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Securities Code 3391
July 19, 2018

To Those Shareholders with Voting Rights

Masashi Horikawa
President & Representative Director
Chief Executive Officer
TSURUHA HOLDINGS INC.
Kita 24, Higashi 20-1-21,
Higashi-ku, Sapporo-shi, Hokkaido

NOTICE OF THE 56th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 56th Ordinary General Meeting of Shareholders of the Company. The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights either by indicating your votes for or against each of the proposals on the Voting Rights Exercise Form and returning it by mail or by accessing the voting website printed on the Voting Rights Exercise Form and indicating your votes for or against each of the proposals via electromagnetic means (e.g., via the Internet). Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 6:00 p.m., Thursday, August 9, 2018.

1. **Date and Time:** Friday, August 10, 2018 at 10:00 a.m. (Reception starts at 9:00 a.m.)

2. **Place:** Royton Hall, Third floor, Royton Sapporo
Kita 1-Nishi 11, Chuo-ku, Sapporo-shi, Hokkaido
(Please refer to the information map at the end of this notice (translation omitted))

3. **Agenda of the Meeting:**

Matters to be reported:

1. Business Report, Consolidated Financial Statements for the 56th Fiscal Term (from May 16, 2017 to May 15, 2018) and the Audit Report of the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
2. Non-Consolidated Financial Statements for the 56th Fiscal Term (from May 16, 2017 to May 15, 2018)

Proposals to be resolved:

Proposal No. 1: Election of Eleven Directors
Proposal No. 2: Election of Two Corporate Auditors
Proposal No. 3: Entrusting the Board of Directors of the Company with the Determination of Subscription Requirements for Stock Acquisition Rights as Stock Options to Executive Officers and Employees of the Company and its Subsidiaries

4. Announcement on Exercise of Voting Rights

(1) Voting through a proxy

If you are unable to attend the meeting, you may exercise your voting rights through a single proxy who is a shareholder of the Company with voting rights provided that such proxy will be required to submit a power of attorney.

(2) Voting by Mail

Please indicate your vote for or against each of the proposals on the enclosed Voting Rights Exercise Form and return the form by 6:00 p.m., Thursday, August 9, 2018.

(3) Voting via the Internet

If you exercise your voting rights via the Internet, please refer to the <Guide for Exercise of Voting Rights via the Internet (translation omitted)> and access https://evote.tr.mufg.jp/. Please exercise your voting rights by 6:00 p.m. on Thursday, August 9, 2018, following the instructions on the screen.

5. Method of Notice of Amendments

If there are amendments to the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements or Non-consolidated Financial Statements, such amendments will be announced on our Internet website (http://www.tsuruha-hd.co.jp/).

- For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting. Please note that reception desks are very crowded around the opening time of the meeting. Early arrival will be appreciated.
- Please bring this NOTICE for saving resources.
- Please note that persons who are not shareholders with voting rights, including agents and accompanying persons, are not allowed to enter into the meeting (except for persons accompanying disabled shareholders).
- The Company plans to give gifts to the shareholders who attend the meeting. Please note, however, that each shareholder will receive just one package, regardless of how many Voting Rights Exercise Forms are held.

Reference Documents for the General Meeting of Shareholders

Proposals and references

Proposal No. 1: Election of Eleven Directors

The terms of office of all eleven Directors will expire at the end of the meeting. Accordingly, election of eleven Directors is proposed.

The candidates for Directors are as follows:

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
1	Tatsuru Tsuruha (February 11, 1942)	June 1976 Joined TSURUHA CO., LTD. July 1978 Director of TSURUHA CO., LTD. August 1994 Senior Managing Director of TSURUHA CO., LTD. August 1996 Senior Managing Director & Representative Director of TSURUHA CO., LTD. August 1997 President & Representative Director of TSURUHA CO., LTD. August 2003 Director of the Company August 2004 Director of KUSURI NO AOKI CO., LTD. August 2005 President & Representative Director of the Company January 2007 Director of kusurino FUKUTARO CO., LTD. August 2008 President & Chief Executive Officer of the Company President & Chief Executive Officer of TSURUHA CO., LTD. December 2013 Director of Hearty Wants Co., Ltd. (currently Tsuruha Group Drug & Pharmacy Nishinihon Inc.) August 2014 Chairman & Representative Director of the Company (current position) Chairman & Representative Director of TSURUHA CO., LTD. (current position) November 2016 Director of KUSURI NO AOKI HOLDINGS CO., LTD. (current position) (Significant concurrent positions) Chairman & Representative Director of TSURUHA CO., LTD. Director of KUSURI NO AOKI HOLDINGS CO., LTD. (Reasons for nomination as a candidate for Director) Mr. Tatsuru Tsuruha demonstrated his excellent administrative capabilities and built the foundations of the current Tsuruha Group. After being elected, he will supervise management that encompasses the entire Group and perform his duties as Chairman & Representative Director to further enhance the corporate value of the Group.	1,408,340

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
2	Masashi Horikawa (September 9, 1958)	March 1977 Joined TSURUHA CO., LTD. August 1997 Director of TSURUHA CO., LTD. August 2004 Managing Director of TSURUHA CO., LTD. August 2005 Managing Director of the Company August 2008 Director of the Company Senior Managing Executive Officer of the Company responsible for Group Store Development Director of TSURUHA CO., LTD. (current position) Senior Managing Executive Officer of TSURUHA CO., LTD. August 2009 Director of WELLNESSKOHOKU INC. December 2013 Director of Hearty Wants Co., Ltd. (currently Tsuruha Group Drug & Pharmacy Nishinihon Inc.) (current position) August 2014 President & Representative Director of the Company (current position) President & Chief Executive Officer of the Company (current position) February 2015 Director of kusurino FUKUTARO CO., LTD. (current position) November 2015 Director of Lady Drug Store Co., Ltd. (current position) May 2017 Director of TSURUHA GROUP MERCHANDISING CO.,LTD (current position) October 2017 Director of Kyorindo Group Holdings Co., Ltd. (current position) Director of Kyorindo Co., Ltd. (current position) (Significant concurrent position) Director of TSURUHA CO., LTD. (Reasons for nomination as a candidate for Director) As President & Representative Director of the Company, Mr. Masashi Horikawa has been serving a key role in expanding operations and building the governance structure of the Group. He carries out resolutions of the Board of Directors and controls the entire operations based on the Group's management policy through his strong leadership and accurate judgment. After being elected, he will continue to perform his duties as President & Representative Director, aiming to realize the Group's new medium-term goals of 3,000 stores nationwide and net sales of ¥1 trillion by enhancing management efficiency and promoting creative measures.	64,804

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
3	Jun Tsuruha (May 21, 1974)	April 1998 Joined TSURUHA CO., LTD. May 2011 Director and Executive Officer of TSURUHA CO., LTD. General Manager of Hokkaido Store Operation of TSURUHA CO., LTD. Executive Officer of the Company December 2011 Director of TSURUHA (Thailand) Co., Ltd. (current position) August 2014 Director and Senior Managing Executive Officer of the Company responsible for Group Store Operation (current position) President & Representative Director of TSURUHA CO., LTD. (current position) President & Chief Executive Officer of TSURUHA CO., LTD. (current position) May 2017 Director of TSURUHA GROUP MERCHANDISING CO.,LTD (current position) October 2017 Director of Kyorindo Group Holdings Co., Ltd. (current position) Director of Kyorindo Co., Ltd. (current position) May 2018 Director of kusurino FUKUTARO CO., LTD. (current position) (Significant concurrent position) President & Representative Director and President & Chief Executive Officer of TSURUHA CO., LTD. (Reasons for nomination as a candidate for Director) As Director and Senior Managing Executive Officer of the Company and President & Representative Director of TSURUHA CO., LTD., which boasts the largest size of earnings in the Group, Mr. Jun Tsuruha is a part of the managerial decision-making process of the Company. His leadership and ability to take action, which he had cultivated through his experience at stores, has greatly contributed to the development and expansion of the Group. We have judged that his leadership will greatly contribute to the further growth of the Group and strengthening our competitiveness, thus propose his election as Director. On condition of being elected at the meeting, he will perform his duties as Senior Managing Director & Representative Director of the Company.	118,100

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
4	Teruaki Goto (September 19, 1955)	April 1979 Joined TSURUHA CO., LTD. August 1996 Director of TSURUHA CO., LTD. June 2002 General Manager of Pharmacy Operation Headquarters of TSURUHA CO., LTD. (current position) August 2004 Managing Director of TSURUHA CO., LTD. August 2005 Managing Director of the Company August 2008 Director of the Company (current position) Managing Executive Officer of the Company responsible for Group Drugstores Operation Director of TSURUHA CO., LTD. (current position) Managing Executive Officer of TSURUHA CO., LTD. (current position) June 2013 Director of WELLNESSKOHOKU INC. (currently Tsuruha Group Drug & Pharmacy Nishinihon Inc.) (current position) August 2014 Managing Executive Officer of the Company responsible for Group Pharmacy Operation January 2017 Managing Executive Officer of the Company responsible for Group Pharmacy Operation and General Manager of Pharmacy Store Development Division of the Company March 2018 Director of Kyorindo Group Holdings Co., Ltd. (current position) Director of Kyorindo Co., Ltd. (current position) May 2018 Managing Executive Officer of the Company and General Manager of Group Pharmacy Operation Headquarters of the Company (current position) Director of kusurino FUKUTARO CO., LTD. (current position) (Significant concurrent position) Director & Managing Executive Officer of TSURUHA CO., LTD. (Reasons for nomination as a candidate for Director) As Director of the Company responsible for Group Pharmacy Operation, Mr. Teruaki Goto has greatly contributed to the improvement of operational efficiency of the pharmacy division and the improvement of quality of pharmacists working at pharmacies, based on his excellent knowledge and experience. After being elected, he will continue to perform his duties as chief executive of the pharmacy division.	54,900

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
5	Mitsunobu Abe (May 19, 1954)	March 2004 Adviser of TSURUHA CO., LTD. August 2004 Managing Director of TSURUHA CO., LTD. August 2005 Managing Director of the Company August 2008 Managing Executive Officer of the Company (current position) Director of TSURUHA CO., LTD. (current position) December 2010 Responsible for Group Overseas Business (current position) December 2011 President & Representative Director of TSURUHA (Thailand) Co., Ltd. (current position) May 2015 President & Representative Director of kusurino FUKUTARO CO., LTD. August 2015 Director of the Company (current position) May 2016 Vice Chairman & Representative Director of kusurino FUKUTARO CO., LTD. (Significant concurrent positions) Director of TSURUHA CO., LTD. President & Representative Director of TSURUHA (Thailand) Co., Ltd. (Reasons for nomination as a candidate for Director) As Director, responsible for Overseas Business Headquarters of the Company, and President & Representative Director of the Group's subsidiary in Thailand, Mr. Mitsunobu Abe has contributed to the expansion of the Group's operations. After being elected, he will continue to perform his duties, with particular focus on strengthening competitiveness and the management base of the Overseas Business Headquarters.	12,500

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
6	Keisuke Kijima (January 10, 1955)	April 1995 Joined Hearty Wants Co., Ltd. (currently Tsuruha Group Drug & Pharmacy Nishinihon Inc.) October 1995 Director of Hearty Wants Co., Ltd. June 2005 Managing Director of Hearty Wants Co., Ltd. November 2009 President & Director and President & Chief Executive Officer of Hearty Wants Co., Ltd. December 2013 President & Representative Director and President & Chief Executive Officer of Hearty Wants Co., Ltd. Executive Officer of the Company August 2015 Director of the Company (current position) Chairman & Representative Director of Tsuruha Group Drug & Pharmacy Nishinihon Inc. (current position) August 2016 Vice President & Director of TSURUHA GROUP MERCHANDISING CO.,LTD (current position) Executive Officer of the Company responsible for Development of Private-brand Products (current position) (Significant concurrent positions) Chairman & Representative Director of Tsuruha Group Drug & Pharmacy Nishinihon Inc. Vice President & Director of TSURUHA GROUP MERCHANDISING CO.,LTD (Reasons for nomination as a candidate for Director) As Chairman & Representative Director of a subsidiary of the Company, Tsuruha Group Drug & Pharmacy Nishinihon Inc. and Vice President & Director of a subsidiary of the Company, TSURUHA GROUP MERCHANDISING CO., LTD, Mr. Keisuke Kijima has contributed to the enhancement of the corporate value of the Group based on his deep insight and experience in the drugstore industry. After being elected, he will continue to perform his duties as Director responsible for the development of private-brand products of the Group.	500

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
7	Shinya Mitsuhashi (June 8, 1959)	April 1989 Joined Lady Drug Store Co., Ltd., and serviced as Director March 1999 President & Representative Director of Lady Drug Store Co., Ltd. July 2007 President & Representative Director and General Manager of Sales Headquarters of Lady Drug Store Co., Ltd. June 2008 President & Representative Director of Lady Drug Store Co., Ltd. (current position) August 2016 Director of the Company (current position) Executive Officer of the Company responsible for Lady Drug Store Co., Ltd (current position) (Significant concurrent position) President & Representative Director of Lady Drug Store Co., Ltd. (Reasons for nomination as a candidate for Director) As President & Representative Director of Lady Drug Store Co., Ltd., a subsidiary of the Company, Mr. Shinya Mitsuhashi has been expanding business of the subsidiary steadily in the Chugoku and Shikoku regions with his abundant experience and knowledge in drug store management. After being elected, he will continue to perform his duties to enhance the corporate value of the Group as Director.	5,500

8	Keisei Aoki (February 13, 1942)	March 1972 Joined Aoki Nikaido Yakkyoku June 1976 Established Aoki Nikaido Yakkyoku, Ltd., and served as Director November 1981 Representative Director of Aoki Nikaido Yakkyoku, Ltd. January 1985 Established KUSURI NO AOKI CO., LTD. and served as Representative Director August 2000 Director of TSURUHA CO., LTD. August 2003 Chairman & Representative Director of KUSURI NO AOKI CO., LTD. November 2005 Director of the Company (current position) August 2010 Chairman & Director of KUSURI NO AOKI CO., LTD. June 2015 Chairman of Japan Association of Chain Drug Stores (current position) November 2016 Chairman & Director of KUSURI NO AOKI HOLDINGS CO., LTD. (current position) (Significant concurrent positions) Chairman & Director of KUSURI NO AOKI HOLDINGS CO., LTD. Chairman of Japan Association of Chain Drug Stores (Reasons for nomination as a candidate for Outside Director) As Chairman & Director of KUSURI NO AOKI CO., LTD. and Chairman of the Japan Association of Chain Drug Stores, Mr. Keisei Aoki has wealth of experience and knowledge and has been providing accurate advice on management of the Company. We have judged that he will continue to contribute to the improvement of corporate value of the Group as an Outside Director, and thus propose his election as Outside Director.	14,300

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
9	Motoya Okada (June 17, 1951)	March 1979 Joined JUSCO Co., Ltd. (currently AEON CO., LTD.) May 1990 Director of JUSCO Co., Ltd. February 1992 Managing Director of JUSCO Co., Ltd. May 1995 Senior Managing Director of JUSCO Co., Ltd. June 1997 President of JUSCO Co., Ltd. May 2003 President of AEON CO., LTD. November 2005 Director & Advisor of the Company (current position) March 2012 President of AEON CO., LTD. Group CEO (current position) August 2014 Director of KUSURI NO AOKI CO., LTD. November 2014 Director of WELCIA HOLDINGS Co., Ltd. (current position) November 2016 Director of KUSURI NO AOKI HOLDINGS CO., LTD. (current position) (Significant concurrent position) President of AEON CO., LTD. Group CEO (Reasons for nomination as a candidate for Outside Director) Mr. Motoya Okada has been making high-level managerial decisions as President of AEON CO., LTD. Group CEO, and he has also made extremely useful remarks at the Board of Directors of the Company as well. We have judged that after being elected, he will continue to provide helpful guidance on the overall management of the Company as Director & Advisor, and thus propose his election as Outside Director.	4,300
10	Eiji Yamada (January 20, 1956)	April 1978 Joined Nikko Securities Co., Ltd. February 2007 Executive Managing Director of Nikko Securities Co., Ltd. March 2010 Senior Executive Officer of Nikko Securities Co., Ltd. April 2011 Senior Executive Officer of SMBC Nikko Securities Inc. April 2014 President & Representative Director of Nikko Research Center, Inc. March 2016 Retired from Nikko Research Center, Inc. August 2016 Director of the Company (current position) (Reasons for nomination as a candidate for Outside Director) With abundant experience and track record accumulated as an officer in a securities company, Mr. Eiji Yamada has contributed to decision making on important managerial matters and supervision of business execution of the Company by making the most of his expertise in the fields of finance and securities. We propose his election as Outside Director to continue to seek his advice and guidance.	300

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
*11	Hisaya Ogawa (September 21, 1958)	August 1983 Joined kusurino FUKUTARO CO., LTD. December 1988 President & Representative Director of kusurino FUKUTARO CO., LTD. August 2007 Managing Director of the Company August 2008 Director of the Company Managing Executive Officer of the Company responsible for Group Pharmacy Store Operation and kusurino FUKUTARO CO., LTD. May 2015 Director of kusurino FUKUTARO CO., LTD. May 2016 President & Representative Director of kusurino FUKUTARO CO., LTD. (current position) (Significant concurrent position) President & Representative Director of kusurino FUKUTARO CO., LTD. (Reasons for nomination as a candidate for Director) As President & Representative Director of kusurino FUKUTARO CO., LTD., a subsidiary of the Company, Mr. Hisaya Ogawa has been expanding business of the subsidiary steadily in the Kanto region with his abundant experience and knowledge in drug store management. After being elected, he will continue to perform his duties as Director to enhance the corporate value of the Group.	1,000,500

Notes:
1. The one marked with an asterisk (*) is a new candidate.
2. Mr. Motoya Okada, a candidate, is President of AEON CO., LTD., Group CEO which is the Company's largest shareholder. In addition, the Company has business transactions such as leases with AEON CO., LTD. since the Company is one of the tenants of shopping malls managed by AEON Group. However, such amount is 1.7% of operating costs of the Company. The Company also purchases goods from AEON Group. However, such amount is around 0.2% of total purchases of the Company. Therefore, it is considered that independence is secured as Outside Director of the Company.
   Mr. Keisei Aoki, a candidate, is Chairman & Director of KUSURI NO AOKI HOLDINGS CO., LTD., and no conflict of interest exists between the Company and the candidate.
   No conflict of interest exists between the Company and the other candidates for Directors.
3. Mr. Motoya Okada, Mr. Keisei Aoki and Mr. Eiji Yamada are the candidates for Outside Directors. In addition, the Company registered Mr. Keisei Aoki with Tokyo Stock Exchange, Inc. as Independent Director as set forth in the regulation of the stock exchange.
4. Mr. Motoya Okada, Mr. Keisei Aoki and Mr. Eiji Yamada are currently Outside Directors of the Company. Mr. Motoya Okada and Mr. Keisei Aoki will be in office for twelve years and nine months, and Mr. Eiji Yamada will be in office for two years at the end of the meeting.
5. In accordance with Article 427, Paragraph 1 of the Companies Act, the Company has entered into a contract with Mr. Motoya Okada, Mr. Keisei Aoki and Mr. Eiji Yamada, respectively, to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability pursuant to the agreement will be the amount stipulated by laws and regulations. If their reappointments are approved at the meeting, these contracts for limitation of liabilities are planned to be continued.

Proposal No. 2: Election of Two Corporate Auditors

The terms of office of Mr. Isao Nishi and Mr. Jun Sakai, Corporate Auditors, will expire at the end of the meeting. Accordingly, election of two Corporate Auditors is proposed.

The Board of Corporate Auditors has given its consent to this proposal.

The candidates for Corporate Auditors are as follows:

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
1	Jun Sakai (October 1, 1954)	April 1977 Joined Nippon Gakki Co., Ltd. October 1980 Worked at Shigeoki Nishimura Certified Public Accountant Office April 1984 Representative of Jun Sakai Certified Public Accountant Office (current position) March 1993 Corporate Auditor of Aleph Inc. August 1995 Corporate Auditor of TSURUHA CO., LTD. (current position) August 2005 Corporate Auditor of the Company (current position) November 2013 Corporate Auditor of HOKURYO CO., LTD (current position) March 2016 Corporate Auditor of The Hokkaido Shimbun Press (current position) (Significant concurrent positions) Representative of Jun Sakai Certified Public Accountant Office Corporate Auditor of TSURUHA CO., LTD. Corporate Auditor of HOKURYO CO., LTD Corporate Auditor of The Hokkaido Shimbun Press (Reasons for nomination as a candidate for Corporate Auditor) As representative of a certified public accountant office, Mr. Jun Sakai has professional insight into finance and accounting as a certified public accountant and is well versed in the Company's operations. We have judged that after being elected, he will contribute to strengthening the audit structure of the Company from various points of view and an objective standpoint, partly supported by his practical experience as Corporate Auditor at other companies, and thus propose his election as Outside Corporate Auditor.	8,300

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
*2	Masahiro Ofune (October 10, 1952)	November 1993 Joined TSURUHA CO., LTD. August 2005 Director of TSURUHA CO., LTD. (current position) Director of the Company (current position) Chief Administrative Officer, General Manager of General Affairs Division, and General Manager of Accounting Division of the Company January 2007 Corporate Auditor of kusurino FUKUTARO CO., Ltd. (current position) August 2008 Managing Executive Officer responsible for Administrative Headquarters, Chief Administrative Officer and General Manager of Accounting Division of the Company December 2008 President & Representative Director of Tsuruha Financial Service Inc. (current position) March 2009 Managing Executive Officer responsible for Administrative Headquarters, Chief Administrative Officer of the Company Corporate Auditor of WELLNESSKOHOKU INC. (currently Tsuruha Group Drug & Pharmacy Nishinihon Inc.) December 2013 Corporate Auditor of Hearty Wants Co., Ltd. (currently Tsuruha Group Drug & Pharmacy Nishinihon Inc.) (current position) November 2015 Corporate Auditor of Lady Drug Store Co., Ltd (current position) (Reasons for nomination as a candidate for Corporate Auditor) Mr. Masahiro Ofune has performed his duties as Director of the Company based on his extensive knowledge and abundant experience in finance, accounting, tax and legal affairs. We hope that after being elected, he will strengthen the base of the Group's audit structure as Standing Corporate Auditor using his track record, and thus propose his election.	6,700

Notes: 1. The one marked with an asterisk (*) is a new candidate.
2. No conflict of interest exists between the Company and the candidates.
3. Mr. Jun Sakai is the candidate for Outside Corporate Auditor.
4. In accordance with Article 427, Paragraph 1 of the Companies Act, the Company has entered into a contract with Mr. Jun Sakai to limit his liability for damages under Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability pursuant to the agreement will be the amount stipulated by laws and regulations. Should Mr. Jun Sakai be reappointed as Outside Corporate Auditor, the Company plans to continue a similar agreement.
5. Should the Proposal No. 2 be approved, the number of Outside Corporate Auditors of the Company will be three, Mr. Katsuhisa Doi, Mr. Jun Sakai and Mr. Fumiyo Fujii.
6. Mr. Jun Sakai will be in office as Corporate Auditor for thirteen years at the end of the meeting.

Proposal No. 3: Entrusting the Board of Directors of the Company with the Determination of Subscription Requirements for Stock Acquisition Rights as Stock Options to Executive Officers and Employees of the Company and Its Subsidiaries

Shareholders are asked to give approval for entrusting the Board of Directors of the Company with determining the subscription requirements for stock acquisition rights, which will be issued without consideration, as stock options to Executive Officers and employees of the Company and its subsidiaries in accordance with the provisions of Articles 236, 238 and 239 of the Companies Act, as follows.

I. Reason for the need to invite subscribers to stock acquisition rights under especially favorable conditions

The Company intends to issue stock acquisition rights as stock options to Executive Officers and employees of the Company and its subsidiaries, without consideration, as a way of motivating them and raising their morale to improve the Company's business performance on a consolidated basis.

II. The maximum number and the necessity of money payment therefor of the stock acquisition rights for which the subscription requirements can be determined based on the matters determined by this Annual General Meeting of Shareholders are as follows.

1. The maximum number of the stock acquisition rights for which the subscription requirements can be determined based on the entrustment

   The maximum number of the stock acquisition rights, which are described in III. below, shall be 4,000 units.

   The maximum number of shares that may be allotted through the exercise of the stock acquisition rights shall be 400,000 common shares of the Company. If the number of shares allotted (hereinafter defined) is adjusted as determined in III. 1. below, the maximum limit shall be the number of shares allotted after adjustment multiplied by the maximum number of the stock acquisition rights above.

2. No payment of money shall be required with regard to the stock acquisition rights for which the subscription requirements can be determined based on the entrustment.

III. The nature of the stock acquisition rights for which the subscription requirements can be determined based on the matters determined by this Annual General Meeting of Shareholders is as follows.

1. Type and number of shares to be issued upon exercise of the stock acquisition rights

   The type of shares to be issued upon exercise of the stock acquisition rights shall be the Company's common shares, and the number of shares per unit of stock options to be issued upon exercise of the stock acquisition rights (hereinafter, the "Number of Shares Allotted") shall be 100.

   Provided, however, that if a stock split (including a gratis allotment of the Company's shares; hereinafter, the same regarding the description of a stock split) or a stock consolidation is performed by the Company after the conclusion of the meeting, the Number of Shares Allotted shall be adjusted according to the following formula, and any fractional shares arising as a result of the said adjustment shall be truncated.

   Number of Shares Allotted after adjustment = Number of Shares Allotted before adjustment × Stock split or consolidation ratio

   With regard to days to which the said Number of Shares Allotted after adjustment is applied, provisions of 3. (2) 1) shall be applied mutatis mutandis.

   Furthermore, in addition to the above, in a case the Company is to engage in a merger or a company split or in cases corresponding to the case where any adjustment of the Number of Shares Allotted is required, the Company may adjust the Number of Shares Allotted to the extent reasonable.

   When the Number of Shares Allotted is to be adjusted, the Company shall notify those who hold stock acquisition rights and are recorded in the registry of stock acquisition rights (hereinafter, the "Holder of Stock Acquisition Rights) of necessary matters or publicly announce such matters by the previous day of the day on which the Number of Shares Allotted after adjustment will be applied. Provided, however, that in a case where a notice cannot be given or public announcement cannot be made by the previous day of the day of the said application, the necessary matters shall be quickly notified or publicly announced afterwards.

2. The value of assets to be contributed upon exercise of the stock acquisition rights

   The value of assets to be contributed upon exercise of each stock acquisition right shall be determined by multiplying the amount to be paid for one share to be delivered upon exercise of the

said stock acquisition rights (hereinafter, the "Exercise Price") by the Number of Shares Allotted. The Exercise Price shall be equal to 1.05 times the average of closing prices of the Company's common shares (hereinafter, the "Closing Price") on the Tokyo Stock Exchange in regular trading on each day (excluding days on which no trading takes place) of the month preceding the month in which the day on which the stock acquisition rights are allotted (hereinafter, the "Allotment Date") falls (with fractional amounts less than one yen being rounded up to the nearest yen), or the Closing Price on the Allotment Date (if no such Closing Price exists on that day, then the Closing Price on the most recent day on which trading took place), whichever is higher. Provided, however, that the Exercise Price shall be subject to the adjustments specified in the following 3.

3. Adjustment of the Exercise Price

(1) If the Company performs the following 1) or 2) for the Company's common shares after the Allotment Date, the Exercise Price shall be adjusted in accordance with the formula, respectively specified below, (hereinafter, the "Exercise Price Adjustment Formula"); and fractional amounts less than one yen resulting from the adjustment shall be rounded up to the nearest yen.

1) In the event of a stock split or consolidation by the Company

$$\text{Post-adjustment Exercise Price} = \text{Pre-adjustment Exercise Price} \times \frac{1}{\text{Stock split or consolidation ratio}}$$

2) In the event of any new share issuance or treasury stock disposal below the market price by the Company (excluding cases such as the sales of treasury stock under Article 194 of the Companies Act (that is, demand for sale of shares less than one unit by shareholders who hold shares in a number less than one unit); the conversion of securities or convertible securities that may be converted into the Company's common shares; or the exercise of stock acquisition rights (inclusive of those attached to the convertible bonds) with which issuance of the Company's common shares can be requested)

$$\text{Post-adjustment Exercise Price} = \text{Pre-adjustment Exercise Price} \times \frac{\text{Number of Shares already issued} + \dfrac{\text{Number of newly issued shares} \times \text{Amount to be paid per share}}{\text{Market price}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

i) "Market price" to be used in the Exercise Price Adjustment Formula shall be equal to the average of Closing Price (including indicative price display; hereinafter, the same) on 30 trading days (excluding days on which no Closing Price exists), which commence on the 45th trading day preceding the "day on which the Post-adjustment Exercise Price is applied" (hereinafter, the "Applicable Date"), which is specified in (2) below. The "average" shall be rounded off to the first decimal place in yen.

ii) In the Exercise Price Adjustment Formula, "Number of shares already issued" shall be equal to the total number of the Company's issued shares on the day if there is a record date and on the day one month before the Applicable Date in other cases, less the number of shares of treasury stock owned by the Company.

iii) In the case of the disposal of treasury stock, "Number of newly issued shares" shall be read as "Number of shares of treasury stock to be disposed."

(2) The day on which the Post-adjustment Exercise Price is applied shall be as described below.

1) In the case where adjustment is made in accordance with (1) 1), the Post-adjustment Exercise Price shall be applied on and after the following day of the record date (the effective date in the case where the record date is not specified) of the said stock split in the event of a stock split; and on and after the effective date in the event of a stock consideration. Provided, however, that in the case of a stock split whose implementation is subject to approval of a proposal for increasing capital stock or legal capital surplus by decreasing the amount of surplus at the general meeting of shareholders of the Company,

and if the record date for the stock split is set on any day before the day on which the said general meeting of shareholders ends, the Post-adjustment Exercise Price shall be applied retroactively on the following day of the said record date on and after the following day of the day on which the said general meeting of shareholders ends.
Provided, however, that in the case of a stock split whose implementation is subject to approval of a proposal for increasing capital stock or legal capital surplus by decreasing the amount of surplus at the general meeting of shareholders of the Company, and if the record date for the stock split is set on any day before the day on which the said general meeting of shareholders ends, the Post-adjustment Exercise Price shall be applied retroactively on the following day of the said record date on and after the following day of the day on which the said general meeting of shareholders ends.
In the case specified by the above proviso, for the Holders of Stock Acquisition Rights who exercised their Stock Acquisition Rights between the following day of the record date for a stock split and the day on which the said general meeting of shareholders ended (hereinafter, the number of shares that can be allotted upon the exercise of such Stock Acquisition Rights shall be called the "Number of Shares Issued upon Exercise before Stock Split"), the number of common shares of the Company to be allotted shall be adjusted by the following formula, and any fractional shares arising as a result of the said adjustment shall be truncated.

$$\text{Number of newly issued shares} = \frac{(\text{Pre-adjustment Exercise Price} - \text{Post-adjustment Exercise Price}) \times \text{Number of Shares Issued upon Exercise before Stock Split}}{\text{Post-adjustment Exercise Price}}$$

2) In the case where adjustment is made in accordance with (1) 2), the Post-adjustment Exercise Price shall be applied on and after the following day of the payment date (if a payment period is set, the final day of the said payment period) for the said issuance or disposal (if a record date is set, on and after the said record date).

(3) In addition to the cases described in (1) 1) and 2) above, in the event in which the Exercise Price needs to be adjusted such as in cases where the Company conducts a gratis allotment of other class shares to common shareholders or a distribution of dividends to common shareholders who hold shares of any other company after the Allotment Date, the Company may adjust the Exercise Price within reasonable boundaries by taking into account conditions such as those for the said allocation or dividends.

(4) When the Exercise Price is to be adjusted, the Company shall notify the Holders of Stock Acquisition Rights of necessary matters or publicly announce such matters by the previous day of the Applicable Date. Provided, however, that in a case where a notice cannot be given or public announcement cannot be made by the previous day of the said Applicable Date, the necessary matters shall be quickly notified or publically announced afterwards.

4. Exercise period of the stock acquisition rights
Within two years commencing two years after the Allotment Date

5. Matters concerning capital stock and legal capital surplus to be increased in the event of issuance of shares upon exercise of the stock acquisition rights

(1) The amount of capital stock to be increased when shares are issued upon exercise of the stock acquisition rights shall be one half of the maximum amount of capital stock, etc., to be increased, calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Regulations of Japan, and a fraction of less than one yen arising as a result of the calculation shall be rounded up to the nearest one yen.

(2) The amount of legal capital surplus to be increased when shares are issued upon exercise of the stock acquisition rights shall be calculated by subtracting the amount of increase in capital stock stipulated in (1) above from the maximum amount of capital stock, etc., to be increased, as stated in (1) above.

6. Restriction on acquisition of the stock acquisition rights through transfer
Acquisition of the stock acquisition rights through transfer shall be subject to approval by resolution of the Board of Directors of the Company.

7. Terms and conditions of acquisition of the stock acquisition rights

If any of the proposals (1) through (5) below is approved at a general meeting of shareholders of the Company (or if resolved by the Board of Directors of the Company if a resolution at a general meeting of shareholders is not required), the Company may acquire the Stock Acquisition Rights without consideration on the day separately determined by the Board of Directors.

(1) a proposal for the approval of a merger agreement, under which the Company will cease to exist;
(2) a proposal for the approval of a company split agreement or an incorporation-type company split plan, under which the Company will become a split company;
(3) a proposal for the approval of a share exchange agreement or a share transfer plan, under which the Company will become a wholly owned subsidiary;
(4) a proposal for approval of an amendment to the Articles of Incorporation to add a provision to the effect that, as a feature of all shares the Company issues, the approval of the Company for the acquisition of the said shares through a transfer is required; or
(5) a proposal for approval of an amendment to the Articles of Incorporation to add a provision to the effect that, as a feature of shares to be issued upon exercise of the Stock Acquisition Rights, the approval of the Company for acquisition of the said shares through a transfer is required, or the Company shall acquire all of the said class shares by resolution at a general meeting of shareholders.

8. Policy on determining the nature of stock acquisition rights issued by the restructured company upon organizational restructuring

If the Company is to engage in a merger (limited to cases where the Company is to be dissolved as a result of the merger), an absorption-type company split or an incorporation-type company split (both limited to cases where the Company is to be a split company), or a share exchange or a share transfer (both limited to cases where the Company is to become a wholly owned subsidiary) (all of which are collectively referred to as a "Restructuring Transaction"), the stock acquisition rights in the entity specified under Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (such entity shall be called hereinafter the "Restructured Company") shall be issued to holders of the stock acquisition rights who hold the stock acquisition rights remaining in effect immediately prior to the effective date of the Restructuring Transaction (hereinafter respectively referring to the effective date of the absorption-type merger in case of an absorption-type merger, the date of formation of a new company incorporated by the merger in case of a consolidation-type merger, the effective date of the absorption-type company split in case of an absorption-type company split, the date of formation of a new company in case of an incorporation-type company split, the effective date of the share exchange in case of a share exchange and the date of the formation of a wholly owning parent company in case of a share transfer) (such rights shall be called hereinafter the "Remaining Stock Acquisition Rights"). Provided, however, that the granting of such rights shall be subject to provisions of issuing the stock acquisition rights of the Restructured Company in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan in accordance with the respective following conditions.

(1) The number of the stock acquisition rights of the Restructured Company to be issued
The same number of the stock acquisition rights as the number of the Remaining Stock Acquisition Rights held by respective holders of the stock acquisition rights shall be issued.
(2) The class of shares of the Restructured Company to be issued upon exercise of the stock acquisition rights
The class of shares of the Restructured Company to be issued upon exercise of the stock acquisition rights shall be the common shares of the Restructured Company.
(3) The number of shares of the Restructured Company to be issued upon exercise of the stock acquisition rights
The number of shares of the Restructured Company to be issued upon exercise of the stock acquisition rights shall be determined in accordance with the provisions in 1) above, taking into account the conditions and other factors concerning the Restructuring Transaction.
(4) The value of assets to be contributed upon exercise of the stock acquisition rights
The value of assets to be contributed upon exercise of each stock acquisition right to be issued shall be the amount obtained by multiplying the Exercise Price after restructuring, which is obtained through adjustment of the Exercise Price as determined in 2. above taking into account the conditions for the Restructuring Transaction, by the number of shares of the Restructured Company to be issued upon exercise of the said stock acquisition rights, which is determined in accordance with (3) above.

(5) Exercise period of the stock acquisition rights

The exercise period of the stock acquisition rights shall begin on the date of commencement of the exercise period stipulated in 4. above or the effective date of the Restructuring Transaction, whichever is later, and end on the closing date of the exercise of the said stock acquisition rights as determined in accordance with 4. above.

(6) Matters concerning capital stock and legal capital surplus to be increased in the event of the issuance of shares upon exercise of the stock acquisition rights

They shall be determined in accordance with 5. above.

(7) Restriction on acquisition of the stock acquisition rights through transfer

Acquisition of the stock acquisition rights through transfer shall be subject to approval by resolution of the Board of Directors of the Restructured Company.

(8) Terms and conditions of acquisition of the stock acquisition rights

They shall be determined in accordance with 7. above.

(9) Other conditions for the exercise of the stock acquisition rights

They shall be determined in accordance with 10. below.

9. Treatment of fractional shares arising upon exercise of the stock acquisition rights

A fractional portion of less than one share in the number of shares delivered to the holders of the stock acquisition rights shall be truncated upon exercise of the stock acquisition rights.

10. Other conditions for the exercise of the stock acquisition rights

Should any holder of the stock acquisition rights forfeit his/her stock acquisition rights, the said stock acquisition rights cannot be exercised.

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