

Securities Code: 6312

May 15, 2023

(Start of electronic distribution: May 9, 2023)

To Our Shareholders:

Iwao Fusejima, President & CEO

Freund Corporation

6-25-13 Nishi-shinjuku, Shinjuku-ku, Tokyo

Notice of Convocation of the 59th Annual General Meeting of Shareholders

We are pleased to announce the 59th Annual General Meeting of Shareholders of Freund Corporation (the “Company”), which will be held as indicated below.

Documents concerning this shareholders meeting are distributed electronically. Information distributed electronically is posted on the following website as documents titled “Notice of Convocation of the 59th Annual General Meeting of Shareholders” and “Other Items Provided Electronically (Items Omitted from Paper Documents).”

Company website

<https://www.freund.co.jp/english/ir/library/shareholders/>

In addition to the Company’s website, information is posted on the following website.

Website of the Tokyo Stock Exchange

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

After accessing the Tokyo Stock Exchange website, enter “Freund” or “6312” (the Freund securities code) and click search. Then select “Basic information” and “Documents for public inspection/PR information.”

You may submit your votes by postal mail (in writing) or by using the Internet instead of attending this meeting. Please review the Reference Documents for General Meeting of Shareholders, which is included in the information distributed electronically, and submit your votes no later than 5:30 p.m., Monday, May 29, 2023 (JST).

Meeting Details

1. **Date and Time:** Tuesday, May 30, 2023, at 10:00 a.m. (Reception starts at 9:00 a.m.)
2. **Venue:** BELLESALLE Shinjuku Grand Conference Center
Sumitomo Fudosan Shinjuku Grand Tower 5F, 8-17-1, Nishi-shinjuku, Shinjuku-ku,
Tokyo

3. Purpose of the Meeting

Matters to be reported

1. The Business Report and the Consolidated Financial Statements for the 59th fiscal year (from March 1, 2022 to February 28, 2023), and the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
2. The Non-consolidated Financial Statements for the 59th fiscal year (from March 1, 2022 to February 28, 2023)

Matters to be resolved

- Proposal No. 1:** Appropriation of Surplus
Proposal No. 2: Election of Six (6) Directors
Proposal No. 3: Election of One (1) Audit & Supervisory Board Member
Proposal No. 4: Election of Accounting Auditor
Proposal No. 5: Revision of Restricted Stock Compensation for Directors

4. Matters Prescribed for Convocation

If you do not indicate your approval or disapproval for the proposals on the voting form, the Company will assume that you have voted in favor of the proposal.

- * If you are attending the meeting, please submit the enclosed voting form to the reception desk upon arrival.
If information distributed electronically is revised, the revised information will be posted on the Company's website and the Tokyo Stock Exchange website.

Reference Documents for General Meeting of Shareholders

Proposal No. 1: Appropriation of Surplus

The Company proposes the appropriation of surplus as follows.

Maximizing shareholder value is the highest priority of the Company. Our policy is to use the benefits of higher shareholder value for earnings distributions to shareholders while retaining earnings for making the company stronger in order to adapt swiftly and accurately to changes in the operating environment.

The basic policy for the distribution of earnings is to make distributions based on results of operations. The target for the annual consolidated dividend payout ratio is 30%. We will maintain stable distributions while taking into account the need for retained earnings in order to build a stronger base of operations and take actions aimed at growth.

Although earnings in the fiscal year that ended in February 2023 were lower than in the previous fiscal year, we are proposing the payment of an ordinary dividend of 20 yen per share, the same as in the previous fiscal year, based on our policy of consistently paying a stable dividend.

Year-end dividend

1. Type of dividend property

Cash

2. Allotment of dividend property and aggregate amount

¥20 per common stock of the Company

Total dividends will be ¥334,890,400.

3. Effective date of dividend of surplus

May 31, 2023



Proposal No. 2: Election of Six (6) Directors

The terms of office of all five (5) Directors will expire at the conclusion of this shareholders meeting. To further strengthen management, shareholders are asked to approve the election of six (6) Directors (including two (2) Outside Directors), which is one (1) more than in the previous fiscal year.

The candidates for Director are as follows:

No.	Name (Date of birth)	Brief career history, positions, responsibilities and significant concurrent positions	Number of the Company shares held
1	 Iwao Fusejima (Dec. 13, 1969)	Nov. 1997 Joined the Company May 2008 Director of the Company Mar. 2010 Managing Director of the Company Mar. 2012 President & CEO of the Company (to present) Sep. 2012 President & CEO of Freund Chemicals, Ltd. Mar. 2013 Chairman & CEO of Freund-Vector Corporation Apr. 2014 Chairman & CEO of Freund-Turbo Corporation (to present) Nov. 2020 Director of Cos.Mec S.r.l. (to present) Apr. 2023 Chairman of Freund-Vector Corporation (to present)	288,800 shares

No.	Name (Date of birth)	Brief career history, positions, responsibilities and significant concurrent positions	Number of the Company shares held
2	 Masao Wakai (Jul. 29, 1954)	<p>Apr. 1977 Joined Fuji Bank Limited (currently Mizuho Bank, Ltd.)</p> <p>Jan. 1996 Vice President of Fuji Securities Inc.</p> <p>May 2003 Financial General Manager of Accounting Department of Lion Corporation</p> <p>Apr. 2006 General Manager of IR Office of Lion Corporation</p> <p>May 2007 Director, Corporate Officer, General Manager of Corporate Management Department of CMIC Co., Ltd. (currently CMIC Holdings Co., Ltd.)</p> <p>May 2013 Corporate Officer in charge of human resources, general affairs, public relations and intellectual property of Dexerials Corporation</p> <p>Jan. 2016 Joined the Company as a General Manager of the Office of Business Development</p> <p>Mar. 2017 Deputy Division Director of Overseas Sales Division of the Company</p> <p>Sep. 2019 Corporate Officer, General Manager of Corporate Planning Division of the Company</p> <p>Sep. 2019 Director of Freund-Turbo Corporation (to present)</p> <p>Apr. 2020 Director of Freund-Vector Corporation (to present)</p> <p>May 2020 Director, Division Director of Corporate Planning Division of the Company</p> <p>Nov. 2020 Director of Cos.Mec S.r.l. (to present)</p> <p>May 2021 Managing Director, Division Director of Corporate Planning Division of the Company</p> <p>Mar. 2023 Director, CFO, Division Director of Administration Division, in charge of Quality Assurance Division of the Company (to present)</p>	12,500 shares
3	 Toshiaki Honda (Aug. 19, 1974)	<p>Apr. 1997 Joined the Company</p> <p>Mar. 2014 General Manager of Sales Department, Equipment Division of the Company</p> <p>Mar. 2017 Division Director of Domestic Sales Division of the Company</p> <p>Sep. 2019 Corporate Officer, Division Director of Customer Business Division of the Company</p> <p>Apr. 2021 Director of Freund-Turbo Corporation (to present)</p> <p>May 2021 Director of the Company</p> <p>Mar. 2023 Director in charge of Machinery Business Division, Chemicals Business Division and Hamamatsu Technical Center (to present)</p>	15,100 shares

No.	Name (Date of birth)	Brief career history, positions, responsibilities and significant concurrent positions	Number of the Company shares held
*4	 <p>Toshifumi Moriguchi (Jan. 4, 1958)</p>	<p>Apr. 1985 Joined Yoshitomiya kuhin Corporation.</p> <p>Oct. 2007 General Manager of Facility Engineering Department, Pharmaceutical Division of Mitsubishi Tanabe Pharma Corporation</p> <p>Jun. 2011 Director, Yoshitomi Plant Manager of Mitsubishi Tanabe Pharma Factory Ltd.</p> <p>Jun. 2013 Director, Vice President of Mitsubishi Tanabe Pharma Factory Ltd.</p> <p>Sep. 2017 Director, General Manager of Business Management Department of BIKEN Co., Ltd.</p> <p>Jun. 2019 Joined the Company, Assistant to Division Director of Chemicals Division, in charge of Production Planning</p> <p>Sep. 2019 Executive Officer, Division Director of Production Business Division of the Company</p> <p>Mar. 2023 Executive Officer, Division Director of Chemicals Business Division of the Company (to present)</p>	10,000 shares
5	 <p>Hisashi Tanaka (Jan. 13, 1955)</p>	<p>Apr. 1984 Joined Eisai Co., Ltd.</p> <p>Jun. 2008 Senior Vice President, Head of Clinical Research Center of Eisai Co., Ltd.</p> <p>Aug. 2009 Joined EPS Corporation (currently EPS Holdings, Inc.)</p> <p>Oct. 2018 President and Representative Director, President and Representative Corporate Officer of EPS Holdings, Inc.</p> <p>Oct. 2019 President and Representative Director, President and Corporate Officer of EPS Holdings, Inc.</p> <p>Oct. 2020 Vice Chairman and Corporate Officer of EPS Holdings, Inc. Chairman and Director of EPS Corporation Chairman and Director, Chairman and Corporate Officer of EPS International Co., Ltd.</p> <p>May 2021 Director of the Company (to present)</p> <p>Oct. 2021 Special Advisor of EPS Holdings, Inc. (to present)</p>	-

No.	Name (Date of birth)	Brief career history, positions, responsibilities and significant concurrent positions	Number of the Company shares held
*6	 Ryuichi Kume (Nov. 8, 1956)	Apr. 1981 Joined Shionogi & Co., Ltd. Apr. 2006 Managing Executive Officer, Division Director of Manufacturing Division and General Manager of Production Technology Laboratory of Shionogi & Co., Ltd. Apr. 2017 Senior Executive Officer, Division Director of Pharmaceuticals Business Division of Shionogi & Co., Ltd. Apr. 2018 Senior Executive Officer, Division Director of CMC Research Center of Shionogi & Co., Ltd. Apr. 2019 Representative Director of Shionogi Pharma Co., Ltd. Jun. 2022 Outside Director of KOKANDO Co., Ltd. (to present) Jul. 2022 Director and Chairman of Shionogi Pharma Co., Ltd. (to present)	-

Notes

- Director candidate Mr. Iwao Fusejima is concurrently the Chairman of Freund-Vector Corporation, which has a business relationship with the Company. Mr. Fusejima is also the Chairman & CEO of Freund-Turbo Corporation, which has a business relationship with the Company. There are no significant financial relationships with the Company at other companies where Mr. Fusejima concurrently has executive positions.
- None of the other candidates for Director has any special conflicts of interest with the Company.
- An asterisk (*) indicates a candidate to be newly elected as Director.
- Mr. Hisashi Tanaka and Mr. Ryuichi Kume are the candidates for election as Outside Directors. The Company has designated Mr. Tanaka as an Independent Director according to the rules of the Tokyo Stock Exchange.
- The candidates for Outside Directors are as follows:
 Mr. Tanaka has many years of experience involving R&D and global development activities in the pharmaceutical industry and a broad range of knowledge as a manager. Shareholders are asked to reelect Mr. Tanaka as an Outside Director because he is expected to contribute to strengthening corporate governance by performing the oversight of management and providing advice regarding all aspects of management.
 Mr. Tanaka will have served as Outside Directors for two years at the conclusion of this General Meeting of Shareholders.
 Mr. Kume has many years of experience involving R&D, manufacturing technologies and sales in the pharmaceutical industry and a broad range of knowledge as a manager. Shareholders are asked to elect Mr. Kume as an Outside Director because he is expected to contribute to strengthening corporate governance by performing the oversight of management and providing advice regarding all aspects of management.
- Limited liability contracts between the Company and Outside Directors
 To enable the Outside Directors to fully perform their duties, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company has entered into a liability limitation agreement with the Outside Directors to limit their liabilities for damages set forth in Article 423, Paragraph 1 of the Companies Act. Pursuant to this agreement, the cap on the liability for damages is the minimum liability amount in Article 425, Paragraph 1 of the Companies Act. If Mr. Tanaka is reelected, the Company plans to renew this agreement with him. The Company will also enter into the same liability limitation agreement with Mr. Kume if he is elected.
- The Company has purchased a liability insurance policy from an insurance company for Directors and Audit & Supervisory Board Members as stipulated in Article 430, Paragraph 3-1 of the Companies Act. The insurance policy pays for damages that may be the responsibility of individuals covered by this policy. However, damages caused by intentional acts or serious negligence are not covered by this policy. If elected, all six (6) Director candidates will be covered by this policy. The insurance policy is scheduled to be renewed with the same terms and conditions at the next renewal. The Company pays the entire cost of these policies.

Proposal No. 3: Election of One (1) Audit & Supervisory Board Member

The term of office of Audit & Supervisory Board Member Mr. Sakae Hirano will expire at the conclusion of this shareholders. Accordingly, shareholders are asked to approve the reelection of one (1) Audit & Supervisory Board Member.

This proposal has received the consent of the Audit & Supervisory Board.

The candidate for Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Brief career history, positions, responsibilities and significant concurrent positions	Number of the Company shares held
 Sakae Hirano (May 28, 1957)	Apr. 1980	Joined Idemitsu Kosan Co., Ltd.
	Apr. 2007	Deputy General Manager of Accounting Division of Idemitsu Kosan Co., Ltd.
	Jul. 2008	President of Idemitsu Lubricants America Corporation
	Jun. 2011	General Manager of Investor Relations and Public Relations Office of Idemitsu Kosan Co., Ltd.
	Apr. 2012	General Manager of Public Relations and CSR Office of Idemitsu Kosan Co., Ltd.
	Jun. 2015	Full-time Audit & Supervisory Board Member of Idemitsu Kosan Co., Ltd.
	May 2019	Full-time Audit & Supervisory Board Member of the Company (to present) Audit & Supervisory Board Member of Freund-Turbo Corporation (to present)
		-

Notes

1. The candidate for Audit & Supervisory Board Member has no special conflicts of interest with the Company.
2. Mr. Sakae Hirano is the candidate for reelection as an Audit & Supervisory Board Member. The Company has designated Mr. Hirano as an Independent Audit & Supervisory Board Member according to the rules of the Tokyo Stock Exchange.
3. The candidate for an Audit & Supervisory Board Member is as follows:
Mr. Hirano has extensive knowledge concerning finance and accounting as well as all aspects of management. Shareholders are asked to reelect Mr. Hirano as an Audit & Supervisory Board Member because he is expected to perform his management oversight capabilities from an objective and fair standpoint.
Mr. Hirano will have served as an Outside Audit & Supervisory Board Member for four years at the conclusion of this General Meeting of Shareholders.
4. Limited liability contracts between the Company and Outside Audit & Supervisory Board Members
To enable the Outside Audit & Supervisory Board Members to fully perform their duties, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company has entered into a liability limitation agreement with the Outside Audit & Supervisory Board Members to limit their liabilities for damages set forth in Article 423, Paragraph 1 of the Companies Act. Pursuant to this agreement, the cap on the liability for damages is the minimum liability amount in Article 425, Paragraph 1 of the Companies Act. If Mr. Hirano is reelected, the Company plans to renew this agreement with him.
5. The Company has purchased a liability insurance policy from an insurance company for Directors and Audit & Supervisory Board Members as stipulated in Article 430, Paragraph 3-1 of the Companies Act. The insurance policy pays for damages that may be the responsibility of individuals covered by this policy. However, damages caused by intentional acts or serious negligence are not covered by this policy. If Mr. Hirano is reelected, he will be covered by this policy.

Reference: Directors and Audit & Supervisory Board Members
(following the 59th Annual General Meeting of Shareholders if approved by
shareholders)

	Candidate No.	Name	Age	Position	Term of office	Attendance at the Board of Directors /Audit & Supervisory Board meetings	Advisory Committee
							Nomination & Remuneration Committee
Directors	1	Iwao Fusejima	53	President & CEO	15 years	11/11 times	Member of Nomination & Remuneration Committee
	2	Masao Wakai	68	Director	3 years	11/11 times	
	3	Toshiaki Honda	48	Director	2 years	11/11 times	
	4	Toshifumi Moriguchi	65	Director	-	-	
	5	Hisashi Tanaka	68	Outside Director	2 years	10/11 times	Chairperson of Nomination & Remuneration Committee
	6	Ryuichi Kume	66	Outside Director	-	-	Member of Nomination & Remuneration Committee
Audit & Supervisory Board Members	-	Sakae Hirano	66	Audit & Supervisory Board Member (full time)	4 years	11/11 times 13/13 times	
	-	Sayoko Izumoto	69	Outside Audit & Supervisory Board Member	6 years	11/11 times 13/13 times	Observer of Nomination & Remuneration Committee
	-	Kazunari Hamada	49	Outside Audit & Supervisory Board Member	2 years	11/11 times 13/13 times	

Reference: Skill Matrix

Candidate No.	Name	Expected areas of expertise									
		Corporate management	Sales / Marketing	Finance / Accounting	IT / Security	Labor / Human resources	Legal / Risk management	Global experience	Manufacture / R&D	ESG / Sustainability	
Directors	1	Iwao Fusejima	●	●					●		
	2	Masao Wakai	●		●		●	●	●		●
	3	Toshiaki Honda		●					●	●	●
	4	Toshifumi Moriguchi		●				●		●	●
	5	Hisashi Tanaka	●			●	●	●	●	●	
	6	Ryuichi Kume	●	●						●	
Audit & Supervisory Board Members	-	Sakae Hirano	●		●			●	●		●
	-	Sayoko Izumoto			●	●		●			
	-	Kazunari Hamada						●	●		

Proposal No. 4: Election of Accounting Auditors

The term of office as accounting auditor of Ernst & Young ShinNihon LLC will end at the conclusion of this shareholders meeting. Consequently, shareholders are asked to approve the election of a new accounting auditor.

This proposal has received the consent of the Audit & Supervisory Board.

ARK LLC has been selected as the candidate to become the new accounting auditor because the Company believes this firm is suitable to perform the duties of accounting auditor based on a comprehensive assessment of its capabilities. This includes the firm's professional skills, independence, quality management system, amount of compensation for audits, and expectation to perform audits from a new perspective.

The name, primary place of business, history and other information concerning ARK LLC is as follows.

(As of April 1, 2023)

Name	ARK LLC		
Head office	1-23-3, Nishi-Shinjuku, Shinjuku-ku, Tokyo		
History	April 1, 1975	Established Kinki Daiichi Audit Corporation and Hijiribashi Audit Corporation	
	August 17, 1982	Established Meiji Audit & Co.	
	March 3, 2004	Established ARK Audit & Co.	
	January 4, 2016	Meiji Audit & Co. and ARK Audit & Co. merged to become ARK Meiji Audit & Co.	
	July 1, 2016	Hijiribashi Audit Corporation and ARK Meiji Audit & Co. merged	
	July 1, 2019	Changed its name to ARK LLC	
	July 1, 2020	Kinki Daiichi Audit Corporation and ARK LLC were merged	
Outline	Capital	50 million yen	
	Staff	Representative Partners	8
		Employees	37
		Certified Public Accountants	58
		Individuals who passed the CPA examination	42
		U.S. Certified Public Accountants	1
		Individuals who passed the U.S. CPA examination	1
		IT and other specialists	4
		Auditing assistants	19
		Others	13
		Total	183
	Number of companies audited		108

Proposal No. 5: Revision of Restricted Stock Compensation for Directors

At the 48th Annual General Meeting of Shareholders held on May 29, 2012, shareholders approved a resolution that hat limits the annual compensation to a maximum of 300 million yen. At this shareholders meeting, shareholders are asked to approve the payment of compensation in order to grant restricted stock or the granting of restricted stock as compensation. Directors other than Outside Directors (the “Directors Covered by the Plan”) (the “Eligible Directors”) are to receive restricted stock and restricted stock compensation will be within the maximum amount of compensation approved by shareholders in 2012. The purposes are to give Eligible Directors an incentive to contribute to the sustained growth of corporate value and to align the interests of these Directors with the interests of shareholders.

At the 57th Annual General Meeting of Shareholders held on May 28, 2021, shareholders approved a resolution to pay compensation (bonuses) linked to results of operations to Eligible Directors and to establish the following composition of basic (fixed) compensation and performance-linked compensation (bonuses). This compensation is within the maximum amount of compensation approved by shareholders in 2012.

President, Vice President	Basic (fixed) compensation 60%	Performance-linked compensation (bonuses) 40%
Executive Director (excluding President, Vice President)	Basic (fixed) compensation 70%	Performance-linked compensation (bonuses) 30%

These percentages assume that performance targets will be reached at a level of 100%. Actual performance-linked compensation (bonuses) will differ depending on the degree to which performance targets are accomplished. As a result, performance-linked compensation can vary by multiplying the corresponding percentages in this table by anywhere between 0% and 200%.

In conjunction with the establishment of restricted stock compensation, shareholders are also asked to approve the following revisions to the composition of compensation for eligible Directors.

Representative Director: CEO, Vice President	Basic (fixed) compensation 60%	Performance-linked bonuses 30%	Stock compensation 10%
Executive Director	Basic (fixed) compensation 70%	Performance-linked bonuses 20%	Stock compensation 10%

These percentages assume that performance targets will be reached at a level of 100%. Actual performance-linked compensation (bonuses) will differ depending on the degree to which performance targets are accomplished. As a result, performance-linked compensation can vary by multiplying the corresponding percentages in this table by anywhere between 0% and 200%.

Restricted stock will be distributed in accordance with this proposal, if approved by shareholders, by using either of the following methods based on a resolution of the Board of Directors.

- (a) The sale or disposal of common stock of the Company with no need for cash payments of compensation to eligible Directors or payment in kind
- (b) The payment of monetary claims as compensation to eligible Directors with all monetary claims received as a payment in kind with no need for the sale or disposal of common stock of the Company (payment in kind distribution)

The maximum number of shares of common stock of the Company that can be sold or disposed of in accordance with this proposal is 70,000 per year. The maximum total monetary value is 50 million yen per year, which is an amount believed to be suitable based on the purposes or this compensation as explained earlier. However, if the number of shares of the Company’s stock issued increases or decreases because of a stock merger or split (including a gratis stock allocation), the maximum number of shares will be adjusted based on the ratio of the increase or decrease.

The amount per share paid for a payment in kind distribution is determined by the Board of Directors at a level that is not particularly advantageous to the Eligible Directors. Furthermore, the amount paid is based on the closing price

of common stock of the Company on the Tokyo Stock Exchange on the trading day prior to the day of the resolution of the Board of Directors concerning the distribution (or the closing price on the most recent previous day if the Company's stock was not traded on that day).

The times and allocations for distributions to individual directors are determined by the Board of Directors.

There are currently three (3) Directors who are eligible to receive restricted stock compensation. If shareholders approve Proposal 2 with no revisions, the number of eligible Directors will increase to four (4).

When distributing restricted stock in accordance with this proposal, the Company and the Eligible Directors shall enter into a restricted stock allotment agreement (the "Allotment Agreement") that includes the following contents.

- (1) The Eligible Directors shall not transfer, grant a security interest in, or otherwise dispose of shares of the Company's stock allotted under the Allotment Agreement (the "Allotted Shares") during the period from the grant date of the Allotted Shares to the date of resignation or retirement from the position of director of the Company or any other position determined by the Board of Directors of the Company ("the Restriction Period") (if the Director resigns or retires before the expiration of three months after the end of the business year of the Company to which the date of delivery of the Allotted Shares belongs, and there is a date separately determined by the Board of Directors of the Company within six months after the elapse of the relevant fiscal year, such date) (the "Restriction on Transfer").
- (2) If an Eligible Director resigns or retires from the position set forth in (1) above before the expiration of the period separately determined by the Board of Directors of the Company (the "Service Period"), the Company shall, unless there is a reason that the Board of Directors of the Company deems justifiable, will naturally acquire the Allotted Shares without consideration.
- (3) The Company shall lift the Restriction on Transfer of all of the Allotted Shares upon expiration of the Restriction Period, provided that the Eligible Director has continuously held the position set forth in (1) above during the Service Period. However, if the Eligible Director resigns or retires from the position set forth in (1) above before the expiration of the Service Period for reasons that the Company's Board of Directors deems justifiable as set forth in (2) above, the number of the Allotted Shares for which the Restriction on Transfer is lifted shall be reasonably adjusted as necessary.
- (4) The Company shall naturally acquire, without consideration, the Allotted Shares for which the Restriction on Transfer has not been lifted in accordance with the provisions of (3) above at the time the Restriction Period expires.
- (5) The Company shall naturally acquire the Allotted Shares without consideration in the event of a violation of laws and regulations, internal rules, or the Allotment Agreement, or any other event specified by the Board of Directors of the Company as an event for which it is reasonable to acquire the Allotted Shares without consideration.
- (6) Regardless of (1) above, in cases where the Company's General Meeting of Shareholders (or the Company's Board of Directors in cases where the Company does not require the approval of the General Meeting of Shareholders with respect to such organizational restructuring, etc.) approves a merger agreement, a share exchange agreement, a share transfer plan where the Company becomes a wholly owned subsidiary, or other matters related to organizational restructuring, etc., and the Company's Board of Directors passes a resolution, the Restriction on Transfer of the number of the Allotted Shares that is reasonably determined based on the period from the commencement date of the Service Period to the date of approval of such organizational restructuring, etc., shall be lifted prior to the effective date of such organizational restructuring, etc.
- (7) In the case stipulated in (6) above, the Company shall naturally acquire, without consideration, the Allotted Shares for which the Restriction on Transfer has not yet been lifted at the time immediately after the Restriction on Transfer is lifted in accordance with the provisions of (6) above.

Reasons that granting of restricted stock is appropriate

The distribution of restricted stock to Eligible Directors as compensation or the payment of monetary claims for the receipt of restricted stock as compensation is proposed for the purposes of giving Eligible Directors an incentive to contribute to the sustained growth of corporate value and aligning the interests of these Directors with the interests of shareholders.

The Board of Directors has revised the policy for the determination of compensation, etc. for individual Directors. On May 8, 2023, the Board of Directors approved a resolution making the approval of this restricted stock proposal a prerequisite for the approval of the policy revisions that reflect this proposal. The granting of restricted stock in accordance with this proposal has terms that are required and reasonable with respect to the revised policy for the determination of compensation, etc. In addition, this proposal will result in only negligible dilution of the Company's stock because the annual limit on the number of shares that can be issued or disposed of based on this proposal is only 0.3% of all shares issued (as of February 28, 2023).

For these reasons, the Company believes that the terms of this proposal are appropriate.

(Reference)

If this proposal is approved, the Company plans to distribute restricted stock to executive officers and employees too.