Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Securities Code: 4936
October 8, 2024

To All Shareholders

AXXZIA Inc.
35F Shinjuku Sumitomo Building
2-6-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo
President: Duan Zhuo

Notice of Convocation of the 13th Ordinary General Meeting of Shareholders

Dear Sir or Madam, we would like to sincerely thank you for your continued support.

Notice is hereby given that the 13th Ordinary General Meeting of Shareholders of AXXZIA Inc. (“the Company”) will be held as follows.

For the convening of this Shareholders’ Meeting, information which includes the contents of the Reference Material for the General Meeting of Shareholders (items regarding measures for electronic provisioning) are made available electronically. This information can be found on the websites listed below. We kindly request shareholders to visit any of these websites to review the details.

[Our Website]
https://axxzia.co.jp/english/
(Please access the above website, select "IR" and "Stock Information" from the menu, and review the information.)

[Shareholder Meeting Materials Website]
https://d.sokai.jp/4936/teiji/

[Tokyo Stock Exchange Website (TSE Listed Company Information Service)]
https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show
For the Tokyo Stock Exchange website mentioned above, please access it and search by entering "AXXZIA" in the "Stock Name (Company Name)" field or our securities code "4936" in the "Code" field. Subsequently, select "Basic Information" followed by "Document Viewing/PR Information." Please review the "Shareholder Meeting Convocation Notice/Shareholder Meeting Materials" section under "Document Viewing."

Additionally, if you cannot attend on the day of the meeting, you have the option to exercise your voting rights via the internet or by sending a written form (postal mail). We kindly ask you to review the Reference Material for the General Meeting of Shareholders and exercise your voting rights by 7:00 pm Japan Time on Thursday, October 24, 2024.

[In Case of Exercising Voting Rights via the Internet]
Please access our designated website for exercising voting rights (https://evote.tr.mufg.jp). Use the "Voting Rights Exercise Code" and "Password" displayed on the Voting Rights Exercise Form that will be sent to you along with this convocation notice. Follow the on-screen instructions to input your approval or disapproval for the agenda items by the aforementioned deadline. For details on exercising your voting rights via the internet, kindly refer to the section below titled "Information on How to Exercise Voting Rights via the Internet, Etc."

[In Case of Exercising Voting Rights by Written Form (Mail)]
Please indicate your approval or disapproval on the Voting Rights Exercise Form regarding the agenda items and ensure it is returned by the aforementioned deadline.

Yours sincerely.

1. Date & time: Oct. 25, 2024 (Fri.) at 2:00 p.m. (reception starts: 1:30 p.m.)

2. Place Hana, Keio Plaza Hotel Main Building 4F,
2-2-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo

3. Purpose

Items to be reported

1. Business Report and Consolidated Financial Statements for the 13th Fiscal Year (from August 1, 2023, to July 31, 2024) and Report on the Results of Audit of Consolidated Financial Statements by Accounting Auditor and Board of Corporate Auditors
2. Report on the Financial Statements for the 13th Fiscal Year (August 1, 2023, to July 31, 2024)

Resolutions

Proposal No. 1	Partial amendment to the Articles of Incorporation
Proposal No. 2	Appointment of eight (8) Directors
Proposal No. 3	Appointment of three (3) Auditors
Proposal No. 4	Introduction of a performance share unit plan

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4. Decisions concerning the convocation (information on exercising voting rights)

(1) If voting rights are exercised by mail and there's no indication of approval or disapproval for an agenda item on the Voting Rights Exercise Form, it will be treated as an approval.

(2) If voting rights are exercised multiple times via the internet, only the last exercise will be considered valid.

(3) If voting rights are exercised both via the internet and by mail, regardless of the arrival date and time, the online exercise will be treated as valid.

(4) If voting rights are exercised through a proxy, one (1) other shareholder with voting rights can attend the shareholder meeting on your behalf. However, please note that a written document proving proxy authorization will be required.

(5) Regarding the items provided electronically, the following items are not included in the documents provided to shareholders who requested written delivery, based on laws and Article 14 of our Company's Articles of Incorporation.
Corporate and accounting auditors audited documents subject to audit, including the following items.

• Business Report	Status of Stock Acquisition Rights, Etc. Systems for Ensuring the Proper Operation of the Company and the Status of Implementation of the Systems
• Consolidated Financial Statements	Consolidated Statement of Changes in Shareholders' Equity, Etc. Notes to Consolidated Financial Statements
• Financial Statements	Statement of Changes in Shareholders' Equity, Etc. Notes to Non-Consolidated Financial Statements

・If there are any changes to the items provided electronically, the respective changes, along with the details before and after the revision, will be posted on the aforementioned websites.
・If you attend the meeting, we kindly ask you to submit the Voting Rights Exercise Form sent with this convocation notice at the reception desk. Also, to save paper, we ask that you bring this Notice of Convocation with you.



Information on the Exercise of Voting Rights

The right to vote at General Meetings of Shareholders is an important right of all shareholders. Please exercise your voting rights after reviewing the Reference Document for the General Meeting of Shareholders.
There are three ways to exercise your voting rights, as described below.



If you are attending the General Meeting of Shareholders

Please submit the Voting Rights Exercise Form sent along with this Notice of Convocation at the reception desk.

Day and time

Oct. 25, 2024 (Fri.)
2:00 pm
(Reception starts: 1:30 pm)



If you are exercising your voting right in writing (by mail)

Indicate your approval or disapproval on the agenda items on the Voting Rights Exercise Form sent with this Notice of Convocation and mail it without affixing a stamp.

Exercise deadline

Receipt before 7:00 p.m.
Oct. 24, 2024 (Thu.)



If you are exercising your voting right via the Internet, etc.

Please follow the instructions on the next page to enter your approval or disapproval of each proposal.

Exercise deadline

Entry before 7:00 p.m.
Oct. 24, 2024 (Thu.)

Information on How to Fill Out the Voting Rights Exercise Form

Please enter your approval or disapproval of the proposals here.

Proposal No. 1 and No.4

● If you agree >> Put circle (○) in the Agree column.
● If you disagree >> Put circle (○) in the Disagree column.

Proposal No. 2 and No.3

● If you agree with all nominations	>>	Put circle (○) in the Agree column.
● If you disagree with all nominations	>>	Put circle (○) in the Disagree column.
● If you disagree with some nominations	>>	Put circle (○) in the Agree column and fill in the number(s) affixed to the candidates who you do not agree with nominating.

*This is an image of the Voting Rights Exercise Form.
If you exercise your voting rights both by mail (postal mail) and via the Internet, the exercise of voting rights via the Internet will be treated as the valid exercise of voting right. If you exercise your voting rights more than once via the Internet, the last vote will be treated as the valid exercise of voting right.

Information on How to Exercise Voting Rights via the Internet, Etc.

How to scan a QR code

You can log in to the voting website without entering the login ID and temporary password indicated on the Voting Rights Exercise Form.

1. Please scan the QR code on the Voting Rights Exercise Form.



* “QR Code" is a registered trademark of DENSO WAVE Incorporated.

2. Please follow the instructions on the screen to enter your approval or disapproval.



How to enter your login ID and temporary password

Website for exercising your voting right: https://evote.tr.mufg.jp/

1. Please access the website for exercising voting rights.

2. Enter the "login ID and temporary password" indicated on the Voting Rights Exercise Form and click on the button.



Enter [Login ID and Temporary Password]

Click [Login]

3. Register a new password.



Enter [New password]

Click [Send]

4. Please follow the instructions on the screen to enter your approval or disapproval.

*The operation screen is an image.

If you have any questions about how to exercise your voting rights via the Internet using a computer, smartphone, please call the phone number on the right.

Help Desk, Securities Agency Department,
Mitsubishi UFJ Trust and Banking Corporation
0120-173-027
(Toll free / Reception hours: 9:00 to 21:00)

Institutional investors can utilize the electronic voting platform for institutional investors operated by ICJ, Inc.

Reference Material for the General Meeting of Shareholders

Proposal No. 1 Partial amendment to the Articles of Incorporation

1. Reason for proposal

We propose to add new business purposes to Article 2 (Purpose) of the current Articles of Incorporation to accommodate the expansion and diversification of our operations going forward. The addition of new provisions will result in changes in the numbering of clauses.

2. Details of change

Details of the change are as follows.

(Underlined parts indicate changes.)

Current Articles of Incorporation	Proposed Amendment
(Purpose) Article 2: The Company shall engage in the following businesses: 1、～9、 (Omitted) (Newly established) (Newly established) (Newly established) (Newly established) (Newly established) 10、 (Omitted)	(Purpose) Article 2: The Company shall engage in the following businesses: 1、～9、 (Same as current provisions) 10、Warehousing 11、Packing and packaging 12、Distribution processing 13、Packing, unpacking, and installation of machinery and equipment 14、Packaging, labeling, and storage of pharmaceuticals, quasi-drugs, cosmetics, and medical devices 15、 (Same as current provisions)

Proposal No. 2 Appointment of eight (8) Directors

The terms of office of all nine (9) of the Company's Directors will expire at the conclusion of this General Meeting of Shareholders, and accordingly, we propose the election of eight (8) Directors.

The candidates for directors are as follows. Among them, Mr. Yujiro Arakawa, Mr. Junichi Ito, and Ms. Yuko Shitamori (newly appointed) are candidates for outside directors.

Candidate No.	Full name (Date of birth)	Brief personal history, position and responsibilities at the Company (status of important concurrent positions)	Number of Company shares held
1	Duan Zhuo (June 18, 1966)	April 1998: Joined AJIS Co., Ltd. February 2002: Joined MORSON JAPAN Co., Ltd. April 2003: Established FEERIQUE Co., Ltd. Appointed as Representative Director August 2010: Established Ingame Co., Ltd. Appointed as Representative Director September 2011: Established Online Game Japan Co., Ltd. Appointed as Director December 2011: Established AXXZIA Inc. Appointed as President (current position) June 2014: Established Eagle Finance Inc. Appointed as Director (current position) December 2017: Established Creative Technology Industrial Limited Appointed as Director (current position) April 2018: Established BEAUTIC, Inc. Appointed Representative Director April 2018: Appointed as Chairman of the Board of Xiaozi Cosmetic (Shanghai) Inc. May 2018: Appointed as Chairman of the Board of AXXZIA (Hong Kong) International Limited March 2019: Established Soui Kokusai Co., Ltd. Appointed as Representative Director (current position) February 2020: Appointed as Director of Xiaozi Cosmetic (Shanghai) Inc. (current position) April 2022: Appointed as President of Huit Laboratories, Inc. (current position) February 2024: Appointed as President of M&D Co., Ltd. (current position) June 2024: Established AXXZIA Cosmetic USA Ltd. Appointed as Chief Executive Officer (current position) September 2024: Established AXXZIA Technology Inc. Appointed as President (current position) (Current position and responsibilities) President in charge of Manufacturing (Important concurrent positions) President, Huit Laboratories, Inc. President, M&D Co., Ltd. Chief Executive Officer, AXXZIA Cosmetic USA Ltd. President, AXXZIA Technology Inc.	1,836,300 shares

Candidate No.	Full name (Date of birth)	Brief personal history, position and responsibilities at the Company (status of important concurrent positions)	Number of Company shares held
2	Shoi Dan (October 17, 1983)	April 2005: Joined Vmark International Co., Ltd. February 2006: Joined Tenso Kogyo Co., Ltd. August 2009: Joined FEERIQUE Co., Ltd. Appointed as Director August 2010: Established Ingame Co., Ltd. Appointed as Director August 2010: Appointed as Director of APLA Co., Ltd. September 2011: Appointed as Representative Director of Online Game Japan Co., Ltd. December 2011: Appointed as Director of AXXZIA Inc. June 2014: Established Eagle Finance Inc. Appointed as Representative Director (current position) December 2017: Established Creative Technology Industrial Limited Appointed as Representative Director (current position) April 2018: Appointed as Director of Xiaozi Cosmetic (Shanghai) Inc. (current position) May 2018: Appointed as Director of AXXZIA (Hong Kong) International Limited August 2018: Appointed as Executive Vice President of AXXZIA Inc. (current position) March 2019: Appointed as Director of Soui Kokusai Co., Ltd. (current position) August 2022: Appointed as Senior Managing Director of Huit Laboratories, Inc. (current position) June 2023: Established AXXZIA Value Creator Inc. Appointed as Representative Director (current position) June 2024: Appointed as Director of AXXZIA Cosmetic USA Ltd. (current position) September 2024: Appointed as Director of AXXZIA Technology Inc. (current position) (Current position and responsibilities) Executive Vice President in charge of Marketing Department (Important concurrent positions) Director, Xiaozi Cosmetic (Shanghai) Inc. Senior Managing Director, Huit Laboratories, Inc. Representative Director, AXXZIA Value Creator Inc. Director, AXXZIA Cosmetic USA Ltd. Director, AXXZIA Technology Inc.	1,836,300 shares

Candidate No.	Full name (Date of birth)	Brief personal history, position and responsibilities at the Company (status of important concurrent positions)	Number of Company shares held
3	Wu Jun (September 20, 1985)	February 2009: Joined FEERIQUE Co., Ltd. August 2010: Appointed as Auditor of Ingame Co., Ltd. September 2011: Appointed as Auditor of Online Game Japan Co., Ltd. April 2018: Appointed as Director of Xiaozi Cosmetic (Shanghai) Inc. May 2018: Appointed as Director of AXXZIA (Hong Kong) International Limited August 2018: Appointed as Director of AXXZIA Inc. February 2020: Appointed as Chairman of the Board of Xiaozi Cosmetic (Shanghai) Inc. (current position) August 2021: Appointed as Managing Director of AXXZIA Inc. (current position) August 2023: Appointed as Chairman of the Board of AXXZIA (HongKong) International Limited (current position) September 2024: Appointed as Director of AXXZIA(Shenzhen) International E-Commerce Co., Ltd. (current position) (Current position and responsibilities) Managing Director in charge of China Subsidiary (Important concurrent positions) Chairman of the Board, Xiaozi Cosmetic (Shanghai) Inc. Chairman of the Board, AXXZIA (Hong Kong) International Limited Director, AXXZIA(Shenzhen) International E-Commerce Co., Ltd.	1,080,000 shares
4	Zhang Hui (April 28, 1983)	June 2012: Joined FEERIQUE Co., Ltd. May 2018: Joined AXXZIA Inc. June 2019: Appointed as Director of AXXZIA Inc. August 2021: Appointed as Managing Director of AXXZIA Inc. (current position) August 2022: Appointed as Managing Director of Huit Laboratories, Inc. (current position) June 2023: Appointed as Director of Xiaozi Cosmetic (Shanghai) Inc. (current position) June 2023: Appointed as Director of AXXZIA Value Creator Inc. (current position) September 2023: Established AXXZIA Cosmetic Singapore Pte. Ltd. Appointed as Representative Director (current position) June 2024: Appointed as Director of AXXZIA Cosmetic USA Ltd. (current position) September 2024: Established AXXZIA (Shenzhen) International E-Commerce Co., Ltd. Appointed as Chairman of the Board (current position) (Current position and responsibilities) Managing Director in charge of Sales Planning & Development (Important concurrent positions) Managing Director, Huit Laboratories, Inc. Director, Xiaozi Cosmetic (Shanghai) Inc. Director, AXXZIA Value Creator Inc. Representative Director, AXXZIA Cosmetic Singapore Pte. Ltd. Director, AXXZIA Cosmetic USA Ltd. Chairman of the Board, AXXZIA(Shenzhen) International E-Commerce Co., Ltd.	—

Candidate No.	Full name (Date of birth)	Brief personal history, position and responsibilities at the Company (status of important concurrent positions)	Number of Company shares held
5	Yasuhito Fukui (October 29, 1965)	April 1988: Joined The Daiwa Bank, Limited (currently Resona Bank, Limited) July 1998: Joined The Nomura Trust & Banking Co., Ltd. October 2015: Joined AEON Bank, Ltd. September 2018: Joined AXXZIA Inc. June 2019: Appointed as Director of AXXZIA (current position) April 2022: Appointed as Auditor of Huit Laboratories, Inc. (current position) June 2023: Appointed as Auditor of AXXZIA Value Creator Inc. (current position) February 2024: Appointed as Auditor of M&D Co., Ltd. (current position) September 2024: Appointed as Auditor of AXXZIA Technology Inc. (current position) (Current position and responsibilities) Director in charge of Administration Department (Important concurrent positions) Auditor, Huit Laboratories, Inc. Auditor, AXXZIA Value Creator Inc. Auditor, M&D Co., Ltd. Auditor, AXXZIA Technology Inc.	—
6	Yujiro Arakawa (November 3, 1971)	April 2000: Joined Kitahama Partners January 2009: Appointed as Partner of Kitahama Partners January 2016: Appointed as Representative Partner of Kitahama Partners (current position) June 2019: Appointed as Outside Director of AXXZIA Inc. (current position) (Important concurrent positions) Representative Partner, Kitahama Partners	—
7	Junichi Ito (October 1, 1970)	April 1993: Joined Sanwa Bank (now MUFG Bank) October 1998: Joined Morgan Stanley Asset Management October 2022: Senior Portfolio Manager at Horizon Asset Management March 2005: Senior Portfolio Manager at BlueSky Capital Management January 2015: Managing Director at Pacific Alliance Group (PAG) April 2018: Managing Director at Millennium Capital Management June 2019: Joined SMBC Nikko Securities Inc. June 2020: Managing Director at Dymon Capital Management May 2021: Appointed as Outside Director of Eltes Co., Ltd. July 2021: Appointed as Outside Director of Upsell-Technologies Inc. (current position) August 2021: Established Life Time Partner Co., Ltd. Appointed as Representative Director (current position) September 2021: Joined CrowdWorks, Inc. October 2022: Appointed as Outside Director of BABYJOB Inc. December 2022: Appointed as Director of CrowdWorks, Inc. October 2023: Appointed as Outside Director of AXXZIA Inc. (current position) (Important concurrent positions) Outside Director, Upsell-Technologies Inc. Representative Director, Life Time Partner Co., Ltd.	—

Candidate No.	Full name (Date of birth)	Brief personal history, position and responsibilities at the Company (status of important concurrent positions)	Number of Company shares held
8	New Yuko Shitamori (April 21, 1973)	April 1999: Joined Lion Corporation July 2008: Appointed as Director of FINCH JAPAN Co., LTD. September 2017: Appointed as President of IoTol Japan Inc. July 2022: Appointed as Sales Advisor of Brand Cloud Inc. June 2023: Appointed as Outside Director of JACCS CO., LTD. (current position) April 2024: Appointed as Executive Officer of LTS, Inc. (current position) (Important concurrent positions) Outside Director, JACCS CO., LTD Executive Officer, LTS, Inc.	—

(Notes)

1. There is no special interest between each candidate for Director and the Company.
2. Executive Vice President Shoi Dan is the spouse of President Duan Zhuo.
3. Mr. Yujiro Arakawa, Mr. Junichi Ito, and Ms. Yuko Shitamori are nominees for outside directors. The Company has notified the Tokyo Stock Exchange of the director nominees as independent directors as required by the Exchange, and intends to continue to designate them as independent directors if they are appointed as directors. Additionally, if Ms. Yuko Shitamori is appointed as an outside director, the Company intends to newly register her as an independent director.
4. Mr. Yujiro Arakawa is an attorney with extensive experience and broad knowledge who provides advice and supervision based on his practical experience. Mr. Arakawa is expected to monitor and supervise the Company's management from a neutral and objective perspective, contributing to the enhancement of its corporate value. As a result, the Company has determined that Mr. Arakawa is qualified for the position of Director and proposes to keep him on the board. Mr. Arakawa was appointed as the Company's Outside Director in June 2019 and has served for five (5) years. Mr. Arakawa has never previously been involved in the management of a company (including foreign companies) in any capacity other than as an Outside Director or Outside Auditor, but the Company believes that he can appropriately perform his duties as an Outside Director for the reasons stated above.
5. Mr. Junichi Ito has amassed extensive experience in the financial industry over many years and currently engages in management roles at several companies, serving as an outside director. Drawing on his experience and insights gained throughout his career, we believe Mr. Ito will provide effective oversight and monitoring of the Company's management, as well as help enhance our communication capabilities. We therefore propose his reelection as outside director. Mr. Ito was appointed as the Company's Outside Director in October 2023 and has served for one (1) year.
6. Ms. Yuko Shitamori has accumulated extensive experience and insights working at a major manufacturer and then in product development consulting, as well as in business development utilizing digital technologies. Leveraging this expertise, we expect her to provide valuable advice and recommendations on corporate management and strategy, and therefore propose her appointment as outside director.
7. Pursuant to the provision of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with Mr. Yujiro Arakawa and Mr. Junichi Ito to limit their liability for damages under Article 423, Paragraph 1 of the said Act. The maximum amount of liability for damages under the said agreement is the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, and the Company plans to continue the said agreement with them if their reappointment is approved. Furthermore, if Ms. Yuko Shitamori is appointed, the Company plans to conclude a similar liability limitation agreement with her.
8. As stipulated in Article 430-3, Paragraph 1 of the Companies Act, the Company has entered into a liability insurance contract for Officers, etc. with an insurance company. An outline of the contents of said insurance contract is shown on page 34 of the Business Report. If each director candidate's election is approved, each director candidate will insured under the aforementioned insurance policy, and the aforementioned insurance policy is scheduled to be renewed with the same contents at the next renewal.

Proposal No. 3 Appointment of three (3) Auditors

The terms of office of all three (3) Auditors will expire at the conclusion of this General Meeting of Shareholders, and accordingly, we propose the election of three (3) Auditors.

The candidates for auditors are as follows. The Board of Corporate Auditors has approved this proposal.

Candidate No.	Full name (Date of birth)	Brief personal history, position at the Company (status of important concurrent positions)	Number of Company shares held
1	Masahiro Miyajima (June 16, 1972)	April 1996: Joined Dai-Tokyo Fire & Marine Insurance (now Aioi Nissay Dowa Insurance Co., Ltd.) January 1999: Joined Nakajima Accounting Firm (now Asahi Tax Corp.) August 2004: Appointed Auditor, Direxiv Co., Ltd. April 2006: Established Nozomi Accounting Partners October 2018: Appointed as Full-time Outside Auditor of AXXZIA Inc. (current position) (Current position) Full-time Outside Auditor (Important concurrent positions) —	—
2	Kenji Shimizu (May 24, 1968)	November 1995: Joined Ota Showa Audit Corporation (now Ernst & Young ShinNihon LLC) October 2002: Joined Ozawa & Akiyama Law Office August 2013: Appointed as Outside Auditor of Gunosy Inc. (current position) March 2016: Established Shimizu Law Office Senior Partner (current position) March 2016: Appointed as Outside Auditor of NIHON TECHNO CO., LTD. (current position) July 2016: Appointed as Representative Director, Nagakoshi Co., Ltd. (current position) October 2019: Appointed as Outside Auditor of AXXZIA Inc. (current position) July 2020: Appointed as Outside Director (Audit & Supervisory Committee Member) of gumi Inc. (current position) (Current position) Outside Auditor (Important concurrent positions) Senior Partner, Shimizu Law Office Representative Director, Nagakoshi Co., Ltd. Outside Auditor, Gunosy Inc. Outside Auditor, NIHON TECHNO CO., LTD. Outside Director (Audit & Supervisory Committee Member), gumi Inc.	—
3	Kuninobu Okuda (May 17,1972)	October 2000: Joined Asahi & Co. (now KPMG AZSA LLC) January 2018: Established Okuda Accounting and Tax Office Representative (current position) November 2020: Appointed as Outside Auditor of AXXZIA Inc. (current position) (Current position) Outside Auditor (Important concurrent positions) Representative, Okuda Accounting and Tax Office	—

(Notes)

1. There are no special interests between any of the candidates for Auditor and the company.
2. Mr. Masahiro Miyajima, Mr. Kenji Shimizu, and Mr. Kuninobu Okuda are candidates for outside auditors. The Company has notified the Tokyo Stock Exchange of the candidates as independent directors as required by the Exchange, and intends to continue designating them as independent directors if their appointment is approved.
3. Mr. Masahiro Miyajima is a certified tax accountant with considerable knowledge in finance and accounting. We believe he will continue providing valuable advice based on his expertise and many years of experience working at accounting firms, and hence propose to reappoint him as outside auditor. Mr. Miyajima was appointed as the Company's Outside Auditor in October 2018 and has served for six (6) years.
4. Mr. Kenji Shimizu is a certified public accountant and an attorney. With his vast experience and specialized knowledge, he has provided valuable opinions at the Board of Directors meetings, and has otherwise fulfilled his duties as outside auditor. We expect him to continue monitoring and overseeing the Company's management from a neutral and objective standpoint, and therefore propose to reappoint him as outside auditor. Mr. Shimizu was appointed as the Company's Outside Auditor in October 2019 and has served for five (5) years.
5. Mr. Kuninobu Okada is a certified public accountant and a certified tax accountant with extensive experience in audits, IPO support, and transaction

services accumulated through his service at a major accounting firm. We have determined that he will provide guidance and supervision of the Company's management with a transparent and objective perspective as an accountant and tax accountant, and have therefore nominated him once again as a candidate for outside auditor. Mr. Okuda was appointed as the Company's Outside Auditor in November 2020 and has served for three (3) years and eleven (11) months. Mr. Okuda has never previously been involved in the management of a company (including foreign companies) in any capacity other than as an Outside Director or Outside Auditor, but the Company believes that he can appropriately perform his duties as an Outside Auditor for the reasons stated above.

6. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with Mr. Kenji Shimizu and Mr. Kuninobu Okada to limit their liability for damages under Article 423, Paragraph 1 of the said Act. The maximum amount of liability for damages under the agreement is the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act, and the Company plans to maintain the agreement with them if their reappointment is approved.
7. As stipulated in Article 430-3, Paragraph 1 of the Companies Act, the Company has entered into a liability insurance contract for officers, etc. with an insurance company. An outline of the insurance contract is provided on page 34 of the Business Report. If the appointment of the candidates for auditor is approved, each candidate will remain insured under the contract. The contract is scheduled to be renewed under the same terms at the next renewal.

(Reference) Expected Roles of Directors and Auditors

Provided that “Proposal 2: Appointment of eight (8) Directors” and “Proposal 3: Appointment of three (3) Auditors” are approved at this General Meeting of Shareholders, the expected roles of directors and auditors will be as follows.

Positions at our company	Name	Roles expected from directors & auditors							
		Corporate Management	Finance & Financial Strategy	Manufacturing & Research	Sales & Marketing	Legal Affairs & Risk Management	IT	HR, Labor Relations & Talent Development	Global Business
President	Duan Zhuo	●		●			●		●
Executive Vice President	Shoi Dan	●			●				●
Managing Director	Wu Jun	●			●				●
Managing Director/ Compensation Committee Member	Zhang Hui	●			●				●
Director/ Nomination Committee Member	Yasuhito Fukui		●			●	●	●	
Outside Director/ Nomination Committee Member/ Compensation Committee Chairperson (Independent Director)	Yujiro Arakawa					●			●
Outside Director (Independent Director)	Junichi Ito		●					●	
Outside Director (Independent Director)	Yuko Shitamori	●		●			●		
Full-time Outside Auditor (Independent Director)	Masahiro Miyajima		●			●			
Outside Auditor/ Nomination Committee Chairperson/ Compensation Committee Member (Independent Director)	Kenji Shimizu	●	●			●			
Outside Auditor (Independent Director)	Kuninobu Okuda	●	●						

Proposal No. 4 Introduction of a performance share unit plan

The Company's Board of Directors resolved at the General Meeting of Shareholders on October 23, 2015, that the maximum amount of compensation for Directors shall be limited to 500 million yen per year. However, the Company would like to revise the compensation terms for the Company's directors (excluding outside directors) ("Eligible Directors") to provide them with incentives to continuously increase the Company's corporate value and to further promote value sharing with shareholders. To that end, we request your approval to implement a Performance Share Unit (PSU) plan (the "Plan") for the Eligible Directors.

Furthermore, the Company's Board of Directors will determine the specific timing and allocation of payments to each Eligible Director within the above scope of compensation and in accordance with the details set forth below.

There are currently nine (9) directors (including three (3) outside directors). If Proposal 2 is approved and passed as proposed, there will still be eight (8) directors (including three (3) outside directors).

1. Outline of the Plan

This is a performance-linked compensation plan under which the Company's Board of Directors establishes numerical performance targets in advance over a period to be determined by the Board of Directors (“Evaluation Period”; the initial Evaluation Period shall be the fiscal year ending July 31, 2025), and grants a number of shares of the Company's common stock calculated in accordance with the degree of achievement of said numerical targets as compensation to Eligible Directors. As a result, under this Plan, shares of the Company's common stock will be distributed based on the degree of achievement of numerical performance targets. However, at the time of the plan's introduction, it has not been determined whether such shares will be delivered to each Eligible Director, nor the number of shares to be delivered.

2. Details of Compensation under the Plan

(1) Calculation method of compensation under the Plan

Under the Plan, the Company will determine the number of shares of its common stock to be granted to each eligible director by multiplying ① the number of shares earmarked for each eligible director by ② the degree of achievement of the quantitative performance targets determined by the Board of Directors and ③ the ratio corresponding to the term of office of each eligible director.

The Company will pay monetary compensation claims to each Eligible Director in proportion to the number of such shares of the Company's common stock. Then, in exchange for each Eligible Director’s contribution in kind of such monetary compensation claims, the Company will allot shares of the Company’s common stock. The amount to be paid in for the shares of the Company’s common stock to be allotted will be determined by the Board of Directors based on the closing price of the common stock in ordinary transactions on the Tokyo Stock Exchange on the business day immediately preceding the Board of Directors’ date of resolution of such allotment (if no transaction is effected on the same day, then the closing price of the immediately preceding trading day), to the extent not particularly favorable to the Eligible Directors.

The above-mentioned number of shares will be calculated using the formula below.

[Formula]

Final number of delivered shares = base number of delivered shares (i) × achievement rate of performance targets (ii) x service period ratio (iii)

(i) The base number of delivered shares shall be determined by the Company’s Board of Directors in accordance with the position of the Eligible Director.

(ii) “The achievement rate of performance targets” shall be the percentage of achievement of consolidated operating profit target of 941 million yen for the fiscal year ending July 31, 2025 (approved by the Board of Directors on July 19, 2024). If the calculation of the achievement rate results in a percentage less than 100.0% (consolidated operating profit below 941 million yen), the achievement rate will be deemed 0%. If the achievement rate exceeds 100%, the actual achievement rate will be applied without an upper limit.

If the Company’s business expands during the Evaluation Period due to an acquisition of shares in another company, subsequently making that company a subsidiary, the achievement rate versus the performance targets will be calculated after excluding the impact of the business expansion from consolidated operating profit for the fiscal year ending July 31, 2025.

(iii) The service period ratio shall be the ratio of the number of months in office divided by the number of months in the evaluation period.

(2) Upper limit of compensation under the Plan

The total number of shares that the Company shall deliver to Eligible Directors under the Plan after the end of the evaluation period shall not exceed 100,000 shares. The total amount to be paid (including monetary compensation claims) shall not exceed 500,000,000 yen.

(3) Reasons for forfeiture of the right to receive compensation under the Plan

Eligible Directors shall forfeit the right to receive compensation under the Plan in the event of certain misconduct as determined by the Board of Directors, retirement from office for certain reasons as determined by the Board of Directors, or other events.

(4) Adjustment due to reverse stock split, stock split, etc.

If the total number of the Company’s issued shares decreases due to a reverse stock split or a stock split (including gratis allotment of shares; the same shall apply hereafter) before the delivery of shares or payment under the Plan, the number of shares for the Plan’s calculation shall be adjusted by multiplying the number of issued shares by the reverse stock split or stock split ratio.

A summary of the details of the Company's policy for deciding the details of compensation for each director is provided in the Business Report (pg. 35). However, subject to the approval of this proposal, the Company has resolved to change the content of the policy at its Board of Directors’ meeting on September 20, 2024. An outline of the policy that will be used to

determine how much each director will be paid after the change is set forth in the Reference Material for the General Meeting of Shareholders (pg. 21). The Company believes the proposal's content is necessary and appropriate to determine the compensation for each director in accordance with the revised policy.

Subject to the approval of this proposal, the Company intends to apply the same Plan described above to its employees (in certain managerial positions).

END

(Reference) Outline of the Company's New Executive Compensation Plan

At its meeting on September 20, 2024, the Company's Board of Directors resolved to seek shareholder approval for Proposal No. 4, "Introduction of a performance share unit plan."

The following is an outline of the details of the policy for determining the content of the new individual compensation of Directors if Proposal No. 4, "Introduction of a performance share unit plan," is approved at this General Meeting of Shareholders.

Outline of the details of the policy for determining the content of individual director compensation

1. Basic policy

   The Company's director compensation system is linked to shareholder returns to fully function as an incentive to sustainably increase corporate value. When determining individual director compensation, it is set at a level appropriate to their positions and responsibilities.

   Executive directors are paid long-term incentive-type non-monetary compensation (performance-linked stock compensation) in addition to base compensation, which is fixed compensation, to motivate them to achieve medium- and long-term goals. Outside directors and corporate auditors who are in charge of supervisory functions are only paid a base salary in consideration of their responsibilities.

2. Policy on determining the amount of individual basic compensation (monetary compensation)

   The Company's directors are paid a fixed monthly compensation as basic compensation, which is determined by comprehensively taking into account their positions, responsibilities, and years in office, while also considering the standards of other companies, the Company's business performance, and employee salaries.

3. Policy on determining the content of non-monetary compensation (including performance-linked compensation, etc.) and the calculation method for the number of shares

   The non-monetary compensation (including performance-linked compensation, etc.) for directors of the Company is provided in the form of post-delivery, performance-linked stock compensation. Setting the results of a specific fiscal year as the baseline, we evaluate performance in a single or multiple fiscal years, including the fiscal year the non-monetary compensation is provided, using several pre-determined performance indicators. After the end of the evaluation period, we calculate a payout ratio based on the achievement rate for each performance indicator and use the ratio to adjust the number of shares to be granted. We then grant the resulting number of shares of our common stock to each eligible director.

   Consolidated operating profit (growth rate or profit value) is used as the evaluation indicator, and target performance indicators and their numerical values are set at the time of formulating the medium-term management plan to ensure consistency with the plan.

4. Policy for determining the amount of monetary compensation and the ratio of non-monetary compensation (including performance-linked compensation)

   The ratio of each compensation type will be determined in such a way that it is appropriate to motivate employees to contribute to the sustainable enhancement of the Company's corporate value, taking into account their positions, responsibilities, achievements, number of shares held, trends at other companies of similar business scale, and other factors.

5. Matters concerning the determination of details of individual director compensation

   The authority to determine the specific details of each individual Director's compensation shall be delegated to the Representative Director by resolution of the Board of Directors. The nature of such authority shall be the grant of monetary compensation claims for each Director's base compensation and stock-based compensation. The reason for the delegation is that the Company has determined that, in terms of base compensation, it is appropriate for the Representative Director to evaluate each Director's responsibilities in light of the Company's overall business performance, and that, in terms of stock-based compensation, the Representative Director will appropriately grant monetary compensation claims in accordance with the relevant stock-based compensation plan. To ensure the Representative Director exercises his authority properly, the Board of Directors shall consult with the Compensation Committee on the draft and obtain its report, and the Representative Director to whom such authority has been delegated must consider the contents of the report before making a decision.