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Stock Code 4883
March 11, 2022

To All Shareholders

Modalis Therapeutics Corporation
Nihonbashi 3-5-11, Chuo-ku, Tokyo, Japan
Representative: Haruhiko Morita

Notice of the 6th Ordinary General Meeting of Shareholders

Modalis Therapeutics Corporation (hereafter, "the Company") will be holding its 6th Ordinary General Meeting of Shareholders as described below. The Company will take measures to prevent the spread of COVID-19 at the venue of the general meeting of shareholders. However, giving our topmost priority to the safety of our shareholders, we sincerely request your cooperation in refraining from attending this year's shareholder meeting in person.

In lieu of your attendance at the meeting, you may exercise your voting rights in writing (by mail) or via the Internet, etc. in advance. Please read the Reference Document for the Ordinary General Meeting of Shareholder below, and exercise your voting rights by 5 p.m. on Monday, March 28, 2022.

Details

1. Schedule: March 29, 2022 (Tuesday) 10:00 AM (Registration from 9:30 AM)
2. Location: Muromachi 1-5-5, Nihonbashi, Chuo-ku, Tokyo, Japan
   Muromachi Chibagin Mitsui Bldg. (COREDO Muromachi 3) 8F
   Nihonbashi Life Science Hub
3. Agenda

Items to be reported
1. The business report, the consolidated financial statements and the results of consolidated financial statement audits by the Accounting Auditor and the Audit Committee for the 6th fiscal year (January 1, 2021 to December 31, 2021)
2. The non-consolidated financial statements for the 6th fiscal year (January 1, 2021 to December 31, 2021)

Items to be resolved

Agenda No. 1	Reduction in Amounts of Stated Capital and Capital Reserves and Appropriation of Other Capital Surplus
Agenda No. 2	Partial Amendment to the Articles of Incorporation
Agenda No. 3	Election of Three (3) Board Members (excluding Board Members serving as Audit Committee Members.)
Agenda No. 4	Election of Three (3) Board Members Serving as Audit Committee Members
Agenda No. 5	Determination of Amount and Details of Compensation, etc. Regarding Stock Options for Board Members (excluding Board Members serving as Audit Committee Members)

Reference Document for the Ordinary General Meetings of Shareholders

Meeting Agenda and Referential Matters

Agenda No. 1：Reduction in Amounts of Stated Capital and Capital Reserves and Appropriation of Other Capital Surplus

1. Purpose

The Company recorded a deficit in its retained earnings brought forward of 1,363,840,039 yen at the end of this business year.

Accordingly, achieving a healthier our financial position and promote efficient management by covering this deficit of retained earnings brought forward, and ensuring agile and flexibility capital policy for the future, the Company wishes to, as follows, carry out a reduction in the amount of its stated capital and its capital reserves in accordance with Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act, post these to other capital surplus, and then post other capital surplus (as increased by the reduction in the amounts of stated capital and capital reserves) to retained earnings brought forward in accordance with Article 452 of the Companies Act.

As these measures will not result in a change in the total number of issued shares and will only involve a reduction in the amounts of stated capital and capital reserves, there will be no impact on the number of shares held by each shareholder. Furthermore, there will be no change in the amount of net assets, and therefore, there will be no change in the amount of net assets per share.

2. Outline of reduction in amounts of stated capital and capital reserves and appropriation of other capital surplus

Ⅰ. Reduction in amount of stated capital

(1) Amount by which stated capital will be reduced:

The Company will reduce stated capital by 681,920,020 yen and post that amount to other capital surplus.

(2) Date on which the reduction in the amount of stated capital takes effect:

The reduction in the amount of stated capital is planned to take effect on May 16, 2022.

Ⅱ. Reduction in amount of capital reserves

(1) Amount by which capital reserves will be reduced:

The Company will reduce capital reserves by 681,920,019 yen and post that amount to other capital surplus.

(2) Date on which the reduction in the amount of capital reserves takes effect:

The reduction in the amount of capital reserves is planned to take effect on May 16, 2022.

Ⅲ. Appropriation of other capital surplus

As described below, subject to the reduction in the amounts of stated capital and capital reserves (detailed above) becoming effective, the Company will, in accordance with Article 452 of the Companies Act, post the other capital surplus to retained earnings brought forward so as to cover the deficit. In doing so, the amount of retained earnings brought forward after the posting will be 0 yen.

(1) Item of surplus to be reduced and amount by which it will be reduced:

Other capital surplus 1,363,840,039 yen

(2) Item of surplus to be increased and amount by which it will be increased:
Retained earnings brought forward 1,363,840,039 yen

Agenda No. 2：Partial Amendment to the Articles of Incorporation

1. Purpose

With the effective date of the electronic format of materials for the General Meeting of Shareholders as stipulated in the proviso to Article 1 of the Supplementary Provisions of the "Act Partially Amending the Companies Act" (Act No. 70 of 2019) set for September 1, 2022, the Company will establish provisions to the effect that it will take measures to provide information on the contents of reference documents, etc. for the General Meeting of Shareholders electronic format and to the effect that it may limit the scope of matters to be stated in documents to be delivered to shareholders who request the delivery of documents.

In addition, the current provisions on Internet disclosure and deemed provision of Reference Documents for the General Meeting of Shareholders, etc. will be deleted as they are no longer necessary, and supplementary provisions will be established regarding the effective date, etc. of these changes.

2. Details of the amendment

（Underlined texts are to be amended）

Current articles of incorporation	Proposed amendments
Article 15. (Internet Disclosure of Reference Documents, Etc. for General Meeting of Shareholders) On convening the General Meeting of Shareholders, the Company shall be deemed to have provided to shareholders information concerning matters required to be described or presented in the General Meeting of Shareholders reference documents, business reports, financial statements and consolidated financial statements, by disclosing such information over the Internet in a manner set forth in the ministerial ordinances of the Ministry of Justice.	＜Delete＞
＜New＞	Article 15. (Provision of Documents for the General Meeting of Shareholders in Electronic Format, etc.) On convening a General Meeting of Shareholders, the Company shall provide the contents of the reference documents, etc. for the General Meeting of Shareholders in an electronic format. 2. Among the contents provided in an electronic format, the Company may exclude all or part of matters prescribed by the ministerial ordinances of the Ministry of Justice from the document that will be issued to shareholders who requested the issuance of such a document by the record date for voting rights.

（Underlined texts are to be amended）

Current articles of incorporation	Proposed amendments
＜New＞	（Supplementary Provisions） 1. The deletion of Article 15 of the current Articles of Incorporation (Internet Disclosure of Reference Documents, Etc. for the General Meeting of Shareholders) and the establishment of Article 15 in the amended Articles of Incorporation (Provision of Documents for the General Meeting of Shareholders in Electronic Format, etc.) shall be effective from September 1, 2022. 2. Notwithstanding the provisions of the preceding paragraph, Article 15 of the current Articles of Incorporation shall remain effective regarding any General Meeting of Shareholders held on a date within six months from the Date of Enforcement. 3. These Supplementary Provisions shall be deleted on March 1, 2023 or three months have passed from the date of the General Meeting of Shareholders in the preceding paragraph, whichever is later.

Agenda No. 3：Election of Three (3) Board Members (excluding Board Members serving as Audit Committee Members)

As the term of office of all of the current three (3) Board Members (excluding Board Members serving as Audit Committee Members) will expire at the conclusion of this General Meeting of Shareholders, the Company requests the election of three (3) Board Members.

The candidates for Board Members (excluding Board Members servings as Audit Committee Members) are as follows.

Candidate No.			
1	Haruhiko Morita	Born on August 9, 1969	<Reappointment>

Number of shares of the Company owned 5,194,500
Rate of attendance at Board of Directors meetings 100% (18/18 meetings)

[Brief Profile, Positions, Responsibilities, and Significant Concurrent Positions]

1994	April	Joined Kirin Brewery Company, Limited（currently Kyowa Kirin Co.,Ltd）
2002	January	Joined Booz Allen Hamilton Inc. （currently PwC Strategy &）
2003	November	Joined Y's Therapeutics,Inc.
2004	April	Representative Partners, Think-n-go Corporation.
2004	May	Board member, Lifescience Innovation Management（incumbent）
2006	March	Representative Director and CEO, REGiMMUNE Corporation.
2015	May	Representative Director and CEO, Orphabio,Inc.
2015	May	limited liability partner, Blood-alley,LLC.
2016	January	Representative Director and CEO, the Company (incumbent)
2016	April	EdiGENE Inc. （currently Modalis Therapeutics Inc.） CEO（incumbent）

[Reasons for candidacy for Board Member (Excluding Board Member serving as an Audit Committee Member)

Since the founding of the Company, he has served as President as the founder. Having led the Company and its group following his ambitious vision and from a forward-looking perspective, he has made every possible effort to expand business and enhance corporate value. He has played roles that contribute to raising the corporate value of the entire Group, including deciding corporate important matters and supervising business execution. Therefore, the Company has judged that he is indispensable for the further growth and enhancement of corporate value of the Group and decided to select him as a candidate for Board Member of the Company for reappointment. His tenure as Board Member of the Company will be six years and two months at the conclusion of this General Meeting of Shareholders.

Candidate No.			
2	Hideki Takeda	Born on September 25, 1958	<Reappointment> <External Board Member> <Independent Director>

Number of shares of the Company owned 193,300
Rate of attendance at Board of Directors meetings 100% (18/18 meetings)

[Brief Profile, Positions, Responsibilities, and Significant Concurrent Positions]

1983	April	Joined Fujisawa Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)
2009	January	President, Medical Patent Research Inc. (incumbent)
2011	February	President, Retina Institute Japan, K.K. (currently HEALIOS K.K.)
2016	January	External Board Member, the Company (incumbent)
2018	February	Outside Director, CTEX Co., Ltd. (incumbent)
2019	March	Outside Corporate Auditor, ThinkCyte Inc. (incumbent)
2020	December	Outside Director, BICA THERAPEUTICS INC. (incumbent)
2021	March	Outside Corporate Auditor, Liid Pharmaceuticals, Inc. (incumbent)

[Reasons for candidacy for External Board Member (Excluding Board Member serving as an Audit Committee Member) and Expected Role]

He possesses abundant knowledge of and broad insights into the intellectual property of the biomedical field, etc. after working in Fujisawa Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.) for over 20 years. Highly rating his experience and insights as the management executive of an intellectual property consulting firm, the Company has selected him as a candidate for External Board Member of the Company. The Company expects him to continue providing advice on its strategy of intellectual property and overall corporate management as an External Board Member, thereby contributing to strengthening corporate governance. His tenure as an External Board Member of the Company will be six years and two months at the conclusion of this General Meeting of Shareholders.

Candidate No.			
3	Joseph S. McCracken	Born on April 24, 1953	<Reappointment> <External Board Member>

Number of shares of the Company owned −
Rate of attendance at Board of Directors meetings 100% (18/18 meetings)

[Brief Profile, Positions, Responsibilities, and Significant Concurrent Positions]

1997	November	VP Worldwide Business and Technology Development, Rhone-Poulenc Rorer Pharmaceuticals
2000	August	VP Business Development, Genentech VP Business Development
2011	July	VP Global Head of Business Development and Licensing ,Roche
2013	October	Board member, Savara Inc.（SVRA）（incumbent）
2015	December	Outside Director, REGiMMUNE Corporation.（incumbent）
2018	August	External Board Member, the Company (incumbent)
2019	October	Board member, Neuropore Therapies Inc.（incumbent）
2020	March	Board member, Lumos Pharma, Inc.（LUMO）（incumbent）

[Reasons for candidacy for External Board Member (Excluding Board Member serving as an Audit Committee Member) and Expected Role]

He has built a splendid career in the pharmaceutical industry after serving in a variety of key positions including the head of the business development department in multiple multinational pharmaceutical companies. As he has provided the Company with effective advice from a neutral and objective viewpoint based on abundant experience in and deep insight into the business field based on R&D, the Company has judged him to be a necessary talent for enhancing the corporate value of the Company and selected him as a candidate for External Board Member of the Company. The Company expects him to continue offering advice on the businesses of the Company and suggestions on corporate management from a global perspective as an External Board Member. His tenure as an External Board Member of the Company will be three years and seven months at the conclusion of this General Meeting of Shareholders.

(Notes) 1. There is no special interest between any of the candidates and the Company.
2. Mr. Hideki Takeda and Mr. Joseph S. McCracken are candidates for External Board Members.
3. The number of shares of the Company held by the candidates for Board Members is as of December 31, 2021. The number of shares held by Mr. Haruhiko Morita is the actual number of shares held, including 4,831,800 shares held by Life Science Innovation Management, an asset management company in which he and his relatives hold shares.
4. To ensure that Mr. Hideki Takeda and Mr. Joseph McCracken fulfill the roles expected of External Board Members to the maximum, the Company has entered into an agreement with them pursuant to Article 427, paragraph (1) of the Companies Act to limit their liability for damages as stipulated in Article 423, paragraph (1) of the Companies Act, setting the minimum liability amount stipulated by law as the maximum liability based on the agreement. If both candidates for External Board Members are elected, the Company plans to continue such agreement with them.
5. The Company has concluded directors' and officers' liability insurance contracts with Board Members (excluding Board Members serving as Audit Committee Members) and Board Members (Audit Committee Members) of the Company who

have belonged to the Company since January 2016 as insured persons. All insurance premiums are paid by the Company. The above insurance contract does not cover claims for damages arising from events such as those where the insured illegally obtain the provision of benefits or convenience. If the candidates are re-elected as originally proposed, they will continue to be the insured of the contracts. The Company plans to renew the contract with the same provisions in the middle of their term of office.

6. The Company has registered Mr. Hideki Takeda, a candidate for Board Member, as an independent director pursuant to the provisions of the Tokyo Stock Exchange. If this proposal is approved and Mr. Takeda is reappointed, the Company plans to continue to register him as an independent director with the above stock exchange.

Agenda No. 4 : Election of Three (3) Board Members Serving as Audit Committee Members

As the term of office for all of the current three (3) Board Members serving as Audit Committee Members will expire at the conclusion of this General Meeting of Shareholders, the Company requests the election of three (3) Board Members serving as Audit Committee Members.

With regard to this agenda item, the consent of the Audit Committee has been obtained.

The candidates for Board Members serving as Audit Committee Members are as follows.

Candidate No.			
1	Miyuki Shimane	Born on November 24, 1953	<Reappointment> <External Board Member> <Independent Director>

Number of shares of the Company owned	−
Rate of attendance at Board of Directors meetings	100% (18/18 meetings)
Rate of attendance at Audit Committee meetings	100% (18/18 meetings)

[Brief Profile, Positions, Responsibilities, and Significant Concurrent Positions]

1975	April	Joined CHUGAI PHARMACEUTICAL CO.,LTD
2005	April	Faculty of Science and Engineering, Co-researcher, Waseda University
2018	December	Outside Director (Audit Committee Member), the Company（incumbent）
2021	May	Outside Director, Trans Chromosomics, Inc.（incumbent）

[Reasons for candidacy for External Board Member serving as an Audit Committee Member and expected role]

She possesses high specialist knowledge of and experience-based broad insights into the discovery and development of new drugs, having been engaged in R&D of drugs in Chugai Pharmaceutical Co., Ltd. throughout her career there. She has audited the Company's business as a Board Member serving as an Audit Committee Member and offered appropriate advice at the Board of Directors meetings and elsewhere. With the expectation that she will continue to fulfill her duties appropriately as a Board Member serving as an Audit Committee Member and play a role in monitoring the Company's business and overall corporate management and giving advice thereon, the Company has selected her as a candidate for Board Member serving as an Audit Committee Member. Her tenure as an External Board Member serving as an Audit Committee Member of the Company will be three years and three months at the conclusion of this General Meeting of Shareholders.

Candidate No. 2	Teruhisa Tajima	Born on August 4, 1971	<Reappointment> <External Board Member> <Independent Director>

Number of shares of the Company owned	10,000
Rate of attendance at Board of Directors meetings	100% (18/18 meetings)
Rate of attendance at Audit Committee meetings	100% (18/18 meetings)

[Brief Profile, Positions, Responsibilities, and Significant Concurrent Positions]

1995	October	Joined Chuo Audit Corporation
2000	June	Registered as a Certified Public Accountants（CPA）
2004	June	Outside Corporate Auditor, The Longreach Group, Inc.（incumbent）
2010	February	Representative CPA, TAJIMA CPA Office（incumbent）
2014	September	Outside Corporate Auditor, PRISM Pharma Co.,Ltd.（currently PRISM BioLab Co,. Ltd.）（incumbent）
2014	September	Supervisory officer, Tosei Reit Investment Corporation（incumbent）
2014	September	Outside Corporate Auditor, Onco Therapy Science,Inc.（incumbent）
2016	January	Outside Corporate Auditor, the Company
2016	March	Outside Corporate Auditor, Rena Therapeutics, Inc.（incumbent）
2018	August	Outside Director (Audit Committee Member), the Company（incumbent）
2018	September	Outside Corporate Auditor, NEUGEN Pharma, Inc.（incumbent）
2018	October	Outside Corporate Auditor, S'UIMIN Inc.（incumbent）
2018	October	Accounting Advisor, OiDE BetaRevive, Inc.（incumbent）
2020	March	Accounting Advisor, OiDE OptoEye, Inc.（incumbent）
2021	February	Outside Corporate Auditor, J-Pharma Co.,Ltd（incumbent）

[Reasons for candidacy for External Board Member serving as an Audit Committee Member and expected role]

He possesses extensive knowledge and a high level of expertise in the internal controls field, acquired from managing a certified public accountants' firm and being involved in a wide range of industries and companies, in addition to serving in a series of key positions in an auditing firm as a certified public accountant. He has monitored the management of the Company from an independent position and an objective perspective and given the Company appropriate advice at the Board of Directors meetings and elsewhere. Based on his experience and achievements, the Company has selected him as a candidate for Board Member serving as an Audit Committee Member of the Company in the expectation that he will continue to contribute to appropriate decision-making at the Board of Directors meetings and supervision of the management of the Company. His tenure as an External Board Member serving as an Audit Committee Member of the Company will be three years and seven months at the conclusion of this General Meeting of Shareholders.

Candidate No. 3	Toshio Furuta	Born on February 4, 1962	<Reappointment> <External Board Member> <Independent Director>

Number of shares of the Company owned	－
Rate of attendance at Board of Directors meetings	100% (18/18 meetings)
Rate of attendance at Audit Committee meetings	100% (18/18 meetings)

[Brief Profile, Positions, Responsibilities, and Significant Concurrent Positions]

1991	April	Joined Shinozaki Yoshiaki Law Firm（currently Shinozaki&Shinji Law Firm）
1993	April	Representative employee, Furuta Toshio Law Firm（currently Clair Law Firm）（incumbent）
2016	June	Director (Audit Committee Member), Netyear Group Corporation.（incumbent）
2016	September	Director (Audit Committee Member), CanBas Co.,Ltd.（incumbent）
2018	December	Outside Director (Audit Committee Member), the Company（incumbent）
2021	February	Outside Corporate Auditor, J-Pharma Co.,Ltd（incumbent）

[Reasons for candidacy for External Board Member serving as an Audit Committee Member and expected role]

He possesses high specialist knowledge and extensive experience in corporate legal affairs as an attorney at law and the management executive of a legal firm. In particular, in the fields of legal affairs, risk management and corporate governance, he has provided accurate and useful advice on the overall management of the Company from an independent position and a global perspective. Based on the above, the Company expects that he will help to strengthen the Company's audit system and corporate governance through his high level of expertise and experience, and that he will supervise management from an outside and independent position and provide appropriate advice at the time of making decisions at the Board of Directors meetings. With such expectations, the Company has selected him as a candidate for Board Member serving as an Audit Committee Member of the Company. His tenure as an External Board Member serving as an Audit Committee Member of the Company will be three years and three months at the conclusion of this General Meeting of Shareholders.

(Notes) 1. There is no special interest between any of the candidates and the Company.
2. Ms. Miyuki Shimane, Mr. Teruhisa Tajima and Mr. Toshio Furuta are candidates for External Board Members.
3. The number of shares of the Company held by the candidates for Board Members serving as Audit Committee Members is as of December 31, 2021.
4. To ensure that Ms. Miyuki Shimane, Mr. Teruhisa Tajima and Mr. Toshio Furuta fulfill the roles expected as External Board Members (Audit Committee Members) to the maximum, the Company has entered into a contract with them pursuant to Article 427, paragraph (1) of the Companies Act to limit their liability for damages as stipulated in Article 423, paragraph (1) of the Companies Act, setting the minimum liability amount stipulated by law as the maximum liability based on the above contract. If each candidate for External Board Member is elected, the Company plans to continue such contract with them.
5. The Company has concluded directors' and officers' liability insurance contracts with Board Members (excluding Board Members serving as Audit Committee Members) and Board Members (Audit Committee Members) of the Company who have belonged to the Company since January 2016 as insured persons. All insurance premiums are paid by the Company. The above insurance contract does not cover claims for damages arising from events such as those where the insured illegally obtain the provision of benefits or convenience. If the candidates are re-elected as originally proposed, they will continue to be the insured of the contracts. The Company plans to renew the contract with the same provisions in the middle of their term of office.
6. The Company has registered Ms. Miyuki Shimane, Mr. Teruhisa Tajima and Mr. Toshio Furuta, who are candidates for Board Members serving as Audit Committee Members, as independent directors pursuant to the provisions of the Tokyo Stock Exchange. If this proposal is approved and each candidate is reappointed, the Company plans to continue to register them as an independent director with the above stock exchange.

[Reference] Composition of the Board of Directors and Board Members' Skill Matrix

Below is in the case where the candidates for Board Members (excluding Board Members serving as Audit Committee Members) in Agenda No. 3 and the candidates for Board Members serving as Audit Committee Members in Agenda No. 4 are elected at this General Meeting of Shareholders.

Name	Position and Responsibility in the Company	Term of office	Corporate management	Research & Development	Intellectual property	Business & Development	Global Business	Finance, Accounting, Taxation	Legal & Compliance
Haruhiko Morita	President and CEO	6 years and 2 months	●	●		●	●		
Hideki Takeda	External Board Member Independent Director	6 years and 2 months	●		●				
Joseph S. McCracken	External Board Member	3 years and 7 months	●	●		●	●		
Miyuki Shimane	External Board Member Audit Committee Member Independent Director	3 years and 7 months	●	●					
Teruhisa Tajima	External Board Member Audit Committee Member Independent Director	3 years and 7 months	●					●	
Toshio Furuta	External Board Member Audit Committee Member Independent Director	3 years and 3 months	●						●

(Notes) 1. The table is to show the expertise of board members making up the Board of Directors in the form of a matrix, and the main skills possessed by or expected from each board member are marked with a circle "●".
2. Which skills board members possess is decided based on their experience in work and job titles related to skills in addition to their professional qualifications in skill items.
3. Human resource strategies such as personnel affairs and human resource development are included in corporate management.

Agenda No. 5 : Determination of Amount and Details of Compensation, etc. regarding Stock Options for Board Members (excluding Board Members serving as Audit Committee Members)

At present, the compensation for Board Members (excluding Board Members serving as Audit Committee Members) of the Company consists of the basic compensation approved at the Extraordinary General Meeting of Shareholders held on August 15, 2018, which is a maximum of 200 million yen per annum, and the compensation related to the ex-post allocation type stock compensation system approved at the Company's 5th Ordinary General Meeting of Shareholders held on March 30, 2021, which is a maximum of 100 million yen per annum separately from the above-mentioned compensation amount (including a maximum of 81.4 million yen for External Board Members).

With the aim of providing Board Members (excluding Board Members serving as Audit Committee Members) of the Company with an incentive to improve business performance, increase corporate value, and further raise their awareness of shareholder-oriented management, the Company proposes to partially revise the above compensation structure, thereby stopping the granting of new units relating to ex-post allocation type stock compensation and instead, granting compensation relating to stock acquisition rights as stock options with the following details. In addition, the Company requests approval to set 100 million yen per annum (including a maximum of 100 million yen for External Board Members) as the maximum amount of compensation and others related to stock acquisition rights as stock options.

The amount of stock acquisition rights to be issued to Board Members of the Company as stock option compensation will be the amount obtained by multiplying the fair value per stock acquisition right calculated on the allotment date of stock acquisition rights by the total number of stock acquisition rights to be allotted. The fair value of a stock acquisition right as of the allotment date, mentioned above, will be determined using the method commonly used to calculate the fair value of stock acquisition rights.

The current number of Board Members (excluding Board Members serving as Audit Committee Members) is three (including two (2) External Board Members). If Agenda No. 3 for this General Meeting of Shareholders is approved as proposed, the number of Board Members (excluding Board Members serving as Audit Committee Members) will be three (3) (including two (2) External Board Members).

The proposed stock options are to enhance the motivation and morale to improve the business performance and corporate value of the Company and to further benefit the interests of shareholders of the Company. With the stock options determined by comprehensively taking into consideration the status of the execution of duties by Board Members, the degree of their contribution, and other circumstances, the Company considers their details to be reasonable.

(1) Class and number of shares that are the objective of the stock acquisition rights or its calculation methods

The class of the shares that are the objective of the stock acquisition rights shall be shares of common stock of the Company, and the number of shares that are the objective of each of the stock acquisition rights shall be 100.

However, the number of shares that are the objective of each of the stock acquisition rights may be adjusted pursuant to the following provisions.

(I) In the case that the Company conducts a split or a consolidation of shares of common stock of the Company, the number of shares that are the objective of each of the stock acquisition rights that have not been exercised will be adjusted following the formula below, and if, as a result of adjustment, there arises any share less than 1/100

of one share, such fractions shall be omitted without monetary adjustment. The "ratio of a stock split" shall mean the number obtained by dividing the total number of issued shares of common stock after a stock split by the total number of issued shares of common stock before a stock split. The "ratio of a stock consolidation" shall mean the number obtained by dividing the total number of issued shares of common stock after stock consolidation by the total number of issued shares of common stock before stock consolidation. The same shall apply hereinafter. The number of shares after adjustment shall be applied from the day following the record date of the stock split in the case of a stock split and from the day following the day when the stock consolidation takes effect in the case of a stock consolidation, based on Article 183, paragraph (2), item (i) of the Companies Act.

Number of shares after adjustment = Number of shares before adjustment × ratio of stock split or consolidation

(II) In the case that the Company issues or disposes of shares for subscription by way of allotment to shareholders, allots shares without compensation, merges, exchange shares, delivers shares, splits the Company or in other cases that the Company considers to be necessary, the Company will adjust the number of shares that are the objective of each of the stock acquisition rights that the Company considers to be appropriate.

(III) In the case that the number of shares that are the objective of each of the stock acquisition rights is adjusted based on the provision of this paragraph, the Company shall notify those who own the stock acquisition rights (hereinafter referred to as “right holders”) of the plan, the reasons, the number of shares after adjustment, the application date and other necessary matters without delay after such related matters are determined.

(2) Total number of stock acquisition rights

The number of the stock acquisition rights to be issued within one (1) year from the date of the Ordinary General Meeting of Shareholders in each financial year shall not exceed 300.

(3) Amount to be paid in exchange for the stock acquisition rights

No payment shall be required in exchange for the stock acquisition rights.

(4) Value of assets to be contributed upon exercise of the stock acquisition rights

The amount to be paid upon exercise of each of the stock acquisition rights shall be an amount obtained by multiplying the paid-in amount per share to be determined as follows (hereinafter referred to as the “exercise price”) by the number of shares to be granted.

The exercise price shall be the higher of either the amount obtained by multiplying the average closing price of shares of the common stock of the Company on the Tokyo Stock Exchange on each day (excluding days on which there is no trading) of the month immediately preceding the month in which the stock acquisition rights will be issued by 1.05 or the closing price of shares of the common stock of the Company on the Tokyo Stock Exchange on the day of allotment of the stock acquisition rights (if there is no trading on the day, the closing price on the immediately preceding day shall be used). However, the exercise price may be adjusted as specified below.

(I) In the case that the Company conducts a split or a consolidation of shares of common stock of the Company, the exercise price for stock acquisition rights that have not been exercised will be adjusted following the formula below, and if, as a result of adjustment, there arises any fraction less than one yen, such fractions shall be rounded up. The application period of the exercise price after adjustment shall be the same as the application period of the number of shares after adjustment described in (i) of (1) Class and number of shares that are the objective of the stock acquisition rights.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of stock split or consolidation}}$$

(II) In the case that the Company (i) issues or disposes of shares of common stock at a paid-in price per share

below the market price (including an allotment of shares without compensation; excluding those resulting from the occurrence of the causes for an acquisition of dilutive shares, etc. as defined below and those associated with a merger, stock exchange, stock delivery and company split) or (ii) issues or disposes of dilutive shares (shares with put options, shares subject to call, stock acquisition rights, bonds with stock acquisition rights and any other securities or rights with a position that is entitled to acquire shares of common stock upon the request of the holder or the Company or on the condition of the occurrence of certain events; the same shall apply hereinafter) for which shares of common stock may be acquired at an acquisition price per share below the market price (including an allotment of shares without compensation), the exercise price for stock acquisition rights that have not been exercised shall be adjusted following the formula below, and if, as a result of adjustment, there arises any fraction less than one yen, such fractions shall be rounded up. In the above, the "cause for acquisition" means the request of the holder or the Company that causes the Company to deliver shares of common stock based on the dilutive shares, etc., or certain reasons, and the "acquisition price" means the amount to be borne through the acquisition of the dilutive shares, etc. and the occurrence of the cause of acquisition for the acquisition of one share of common stock, and the same shall apply hereinafter.

In this paragraph (II), the "market price" shall be the average of the daily closing prices of shares of common stock of the Company on the financial instruments exchange for 30 trading days beginning on the 45th trading day preceding the day on which the exercise price after adjustment is applied (excluding the number of days with no closing price). The average amount is calculated to the nearest hundredth of a decimal place and rounded down to the nearest hundredth.

The exercise price after adjustment by the above adjustment shall apply on the day following the record date for subscription or allotment, if any, or in other cases, on the day following the effective date of the issuance or disposition of shares of common stock or dilutive shares, etc. (where Article 209, paragraph (1), item (ii) of the Companies Act applies, the last day of the period specified by the same item).

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} + \dfrac{\text{Number of new shares to be issued} \times \text{Paid-in amount per share}}{\text{Market value}}}{\text{Number of shares issued} + \text{Number of new shares to be issued}}$$

The above formula shall be in accordance with the following provisions.

(a) The "number of shares issued" means the number obtained by deducting the number of treasury shares (shares of common stock only), held by the Company as of the day immediately preceding the day on which the exercise price after adjustment applies, from the grand total of the total number of issued shares of common stock of the Company and the number of shares of common stock that are the objective of issued dilutive shares, etc. on the same day (however, if the number of issued shares of common stock of the Company, the number of shares of common stock that are the objective of issued dilutive shares, etc. or the number of treasury shares (shares of common stock only) is changed by the above adjustment, the number before the change shall become the basis).

(b) In the case that adjustment is made by the disposal of treasury shares by the Company, the "number of new shares to be issued" shall be replaced with the "number of treasury shares to be disposed of."

(c) The "number of new shares to be issued" and the "paid-in price per share" in the case that adjustment is made by the issuance or disposal of dilutive shares, etc. by the Company shall mean the number of shares of common stock that are the objectives of the dilutive shares, etc. to be issued or disposed of and the acquisition price per share of common stock that is the objective, respectively.

(III) Upon the expiration of the period during which the cause of acquisition of the dilutive shares, etc. specified in (ii) of (4) (II) above may occur, the Company will adjust the exercise price that it deems appropriate. Provided, however, that this shall not apply to cases where the cause of acquisition occurs to all of the dilutive shares, etc.

(IV) In the case that the Company merges, exchanges stock, delivers stock, splits the Company or in other cases deemed necessary, the Company will adjust the exercise price that it deems appropriate.

(V) In the case that the Company issues or disposes of shares of common stock or dilutive shares, etc. by a method other than allotment to shareholders or allotment of shares without compensation, the adjustment based on (4) (II) shall not be made if the Company decides not to make any adjustment.

(VI) In the case that the exercise price is adjusted based on the provisions of (4), the Company shall notify right holders of or publicly announce the plan, the reasons, the exercise price after adjustment, the application date and other necessary matters without delay after such related matters are determined.

(5) Period during which stock acquisition rights can be exercised

The Board of Directors of the Company shall determine the period that will end at the latest by the day on which 10 years will have passed after the allotment date.

(6) Conditions for exercising stock acquisition rights

(I) The exercise of the stock acquisition rights concerning the stock acquisition rights that will be exercised or a right holder who will exercise them shall be subject to no occurrence of the reasons for acquisition provided for in each item of "(8) Events in which the Company may acquire the stock acquisition rights," and the exercise of the stock acquisition rights for which a reason for acquisition has occurred shall not be permitted. Provided, however, that this shall not apply in cases where the Company specifically permits such exercise.

(II) In the case that the delivery of the stock acquisition rights of a reorganized company (a surviving company or a new company in a merger, a succeeding company or a new company in a company split, a wholly owning parent company in a stock exchange or stock transfer [in any case, limited to a stock company]) to right holders of the stock acquisition rights to replace the stock acquisition rights is not set forth in the agreement or plan related to reorganization when the Company conducts the reorganization as described in (I) of "(8) Events in which the Company may acquire the stock acquisition rights," the stock acquisition rights may not be exercised effective at noon on the day immediately preceding the day when the stock acquisition rights can be exercised pursuant to the Companies Act. Provided, however, that this shall not apply in cases where the Company specifically permits such exercise.

(III) In the event that a right holder dies, the stock acquisition rights may not be exercised.

(IV) The exercise of stock acquisition rights shall be made in units of one (1) stock acquisition right, and a portion of one stock acquisition right shall not be exercised.

(V) In the event that a right holder exercises one or more stock acquisition rights, the number of shares to be delivered to that right holder upon the exercise shall be an integer (or, if the Company adopts a share unit system, the above number shall be an integer multiple of the number of shares for the share unit), and any fraction less than one share (or, if the Company adopts a share unit system, the above number shall be the number of shares for the share unit) shall be rounded down, and no shares shall be allotted. No monetary adjustment shall be made to such rounded-down fractions.

(VI) No stock acquisition rights may be transferred, secured or otherwise disposed of to a third party without the Company's written consent.

(VII) Other conditions for the exercise of rights shall be as set forth in a stock acquisition allotment agreement to be concluded between the Company and right holders of the stock acquisition rights.

(7) Restriction on transfer of stock acquisition rights

Transfer of the stock acquisition rights shall require the approval of the Board of Directors.

(8) Events in which the Company may acquire the stock acquisition rights

The Company may acquire the stock acquisition rights, based on each item as below. In the case that the Company acquires the stock acquisition rights for which an event for acquisition provided for in the following items has occurred, the Company shall acquire them on a date specifically determined by resolution of the Board of Directors. In addition, the Company may acquire all or part of the stock acquisition rights for which an event for acquisition provided for in the following items has arisen, and if the Company acquires part of them, the stock acquisition rights to be acquired shall be determined by resolution of the Board of Directors.

(I) In the event that a resolution approving an absorption-type merger or consolidation-type merger in which the Company will become a disappearing company, or an absorption-type company split or incorporation-type company split in which the Company will become a splitting company, or a stock exchange or stock transfer in which the Company will become a wholly owned subsidiary, or a stock transfer through a stock delivery in which the Company will become a stock delivering subsidiary (hereinafter collectively referred to as the "Reorganization") is made at a general meeting of shareholders of the Company as required by laws and regulations or the Articles of Incorporation of the Company (if the consent of all shareholders is required in lieu of the resolution at a general meeting of shareholders, the consent of all shareholders shall be obtained; if neither of these is required, the resolution of the board of directors shall be adopted), the Company may acquire the stock acquisition rights without compensation.

(II) The Company may acquire the stock acquisition rights that were not inherited, without compensation, and it shall be sufficient for the Company to notify the legal heirs of right holders of the stock acquisition rights whom the Company considers to be appropriate of the matters stipulated in Article 273, paragraph (2) or Article 274, paragraph (3) of the Companies Act. However, in the case that such notice is deemed unnecessary due to an interpretation of laws and regulations, the Company may omit such notice and acquire the stock acquisition rights without compensation.

(III) The Company may acquire the stock acquisition rights that have not been exercised, without compensation, in the event that a right holder loses any of the following statuses for the convenience of the Company, and two (2) years have passed.

(i) Board Members of the Company or its subsidiaries (meaning subsidiaries prescribed in Article 2, item (iii) of the Companies Act; the same shall apply hereinafter)

(ii) Employees of the Company or its subsidiaries

(IV) The Company may acquire the stock acquisition rights that have not been exercised, without compensation, in the event that a right holder loses any of the following statuses by reason of his or her own convenience.

(i) Board Members of the Company or its subsidiaries (meaning subsidiaries prescribed in Article 2, item (iii) of the Companies Act; the same shall apply hereinafter)

(ii) Employees of the Company or its subsidiaries

(V) The Company may acquire the stock acquisition rights that have not been exercised, without compensation, in the event that any of the following events occurs.

(i) In the event that a right holder is sentenced to imprisonment without work or a greater punishment

(ii) In the event that a right holder competes with the Company or its subsidiaries regardless of the name or format through actions, such as directly or indirectly establishing a corporation engaged in business that competes with the Company or its subsidiaries or assuming the position of officer or employee of such

corporation. However, this shall not apply to the case where the right holder obtains prior written approval from the Company.

(iii) In the event that a right holder damages the credibility of the Company or its subsidiaries by violating laws and regulations or other wrongful acts.

(iv) In the event that a right holder receives a petition for seizure, provisional seizure, provisional disposition, compulsory execution or auction, or receives a disposition for delinquent payment of taxes or public dues.

(v) In the event that a right holder ceases to pay or becomes unable to pay, or a bill or check drawn or accepted by him or her becomes dishonored.

(vi) In the event that a petition for commencement of bankruptcy proceedings, commencement of civil rehabilitation proceedings, commencement of corporate reorganization proceedings, commencement of special liquidation proceedings or any other proceedings similar thereto is filed against a right holder.

(vii) In the event that it is revealed that a right holder is an antisocial force, etc. (meaning an organized crime group, a member of an organized crime group, a right-wing organization, an antisocial force, or any other person equivalent thereto; the same shall apply hereinafter), or that a right holder is associated with or involved in antisocial forces, etc. in some form through financing, etc.

(viii) In the event that a right holder violates the agreement entered into with the Company with respect to this document or the stock acquisition rights.

(9) Fair value of stock acquisition rights

The fair value of the stock acquisition rights shall be calculated using the Black-Scholes model based on the share price of the Company, the exercise price and other conditions as of the allotment date.

(10) Other details of the stock acquisition rights

Other details concerning the stock acquisition rights shall be determined by the Board of Directors.

End