 per share of common stock (announced on May 28, 2021), for a dividend of ¥42. Moreover, considering the special factors in the fiscal year under review; namely the gain on sale of land and buildings in Funabashi City, Chiba Prefecture and takeover bid defense measure expenses and return to shareholders by acquisition of treasury stock, we decided to pay a special dividend of ¥44 per share. In view of the above, the year-end dividend is ¥86 per share, comprising an ordinary dividend of ¥42 and a special dividend of ¥44.

- (1) Type of dividend property
Cash
- (2) Allotment of dividend property and their aggregate amount
¥86 per ordinary share of the Company.
(ordinary dividend: ¥42; special dividend: ¥44)
Total payment: ¥565,119,416
- (3) Effective date of dividends of surplus
June 30, 2022

Proposal No. 2: Amendment to the Articles of Incorporation

1. Reasons for the Amendment

- (1) In order to prepare for business development in line with the Medium-Term Business Plan (FY2021-FY2023), a partial amendment shall be made to the business objectives in Article 2 (Purpose) of the current Articles of Incorporation.
- (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 system for providing informational materials for the general meeting of shareholders in electronic format.
 - (i) Amended Article 15-1 stipulates that information that constitutes the content of reference documents for the General Meeting of Shareholders, etc. is to be provided in an electronic format.
 - (ii) Amended Article 15-2 provides stipulations in order to limit the scope of items stated on materials delivered to shareholders who requested the delivery of materials.
 - (iii) Since the provisions for Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc. (Article 15 of the current Articles of Incorporation) will no longer be required, they will be deleted.
 - (iv) In line with the additions and deletions stated above, supplementary provisions regarding the effective date, etc. shall be established.

2. Details of the Amendment

The following are the details of the amendment.

(Underline indicates amended portions.)	
Current Articles of Incorporation	Proposed Amendment
<p>Article 2. (Purpose)</p> <p>The purpose of the Company shall be to engage in the following business activities:</p> <p>(1) – (5) <Text omitted></p> <p>(6) Sales of liquefied petroleum gas</p> <p>(7) – (13) <Text omitted></p> <p>(14) Power generation using natural energy, etc., its operation and management, and the provision and sale of electricity, as well as related consultancy tasks</p> <p style="text-align: center;"><Newly established></p> <p style="text-align: center;"><Newly established></p> <p style="text-align: center;"><Newly established></p> <p style="text-align: center;"><Newly established></p> <p style="text-align: center;"><Newly established></p> <p>(15) <Text omitted></p>	<p>Article 2. (Purpose)</p> <p>The purpose of the Company shall be to engage in the following business activities:</p> <p>(1) – (5) <Unchanged></p> <p>(6) <u>Storage and trading of liquefied petroleum gas, liquefied natural gas and other high-pressure gases</u></p> <p>(7) – (13) <Unchanged></p> <p>(14) <u>Power generation using renewable energies, the operation and management of facilities using waste heat, and the sale of electric power/heat</u></p> <p>(15) <u>The manufacturing and sale of energy using organic resources as raw materials and its by-products, as well as the operation and management of equipment for that purpose</u></p> <p>(16) <u>Resource recycling business, soil environment remediation business, and waste treatment</u></p> <p>(17) <u>Motor truck transportation business</u></p> <p>(18) <u>Sales of used goods</u></p> <p>(19) <u>Business related to greenhouse gas emissions trading</u></p> <p>(20) <Unchanged></p>

Current Articles of Incorporation	Proposed Amendment
<p data-bbox="196 230 788 309"><u>Article 15. (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u></p> <p data-bbox="209 320 788 566"><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, non-consolidated 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></p> <p data-bbox="389 577 596 600"><Newly established></p> <p data-bbox="389 1014 596 1037"><Newly established></p>	<p data-bbox="1050 230 1153 253"><Deleted></p> <p data-bbox="805 577 1353 629"><u>Article 15. (Measures, etc. for Providing Information in Electronic Format)</u></p> <ol data-bbox="818 640 1394 976" style="list-style-type: none"> <u>1. 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>2. 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 data-bbox="965 1014 1238 1043">(Supplementary Provisions)</p> <ol data-bbox="818 1055 1394 1668" style="list-style-type: none"> <u>1. The deletion of Article 15 (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 15 (Measures, etc. for Providing Information in Electronic Format) in the amended Articles of Incorporation shall be effective from 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> <u>2. Notwithstanding the provision of the preceding paragraph, Article 15 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> <u>3. 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 paragraph, whichever is later.</u>

Proposal No. 3: Election of Four Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

The terms of office of all five Directors (excluding Directors who are Audit and Supervisory Committee Members; the same applies throughout this proposal) shall expire upon the conclusion of this meeting. Therefore, the Company proposes the election of four Directors.

This proposal has been reviewed by the Audit and Supervisory Committee, and it has expressed no opinion. The candidates for Director are as follows:

Candidate No. 1		Career summary, and position and responsibility in the Company, and significant concurrent positions outside the Company
Naoto Hoya Reelection	Apr. 1983	Joined Nippon Petroleum Refining
	Apr. 2008	General Manager of Lubricant Sales Department, Lubricant Business Headquarters of Nippon Oil Corporation
	June 2012	General Manager of Lubricant Management Department, Lubricant Business Headquarters of JX Nippon Oil & Energy Corporation
	June 2014	Executive Officer and General Manager of Lubricant Planning Department
Date of birth July 10, 1957	Apr. 2016	Senior Vice President, and President of Lubricant Company of JX Energy Corporation
Number of the Company's shares owned 6,300 shares	Apr. 2018	Director, Senior Vice President and President of Lubricant Company of JXTG Nippon Oil & Energy Corporation
	Apr. 2019	Advisor (full-time)
Attendance at the Board of Directors meetings 14/14 meetings (100%)	June 2019	Representative Director and President, and President and Executive Officer of the Company (current position)
	Reasons for nomination as candidate for Director Naoto Hoya has extensive experience and insight in corporate management and the manufacturing and sale of petroleum products. Having judged that he is suitably qualified to carry the management of the Company forward, the Company nominates him as a candidate for Director.	
Candidate No. 2		Career summary, and position and responsibility in the Company, and significant concurrent positions outside the Company
Yukio Yoshino Reelection	Apr. 1981	Joined the Company
	June 2013	General Manager of New Business Promotion Office
	June 2015	General Manager of Osaka Branch
	June 2016	Executive Officer, and General Manager of Osaka Branch
Date of birth March 5, 1959	June 2018	Director and Executive Officer in charge of Sales Department, and General Manager of Sales Department
	June 2019	Director and Executive Officer in charge of Sales Department and New Business, and General Manager of Sales Department (current position)
	June 2021	Representative Director and Managing Executive Officer in charge of Sales Department and New Business (Partnerships/M&A) and General Manager of Sales Department
Number of the Company's shares owned 3,700 shares	Apr. 2022	Representative Director and Managing Executive Officer in charge of Sales Department and New Business (Partnerships/M&A) (current position)
Attendance at the Board of Directors meetings 14/14 meetings (100%)	Reasons for nomination as candidate for Director Yukio Yoshino has extensive experience and insight in the sale of oil. Having judged that he is suitably qualified to carry the management of the Company forward, the Company nominates him as a candidate for Director.	

Candidate No. 3	Career summary, and position and responsibility in the Company, and significant concurrent positions outside the Company	
Toshihisa Nabeta	Apr. 1984	Joined Mitsubishi Corporation
Reelection	June 2012	Deputy General Manager of Aerospace Unit (in charge of Strategic Business Development)
Outside	Apr. 2013	Deputy General Manager of New Business Development Office, Ship & Aerospace Division
Independent	Apr. 2015	Deputy General Manager of Business Development Promotion Unit, Machinery Group CEO Office
	May 2017	Director of Japan Operation of The Avascent Group Ltd. (current position)
	June 2021	Outside Director of the Company (current position)
	Aug. 2021	Director, International Security Industry Council (current position)
Date of birth	Reasons for nomination as candidate for outside Director and overview of expected roles	
September 3, 1960	Although Toshihisa Nabeta does not have the experience of being directly involved in management, the Company judges that with his extensive experience and sophisticated specialist knowledge in business development and advanced technologies, he can be expected to provide supervision, advice, etc. for the Company's execution of business, and accordingly nominates him as a candidate for outside Director.	
Number of the Company's shares owned		
– shares		
Attendance at the Board of Directors meetings	Matters relating to independent officers	
11/11 meetings (100%)	The Company has designated Toshihisa Nabeta as an independent officer as provided for by Tokyo Stock Exchange and submitted notification to the aforementioned exchange. If his election is approved, the Company plans to continue his designation as an independent officer. Mr. Nabeta satisfies the requirements for an independent officer as provided for by The Company's Independence Standards for Outside Officers on page 13 of this notice.	
Candidate No. 4	Career summary, and position and responsibility in the Company, and significant concurrent positions outside the Company	
Hideaki Sunaga	Apr. 1984	Joined Nomura Securities Co., Ltd.
Reelection	June 2004	General Manager of Europe Investment Banking Department of Nomura International plc
Outside	July 2006	Executive Officer of Corporate Planning Department of Nomura Holdings, Inc.
Independent	Apr. 2007	Director and Vice President of Nihon Trim Co., Ltd.
	Jan. 2009	General Manager of Investment Banking Division of Barclays Capital Japan Limited
	June 2010	Senior Managing Director, Tokyo Branch of BNP Paribas S.A.
	June 2021	Outside Director of the Company (current position)
Date of birth	Reasons for nomination as candidate for outside Director and overview of expected roles	
November 29, 1961	Hideaki Sunaga has broad knowledge of various areas, particularly the securities industry and extensive management experience overseas. The Company judges that he can be expected to utilize his expert insight as an experienced corporate manager to provide supervision, advice, etc. for the Company's execution of business, and accordingly nominates him as a candidate for outside Director.	
Number of the Company's shares owned		
– shares		
Attendance at the Board of Directors meetings	Matters relating to independent officers	
11/11 meetings (100%)	The Company has designated Hideaki Sunaga as an independent officer as provided for by Tokyo Stock Exchange and submitted notification to the aforementioned exchange. If his election is approved, the Company plans to continue his designation as an independent officer. Mr. Sunaga satisfies the requirements for an independent officer as provided for by The Company's Independence Standards for Outside Officers on page 13 of this notice.	

Notes: 1. There is no special interest between any of the candidates and the Company.

2. Of the candidates for Directors, Toshihisa Nabeta and Hideaki Sunaga are candidates for outside Directors.
3. Toshihisa Nabeta and Hideaki Sunaga are currently outside Directors of the Company and at the conclusion of this meeting, their tenures will have been one year.
4. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with Toshihisa Nabeta and Hideaki Sunaga to limit their liability for damages under Article 423, paragraph (1) of the same Act. The maximum amount of liability for damages under this agreement is the minimum liability amount as provided for by Article 425, paragraph (1) of the same Act. If the reelection of Toshihisa Nabeta and Hideaki Sunaga is approved, the Company plans to renew these agreements with them.
5. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act that includes officers of the Company and its subsidiaries as insureds. This insurance policy covers the legally mandated amount of indemnification and litigation expenses to be borne by the insureds. If each candidate assumes the office as Director, the Company plans to renew the aforementioned directors and officers liability insurance policy that includes each of them as insureds. The full amount of the insurance premiums is borne by the Company.

Proposal No. 4: Election of Three Directors Who Are Audit and Supervisory Committee Members

The terms of office of all three Directors who are Audit and Supervisory Committee Members shall expire upon the conclusion of this meeting. Therefore, the Company proposes the election of three Directors who are Audit and Supervisory Committee Members.

In addition, the consent of the Audit & Supervisory Committee has been obtained for this proposal.

The candidates for Director who is an Audit and Supervisory Committee Member are as follows.

Candidate No. 1		Career summary, and position and responsibility in the Company, and significant concurrent positions outside the Company
Toshikazu Yoshida	Apr. 1985	Joined Mitsubishi Oil Co., Ltd.
	June 2014	Deputy Branch Manager, Tokyo Branch of JX Nippon Oil & Energy Corporation
New election	Apr. 2015	Deputy General Manager of Sales Department
	June 2015	Director and Executive Officer in charge of Sales Department of the Company
	June 2016	Director and Executive Officer in charge of Sales Department, and General Manager of Sales Department
	June 2018	Executive Officer, and General Manager of Sendai Branch
	Apr. 2022	Executive Officer and Assistant to Managing Executive Officer (current position)
Date of birth		
December 26, 1961		
Number of the Company's shares owned		
5,800 shares		
		Reasons for nomination as candidate for Director who is an Audit and Supervisory Committee Member
		Toshikazu Yoshida has extensive experience and insight relating to the sale of oil, including serving as a Director and Executive Officer in charge of the Sales Department. Having judged that he is suitably qualified as a Director who is an Audit and Supervisory Committee Member, the Company nominates him as a candidate for Director.

Candidate No. 2	Career summary, and position and responsibility in the Company, and significant concurrent positions outside the Company	
Yutaka Watanabe	Apr. 1975	Joined The Bank of Tokyo, Ltd.
Reelection	Mar. 2001	Head of Securities and Investments, The Bank of Tokyo-Mitsubishi, Ltd. (now MUFG Bank, Ltd.)
Outside	Feb. 2003	General Manager of Germany and Head of Dusseldorf Branch
Independent	July 2005	Retired from The Bank of Tokyo-Mitsubishi, Ltd.
	Aug. 2005	Managing Director of K.K. IRISU
	Jan. 2006	Representative Director and Vice President
	Nov. 2013	Retired from K.K. IRISU
	June 2014	Outside Auditor of the Company
Date of birth	June 2015	Outside Auditor of Jolly-Pasta Co., Ltd. (retired in June 2020)
November 8, 1951	June 2016	Outside Director and Audit and Supervisory Committee Member of the Company (current position)
Number of the Company's shares owned	Reasons for nomination as candidate for outside Director who is an Audit and Supervisory Committee Member and overview of expected roles	
– shares		
Attendance at the Board of Directors meetings		
14/14 meetings (100%)	Matters relating to independent officers	
Attendance at the Audit and Supervisory Committee meetings	The Company has designated Yutaka Watanabe as an independent officer as provided for by Tokyo Stock Exchange and submitted notification to the aforementioned exchange. If his election is approved, the Company plans to continue his designation as an independent officer. Mr. Watanabe satisfies the requirements for an independent officer as provided for by the Company's Independence Standards for Outside Officers on page 13 of this notice.	
7/7 meetings (100%)		

Candidate No. 3		Career summary, and position and responsibility in the Company, and significant concurrent positions outside the Company	
Atsuko Sugiyama (Current surname: Matsumoto)		Oct. 1999	Joined Asahi & Co. (now KPMG AZSA LLC)
		Apr. 2003	Registered as certified public accountant
		Aug. 2016	Retired from KPMG AZSA LLC
		Sept. 2016	Deputy Head of Masaaki Sugiyama Certified Public Accountant & Tax Accountant Office (current position)
Reelection		May 2017	Independent Outside Corporate Auditor of WELCIA HOLDINGS CO., LTD. (current position)
Outside		June 2020	Outside Director and Audit and Supervisory Committee Member of the Company (current position)
Independent		June 2022	Outside Director and Audit and Supervisory Committee Member of YUSHIRO CHEMICAL INDUSTRY CO., LTD. (scheduled to the position on June 24, 2022)
Date of birth July 5, 1974		Reasons for nomination as candidate for outside Director who is an Audit and Supervisory Committee Member and overview of expected roles	
Number of the Company's shares owned – shares		Although Atsuko Sugiyama does not have the experience of being directly involved in management, she does have abundant auditing experience as a certified public account and tax accountant, as well as expert insight in finance and accounting. Having judged that Atsuko Sugiyama can be expected to provide supervision for the execution of business as an outside Director who is an Audit and Supervisory Committee Member, the Company nominates her as a candidate for outside Director.	
Attendance at the Board of Directors meetings 14/14 meetings (100%)		Matters relating to independent officers	
Attendance at the Audit and Supervisory Committee meetings 7/7 meetings (100%)		The Company has designated Atsuko Sugiyama as an independent officer as provided for by Tokyo Stock Exchange and submitted notification to the aforementioned exchange. If her election is approved, the Company plans to continue her designation as an independent officer. Ms. Sugiyama satisfies the requirements for an independent officer as provided for by the Company's Independence Standards for Outside Officers on page 13 of this notice.	

- Notes:
1. There is no special interest between any of the candidates and the Company.
 2. Yutaka Watanabe and Atsuko Sugiyama are candidates for outside Director.
 3. Yutaka Watanabe is currently an outside Director who is an Audit and Supervisory Committee Member of the Company, and at the conclusion of this meeting, his tenure will have been six years.
 4. Atsuko Sugiyama is currently an outside Director who is an Audit and Supervisory Committee Member of the Company, and at the conclusion of this meeting, her tenure will have been two years.
 5. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with Yutaka Watanabe and Atsuko Sugiyama to limit their liability for damages under Article 423, paragraph (1) of the same Act. The maximum amount of liability for damages under this agreement is the minimum liability amount as provided for by Article 425, paragraph (1) of the same Act. If the reelection of Yutaka Watanabe and Atsuko Sugiyama is approved, the Company plans to renew these agreements with them.
 6. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act that includes officers of the Company and its subsidiaries as insureds. This insurance policy covers the legally mandated amount of indemnification and litigation expenses to be borne by the insureds. If each candidate assumes the office as Director, the Company plans to renew the aforementioned directors and officers liability insurance policy that includes each of them as insureds. The full amount of the insurance premiums is borne by the Company.

[Reference] Composition of the Board of Directors

If Proposals No. 3 and No. 4 are approved and adopted as originally proposed, the composition of the Board of Directors will be as follows.

No.	Name	Independent Outside Director	Gender	Tenure	Corporate Manage- ment	Finance/ Account- ing	Inter- national Business	M&A	Capital Policy	Legal Affairs	Sales/ Market- ing	Product Tech- nology
Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)												
1	Naoto Hoya		Male	3 years	○		○				○	○
2	Yukio Yoshino		Male	4 years	○						○	
3	Toshihisa Nabeta	○	Male	1 year	○		○	○		○		
4	Hideaki Sunaga	○	Male	1 year	○		○	○	○			
Directors Who Are Audit and Supervisory Committee Members												
1	Toshikazu Yoshida		Male	New	○						○	
2	Yutaka Watanabe	○	Male	6 years	○	○	○		○	○		
3	Atsuko Sugiyama	○	Female	2 years		○				○		

Reference: The Company's Independence Standards for Outside Officers

The Company considers outside officers who do not fall under any of the following conditions to be independent officers who are not likely to have any conflicts of interest with the general shareholders.

- (i) A person from the Company and its subsidiaries (hereinafter the "Group")
(Executive Director, executive officer (*shikkoyaku*), executive officer (*shikkoyakuin*), or some other person or employee who serves in an equivalent capacity (hereinafter referred to as "Executive" in these standards))
- (ii) A major customer of the Group, or Executive of such customer
(Customer whose total purchases from the Group account for more than 2% of the consolidated net sales of the Company for any of the latest three fiscal years)
- (iii) A major lender to the Group, or Executive of such lender
(Lender to which the amount of the Company's borrowings on a consolidated basis as of the last day of any of the latest three fiscal years has exceeded 2% of the consolidated total assets of the Company)
- (iv) An entity for whom the Group is a major customer, or Executive of such entity
(Entity whose total sales to the Group account for more than 2% of the consolidated net sales of that entity for any of the latest three fiscal years)
- (v) Legal expert, certified public accountant, or consultant who receives a large amount of remuneration other than officer remuneration from the Group
(In the case of an individual: A person receiving at least an average amount of ¥10 million per year from the Group during the latest three fiscal years. In the case of a corporation, organization, etc.: A person belonging to the corporation, organization, etc. receiving an amount of at least 2% of the consolidated net sales of that corporation, organization, etc. from the Group)
- (vi) A person who receives substantial donations from the Group
(Beneficiary whose total amount of donation received from the Group exceeds 2% of the total revenue of the beneficiary in any of the latest three fiscal years.)
- (vii) The Company's major shareholder (investor holding at least 10% of the voting rights of the Company) or if the major shareholder is a corporation, an Executive of either that major shareholder, its parent company or a principal subsidiary.
- (viii) An Executive of a corporation, etc. in which the Company holds at least 10% of voting rights
- (ix) A spouse or a relative within the second degree of kinship of any of the persons listed in (i) through (viii) above (limited to important persons)
- (x) A person who has come under a category listed in any of items (ii) through (ix) above in the past three years

Proposal No. 5: Introduction of Restricted Share-based Compensation Plan for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members and Outside Directors)

The Company shall introduce the following compensation plan (the “Plan”) to allocate ordinary shares in the Company (“Restricted Shares”) with stipulations regarding the transfer restriction period and uncompensated acquisition by the Company, etc. with the aims of incentivizing Company Directors (except for Directors who are Audit and Supervisory Committee Members and outside Directors; “Relevant Directors”) to achieve the sustainable growth of the corporate value of the Company and to promote greater shared value among all Directors and shareholders.

It is understood that the total remuneration amount for Directors of the Company has been set at an annual upper limit of ¥102 million (excluding employee salaries) for Directors (excluding Audit and Supervisory Committee Members) at the General Meeting of Shareholders on June 29, 2016. At the General Meeting of Shareholders, we would like all parties to give their agreement for the introduction of the new Plan and for the setting of an upper limit of ¥15 million for the total annual monetary compensation claim as compensation for Restricted Shares for the Relevant Directors within the scope of the total remuneration amount for existing Directors (excluding Audit and Supervisory Committee Members).

Also, while there are currently five Directors (excluding Audit and Supervisory Committee Members) (of whom two are outside Directors), there will be four Directors (of whom two are outside Directors) if approval is given for Proposal No. 3 as originally proposed, and two Relevant Directors.

1. Allocation and Payment of Restricted Shares

The Plan provides for the payment of a monetary compensation claim within the annual upper limit of compensation defined above as compensation to the Relevant Directors for Restricted Shares, and the Relevant Directors shall receive the allocation of Restricted Shares by paying in the entire monetary compensation claim by way of in-kind contribution.

Please note that the payment amount per Restricted Share will be determined by the Board of Directors of the Company within a range that is not particularly advantageous to the Relevant Directors based on the closing price of the Company’s common shares on the Tokyo Stock Exchange on the business day prior to the resolution of the Board of Directors (or the closing price on immediately preceding trading day if no trading is made on that day). Also, the payment of the monetary compensation claim shall be made on the understanding that the Relevant Directors agree to the investment in kind stated above and to the restricted share allocation agreement defined in “3,” below.

2. Total Number of Restricted Shares

The upper limit of the number of Restricted Shares to be allocated to the Relevant Directors in a fiscal year shall be 15,000. However, following the date of the determination of this resolution, in the case a stock split or reverse stock split of ordinary shares in the Company is carried out or in similar cases in which it is necessary to adjust the total number of Restricted Shares to be allocated, the total number of Restricted Shares may be reasonably adjusted

3. Restricted Share Allocation Agreement

The restricted share allocation agreement concluded between the Company and the Relevant Directors to whom the Restricted Shares are to be allocated shall include the following content.

(1) Transfer restrictions

In the period between the day on which the Relevant Directors to whom the Restricted Shares are to be allocated receive the allocation until the said Relevant Director gives up the position of Director of the Company (“Transfer Restriction Period”), the Relevant Director may not transfer to a third party, establish a right of pledge, establish mortgage rights, make a living donation, bequeath or dispose of in any other way the ordinary shares in the Company allocated on the basis of the restricted share allocation agreement (“Allocated Shares”).

(2) Termination of Transfer Restrictions

On the condition that the Relevant Director to whom the Restricted Shares are to be allocated fulfills the position stated in (1), above, continuously over a period specified by the Board of Directors of the Company (“Service Provision Period”), the Company may terminate the transfer restriction upon completion of the Transfer Restriction Period with regard to all Allocated Shares. However, in the case that the Relevant Director retires from the position in (1), above, during the Service Provision Period for reasons deemed justifiable by the Board of Directors of the Company, the number of allocated shares terminating the transfer restriction and the period for the termination of the transfer restriction may be reasonably adjusted when necessary.

(3) Uncompensated Acquisition of Restricted Shares

In the case that the transfer restriction on certain Restricted Shares has not been lifted on the basis of the stipulated reasons for termination of the transfer restriction in (2), above, at the point at which the Transfer Restriction Period in (1), above, comes to an end, the Company shall automatically acquire the Allocated Shares without compensation.

(4) Procedures in the case of organizational restructuring, etc.

During the Transfer Restriction Period, in the case that approval is given at a General Meeting of Shareholders for a merger agreement in which the Company becomes a dissolved company, or for a share exchange agreement, share transfer plan or any other matter regarding organizational restructuring, etc. by which the Company becomes a wholly-owned subsidiary, by means of a resolution of the Board of Directors (or by the Board of Directors of the Company in the case that approval is not needed from the General Meeting of Shareholders for the relevant organizational restructuring, etc.), the transfer restrictions may be lifted prior to the effective date of such organizational restructuring, etc. with regard to a number of Allocated Shares reasonably calculated on the basis of expired period from the start of the transfer restriction period until the date of approval of the organizational restructuring, etc. In the case of the above, the Company shall automatically acquire Allocated Shares for which the Transfer Restriction has not been lifted without compensation immediately after the Transfer Restriction has been lifted.

(5) Other items

Other items relating to this agreement shall be stipulated by the Board of Directors of the Company.

4. Reason for Fairness of Bestowing Restricted Shares

In addition to the aim of providing an incentive to achieve the sustainable growth of the corporate value of the Company, Restricted Shares are bestowed on the Relevant Directors with the aim of promoting greater shared value among all Directors and shareholders.

At the Board of Directors meeting held on June 24, 2021, the Company set the policy for determining matters relating to the remuneration, etc. of individual Directors, which is summarized on page 18 of the Business Report (in Japanese only). However, in the case that this proposal is approved, the said policy shall be amended to conform to the details of this proposal. Also, based on the fact that the monetary amount of the value of the Restricted Shares as of the date of the resolution by the Board of Directors relating to the allocation is within the scope of the upper limit for one year, and that there is a minimal dilution of the ratio of Restricted Shares against the total number of issued shares, namely, 0.17% (across a period of ten years, the ratio against the total number of issued shares in the case that the maximum number of Restricted Shares is issued would be 1.72%), the Company has decided that the bestowal of Restricted Shares is fair.