

T O O U R
SHAREHOLDERS

3-2-10 Shirokanedai, Minato-ku, Tokyo
B r a i n P a d I n c .
Takafumi Kusano, CEO & Co-founder

Notice of the 16th Annual Shareholders' Meeting

Notice is hereby given to all shareholders of BrainPad Inc. that the Company has called the 16th Annual Shareholders' Meeting. The details are described below. We would be grateful if you were able to attend.

If you do not expect to attend the meeting, you will be able to exercise your voting rights in writing. Please refer to the Shareholders' Meeting Reference Documents below and state whether you approve or reject each proposal on the voting form attached to this Notice. You are requested to send the form. It needs to arrive by 6:00 p.m. on Wednesday, September 25, 2019.

1. T i m e 10:00 a.m. on Wednesday, September 26, 2019
(The reception desk will open at 9:00 a.m.)
2. V e n u e Shirokanedai Bldg. 3F, 3-2-10 Shirokanedai, Minato-ku, Tokyo
Meeting room at the head office of BrainPad Inc.
3. A g e n d a
[Matters Reported]
 1. Reports on the Business Report, Consolidated Financial Statements and results of audits of Consolidated Financial Statements by the accounting auditor and the Audit & Supervisory Board for the 16th Fiscal Year (from July 1, 2018 to June 30, 2019)
 2. Reports on the content of the Non-Consolidated Financial Statements for the 16th Fiscal Year (from July 1, 2018 to June 30, 2019).
[Matters Resolved]
 - Item No. 1 Election of eight (8) Directors
 - Item No. 2 Election of three (3) Audit & Supervisory Board Members
 - Item No. 3 Decision on remuneration to grant shares with restrictions on transfer to the Directors (excluding Outside Directors)

End of Document

Of the items that should be included in this Notice of the Shareholders' Meeting under laws and regulations and Article 14 of the Company's Articles of Incorporation, the items below are posted on the Company's website () and are not included in the documents provided with this Notice.

- (i) The following contents of the Business Report: III. Matters related to share acquisition rights, V. Matters related to the accounting auditor and VI. Systems to ensure proper operations
- (ii) Notes to the Consolidated Financial Statements
- (iii) Notes to the Non-Consolidated Financial Statements

The documents provided with this Notice are part of the documents that the Audit & Supervisory Board Members have audited to prepare the audit report and the accounting auditor has audited to prepare the accounting audit report.

©When you attend the meeting, you will be requested to submit the enclosed voting form at the reception desk.

©If you vote by proxy, only one proxy who is a shareholder having voting rights of the Company may attend the meeting. The proxy will be requested to submit the voting form of the shareholder who has given him/her the authority and a proxy form or other documents certifying the proxy at the reception desk. No one other than shareholders, including persons intended to act as proxy and accompanying persons who are not shareholders, is allowed to attend the meeting.

©If there are any corrections in the Shareholders' Meeting Reference Documents, Business Report, Consolidated Financial Statements, or Non-Consolidated Financial Statements, the corrections will be posted on the Company's website (<https://www.brainpad.co.jp/>).

©The results of votes at the Shareholders' Meeting will not be sent in writing but will be posted on the Company's website (<https://www.brainpad.co.jp/>).

©This English translation is made for reference purpose. Therefore only the Japanese original shall have the effect and this English translation shall have no effect.

Shareholders' Meeting Reference Documents

[Item No. 1] Election of eight (8) Directors



The term of office of all six Directors will expire at the close of the Shareholders' Meeting.

To strengthen the management system, we will add two Directors. We request you to appoint eight Directors.



The following is a list of Director candidates.


Candidate no.	Name	Current post in the Company	Attribute
1	Seinosuke Sato	Chairman, Representative Director and Co-founder	Reappointment
2	Takafumi Kusano	CEO and Co-founder In charge of Marketing Division and Internal Auditing Department	Reappointment
3	Makoto Yasuda	Director In charge of Digital Solution Division and Marketing Platform Division	Reappointment
4	Ko Ishikawa	Director In charge of Data Engineering Division, Human Resources Division and Corporate Division	Reappointment
5	Yoichiro Shiozawa	Director In charge of Business Administration Division and Analytics Division	Reappointment
6	Tomohiro Sekiguchi	Head of Business Integration Division	New
7	Tetsuya Sano	Director	Reappointment Independent Outside
8	Makiko Ushijima	—	New Independent Outside


Reappointment	Current Director	New	New Director candidate
Outside	Outside Director candidate	Independent	Independent Officer required by the Stock Exchange (including Independent Officer to be reported)

[Candidate no.] Name (Date of birth)	Career summary, post in the Company, his/her division (Significant concurrent post)
<p>[1]</p>  <p>S e i n o s u k e S a t o August 7, 1957 (62 years old)</p> <p>Number of shares held 344,900</p> <p>Attendance at board meetings 100% (16 / 16 meetings)</p> <p>Reappointment</p>	<p>April, 1980 Joins NEC Corporation April, 1990 Joins AT&T Japan K.K. April, 1991 Founds TCSI Japan (the Japanese arm of US-based TCSO) Representative Director October, 1997 Founds Algorex K.K., Representative Director January, 2001 Founds Marketswitch Japan K.K., Representative Director March, 2004 Founds BrainPad, head of Sales Department September, 2006 Director July, 2015 Representative Director and President July, 2019 Representative Director and Chairman (current post) (Division in his charge) —</p> <p>Reason that he is a Director candidate Seinosuke Sato is a co-founder of BrainPad. Since the foundation, he has successfully promoted AI business and introduced overseas software products to Japan, taking advantage of his strong relationships with overseas companies in the field of advanced technologies, including optimization and data analysis. In this way, he has driven the growth of the Group. From July 2015, as Representative Director and CEO, he took the lead in the preparation and implementation of the previous medium-term management plan (from the fiscal year ended June 30, 2016 to the fiscal year ended June 30, 2019) and increased earnings by expanding the organization and promoting long-term, large-scale projects. As a result, sales and profits hit a record high. Since July 2019, as Representative Director and Chairman, he has been supporting the CEO and management and has been promoting activities using his strong network overseas. We consider him qualified as a Director and ask you to appoint him again.</p>
<p>[2]</p>  <p>T a k a f u m i K u s a n o September 5, 1972 (47 years old)</p> <p>Number of shares held 320,000</p> <p>Attendance at board meetings 94% (15 / 16 meetings)</p> <p>Reappointment</p>	<p>April, 1997 Joins Sun Microsystems Japan (currently Oracle Corporation Japan) July, 1999 Joins Reset Co., Ltd. May, 2000 Founds FreeBit.com Co., Ltd. (currently FreeBit Co., Ltd.), Director March, 2004 Founds BrainPad Inc., Representative Director and CEO May, 2013 Representative Director of The Japan DataScientist Society (current post) September, 2015 Representative Director and Chairman of BrainPad July, 2019 Representative Director and CEO (current post) (Significant concurrent post) Representative Director of The Japan DataScientist Society (Division in his charge) Marketing Division and Internal Auditing Department</p> <p>Reason that he is a Director candidate Takafumi Kusano is a co-founder of BrainPad. He was Representative Director and CEO when it was founded. He broke new ground for data utilization and analysis business, which was rare in Japan. From September 2015, he boosted his presence in the industry. He became Representative Director and Chairman, participated in government-led initiatives for promoting data utilization in Japan, and assumed the post of Representative Director of The Japan DataScientist Society, a general incorporated association. In July 2019, he became Representative Director and CEO again and has been supervising management and the Company's business overall to make and execute the next medium-term management plan (from the fiscal year ending June 30, 2020 to the fiscal year ending June 30, 2023). We consider him qualified as a Director and ask you to appoint him again.</p>

[Candidate no.] Name (Date of birth)	Career summary, post in the Company, his/her division (Significant concurrent post)
<p>[3]</p>  <p>M a k o t o Y a s u d a August 29, 1974 (45 years old)</p> <p>Number of shares held 50,818</p> <p>Attendance at board meetings 100% (16 / 16 meetings)</p> <p style="text-align: center;">Reappoint ment</p>	<p>April, 1998 Joins SoftBank Corp. November, 2003 Joins FreeBit Co., Ltd. October, 2004 Joins BrainPad July, 2007 Head of Sales Department September, 2011 Director (current post) April, 2017 Representative Director of Mynd, Inc. (current post)</p> <p>(Significant concurrent post) Representative Director of Mynd, Inc. (Division in his charge) Digital Solution Division and Marketing Platform Division</p> <p>Reason that he is a Director candidate Makoto Yasuda has been a member of BrainPad since its foundation and has contributed to the growth of the Group. He launched a marketing platform for developing and providing the Group's own products and made Rtoaster, the main product, grow to have the biggest market share. He became a Director of BrainPad in September 2011 and Representative Director of Mynd, Inc. a consolidated subsidiary, in April 2017. He has been promoting business using his considerable achievements in the digital marketing market. We consider him qualified as a Director and ask you to appoint him again.</p>
<p>[4]</p>  <p>K o I s h i k a w a August 14, 1975 (44 years old)</p> <p>Number of shares held 100</p> <p>Attendance at board meetings 100% (16 / 16 meetings)</p> <p style="text-align: center;">Reappoint ment</p>	<p>April, 1998 Joins Andersen Consulting (currently Accenture plc) June, 2004 Joins Ishikawa Jyushi Co., Ltd. December, 2010 Registered as a member of Tokyo Bar Association January, 2011 Joins All About, Inc. July, 2012 Executive Officer and CFO of All About July, 2014 Joins BrainPad August, 2014 Head of Business Support Division September, 2014 Director (current post)</p> <p>(Division in his charge) Data Engineering Division, Human Resources Division, Corporate Division</p> <p>Reason that he is a Director candidate Ko Ishikawa became a Director of BrainPad in September 2014. He has been leading the Corporate Division, an administrative division, using his experience as a business consultant, his knowledge about laws, which he has built as a lawyer, and his knowledge about finance, which he has built as CFO at the Company and at All About. He has been contributing to appropriately making important management decisions and has been supervising business execution. In addition to the Corporate Division and the Human Resources Division, which has separated from the Corporate Division, he has been in charge of the Data Engineering Division, where he uses his extensive experience and achievements, since July 2019 as data engineering is expected to expand. He has been playing a role for enhancing the corporate value of BrainPad. We consider him qualified as a Director and ask you to appoint him again.</p>

[Candidate no.] Name (Date of birth)	Career summary, post in the Company, his/her division (Significant concurrent post)
<p>[5]</p>  <p>Y o i c h i r o S h i o z a w a July 23, 1974 (45 years old)</p> <p>Number of shares held 5,309</p> <p>Attendance at board meetings 100% (16 / 16 meetings)</p> <p>Reappointment</p>	<p>April, 1997 Joins Pricewaterhouse Consultant Co., Ltd. (currently IBM Japan, Ltd.)</p> <p>October, 2004 Joins Roland Berger Ltd.</p> <p>April, 2005 Joins Japan Telecom Co., Ltd. (currently Softbank Corp.)</p> <p>May, 2011 Joins Ernst & Young Advisory Co., Ltd. (currently EY Advisory Co., Ltd.)</p> <p>December 2012 Joins BrainPad</p> <p>July, 2014 Head of Analytics Service Division</p> <p>September 2016 Director (current post)</p> <p>(Division in his charge) Business Integration Division and Analytics Division</p> <p>Reason that he is a Director candidate Yoichiro Shiozawa has been contributing to the growth of the Group since he joined BrainPad by creating projects, particularly analytics service projects, using his considerable experience in business consulting and the development of sales strategies. He became a Director in September 2016 and promoted large-scale analytics projects and the development of the structure of one of the largest organizations of data scientists in Japan. Since July 2019, he has been in charge of Business Integration Division, into which the sales and consulting, among other operations, of the Company have been consolidated for the purpose of driving the growth of the entire Group. We consider him qualified as a Director and ask you to appoint him again.</p>
<p>[6]</p>  <p>T o m o h i r o S e k i g u c h i March 25, 1977 (42 years old)</p> <p>Number of shares held 0</p> <p>Attendance at board meetings —</p> <p>New</p>	<p>June, 2001 Joins Accenture plc</p> <p>December 2011 Senior Manager at Accenture</p> <p>April, 2017 Joins BrainPad, head of AI Business Division</p> <p>July, 2019 Head of Business Integration Division (current post)</p> <p>Reason that he is a Director candidate Tomohiro Sekiguchi joined BrainPad in April 2017, and immediately started to prepare for the launch of a new unit, taking advantage of his considerable experience at a consulting firm, particularly experience in consulting on strategies, human resources, and organizations. He led a business consulting unit as head of AI Business Division and contributed to expanding earnings as a person responsible for winning and executing large-scale projects that used a wide range of business assets of the Company. Since July 2019, he has been playing a role for promoting the growth of the entire Group as head of Business Integration Division. He is expected to supervise business strategies for the entire Group and promote sophisticated consulting business as a Director, thereby contributing to increasing the Company's corporate value. We consider him qualified as a Director and ask you to appoint him.</p>

[Candidate no.] Name (Date of birth)	Career summary, post in the Company, his/her division (Significant concurrent post)
<p>[7]</p>  <p>T e t s u y a S a n o January 16, 1970 (49 years old)</p> <p>Number of shares held 0</p> <p>Attendance at board meetings 100% (16 / 16 meetings)</p> <p> <input checked="" type="checkbox"/> Reappointment <input type="checkbox"/> Independent <input type="checkbox"/> Outside </p>	<p>October, 1992 Joins Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)</p> <p>June, 1996 Registered as a certified public accountant</p> <p>May, 2000 Founds FreeBit.com Co., Ltd. (currently FreeBit Co., Ltd.)</p> <p>July, 2001 Director and CFO at FreeBit.com</p> <p>August, 2005 Founds Growin' Partners Inc., Representative Director (current post)</p> <p>September, 2014 Outside Audit & Supervisory Board Member at BrainPad</p> <p>September, 2015 Outside Auditor at ZUU Co., Ltd. (current post)</p> <p>September, 2017 Outside Director at BrainPad (current post)</p> <p>September, 2017 (Significant concurrent posts) Representative Director at Growin' Partners Inc. and Outside Auditor at ZUU Co., Ltd.</p> <p>Reason that he is an Outside Director candidate</p> <p>After becoming an Outside Audit & Supervisory Board Member in September 2014, Tetsuya Sano properly monitored management and made remarks at meetings of the Board of Directors, using his professional and extensive experience and knowledge as a certified public accountant. He became an Outside Director at BrainPad in September 2017, and since then, he has made recommendations to management, taking advantage of his extensive business experience as an entrepreneur and a corporate executive and his wide-ranging insights in many different industries, which he gained through his support of a number of mergers and acquisitions and listings. We believe that he will continue to make recommendations on management as an Outside Director independent of the Executive Directors from an objective perspective and request you to appoint him again.</p>

[Candidate no.] Name (Date of birth)	Career summary, post in the Company, his/her division (Significant concurrent post)
<p>[8]</p>  <p>M a k i k o U s h i j i m a April 10, 1965 (54 years old)</p> <p>Number of shares held 0</p> <p>Attendance at board meetings —</p> <p><input type="checkbox"/> New <input type="checkbox"/> Outside</p> <p><input type="checkbox"/> Independent</p>	<p>April, 1989 Joins the Defense Agency (currently the Ministry of Defense)</p> <p>May, 1995 Registered as a New York lawyer</p> <p>November, 1995 Joins Shearman & Sterling LLP</p> <p>May, 1998 Joins Orrick, Herrington & Sutcliffe LLP</p> <p>July, 2002 Executive Officer and Head of Legal Office at GE Fleet Services Corporation</p> <p>February, 2003 Joins Dorsey & Whitney LLP</p> <p>July, 2008 Registered as a US certified public accountant (Illinois)</p> <p>December, 2008 Registered as a lawyer (First Tokyo Bar Association)</p> <p>Joins Nagashima Ohno & Tsunematsu</p> <p>July, 2011 Joins Sidley Austin Nishikawa Foreign Law Joint Enterprise</p> <p>February, 2017 Joins Jones Day Tokyo</p> <p>January, 2019 Of Counsel at Jones Day LLP (current post)</p> <p>(Significant concurrent post) Of Counsel at Jones Day LLP</p> <hr/> <p>Reason that he is an Outside Director candidate</p> <p>Makiko Ushijima has worked at international law firms and has extensive professional experience related to not only the laws of Japan but also cross-border M&A and finance transactions and overseas regulations. We would like her to become an Outside Director and use her expertise in the management of the Company. We thus request you to appoint her as an Outside Director.</p>

- (Notes)
- The name of Takafumi Kusano in the family register is Takafumi Takahashi.
 - Tomohiro Sekiguchi and Makiko Ushijima are new Director candidates.
 - Tetsuya Sano and Makiko Ushijima are Outside Director candidates.
 - Tetsuya Sano is the Representative Director of Growin' Partners. BrainPad and Growin' Partners have business relationships, including the provision of software licenses. The other candidates and the Company do not have any special interest in each other.
 - To invite competent human resources as Directors, the Company's Articles of Incorporation stipulate that the Company may enter into an agreement with Directors (excluding Executive Directors etc.) to limit their liability for damages to the Company within a certain amount. The Company has entered into a limited liability agreement with Tetsuya Sano. If the reappointment of Tetsuya Sano is approved, the Company will continue the agreement with him. If the appointment of Makiko Ushijima is approved, the Company will enter into a similar limited liability agreement with her. The main points of the limited liability agreement are as follows:
 - The liability of damages of an Outside Director to the Company due to their negligence of their duties shall be limited to the minimum liability amount set out in Article 425, Paragraph 1 of the Companies Act.
 - The limited liability above shall be applied only if the Outside Director has acted in good faith and without gross negligence in performing their duties that have caused the liability.
 - The Company has reported that Tetsuya Sano is an Independent Officer under the rules of the Tokyo Stock Exchange. If the reappointment of Tetsuya Sano is approved, he will continue to be an Independent Officer. If the appointment of Makiko Ushijima is approved, the Company will report her as being an Independent Officer.
 - Number of years that have passed since the Outside Director assumed the office (until the close of the Shareholders' Meeting)

Tetsuya Sano (Outside Director): 2 years

[Item No. 2] Election of three (3) Audit & Supervisory Board Members


The term of office of all three Audit & Supervisory Board Members will expire at the close of the Shareholders' Meeting. We request you to appoint three Audit & Supervisory Board Members, including a new Outside Audit & Supervisory Board Member.


The Audit & Supervisory Board has agreed on this item.


The following is a list of Audit & Supervisory Board candidates.

Candidate no.	Name	Current post in the Company	Attribute
1	H a r u o S u z u k i	Full-time Audit & Supervisory Board	Reappointment Independent Outside
2	K a t s u y u k i Y a m a g u c h i	Outside Audit & Supervisory Board Member	Reappointment Outside
3	K a z u t a k a O o k u b o	—	New Independent Outside

Reappointment	Current Audit & Supervisory Board Member	New	New Audit & Supervisory Board Member candidate
Outside	Outside Audit & Supervisory Board Member candidate	Independent	Independent Officer required by the Stock Exchange (including Independent Officer to be reported)

[Candidate no.]	Name (Date of birth)	Career summary, post in the Company (Significant concurrent post)
[1]	 H a r u o S u z u k i October 2, 1955 (63 years old) Number of shares held 0 Attendance at board meetings 100% (16 / 16 meetings) Attendance at meetings of the Audit & Supervisory Board 100% (13 / 13 meetings) Reappointment Independent Outside	April, 1978 Joins Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation) August, 2006 Representative Director and President of Adcore-Tech, Co., Ltd. August, 2008 Member of the Board in charge of technology strategies of Panasonic Mobile Communications Co., Ltd. January, 2010 Director in charge of technology at Panasonic Mobile Communications Co., Ltd. April, 2011 Full-time Auditor at Panasonic Mobile Communications Co., Ltd. January, 2012 Full-time Auditor at Panasonic System Networks Co., Ltd. April, 2014 Full-time Auditor at Panasonic Mobile Communications Co., Ltd. September, 2015 Full-time Audit & Supervisory Board Member at BrainPad (current post) r, Reason that he is an Outside Audit & Supervisory Board Member candidate Haruo Suzuki has extensive experience as an executive and wide-ranging insights into management. Since he became a full-time Outside Audit & Supervisory Board Member in 2015, he has carried out effective audits, taking advantage of his experience and insights. We would like him to continue to audit the management of the Company properly as a full-time Outside Audit & Supervisory Board Member and ask you to appoint him.

[Candidate no.] Name (Date of birth)	Career summary, post in the Company (Significant concurrent post)
<p>[2]</p>  <p>K a t s u y u k i Y a m a g u c h i September 22, 1966 (53 years old)</p> <p>Number of shares held 1,000</p> <p>Attendance at board meetings 100% (16 / 16 meetings)</p> <p>Attendance at meetings of the Audit & Supervisory Board 100% (13 / 13 meetings)</p> <p> <input checked="" type="checkbox"/> Reappointment <input type="checkbox"/> Outside </p>	<p>April, 1991 Registered in First Tokyo Bar Association; joins Nishimura & Partners (currently Nishimura & Asahi)</p> <p>January, 1998 Registered as a New York lawyer</p> <p>August, 2000 Partner at Nishimura & Partners (currently Nishimura & Asahi)</p> <p>March, 2001 Outside Auditor at Rakuten, Inc. (current post)</p> <p>July, 2007 Outside Auditor at FreeBit Co., Ltd. (current post)</p> <p>March, 2011 Outside Auditor at Jupiter Telecommunications Co., Ltd.</p> <p>September, 2013 Outside Audit & Supervisory Board Member at BrainPad (current post)</p> <p>June, 2015 Outside Auditor at Hakuhold DY Holdings Inc. (current post)</p> <p>June, 2015 Auditor at Hakuhold DY Media Partners Inc. (current post)</p> <p>October, 2018 Nishimura & Asahi NY LLP Managing Partner (current post)</p> <p>(Significant concurrent post) Nishimura & Asahi NY LLP Managing Partner Outside Auditor at Rakuten, Inc. Outside Auditor at FreeBit Co., Ltd. Outside Auditor at Hakuhold DY Holdings Inc. Auditor at Hakuhold DY Media Partners Inc.</p> <p>Reason that he is an Outside Audit & Supervisory Board Member candidate</p> <p>Katsuyuki Yamaguchi has extensive professional experience and knowledge as a lawyer. Since he became an Outside Audit & Supervisory Board Member at BrainPad in 2013, he has audited the management of the Company as a lawyer from an objective perspective. We would like him to continue to audit the management of the Company as a lawyer from an objective perspective and ask you to appoint him. He has not been involved in corporate management except as an outside officer. However, we believe that he will be able to perform his duties effectively as an Outside Audit & Supervisory Board Member of BrainPad for the reason described above.</p>

[Candidate no.] Name (Date of birth)	Career summary, post in the Company (Significant concurrent post)
<p>[3]</p>  <p>K a z u t a k a O o k u b o March 22, 1973 (46 years old)</p> <p>Number of shares held 0</p> <p>Attendance at board meetings —</p> <p>Attendance at meetings of the Audit & Supervisory Board —</p> <p><input type="checkbox"/> New <input type="checkbox"/> Outside <input type="checkbox"/> Independent</p>	<p>November 1995 Joins Century Audit Corporation (currently Ernst & Young ShinNihon LLC) April, 1999 Registered as a certified public accountant October, 2003 Director of ShinNihon Integrity Assurance Inc. (currently EY ShinNihon Sustainability Co., Ltd.) February 2005 Executive Director at ShinNihon Integrity Assurance June, 2006 Partner at Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC) July, 2012 Senior Partner at Shin Nihon LLC (currently Ernst & Young ShinNihon LLC) February, 2016 Senior Executive Board Member and head of ERM at Ernst & Young ShinNihon LLC June, 2019 Representative Director and President of Okubo Associates K.K. (current post) June, 2019 Outside Auditor at Sega Sammy Holdings Inc. (current post) June, 2019 Outside Director at Sun Frontier Fudousan Co., Ltd. (current post) August, 2019 Special Professor at Keio University Graduate School of Media and Governance (current post)</p> <p>(Significant concurrent post) Representative Director and President of Okubo Associates K.K. Outside Auditor at Sega Sammy Holdings Inc. Outside Director at Sun Frontier Fudousan Co., Ltd.</p> <p>Reason that he is an Outside Audit & Supervisory Board Member candidate In addition to experience in auditing at major auditing firms, Kazutaka Ookubo has extensive professional experience and knowledge in the field of corporate compliance and CSR. We would like him to use his expertise in the management of the Company and auditing and thus request you to appoint him. He has not been involved in corporate management, but we believe that he will be able to perform his duties properly as an Outside Audit & Supervisory Board Member for the reason described above.</p>

(Notes) 1. Each Audit & Supervisory Board Member candidate or the Company does not have any special interest in each other.

2. Kazutaka Ookubo is a new Audit & Supervisory Board Member candidate.
3. Haruo Suzuki, Katsuyuki Yamaguchi and Kazutaka Ookubo are Outside Audit & Supervisory Board Member candidates.
4. To invite competent human resources as Audit & Supervisory Board Members, the Company stipulates in its Articles of Incorporation that the Company may enter into an agreement with Audit & Supervisory Board Members to limit their liability for damages to the Company within a certain amount. The Company has entered into a limited liability agreement with Haruo Suzuki and Katsuyuki Yamaguchi. If the reappointments of Haruo Suzuki and Katsuyuki Yamaguchi are approved, the Company will continue the limited liability agreements with them. If the appointment of Kazutaka Ookubo is approved, the Company will enter into a similar limited liability agreement with him. The main points of the limited liability agreement are as follows:
 - (i) The liability of damages of an Audit & Supervisory Board Member to the Company due to their negligence of their duties shall be limited to the minimum liability amount set out in Article 427, Paragraph 1 of the Companies Act.
 - (ii) The limited liability above shall be applied only if the Audit & Supervisory Board Member has acted in good faith and without gross negligence in performing their duties that have caused the liability.
5. The Company has reported that Haruo Suzuki is an Independent Officer under the rules of the Tokyo Stock Exchange. If the reappointment of Haruo Suzuki is approved, he will continue to be an Independent Officer. If the appointment of Kazutaka Ookubo is approved, the Company will report him as being an Independent Officer under the rules of the Tokyo Stock Exchange.
6. Number of years that have passed since the Auditor assumed the office (until the close of the Shareholders' Meeting)
 - Haruo Suzuki (Audit & Supervisory Board Member): 4 years
 - Katsuyuki Yamaguchi (Audit & Supervisory Board Member): 6 years

(For reference) Criteria for independence

The Company specifies criteria for the independence of Outside Directors and Outside Audit & Supervisory Board Members in Article 12 of its corporate governance basic policy.

When we choose Outside Director candidates and Outside Audit & Supervisory Board Member candidates, they shall meet the criteria for independence specified by the Tokyo Stock Exchange on which the Company is listed and shall meet the following criteria for independence.

Criteria for independence

To ensure that Outside Directors and Outside Audit & Supervisory Board Members are independent of the Company, the Company shall choose persons who do not fall under any of the following categories:

- (1) The person who is or was a member of the management of the Company or an employee of the Company
- (2) A member of management or an employee who has an important business relationship with the Company
- (3) A relative of a Director or an Audit & Supervisory Board Member of the Company
- (4) A person who receives a hefty remuneration as an advisor etc. of the Company other than remuneration as a Director or an Audit & Supervisory Board Member

[Item No. 3] Decision on remuneration to grant shares with a restriction on transfer to the Directors (excluding Outside Directors)

At an extraordinary shareholders' meeting held on July 29, 2011, it was approved that the amount of annual remuneration etc. for the Company's Directors is 200 million yen or less (including 30 million yen for the Outside Directors), excluding compensation paid to them as employees. To give the Directors incentives to achieve a sustainable increase in the Company's corporate value and to promote the sharing of value between the Directors and shareholders, we ask you to approve the payment of remuneration to grant shares with a restriction on transfer to the Directors (excluding Outside Directors) in addition to the remuneration etc. above.

The total annual amount of monetary remuneration to grant shares with a restriction on transfer to the Directors (excluding Outside Directors; hereinafter "Eligible Directors") under this Item is 200 million yen or less, which is considered appropriate for the aforementioned purpose. The allotments of the remuneration to each Eligible Director shall be determined by the Board of Directors.

The Company has six Directors (including an Outside Director). If Item No. 1 is approved without any change, the number of Directors will be eight (including two Outside Directors) and the number of Eligible Directors will be six.

The Eligible Directors shall deliver all of the monetary remuneration receivable under this Item as property contributed in kind under a resolution of the Company's Board of Directors and shall receive common shares of the Company that will be issued or disposed of. The annual number of common shares to be issued or disposed of shall be 60,000 or less (the number shall be changed within a reasonable range if any of the following events occur on or after the day when this Item is approved: any stock split (including allotment of shares without contribution) or reverse stock split of the Company's common stock or any other event that makes necessary a change in the number of shares to be issued or disposed of as shares with a restriction on transfer). The amount to be paid per share shall be determined by the Board of Directors to the extent that it will not be particularly favorable to the Eligible Directors, based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the day of the resolution of the Board of Directors (if no transactions are closed on that day, the closing price on the last trading day before that day). The Company and the Eligible Directors shall enter into an agreement on the allotment of shares with a restriction on transfer (hereinafter "the Allotment Agreement") in relation to the issue or disposition of common shares of the Company. The agreement shall include the following:

- (1) The Eligible Director shall not transfer, create a security interest in, or dispose of in any other way the Company's common shares that have been allotted (hereinafter "Allotted Shares") under the Allotment Agreement (hereinafter "Restriction on Transfer") during a period of approximately one year to 35 years that will be determined by the Board of Directors (hereinafter "Period of Restriction on Transfer").
- (2) If the Eligible Director loses their position of Director or any other position specified by the Company's Board of Directors before the Period of Restriction on Transfer expires, the Company shall naturally acquire the Allotted Shares without compensation unless there is any reason that the Board of Directors considers justifiable.
- (3) Regardless of paragraph (1), the Company shall lift the Restriction on Transfer of all the Allotted Shares when the Period of Restriction on Transfer expires if the Eligible Director continuously holds the position of Director or any other position specified by the Board of Directors for a period that is specified by the Board of Directors separately. If the Eligible Director loses the position specified in (2) before the Period of Restriction on Transfer expires for a reason that the Board of Directors considers justifiable mentioned in (2), the number of Allotted Shares for which the Restriction on Transfer will be lifted and the timing of the lifting of the Restriction on Transfer shall be changed in a reasonable manner as needed.
- (4) The Company shall naturally acquire the Allotted Shares for which the Restriction on Transfer is not lifted under (3) when the Period of Restriction on Transfer expires.
- (5) Notwithstanding paragraph (1), if a merger agreement where the Company is the merged company, a share exchange agreement where the Company is to become a wholly owned subsidiary, or matters related to a share transfer plan or any other restructuring etc. is approved in the Company's shareholders' meeting (or the Company's Board of Directors if matters related to the restructuring etc. do not need to be approved by the shareholders' meeting) during the Period of Restriction on Transfer, the Company shall, by resolution of the Board of Directors, lift the Restriction on Transfer for Allotted Shares, the number of which shall be determined in a reasonable manner based on the period from the first day of the Period of Restriction on Transfer to the date of approval of the restructuring etc., before the effective date of the restructuring etc.
- (6) In cases set out in (5), the Company shall naturally acquire without compensation the Allotted Shares for which the Restriction on Transfer is not lifted immediately after the Restriction on Transfer is lifted under paragraph (5).
- (7) The Allotment Agreement shall include the method of declaration of intention, the method of notification, the method of revising the Allotment Agreement, and other matters that shall be specified by the Board of Directors.

(For reference) Assuming that this Item is approved, the Company plans to grant shares with a restriction on transfer similar to the shares with a restriction on transfer described above to some employees of the Company and the Directors of the Company's subsidiaries.