

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: 6238
June 4, 2024

To: Shareholders

Takashi Mishima, President
FURYU Corporation
2-3 Uguisudani-cho, Shibuya-ku, Tokyo

Notice of the 18th Annual General Meeting of Shareholders

The Company would like to announce the holding of the 18th Annual General Meeting of Shareholders of FURYU Corporation (the “Company”) as follows.

When convening this general meeting of shareholders, the Company takes measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. (matters for which measures for providing information in electronic format are to be taken) in electronic format, and posts this information on the Company’s websites as shown below. Please access either of the websites shown below to review the information.

[The Company’s website]

<https://www.furyu.jp/> (in Japanese)

(From the above website, select “Investor Relations,” “Stock Information” and then “General Meeting of Shareholders.”)

[Website where informational materials for the general meeting of shareholders are posted]

<https://d.sokai.jp/6238/teiji/> (in Japanese)

[TSE website (Listed Company Search)]

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese)

(Access the TSE website shown above, enter “FURYU” in “Issue name (company name)” or the Company’s securities code “6238” in “Code,” and click “Search.” Then, click “Basic information” and select “Documents for public inspection/PR information.” Under “Filed information available for public inspection,” click “Click here for access” under “[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting].”)

In lieu of attending the meeting on the day, you can vote via the Internet or in writing. Accordingly, we would appreciate it if you would refer to the Reference Documents for the General Meeting of Shareholders below, and exercise your voting rights in accordance with the “Information on Exercise of Voting Rights” by Monday, June 24, 2024, at 6 p.m. (JST).

- 1. Date and time:** Tuesday, June 25, 2024, at 10 a.m. (JST)
2. Venue: CERULEAN TOWER TOKYU HOTEL, Second Basement Floor, Ballroom
26-1 Sakuragaoka-cho, Shibuya-ku, Tokyo

3. Subjects

Reporting Items

1. Reporting of the 18th Fiscal Year (from April 1, 2023 to March 31, 2024) Business Report and Consolidated Financial Statements, as well as reports of the results of the audit of Consolidated Financial Statements by the Accounting Auditor and Board of Auditors.
2. Reporting of the 18th Fiscal Year (from April 1, 2023 to March 31, 2024) Non-consolidated Financial Statements

Resolutions

- Proposal No. 1:** Election of Six Directors
Proposal No. 2: Election of Two Substitute Auditors
Proposal No. 3: Introduction of performance-linked stock remuneration system for Directors

4. Items decided for convocation (Information on Exercise of Voting Rights)

- (1) To shareholders who have made a request for delivery of materials in paper-based format, the Company will send, along with this notice, written documents that contain matters subject to provision in electronic format. However, the documents do not include “Systems to Ensure Properness of Operations of the Company and Operation Status of the Systems” of the Business Report, “Notes to the Consolidated Financial Statements” of the Consolidated Financial Statements, and “Notes to the Non-Consolidated Financial Statements” of the Non-Consolidated Financial Statements, pursuant to the provisions of laws and regulations as well as Article 15 of the Company’s Articles of Incorporation. Accordingly, the Business Report, Consolidated Financial Statements and Non-consolidated Financial Statements contained herein are part of those documents that were audited by the Accounting Auditor or Auditor when they prepared the accounting audit report or the audit report.
- (2) In the case of duplicate voting done via the Internet and in writing (via postage), the vote placed via the Internet will be considered valid. In the case of duplicate voting done via the Internet, the last vote placed will be considered valid.
- (3) If you neglect to indicate your approval or disapproval for any proposal in writing (on the voting form submitted via postage), you will be assumed to have approved the proposal.

For those attending the meeting at the venue, please submit the voting form at the reception desk.

If revisions to the matters for which measures for providing information in electronic format are to be taken arise, a notice of the revisions and the details of the matters before and after the revisions will be posted on each of the aforementioned websites.

A notice of resolutions (resolutions of this meeting) and shareholder newsletters will be posted on the Company’s website.

Information on Exercise of Voting Rights

You may exercise your voting rights using one of the following three methods.

Exercise of voting rights by attending the Annual General Meeting of Shareholders

You are kindly requested to exercise your voting rights by submitting the voting form to the reception desk at the meeting.

Date and time: Tuesday, June 25, 2024, at 10 a.m. (JST) (Reception to start at 9:30 a.m.)

Venue: CERULEAN TOWER TOKYU HOTEL, Second Basement Floor, Ballroom
26-1 Sakuragaoka-cho, Shibuya-ku, Tokyo

Exercise of voting rights in writing (via postage)

You are kindly requested to indicate your vote of approval or disapproval of each proposal on the voting form, and return the completed voting form to the Company. You do not need to affix a stamp.

Deadline: to be received by Monday, June 24, 2024, at 6 p.m. (JST)

Exercise of voting rights via the Internet

Please refer to the information on the following page to enter your approval or disapproval for each of the proposals.

Deadline: to be entered by Monday, June 24, 2024, at 6 p.m. (JST)

Information on Exercise of Voting Rights via the Internet

How to scan the login QR code
“Smart Voting”

You can access the voting website without entering your voting rights exercise code and password.

1. Please scan the QR code printed on the bottom-right of the voting form.
- * “QR code” is a registered trademark of DENSO WAVE INCORPORATED.
2. Please follow the instructions on the screen to enter your vote for or against the proposals.

How to enter the voting rights exercise code and password

Voting website

<https://soukai.mizuho-tb.co.jp/>

1. Please access the website for the exercise of voting rights.
2. Please enter the voting rights exercise code printed on the voting form.
3. Please enter the password printed on the voting form.
4. Please follow the instructions on the screen to enter your vote for or against the proposals.

You can exercise your voting rights only once by “smart voting.”

If you wish to change your vote after exercising your voting rights, please access the website for PCs, log in to the website by entering your voting rights exercise code and password printed on the voting form, and exercise your voting rights again.

* Please scan the QR code again if you wish to be redirected to the website for PCs.

For inquiries about the operation of a personal computer, a smartphone or a mobile phone for the exercise of voting rights, please call the number on the right-hand side:

Stock Transfer Agency, Mizuho Trust &
Banking Co., Ltd.
Internet Help Dial
0120-768-524
(Toll Free, only in Japan)
(Business hours: 9 a.m. – 9 p.m. (JST),
excluding the New Year holidays)

Institutional investors may use the Electronic Voting Platform for Institutional Investors operated by ICJ, Inc.

*The cost of Internet access and use shall be borne by the shareholders.

(Reference Documents)

Business Report

(From April 1, 2023 to March 31, 2024)

1. The Current Status of the Corporate Group

(1) Business for the Fiscal Year under Review

1) Business Development and Outcome

During the fiscal year under review, the Japanese economy underwent further normalization of socioeconomic activities with the relaxation of the activity restrictions of COVID-19 and the resumption of movement of people, the Nikkei Stock Average set historic highs and a trend of economic recovery continued. The pickup in consumer activity has grown more pronounced as a result of the amount of consumption from foreign tourists in Japan in 2023 setting all-time records due to the easing of restrictions on entry from overseas. Meanwhile, recently the trend of yen depreciation in the foreign exchange market has grown even stronger despite speculation that the FRB (U.S. Federal Reserve Board) would lower interest rates. Amid persistently high energy and raw materials prices with the prolonged situation between Russia and Ukraine, heightened geopolitical risk caused by the growing conflict between Israel and Palestine and growing concerns about the future of the Chinese economy, we continue to have a situation of persisting downside economic risks.

Under these circumstances, with the Group's corporate philosophy "Create quality entertainment that brings happiness and fulfillment to people," the Group focused on expanding the Photo Sticker Business, diversifying monetization utilizing the customer base, which is young women, and selling products using character IPs (intellectual properties), and took steps to implement our "Medium-term Vision," as the fiscal year ending March 31, 2024 is the first year of that vision. The SEKAIKAN Business provided traction for the Company's operating performance and profitability in the GIRLS Trend Business has remained stable, leading to steady progress toward the earnings targets outlined in the Medium-term Vision and to the Group achieving record sales.

As a result, for the fiscal year under review, the Group saw net sales of ¥42,768 million (117.5% of the previous fiscal year), operating profit of ¥3,771 million (176.6% of the previous fiscal year), ordinary profit of ¥3,735 million (171.4% of the previous fiscal year), and profit attributable to owners of parent of ¥2,491 million (172.6% of the previous fiscal year).

Operating results by segment are as follows:

Starting in the fiscal year under review, following changes in the reporting segment categories, in comparing results with those of the previous fiscal year, the previous fiscal year's figures have been reclassified to the segment categories following the change to facilitate comparison.

(SEKAIKAN Business)

In the SEKAIKAN Business, we continued to focus on acquiring many IPs of classic characters, popular manga works, world-famous games, etc. and producing merchandise thereof, leading to a large increase in sales.

Because the Group's product manufacturing takes place mainly in China, the U.S. dollar is used for settlement. Although procurement costs were impacted by yen depreciation, the Group implemented measures to reduce the foreign exchange fluctuation risk as necessary, and this combined with overseas business partners transitioning from yen-based sales to dollar-based sales led to steady increases in operating profit.

Sales of Amusement Prizes expanded significantly, as a result of the expansion of the crane game market and the commercialization of several popular IPs, in addition to the recovery in inbound demand mentioned above.

Turning to products for overseas merchandise, in response to an improvement regarding orders from the major markets of China and the US, we are focusing on expanding new sales channels and acquiring IPs for overseas markets.

For high-end hobby items, sales exceeded those of the previous fiscal year due to strong product sales conditions with the introduction of a point program at the FURYU HOBBY MALL as well as a one-year anniversary sales campaign.

As a result, for the fiscal year under review, the SEKAIKAN Business saw net sales of ¥23,317 million (142.6% of the previous fiscal year), and an operating profit of ¥1,710 million (operating loss of ¥189 million in the previous fiscal year).

(GIRLS Trend Business)

In the Photo Sticker Business, in order to meet the changes to the external environment characterized by diversification of lifestyles and consumer needs brought about by the COVID-19 pandemic, we introduced new models of photo sticker machines that you can experience “+α value” compared to before and carried out sales promotion measures to expand the number of users, such as by implementing collaboration with classic popular characters and popular artists. As a result, the play count in the fiscal year under review slightly declined to 33.30 million (33.75 million in the previous fiscal year). However, increased sales of photo sticker machines and price pass-through for consumables associated with increased product and service quality led the Group to achieve increased sales and profits.

For the photo sticker image acquisition and viewing service “PiCTLINK,” the number of paying members, which we consider an important KPI for the service, remained constant throughout the fiscal year under review due to measures to attract new members, reaching 1.47 million at the end of March 2024 (1.49 million at the end of March 2023). To reduce membership cancellations and as a further growth strategy for the service, in May 2023 the Group released “PiCTLINK photos,” a photo storage service for premium members, and expanded the service to standard members in October 2023.

As a result, for the fiscal year under review, the GIRLS Trend Business saw net sales of ¥15,910 million (101.1% of the previous fiscal year), and an operating profit of ¥4,421 million (104.7% of the previous fiscal year).

(FURYU New Business)

In the home video game software business, the main drivers of sales were CRYMACHINA, launched in July, which had strong sales, together with downloads of existing titles and overseas sales.

In the game application business, in addition to continuing operations of two existing titles, we focused on development of the new title “Stellarium of the Fragile Star” to expand our future customer base.

In the animation business, sales were strong for the Blu-ray and DVD version and related merchandise for the movie version of LAID-BACK CAMP, which was a hit release last year. To maintain this trend, the Group prepared to begin broadcasting the third series of the television anime version of LAID-BACK CAMP in April 2024.

In the colored contact lens business, we implemented sales promotion measures on our e-commerce site “Mew contact,” including a ten-year anniversary sales campaign, while continuing to improve customer experience of the site as part of ongoing efforts to increase customer inflow.

In the programmatic advertising business, the Group is striving to improve profitability by focusing on sales activities to acquire new clients.

As a result, for the fiscal year under review, the FURYU New Business saw net sales of ¥3,540 million (82.2% of the previous fiscal year), and an operating loss of ¥574 million (operating loss of ¥310 million in the previous fiscal year).

2) Issues to Be Addressed

The Group recognizes the following items as major issues to be addressed.

(i) Reinforcement of User Acquisition

In the Group's Photo Sticker Business, photo sticker image acquisition and viewing service business "PiCTLINK," and game application business, we believe it will be necessary to increase the number of users of the content provided in order to enhance earnings. User numbers for our core businesses of the Photo Sticker Business and photo sticker image acquisition and viewing service "PiCTLINK" are now recovering, but continue to mark time and have yet to recover to pre-COVID-19 levels due to changes in the external environment in the form of diversifying lifestyles and needs driven by the impact of COVID-19. To recover user numbers, the Group needs to further increase the quality and added value of content and to take new measures to capture new users.

In our future business operations, the Group will strive to improve the acquisition rate and paid user rate and increase the number of users by implementing effective measures such as enhancing the quality of content while placing a greater focus on compliance with laws, regulations and social norms.

(ii) Initiatives for New Businesses for Diversification of Revenue Bases

The Group has been expanding its earnings by entering into various businesses and diversifying revenue bases since its establishment. From now on, in order to realize medium- and long-term and sustainable growth, the Group will continue to strengthen its revenue base and management base that can flexibly respond to changes in the markets, by launching businesses quickly and efficiently, utilizing the knowledge, know-how, etc., that it has accumulated in the existing businesses.

(iii) Stabilizing earnings in our video game software business and game application business

For the game market in Japan and abroad, the environment is likely to become more competitive, as an increase in new competitors and integration are also expected going forward, while the whole market is growing moderately. Accordingly, it will become necessary to develop an infrastructure by continuously creating hit titles in order to stabilize revenue in the game market.

The Group will strive to ensure stable revenue by maximizing the value of IPs through synergies among titles, making titles into series and expanding international sales.

(iv) Diversification of Characters and Rapid Changes in Customer Preferences

The Group's SEKAIKAN Business and FURYU New Business (video game software business, game application business, and animation business) have a diverse set of characters and belong to a market with rapidly changing preferences. As such, it is necessary to acquire even profitable character rights and to develop major characters to expand earnings. Accordingly, the Group will strive to develop further relationships with right holders.

(v) Securing of Excellent Human Resources and Strengthening of the Organizational Structure

The Group recognizes that it is essential to secure excellent human resources in order to develop further going forward. In securing human resources, the Group reviews our human resources benefits system (remuneration framework) and has the policy of recruiting human resources who match its corporate culture, and have the qualifications it requires, by implementing mid-career recruitment as necessary, in addition to the planned recruitment of new graduates.

Moreover, considering employees as the most important embodiment of corporate philosophy, the Group will continuously implement initiatives for all eligible employees to enable them to

perform to their best, by implementing development programs for them with the Dynamic Vision as their core.

(vi) Addressing foreign currency risk

In the SEKAIKAN Business, products are manufactured mainly in China. As the manufacturing costs are settled in the US dollar, the Company has been affected by the weak yen. As the yen is currently depreciating against the US dollar, for the purpose of mitigating the impact on the purchasing costs, the Company enters into forward foreign exchange contracts as necessary.

(vii) Expanding Overseas Business Development

Demand for IP, such as the classic characters that the Group has acquired in its SEKAIKAN Business as well as popular comics and globally popular video games, is increasing not only in Japan but also globally, and we believe that there is the potential for greater business expansion in the overseas market. Going forward, we will work to expand business development overseas through initiatives to strengthen local operations and sales systems, such as establishing a local subsidiary in the United States.

(2) Capital Investment, Etc.

Not applicable.

(3) Financing

Not applicable.

(4) Business Transfer, Absorption-type Company Split or Incorporation-type Company Split

Not applicable.

(5) Receipt of Other Companies' Businesses

Not applicable.

(6) Succession to Rights and Obligations of Other Companies' Businesses by Absorption-type Merger or Absorption-type Company Split

Not applicable.

(7) Acquisition or Disposal of Other Companies' Shares and Other Interest or Share Acquisition Rights

Not applicable.

(8) Assets, Profit and Loss

1) Group Assets, Profit and Loss

(Millions of yen)

	15th Fiscal Year (from April 1, 2020 to March 31, 2021)	16th Fiscal Year (from April 1, 2021 to March 31, 2022)	17th Fiscal Year (from April 1, 2022 to March 31, 2023)	18th Fiscal Year (Fiscal year under review) (From April 1, 2023 to March 31, 2024)
Net sales	–	34,058	36,400	42,768
Ordinary profit	–	3,707	2,179	3,735
Profit attributable to owners of parent	–	2,544	1,443	2,491
Earnings per share (yen)	–	93.01	53.62	94.22
Total assets	–	28,146	25,932	28,346
Net assets	–	21,250	20,152	21,862

Note: Standards including the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan [ASBJ] Statement No. 29, March 31, 2020) have been applied from the beginning of the 16th Fiscal Year. All figures for the 16th Fiscal Year and subsequent fiscal years are shown after the application of these accounting standards.

2) The Company's assets, profit and loss

(Millions of yen)

	15th Fiscal Year (from April 1, 2020 to March 31, 2021)	16th Fiscal Year (from April 1, 2021 to March 31, 2022)	17th Fiscal Year (from April 1, 2022 to March 31, 2023)	18th Fiscal Year (Fiscal year under review) (From April 1, 2023 to March 31, 2024)
Net sales	24,777	33,978	36,121	42,395
Ordinary profit	2,716	3,871	2,367	3,899
Profit	1,844	2,681	1,634	1,829
Earnings per share (yen)	67.42	97.99	60.72	69.21
Total assets	24,012	28,236	26,226	28,013
Net assets	19,764	21,472	20,570	21,530

Note: Standards including the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan [ASBJ] Statement No. 29, March 31, 2020) have been applied from the beginning of the 16th Fiscal Year. All figures for the 16th Fiscal Year and subsequent fiscal years are shown after the application of these accounting standards.

(9) Important Parent Company and Subsidiaries

1) Parent Company

Not applicable.

2) Subsidiaries and Associates

Company name	Share capital	The Company's ratio of shares owned	Main Businesses
Olu.Inc.	25 million yen	100.0%	Apparel on D2C

3) Other Important Business Combinations

Not applicable.

(10) Main Businesses (as of March 31, 2024)

1) SEKAIKAN Business

- Planning and sale of Amusement Prizes
- Planning and sale of products for overseas merchandise sales
- Planning and sale of character lottery “MINNA NO KUJI”
- Planning and sales of merchandise hobby products (high-end hobby brand “F:NEX”, middle-end hobby brand “TENITOL”)

2) GIRLS Trend Business

- Planning, development and sale of photo sticker machines, etc.
- Operation of directly owned store “girls mignon,” etc.
- Planning, development, operation and sale of photo sticker image acquisition and viewing service “PiCTLINK”
- Planning, development and operation of other contents and media

3) FURYU New Business

- Planning, development and sale of video game software
- Planning, development, operation and sale of game applications
- Planning and sale of movies including TV animations
- Sale of colored contact lenses
- Planning, production and operation of programmatic advertisements
- Planning and sale of apparel on D2C

(11) Main Offices (as of March 31, 2024)

1) The Company

Head office: Shibuya-ku, Tokyo

Branch: Kyoto City, Kyoto and Ichinomiya City, Aichi

2) Subsidiary

Olu.Inc. Shibuya-ku, Tokyo

(12) Employees (as of March 31, 2024)

Category	Number of employees (change from the end of the previous fiscal year)	Average age	Average service years
Male	241 (+5)	40.1	10 years, 1 month
Female	288 (+17)	35.0	6 years, 11 months
Total or average	529 (+22)	37.5	8 years, 6 months

Note: Number of employees does not include outsourcing, etc.

(13) Principal Lenders (as of March 31, 2024)

Not applicable.

2. Matters Related to Shares (as of March 31, 2024)

(1) Total Number of Shares Authorized to Be Issued	Common Shares	104,400,000 shares
(2) Total Number of Issued Shares	Common Shares	28,296,000 shares
(3) Number of Shareholders		11,098

(4) Major Shareholders

Name	Shares owned (shares)	Ratio of shares owned (%)
Furyu Shoji Corporation	4,340,000	16.41
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,991,300	7.53
TM Corporation	1,415,000	5.35
Custody Bank of Japan, Ltd. (Trust Account)	1,198,700	4.53
FURYU Employee Shareholding Association	859,600	3.25
Yoshiro Tasaka	840,000	3.18
Masato Yoshida	840,000	3.18
Katsuyuki Inage	750,000	2.84
Hikari Tsushin KK	741,700	2.81
Shinji Nakamura	511,300	1.93

Notes: 1. The Company holds 1,855,989 treasury shares but these are excluded from the above major shareholders.

2. The ratio of shares owned is calculated excluding treasury shares.

3. Matters Related to Share Acquisition Rights, Etc.

Not applicable.

4. Matters Related to Company Officers

(1) Position and Responsibility of Directors and Auditors (as of March 31, 2024)

Position at the Company	Name	Gender	Responsibility and significant concurrent positions outside the Company
President	Takashi Mishima	Male	Director of Olu.Inc.
Executive Managing Director	Masato Yoshida	Male	Business Officer Director of Olu.Inc.
Managing Director	Katsuyuki Inage	Male	Technical Officer
Director	Michinari Sasanuma	Male	Corporate Management Officer
Director	Takako Kotake	Female	Managing Director of Corporate Branding Department of Cookpad Inc. External Director of HOKUTO Corporation
Director	Kento Uno	Male	CEO of Ironforge LLP
Full-Time Auditor	Takayuki Nakamura	Male	
Auditor	Omou Yamazaki	Male	Representative CPA of Yamazaki CPA office Representative Director of GG Partners Co., LTD. External Director (Audit and Supervisory Committee Member) of T-NET JAPAN Co., Ltd. External Auditor of STYLEM TAKISADA- OSAKA CO., LTD.
Auditor	Shinichiro Yoshiba	Male	Partner of SHIOMIZAKA External Director (Audit and Supervisory Committee Member) of STUDIO ATAO Co., Ltd. External Director (Audit and Supervisory Committee Member) of HAMAI INDUSTRIES LTD. External Director (Audit and Supervisory Committee Member) of CyberBuzz, Inc.

Notes: 1. Among Directors, Takako Kotake and Kento Uno are External Directors.

2. Among Auditors, Omou Yamazaki and Shinichiro Yoshiba are External Auditors.

3. The Company has submitted notification to the Tokyo Stock Exchange that Directors Takako Kotake and Kento Uno as well as Auditors Omou Yamazaki and Shinichiro Yoshiba have been designated as independent officers as provided for by the aforementioned exchange.

4. Auditor Omou Yamazaki is qualified as a certified public accountant, with substantial insights into finance and accounting.

5. Auditor Shinichiro Yoshiba is qualified as an attorney at law, with substantial insights into laws.

6. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with External Directors Takako Kotake and Kento Uno as well as Auditor Takayuki Nakamura and External Auditors Omou Yamazaki and Shinichiro Yoshiba to limit their liability for damages under Article 423, paragraph (1) of the Companies Act. The maximum amount of liability for damages under these agreements is the minimum liability amount provided for by Article 425, paragraph (1) of the same Act.

7. The changes in positions, responsibilities and significant concurrent positions of Directors and Auditors during the fiscal year under review are as follows.

- Director Takako Kotake's position at Cookpad Inc., the company at which she concurrently serves, changed in the fiscal year under review, and on March 31, 2024, she became Managing Director of Corporate Branding Department.
- On November 21, 2023, Auditor Shinichiro Yoshiba retired from his concurrent position as External Director (Audit and Supervisory Committee Member) at Wantedly, Inc. with the expiration of this term of office.

(2) Summary of the Directors and Officers Limited Liability Agreement

The Company has entered into a directors and officers liability insurance policy with an insurance company, as stipulated in Article 430-3, paragraph (1) of the Companies Act. It indemnifies the insured for such costs as litigation expenses and monetary damages incurred from claims for damages arising from acts carried out by the insured in the course of his or her duties. However, measures are being taken to ensure that the appropriateness of the execution of duties by directors and officers is not impaired. These measures include the exclusion from coverage of cases in which illegal benefits or favors are obtained, and cases of criminal acts and willful violations of laws and regulations. Insurance premiums for them are fully borne by the Company.

The following describes the scope of eligibility as insured.

Directors, Auditors, executive officers, and employees in managerial or supervisory positions, etc. of the Company and its subsidiaries under the Companies Act

(3) Amount of Remuneration for Directors and Auditors

1) Policy for Deciding Remuneration for Officers

At the Board of Directors meeting held on February 12, 2021 and the Board of Directors meeting held on June 24, 2022, the Company resolved the policy for determining the remuneration for individual Directors as follows. For the resolution of the Board of Directors, the Company had consulted with the Nominating and Remuneration Committee about its content and received its advice.

When deciding the remuneration for individual Directors, since the Nominating and Remuneration Committee conducts multifaceted examinations on the draft (calculated using the payment table by evaluation and formula stipulated in advance, based on their base amount and evaluation), including the consistency with the deciding policy, the Board of Directors basically respected its advice to follow the deciding policy.

The contents of the policy for deciding the remuneration for individual Directors are as follows.

a. Basic Policy

It shall be the basic policy that the Company's remuneration structure should encourage Directors' contribution to not only short-term but also medium- to long-term corporate earnings, as well as clarifying their responsibility for earnings, and decisions on the remuneration for individual Directors should be at an appropriate level taking into consideration corporate earnings and individual Directors' contribution to management (including actions for improving medium- to long-term earnings).

Moreover, in order to design the remuneration scheme and decide specific amounts of remuneration in accordance with objective and transparent procedures, the Company shall decide it by respecting the contents of the advice by the Nominating and Remuneration Committee, mainly composed of independent External Directors, as much as possible.

b. Policy for Deciding Amount of Individual Monetary Remuneration

The base for the Company's remuneration payment shall be determined while taking into consideration the maximum amount of existing employee's salary, the general level of remuneration for officers such as data of surveys on the remuneration for officers by external research organizations, earnings of the Company and the discussions and examinations by the Nominating and Remuneration Committee.

The remuneration for Directors of the Company shall be calculated by combining the remuneration determined for each position, using difference coefficients between positions stipulated by rules of remuneration for officers, and the remuneration calculated in line with short-term corporate earnings and each Director's contribution to management from medium- to long-term perspectives

(calculations based on an eight-grade evaluation), within the limit on remuneration approved at the general meeting of shareholders.

The remuneration for an External Director shall be decided by comprehensively taking into consideration the External Director's contribution to the Company, social status and circumstances surrounding their appointment.

c. Matters Concerning the Decision on the contents of Remuneration, etc.

The final evaluation of each Director and the final decision on the amount of individual remuneration shall be made by the Board of Directors. The Board of Directors shall consult with the Nominating and Remuneration Committee, mainly composed of independent External Directors, about the draft to receive its advice, and shall respect the content of the advice as much as possible, and make a decision on the amount of individual remuneration.

d. Policies for Timing to Grant and Conditions for Remuneration (Including Policies for the Ratio of Remuneration)

The remuneration for officers shall be fixed monetary remuneration only.

2) Total Amount of Remuneration for the Fiscal Year under Review

Category	Total amount of remuneration (thousands of yen)	Total amount of remuneration by type (thousands of yen)			Number of eligible officers
		Basic remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	
Directors [of which, External Directors]	113,334 [9,600]	113,334 [9,600]	—	—	6 [2]
Auditors [of which, External Auditors]	24,804 [9,600]	24,804 [9,600]	—	—	3 [2]
Total [of which, external officers]	138,138 [19,200]	138,138 [19,200]	—	—	9 [4]

- Notes: 1. The remuneration for officers of the Company is calculated within the limit on remuneration approved at the 9th Annual General Meeting of Shareholders held on June 29, 2015 (within the annual amount of ¥300 million for the remuneration of Directors (of which, within ¥20 million for External Directors) (two External Directors among eight Directors at the time of the resolution), and within the annual amount of ¥30 million for the remuneration of Auditors (three Auditors at the time of the resolution)).
2. Regarding the final decisions for the individual amounts of remuneration for each Director, within the framework approved at the General Meeting of Shareholders, the Nominating and Remuneration Committee holds deliberations after conducting multifaceted examinations on the draft (calculated using the payment table by evaluation and formula stipulated in advance, based on their base amount and evaluation), including the consistency with the deciding policy on the details of individual Director remuneration. In principle, the Board of Directors respects the advice from the Nominating and Remuneration Committee, and individual Director remuneration is decided through a resolution by the Board of Directors without any type of delegation to Directors or other third parties.

(4) Matters Related to External Officers

1) Significant Concurrent Positions at Other Corporations, etc., and Relationship of the Company with Such Corporations, Etc.

Category	Name	Where the person is concurrently employed	Concurrent position
Director	Takako Kotake	Cookpad Inc. HOKUTO Corporation	Managing Director of Corporate Branding Department External Director
Director	Kento Uno	Ironforge LLP	CEO
Auditor	Omou Yamazaki	Yamazaki CPA office GG Partners Co., LTD. T-NET JAPAN Co., Ltd. STYLEM TAKISADA-OSAKA CO., LTD.	Representative CPA Representative Director External Director (Audit and Supervisory Committee Member) External Auditor
Auditor	Shinichiro Yoshiba	SHIOMIZAKA STUDIO ATAO Co., Ltd. HAMAI INDUSTRIES LTD. CyberBuzz, Inc.	Partner External Director (Audit and Supervisory Committee Member) External Director (Audit and Supervisory Committee Member) External Director (Audit and Supervisory Committee Member)

Note: There is no relationship to be disclosed between the Company and the above entities where external officers are concurrently employed.

2) Main Activities During the Fiscal Year Under Review

Category	Name	Summary of attendance, statement, and duties conducted for the role expected as an External Director
Director	Takako Kotake	During the fiscal year under review, Takako Kotake attended all 14 meetings of the Board of Directors and provided active advice and recommendations utilizing insights into branding and public relations accumulated through business experience at other companies, while also offering recommendations from the perspectives of diversity and sustainability, as well as the fresh perspective as External Director, in order to play an appropriate role in ensuring the validity and appropriateness of decision-making. Moreover, as a member of the Nominating and Remuneration Committee, she attended all three meetings held during the fiscal year under review, providing the supervisory function, from an objective and neutral position, in the processes of selecting candidates for the Company's officers, the Director remuneration system, and evaluating each Director and deciding on the amount of its individual remuneration.
Director	Kento Uno	During the fiscal year under review, Kento Uno attended all 14 meetings of the Board of Directors, providing advice and recommendations, utilizing deep insights into IT, experience in launching new businesses, and abundant knowledge from the perspectives of digital transformation strategies, and formulation of business development and growth strategies as a management consultant, in order to play an appropriate role in ensuring the validity and appropriateness of decision-making. Moreover, as a member of the Nominating and Remuneration Committee, he attended all three meetings held during the fiscal year under review, providing the supervisory function, from an objective and neutral position, in the processes of selecting candidates for the Company's officers, the Director remuneration system, and evaluating each Director and deciding on the amount of its individual remuneration.
Auditor	Omou Yamazaki	During the fiscal year under review, Omou Yamazaki attended all 14 meetings of the Board of Directors and all 14 meetings of the Board of Auditors, and made necessary statements on proposals, etc., mainly from an accounting perspective.
Auditor	Shinichiro Yoshiba	During the fiscal year under review, Shinichiro Yoshiba attended all 14 meetings of the Board of Directors and all 14 meetings of the Board of Auditors, and made necessary statements on proposals, etc., mainly from a legal perspective.

5. Matters Related to Accounting Auditor

(1) Name of Accounting Auditor Deloitte Touche Tohmatsu LLC

(2) The Amount of Remuneration, etc., for the Accounting Auditor and Reasons for Auditors’ Consent to the Remuneration

	Amount of remuneration, etc.
Amount of remuneration, etc., for the Accounting Auditor concerning the fiscal year under review	42,600 thousand yen
Total amount of cash and economic benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	42,600 thousand yen

Notes: 1. Since in the audit agreement entered into by the Accounting Auditor and the Company, there is no clear distinction between the amount of remuneration for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act, and since they cannot be practically distinguished either, the amount of remuneration, etc., for the Accounting Auditor concerning the fiscal year under review shows their total amount.

2. The Board of Auditors gave its consent to the amount of remuneration, etc., for the Accounting Auditor, after conducting the necessary verification on the appropriateness of the content of the audit plan of the Accounting Auditor, execution of the accounting audit and the grounds for calculating remuneration estimates.

(3) Details of Non-Audit Services

Not applicable.

(4) Policy for Deciding Removal or Refusal of Reappointment of Accounting Auditor

If deemed necessary, including where there is a problem in the execution of duties by the Accounting Auditor, the Board of Auditors shall decide on a proposal for removal or refusal of reappointment of the Accounting Auditor to be submitted to the general meeting of shareholders.

Moreover, if the Accounting Auditor is deemed to fall under items stipulated by each item of Article 340, paragraph (1) of the Companies Act, the Company shall remove the Accounting Auditor, based on the consent of all Auditors. In such cases, an Auditor selected by the Board of Auditors shall report the removal of the Accounting Auditor and its reasons at the first general meeting of shareholders to be convened after the removal.

(5) Summary of the Limited Liability Agreement

Not applicable.

6. Policy on Decisions on Dividends of Surplus

The Company considers that it is for the benefit of shareholders' common interest to implement, on a priority basis, strategic investments that lead to sustainable growth and improved corporate value. In addition, recognizing the return of profit to shareholders as one of the important management measures, the Company has the basic policy of regarding stable and continuous dividends as its basic principle and conducting the return of profit by comprehensively considering the trends of earnings and the enhancement of internal reserves required for future growth investments, among others. Furthermore, in addition to this policy, the Company will place greater emphasis on the sound increase of profit and the return of profit to shareholders in addition to promoting the improvement of ROE to 15% or more as a target for capital efficiency. Therefore, future dividends will be determined based on a comprehensive judgment, using a dividend payout ratio of 40% or dividend on equity ratio (DOE) of 5.0% as a reference index, and taking into consideration the amount of medium- to long-term investments aimed at enhancement of corporate value in the future. At the same time, the Company will also consider a flexible position with regard to share repurchases, in response to the state of cash flow and the share price trends. The Board of Directors shall decide on dividends, etc., of surplus. In accordance with this basic policy, the Company proposes to pay a year-end dividend for the fiscal year under review of ¥39 per share. As a result, the dividend payout ratio for the fiscal year under review becomes 41.4%, with a DOE of 4.9%. Regarding a dividend for the next fiscal year, a year-end dividend of ¥39 per share is envisaged.

Dividends of Surplus for the Fiscal Year under Review

Date of resolution	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)
May 14, 2024 Resolution of the Board of Directors	1,031,160	39

Note: The amounts in this Business Report are shown by rounding off fractions less than the unit of display.

Consolidated Balance Sheet

(As of March 31, 2024)

(Thousands of yen)

Assets		Liabilities and net assets	
Account item	Amount	Account item	Amount
Assets		Liabilities	
Current assets	23,142,780	Current liabilities	6,210,607
Cash and deposits	11,489,282	Accounts payable - trade	778,609
Accounts receivable - trade	4,232,502	Electronically recorded obligations - operating	695,539
Electronically recorded monetary claims - operating	1,853,170	Lease liabilities	173,136
Merchandise and finished goods	2,368,368	Accounts payable - other	865,809
Work in process	16,094	Accrued expenses	1,313,869
Raw materials and supplies	685,252	Income taxes payable	964,180
Advance payments to suppliers	1,119,929	Accrued consumption taxes	240,144
Prepaid expenses	422,000	Contract liabilities	669,274
Accounts receivable - other	253,981	Provision for loss on orders received	272,914
Other	703,349	Other	237,129
Allowance for doubtful accounts	(1,152)	Non-current liabilities	273,155
Non-current assets	5,203,595	Retirement benefit liability	266,310
(Property, plant and equipment)	2,633,603	Other	6,845
Buildings	221,843		
Tools, furniture and fixtures	167,462	Total liabilities	6,483,762
Leased assets	2,137,469	Net assets	
Other	106,827	Shareholders' equity	21,764,587
(Intangible assets)	807,641	Share capital	1,639,216
Software	395,002	Capital surplus	1,614,716
Other	412,638	Retained earnings	20,511,058
(Investments and other assets)	1,762,350	Treasury shares	(2,000,402)
Investment securities	18,612	Accumulated other comprehensive income	98,025
Distressed receivables	13,325	Deferred gains or losses on hedges	75,554
Long-term prepaid expenses	51,987	Remeasurements of defined benefit plans	22,470
Leasehold and guarantee deposits	589,641		
Deferred tax assets	1,091,133	Total net assets	21,862,612
Other	10,975		
Allowance for doubtful accounts	(13,325)	Total liabilities and net assets	28,346,375
Total assets	28,346,375		

Note: Amounts are shown by rounding off amounts less than 1,000 yen.

Consolidated Statement of Income
(From April 1, 2023 to March 31, 2024)

(Thousands of yen)

Account item	Amount	
Net sales		42,768,993
Cost of sales		25,969,121
Gross profit		16,799,872
Selling, general and administrative expenses		13,028,830
Operating profit		3,771,042
Non-operating income		
Interest income	11	
Gain on adjustment of accounts payable - other	977	
Subsidy income	1,068	
Gain on investments in investment partnerships	2,583	
Refunded consumption taxes	1,614	
Other	393	6,649
Non-operating expenses		
Interest expenses	128	
Foreign exchange losses	28,646	
Commission expenses	1,000	
Cancellation penalty	11,845	
Other	805	42,426
Ordinary profit		3,735,265
Extraordinary income		
Gain on sale of non-current assets	64	64
Extraordinary losses		
Loss on sale and retirement of non-current assets	2,436	
Impairment losses	24,103	26,539
Profit before income taxes		3,708,790
Income taxes - current	1,271,923	
Income taxes - deferred	(54,220)	1,217,702
Profit		2,491,087
Profit attributable to owners of parent		2,491,087

Note: Amounts are shown by rounding off amounts less than 1,000 yen.

Consolidated Statement of Changes in Equity

(From April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance on April 1, 2023	1,639,216	1,614,716	19,024,692	(2,000,368)	20,278,255
Change during the fiscal year					
Dividends of surplus			(1,004,721)		(1,004,721)
Profit attributable to owners of parent			2,491,087		2,491,087
Purchase of treasury shares				(34)	(34)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	1,486,366	(34)	1,486,332
Balance on April 1, 2024	1,639,216	1,614,716	20,511,058	(2,000,402)	21,764,587

	Accumulated other comprehensive income			Total net assets
	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance on April 1, 2023	(59,116)	(66,597)	(125,713)	20,152,541
Change during the fiscal year				
Dividends of surplus				(1,004,721)
Profit attributable to owners of parent				2,491,087
Purchase of treasury shares				(34)
Net changes in items other than shareholders' equity	134,671	89,067	223,738	223,738
Total changes during period	134,671	89,067	223,738	1,710,070
Balance on April 1, 2024	75,554	22,470	98,025	21,862,612

Note: Amounts are shown by rounding off amounts less than 1,000 yen.

Balance Sheet
(As of March 31, 2024)

(Thousands of yen)

Assets		Liabilities and net assets	
Account item	Amount	Account item	Amount
Assets		Liabilities	
Current assets	22,806,187	Current liabilities	6,177,409
Cash and deposits	11,237,401	Accounts payable - trade	769,831
Accounts receivable - trade	4,210,990	Electronically recorded obligations - operating	695,539
Electronically recorded monetary claims - operating	1,853,170	Lease liabilities	172,984
Merchandise and finished goods	2,312,001	Accounts payable - other	850,663
Work in process	16,094	Accrued expenses	1,307,100
Raw materials and supplies	684,727	Income taxes payable	964,000
Advance payments to suppliers	1,119,929	Accrued consumption taxes	240,144
Prepaid expenses	418,167	Contract liabilities	669,274
Accounts receivable - other	251,286	Provision for loss on orders received	272,914
Other	703,569	Other	234,957
Allowance for doubtful accounts	(1,152)	Non-current liabilities	305,318
Non-current assets	5,207,435	Provision for retirement benefits	298,688
(Property, plant and equipment)	2,633,603	Other	6,629
Buildings	221,843		
Tools, furniture and fixtures	167,462	Total liabilities	6,482,727
Leased assets	2,137,469	Net assets	
Other	106,827	Shareholders' equity	21,455,339
(Intangible assets)	807,641	Share capital	1,639,216
Software	395,002	Capital surplus	1,639,216
Other	412,638	Legal capital surplus	1,639,216
(Investments and other assets)	1,766,190	Retained earnings	20,177,310
Investment securities	18,612	Other retained earnings	20,177,310
Distressed receivables	13,325	Retained earnings brought forward	20,177,310
Shares of subsidiaries and associates	0	Treasury shares	(2,000,402)
Long-term loans receivable from subsidiaries and associates	800,000	Valuation and translation adjustments	75,554
Long-term prepaid expenses	51,987	Deferred gains or losses on hedges	75,554
Leasehold and guarantee deposits	583,574		
Deferred tax assets	1,101,041	Total net assets	21,530,894
Other	10,975		
Allowance for doubtful accounts	(813,325)	Total liabilities and net assets	28,013,622
Total assets	28,013,622		

Note: Amounts are shown by rounding off amounts less than 1,000 yen.

Statement of Income

(From April 1, 2023 to March 31, 2024)

(Thousands of yen)

Account item	Amount	
Net sales		42,395,003
Cost of sales		25,794,143
Gross profit		16,600,859
Selling, general and administrative expenses		12,673,622
Operating profit		3,927,237
Non-operating income		
Interest income	3,758	
Gain on adjustment of accounts payable - other	977	
Subsidy income	1,068	
Gain on investments in investment partnerships	2,583	
Consulting fee income	2,400	
Refunded consumption taxes	1,591	
Other	2,631	15,010
Non-operating expenses		
Interest expenses	128	
Foreign exchange losses	28,646	
Commission expenses	1,000	
Cancellation penalty	11,845	
Other	743	42,364
Ordinary profit		3,899,884
Extraordinary income		
Gain on sale of non-current assets	64	64
Extraordinary losses		
Loss on sale and retirement of non-current assets	2,436	
Loss on valuation of shares of subsidiaries and associates	49,999	
Provision of allowance for doubtful accounts	800,000	852,436
Profit before income taxes		3,047,512
Income taxes - current	1,271,742	
Income taxes - deferred	(54,220)	1,217,522
Profit		1,829,989

Note: Amounts are shown by rounding off amounts less than 1,000 yen.

Statement of Changes in Equity
(From April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus		Retained earnings	
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
			Retained earnings brought forward		
Balance on April 1, 2023	1,639,216	1,639,216	1,639,216	19,352,041	19,352,041
Changes during period					
Dividends of surplus				(1,004,721)	(1,004,721)
Profit				1,829,989	1,829,989
Purchase of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during period	-	-	-	825,268	825,268
Balance on March 31, 2024	1,639,216	1,639,216	1,639,216	20,177,310	20,177,310

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance on April 1, 2023	(2,000,368)	20,630,105	(59,116)	(59,116)	20,570,988
Changes during period					
Dividends of surplus		(1,004,721)			(1,004,721)
Profit		1,829,989			1,829,989
Purchase of treasury shares	(34)	(34)			(34)
Net changes in items other than shareholders' equity			134,671	134,671	134,671
Total changes during period	(34)	825,234	134,671	134,671	959,905
Balance on March 31, 2024	(2,000,402)	21,455,339	75,554	75,554	21,530,894

Note: Amounts are shown by rounding off amounts less than 1,000 yen.

Audit Report of the Board of Auditors

Audit Report

In regard to the director's performance of their duties for the 18th fiscal year from April 1, 2023 to March 31, 2024, the board of auditors has prepared this Audit Report after deliberations based on audit reports prepared by each auditors and reports as follows.

1. Method and Contents of Audits by Auditors and the Board of Auditors

- (1) The board of auditors determined the audit policies, the annual plan of audit, etc. and received reports from each auditor regarding the implementation status and results of their audits, in addition to which it received reports from directors, etc. and the accounting auditor regarding the status of performance of their duties and requested explanations as necessary.
- (2) In compliance with the audit standards for auditor established by the board of auditors and in accordance with the audit policies and division of duties, etc., each auditor communicated with the directors, the Internal Audit Office, and other employees, etc., endeavored to gather information and develop the audit environment, and conducted audits using the following methods.
 - 1) Auditors attended meetings of the board of directors and other important meetings, received reports from directors and employees, etc. regarding the status of the performance of their duties requested explanations as necessary, viewed important decision-making documents etc., and inspected the status of operations and assets at the head office and main business locations, and had interviews with the representative director and the director responsible for corporate management to exchange opinions and information concerning the issues regarding audits. Additionally, in regard to a subsidiary, the auditors communicated and exchanged information with the directors and auditors, etc. of the subsidiary, and received reports on business from the subsidiary as necessary.
 - 2) In regard to the content of resolutions of the board of directors regarding the development of system to ensure that the directors' performance of their duties complies with laws, regulations and the articles of incorporation and other systems provided for in Article 100, paragraphs (1) and (3) of the Ordinance for Enforcement of the Companies Act as systems necessary to ensure the appropriateness of operations of the corporate group composed of a stock company and its subsidiary, as well as the systems developed pursuant to those resolutions (i.e., internal control systems) stated in the business report, the auditors periodically received reports from directors and employees, etc. regarding the status of the establishment and operation of those systems and as necessary requested explanations and expressed opinions in regard thereto.
 - 3) The auditors oversaw and verified whether the accounting auditor maintained an independent position and conducted an appropriate audit, received reports from the accounting auditor on the status of the performance of its duties, and requested explanations as necessary. Additionally, the auditors received notification from the accounting auditor that, in accordance with the "Quality Control Standards for Audits" (Business Accounting Council), etc., it had developed systems in order to ensure that its duties are appropriately performed (i.e., notification of the matters stated in the items of Article 131 of the Ordinance on Accounting of Companies) and requested explanations as necessary.

Using the methods above, the auditors examined the business report, the supplementary schedules thereto, the non-consolidated financial statements (i.e., the balance sheet, statement of income, statement of changes in equity, and notes to non-consolidated financial statements), and the supplementary schedules to the non-consolidated financial statements, and the consolidated financial statements (i.e., the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements) for the fiscal year.

2. Audit Results

(1) Results of the Audit of the Business Report, Etc.

- 1) We find that the business report and the supplementary schedules thereto accurately present the status of the company in accordance with laws, regulations and the articles of incorporation.
- 2) We do not find any misconduct nor any material fact constituting a violation of any law, regulation, or the articles of incorporation in relation to the directors' performance of their duties.
- 3) We find the content of the resolutions of the board of directors regarding internal control systems to be reasonable. Additionally, we do not find any matters that should be commented upon in regard to the statements in the business report or the directors' performance of their duties regarding to the internal control system.

(2) Results of audit of non-consolidated financial statements and supplementary schedules thereto

We find the method and results of the audit by accounting auditor, Deloitte Touche Tohmatsu LLC, to be reasonable.

(3) Results of the audit of consolidated financial statements

We find the method and results of the audit by accounting auditor, Deloitte Touche Tohmatsu LLC, to be reasonable.

3. Scope and Method of Audit by Each Auditor

Part-Time Auditors (Two persons): Attendance at the board of directors meetings, attendance at the board of auditors meetings, interviews with the accounting auditor, and audit of reasonableness of the resolution of the board of directors on the internal control system through interviews with directors

*Refer to the minutes of the board of directors meetings and the board of auditors meetings.

Full-Time Auditor: Attendance at meetings of the board of directors, attendance at meetings of the board of auditors, attendance at the management meetings, observation of inventory count, inspection of internally approved documents and various rules, interviews with directors, and interviews with the accounting auditor, among others

*Refer to the minutes of the board of directors meetings and the board of auditors meetings, and the records of audits.

May 21, 2024

Board of Auditors of FURYU Corporation

Full-Time Auditor	Takayuki Nakamura
Auditor (External Auditor)	Omou Yamazaki
Auditor (External Auditor)	Shinichiro Yoshiba

Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Election of Six Directors

The terms of office of all six Directors will expire at the conclusion of this meeting. Therefore, the Company proposes the election of the following six Directors.

The candidates for Director are as follows:

Candidate No.	Name	Current position and responsibility at the Company	Attributes
1	Takashi Mishima	(Male) President	Re-election
2	Masato Yoshida	(Male) Executive Managing Director Business Officer	Re-election
3	Masahito Enomoto	(Male) General Manager of Corporate Strategy HQs	New election
4	Ryoko Sada	(Female) General Manager of Corporate Management HQs	New election
5	Takako Kotake	(Female) External Director	Re-election External Independent
6	Kento Uno	(Male) External Director	Re-election External Independent

Re-election: Candidate for Director to be re-elected

New election: Candidate for Director to be newly elected

External: Candidate for External Director

Independent: Independent officer as defined by the securities exchange, etc.

Candidate No.	Name (Date of birth)	Career summary, position and responsibility at the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
1	Takashi Mishima (October 26, 1965) Re-election	<p>Apr. 1988 Joined OMRON TATEISI ELECTRONICS CO. (current OMRON Corporation)</p> <p>July 2003 Joined OMRON Entertainment Co., Ltd. General Manager of Business Strategy Department</p> <p>Mar. 2007 Director and General Manager of Corporate Planning & Management Department of the Company</p> <p>June 2010 Managing Director</p> <p>June 2014 Executive Managing Director</p> <p>Mar. 2015 General Manager of Corporate Management HQs</p> <p>Mar. 2016 General Manager of GIRLS Trend Business HQs</p> <p>June 2018 President (current position)</p> <p>Apr. 2021 Director of Olu.Inc. (current position)</p>	205,000
<p>[Reasons for nomination as candidate] Mr. Mishima reconstructed business strategies based on his experience of leading the corporate management and business divisions to improve earnings, actively implemented internal system reforms, and has exercised strong leadership as President since June 2018.</p>			
2	Masato Yoshida (March 08, 1966) Re-election	<p>Apr. 1989 Joined OMRON TATEISI ELECTRONICS CO. (current OMRON Corporation)</p> <p>July 2003 Joined OMRON Entertainment Co., Ltd. General Manager of Prize Div</p> <p>Sept. 2006 General Manager of Prize Div</p> <p>Apr. 2007 Joined the Company, General Manager of Prize Div</p> <p>June 2010 Director</p> <p>June 2012 Managing Director</p> <p>Jan. 2014 Concurrently serving as General Manager of Game Software Div</p> <p>June 2014 Executive Managing Director (current position)</p> <p>Mar. 2016 General Manager of SEKAIKAN Business HQs</p> <p>June 2021 Strategy Officer</p> <p>Mar. 2022 General Manager of Corporate Strategy HQs</p> <p>June 2022 Director of Olu.Inc. (current position)</p> <p>Mar. 2023 Business Officer (current position)</p>	840,000
<p>[Reasons for nomination as candidate] In addition to having established character merchandizing, game and anime business operations, Mr. Yoshida has abundant experience in establishing a firm position in the industry, demonstrating leadership as a business manager and expanding business overseas. In addition, he has experience in designing business strategies as the Company's business strategy officer.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibility at the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
3	Masahito Enomoto (February 20, 1974) New election	Apr. 1999 Joined OMRON Corporation July 2003 Joined OMRON Entertainment Co., Ltd. Oct. 2007 Joined ZERO-SUM LTD. Dec. 2009 Joined the Company Mar. 2018 General Manager of Pictlink Div May 2020 Executive Officer (current position) Apr. 2021 Director of Olu.Inc. Mar. 2022 Deputy General Manager of Corporate Strategy HQs June 2022 Vice President of Olu.Inc. (current position) Mar. 2023 General Manager of Corporate Strategy HQs (current position)	2,013
[Reasons for nomination as candidate] Mr. Enomoto has abundant business experience, including experience of being responsible for the pillar of earnings as a business manager of the Pictlink business, launching new businesses, establishing and managing a subsidiary, and supporting business strategies.			
4	Ryoko Sada (January 16, 1974) New election	Apr. 1997 Joined SUMITOMO LIFE INSURANCE COMPANY Oct. 1998 Joined Alteka Corporation Oct. 2001 Started temporary work at OMRON Corporation July 2003 Started temporary work at OMRON Entertainment Co., Ltd. Mar. 2006 Joined OMRON Entertainment Co., Ltd. Apr. 2007 Joined the Company Mar. 2020 General Manager of Game & Animation Div May 2021 Executive Officer (current position) Mar. 2022 Deputy General Manager of Corporate Management HQs Mar. 2023 General Manager of Corporate Management HQs (current position)	65,016
[Reasons for nomination as candidate] Ms. Sada has abundant business experience in all the Company's mainstay businesses and experience leading corporate management departments as the General Manager of Corporate Management HQs. She also has the knowledge and ability to actively promote sustainability.			

Candidate No.	Name (Date of birth)	Career summary, position and responsibility at the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
5	Takako Kotake [Name in the family register: Takako Saito] (September 06, 1972) Re-election External Independent	May 2004 Joined Coin Ltd. (current Cookpad Inc.) July 2008 Executive Officer July 2010 Manager of President's Office Feb. 2012 Resigned from Cookpad Inc. June 2013 HOKUTO Corporation Director (External Director) (current position) Nov. 2013 Founded Kasumi Corporation, Executive Director (current position) Apr. 2016 Joined Cookpad Inc. Managing Director of Corporate Branding Department and Editing Department June 2018 External Director of the Company (current position) Apr. 2024 Managing Director of Public Relations Department, Cookpad Inc. (current position)	–
[Reasons for nomination and summary of expected roles] Ms. Kotake actively provides recommendations and advice on management with insights into branding and public relations utilizing her business experience in other companies, and also makes recommendations from new perspectives of diversity and sustainability as an External Director. We have continued to nominate her as candidate for External Director, expecting that she will continue to provide advice and recommendations based on her experience and insights to play an appropriate role in ensuring the validity and appropriateness of decision-making, as well as continue to play a role as a member of the Nominating and Remuneration Committee so as to help ensure the transparency of management and enhance the supervisory function over management.			
6	Kento Uno (February 09, 1977) Re-election External Independent	May 1999 Joined Accenture Japan Ltd Aug. 2005 Joined transcocosmos inc. Jan. 2009 Joined M-OUT Inc. Sept. 2011 Founded Userus Inc. (current hacchu navi Inc.), CEO Oct. 2018 Founded Ironforge LLP, CEO (current position) June 2020 External Director of the Company (current position)	–
[Reasons for nomination and summary of expected roles] Mr. Uno has deep insights into IT and experience in launching new businesses. As a management consultant, he also has abundant knowledge from the perspectives of digital transformation strategies, formulation of business development and growth strategies, and actively provides advice and recommendations on management. We have continued to nominate him as candidate for External Director, expecting that he will continue to provide advice and recommendations based on his experience and insights to play an appropriate role in ensuring the validity and appropriateness of decision-making, as well as continue to play a role as a member of the Nominating and Remuneration Committee so as to help ensure the transparency of management and enhance the supervisory function over management.			

- Notes: 1. There is no special interest between any of the candidates for Director and the Company.
2. Takako Kotake and Kento Uno are candidates for External Director.
3. Takako Kotake is currently an External Director of the Company, and at the conclusion of this meeting, her tenure as External Director will have been six years. Kento Uno is currently an External Director of the Company, and at the conclusion of this meeting, his tenure as External Director will have been four years.
4. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with External Directors Takako Kotake and Kento Uno to limit their liability for damages under Article 423, paragraph (1) of the Companies Act. The maximum amount of liability for damages under these agreements is the minimum liability amount provided for by Article 425, paragraph (1) of the same Act. If the re-election of Ms. Kotake and Mr. Uno is approved, the Company plans to renew the aforementioned agreements with them.
5. The Company has entered into a directors and officers liability insurance policy that includes all Directors as the insured with an insurance company. The insurance policy indemnifies the insured for such costs as litigation expenses and monetary damages incurred from claims for damages arising from

acts carried out by the insured in the course of his or her duties. All premiums for the insured are fully borne by the Company, and if any of the Director candidates are elected as a Director, they will be included in the policy as the insured. In addition, the Company plans to renew the policy with the same terms during their term of office.

6. The Company has submitted notification to Tokyo Stock Exchange, Inc. that Takako Kotake and Kento Uno have been designated as independent officers in accordance with the regulations set forth by the aforementioned exchange. If their re-election is approved, the Company plans for their designation as independent officers to continue.
7. The number of the Company's shares owned by each candidate is that at the end of the fiscal year under review (March 31, 2024). The number of the Company's shares owned by Mr. Masahito Enomoto and Ms. Ryoko Sada includes their own interests in the Furyu Employee Shareholding Association.

[Reference] Director candidates' Skill Matrix

In order for the Board of Directors to effectively fulfill its roles and responsibilities, the Company selects candidates for Director who are well informed about the Company's business and its issues, and who possess a wealth of experience, a high level of insight, and a high degree of expertise and ability as required by the Company. The Company also ensures the diversity of knowledge, experience, and ability of the Board members.

In the table below, we have defined the skills that we specifically expect from our candidates for Director, and present the primary knowledge and experience possessed by each director candidate.

Candidate No.	Name	Gender	Expertise/experience						
			Management	FURYU business operations	Information/Technology	New business development	Overseas business operations	Finance/Accounting	Sustainability
1	Takashi Mishima	(Male)	○	○		○		○	
2	Masato Yoshida	(Male)	○	○		○	○		
3	Masahito Enomoto	(Male)	○	○	○	○	○		
4	Ryoko Sada	(Female)		○				○	○
5	Takako Kotake	(Female)	○			○			○
6	Kento Uno	(Male)	○		○	○			

Note This table does not represent all the skills possessed by each candidate for Director.

Proposal No. 2: Election of Two Substitute Auditors

The Company requests approval for the election of two substitute Auditors in advance to be ready to fill a vacant position should the number of Auditors fall below the number required by laws and regulations.

The Company requests approval for the election of Yukiyasu Takao as a substitute Auditor for Auditor Takayuki Nakamura, and Hidetake Kishimoto as a substitute Auditor for External Auditors Omou Yamazaki and Shinichiro Yoshiba.

Candidates for substitute Auditors shall assume office on condition that the number of Auditors falls below the number required by laws and regulations, and their tenure shall be until the expiration of the retiring Auditors' tenure. Moreover, this election shall be valid until the start of the next annual general meeting of shareholders.

In addition, the consent of the Board of Auditors has been obtained for this proposal.

The validity of this election can be nullified by resolution of the Board of Directors if the consent of the Board of Auditors has been obtained; provided, however, that this applies only at a time before assuming office.

The candidates for substitute Auditor are as follows:

Candidate No.	Name (Date of birth)	Career summary (Significant concurrent positions outside the Company)	Number of the Company's shares owned
1	Yukiyasu Takao (March 16, 1967)	Apr. 1989 Joined MEITEC CORPORATION	11,477
		June 2010 Joined the Company	
Mar. 2017 General Manager of Development Department, Photo Sticker Machine Div			
Mar. 2018 Vice General Manager of Photo Sticker Machine Div			
Mar. 2020 Vice General Manager of Pictlink Div (current position)			
[Reasons for nomination as candidate] Mr. Takao has abundant experience in manufacturing including product development in the Company's key business operations, and we would like him to utilize his experience and knowledge as Auditor.			
2	Hidetake Kishimoto (December 8, 1974)	Oct. 2001 Joined ChuoAoyama PricewaterhouseCoopers	-
		Oct. 2006 Joined AGS Consulting Co., Ltd.	
June 2014 Opened Kishimoto CPA Firm (current position)			
Mar. 2016 External Auditor of ANTEPRIMA JAPAN LTD (current position)			
Feb. 2019 Established SHIN Consulting Ltd., Chief Executive Officer (current position)			
[Reasons for nomination as candidate for External Auditor] Mr. Kishimoto has abundant experience and broad insights as a certified public accountant, and we would like him to provide supervision and guidance from the perspective of finance and accounting, utilizing his experience and insights.			

Notes: 1. There is no special interest between any of the candidates and the Company.

2. Hidetake Kishimoto is a candidate for substitute External Auditor.

3. If Yukiyasu Takao and Hidetake Kishimoto assume office, the Company plans to enter into limited liability agreements with them pursuant to the provisions of Article 427, paragraph (1) of the Companies Act to limit their liability for damages under Article 423, paragraph (1) of the same Act. The maximum amount of liability for damages under these agreements shall be the minimum liability amount provided for by Article 425, paragraph (1) of the same Act.

4. The Company has entered into a directors and officers liability insurance policy that includes all Auditors as the insured with an insurance company. The insurance policy indemnifies the insured for such costs as litigation expenses and monetary damages incurred from claims for damages arising from acts carried out by the insured in the course of his or her duties. All premiums for the insured are fully borne by the Company. When the policy is renewed, the Company plans to renew the policy with the same terms. If Mr. Takao and Mr. Kishimoto assume office as Auditors, each of them will be included as an insured party in such insurance policy or an insurance policy with the same terms as such policy.

5. If Hidetake Kishimoto assumes office as Auditor, the Company plans to submit notification to Tokyo Stock Exchange, Inc. concerning his designation as an independent officer in accordance with the regulations set forth by the aforementioned exchange.
6. The number of the Company's shares owned by each candidate is that at the end of the fiscal year under review (March 31, 2024). The number of the Company's shares owned by Yukiyasu Takao is listed as his interest in the Furyu Employee Shareholding Association.

Proposal No. 3: Introduction of performance-linked stock remuneration system for Directors

1. Reasons for the proposal and justification thereof

This proposal requests approval for the introduction of a new performance-linked stock remuneration system, “Board Benefit Trust-Restricted Stock (BBT-RS),” (hereinafter, the “System”) for the Company’s Directors (excluding External Directors, the same applies hereinafter to this proposal unless otherwise specified).

The purpose of this proposal is to further clarify the link between Director remuneration and the performance and stock value of the Company, and to raise awareness of Directors to contribute to improving medium- to long-term performance and increasing corporate value by sharing with shareholders not only the benefits of rising stock prices, but also the risks of falling stock prices. The Company’s Nominating and Remuneration Committee has advised that the introduction of the System is appropriate in light of its purpose and the effect of providing an incentive to improve performance over the medium- to long-term. If this proposal is approved as originally proposed, it will be consistent with the Company’s policy for determining the remuneration for individual Directors (described below), which is scheduled to be resolved at the Company’s Board of Directors meeting after the conclusion of this General Meeting of Shareholders. For these reasons, the Company believes that the contents of this proposal are appropriate.

This proposal requests approval for the specific calculation method and specific details of the amount of remuneration, etc., separate to the limit on remuneration approved at the 9th Annual General Meeting of Shareholders held on June 29, 2015 (within the annual amount of ¥300 million for the remuneration of Directors (of which, within ¥20 million for External Directors)), in order to pay remuneration to the Company’s Directors under the System. The details of the System will be entrusted to the Board of Directors within the framework described in 2. below.

If Proposal No. 1 is approved and adopted as originally proposed, four Directors shall be eligible for the System.

2. Specific calculation method and specific details of the amount of remuneration, etc. related to the System

(1) Outline of the System

The System is a performance-linked stock remuneration system in which the Company’s shares are acquired through a trust using the money contributed by the Company as the source of funds (the trust established under the System is hereinafter referred to as the “Trust”). The Company shares and monetary equivalent to the amount of Company shares converted to market value (hereinafter referred to as “Company Shares, etc.”) are paid through the Trust in accordance with the Executive Stock Benefit Regulations as prescribed by the Company. Directors shall receive Company shares, in principle, at a certain time each year and receive a monetary benefit equivalent to the amount of the Company’s shares converted at market value at the time of their retirement. Should a Director wish to receive Company shares while in office, the Director shall conclude a transfer restriction agreement with the Company as set out in 3. below prior to receiving Company shares. This will restrict Company shares received by a Director while in office from being transferred or otherwise disposed of until the Director resigns.

(2) Persons to whom the System applies

Directors (excluding External Directors; Auditors are not eligible for the System.)

(3) Trust term

From August 2024 (scheduled) to the termination of the Trust. (Please note that no specific end date has been set for the Trust term. The Trust shall remain in force as long as the System continues. The System shall be terminated upon the delisting of the Company’s shares or the abolition of the Executive Stock Benefit Regulations.)

(4) Trust amount

Subject to the approval this proposal, the Company shall introduce the System for the three fiscal years from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2027 (hereinafter this period of three fiscal years shall be referred to as the “Initial Applicable Period”; the Initial Applicable Period and periods of three fiscal years commencing after the expiration of the Initial Applicable Period shall each be referred to as an “Applicable Period”) and for each subsequent Applicable Period and, in order to provide Company shares etc. to Directors, contribute money as follows to the Trust as the source of funds for the acquisition of Company shares by the Trust.

First, at the time the Trust is established (scheduled for August 2024), the Company shall contribute an amount of money equivalent to what is expected as funds needed for the Initial Applicable Period. As the maximum number of points granted to Directors under the System is, according to paragraph (6) below, 40,000 per fiscal year, the funds reasonably expected to be needed to acquire up to 120,000 shares, taking into account the most recent closing price of the Company’s common stock on the Tokyo Stock Exchange immediately prior to the time of the establishment of the Trust, shall be contributed to the Trust. For reference, if the closing price of 1,056 yen on May 20, 2024, is applied, the funds needed as described above will amount to approximately 127 million yen.

Even after the Initial Applicable Period, the Company shall reasonably estimate the number of shares required for provision to Directors under the System and contribute additional funds deemed to be required for the precedent acquisition thereof by the Trust for, in principle, each Applicable Period until the termination of the System. Provided, however, that, where additional contributions are to be made and where Company shares which remain in the trust assets (excluding the number of Company shares that have not yet been provided to Directors equivalent to points granted to them for each Applicable Period up to the immediately preceding Applicable Period) and money (hereinafter, “Remaining Shares etc.”) exist, the Remaining Shares etc. shall be allocated to fund benefits to be provided under the System in subsequent Applicable Periods and the amount of additional contributions shall be calculated upon taking the Remaining Shares etc. into account. Any decision made by the Company to make additional contributions shall be disclosed in a timely and appropriate manner.

Note: Money actually contributed to the Trust by the Company shall be the sum of funds to acquire shares as mentioned above and the estimated amount of money needed to cover costs such as trust fees.

(5) Method by which Company shares shall be acquired by the Trust and the number of shares to be acquired

The acquisition of Company shares by the Trust shall be funded by funds contributed in accordance with paragraph (4) above and shall be carried out through the exchange market or by accepting the disposal of the Company’s treasury shares, where new shares shall not be issued.

As the maximum number of points granted to Directors is, according to paragraph (6) below, 40,000 per fiscal year, the maximum number of Company shares to be acquired by the Trust during each Applicable Period shall be 120,000. The particulars concerning the acquisition of Company shares by the Trust shall be disclosed in a timely and appropriate manner.

(6) Maximum number of Company shares etc. to be provided to Directors

Directors are awarded a number of points each fiscal year based on the Executive Stock Benefit Regulations, taking into consideration their position and degree of performance, etc. The total number of points granted to Directors per fiscal year shall be no greater than 40,000 points. This has been determined by comprehensively taking into account the current level of remuneration being paid

to officers, trends in and projections concerning the number of Directors, and other factors and has been deemed to be appropriate.

Points granted to Directors shall be converted at a rate of one common share of the Company per point when Company shares etc. are provided as per paragraph (7) below (provided, however, that, where Company shares are subject to, among other possibilities, a share split, allotment of shares without contribution, or consolidation of shares, subsequent to the approval of this proposal, the maximum number of points, number of points already granted, or conversion rate may be reasonably adjusted in accordance with this rate or other factors).

The ratio of 400 voting rights linked to shares corresponding to the maximum number of points per fiscal year granted to Directors to the 264,289 voting rights linked to the total number of issued shares (as of March 31, 2024) is approximately 0.15%.

The number of points for Directors to be used as the basis for the provision of Company shares etc. as provided for in paragraph (7) below shall be, in principle, the number of points granted by the time beneficiary rights are determined as provided for in paragraph (7) below to the Directors in question (points calculated accordingly shall be hereinafter referred to as "Determined Number of Points").

(7) Providing Company shares, etc. and specific calculation method for the amount of remuneration, etc.

Directors who meet the beneficiary requirements shall receive a number of Company shares from the Trust according to, in principle, the Determined Number of Points as set forth in accordance with paragraph (6) above at a certain time each year by carrying out the prescribed procedures for determining beneficiaries. However, should the requirements as prescribed in the Executive Stock Benefit Regulations be met, a monetary benefit equivalent to the market value of Company shares at, in principle, the time of resignation shall be received in lieu of Company shares. In some cases, the Trust may sell Company shares in order to provide a monetary benefit.

Should a Director wish to receive Company shares while in office, the Director shall conclude a transfer restriction agreement with the Company as set out in 3. below prior to receiving Company shares. This will restrict Company shares received by a Director while in office from being transferred or otherwise disposed of until the Director resigns.

In addition, where a Director who has been granted points is dismissed by a resolution adopted at a General Meeting of Shareholders, or resigns because of certain misconduct committed during the term of office, or commits an inappropriate act that may cause damage to the Company during the term of office, the Director shall be unable to obtain the right to receive benefits in whole or in part, and if any Company shares have already been paid, the Company may request a return of such shares in whole or in part.

The amount of remuneration, etc. that Directors receive shall be based on the amount obtained by multiplying the total number of points granted to Directors by the per share book value of the Company's shares held in the Trust at the time the points are granted (provided, however, that, where Company shares are subject to, among other possibilities, a share split, allotment of shares without contribution, or consolidation of shares, reasonable adjustments shall be made in accordance with this rate or other factors). In addition, should any exceptional monetary value be paid in accordance with the provisions of the Executive Stock Benefit Regulations and is deemed to be appropriate, that amount shall be added to the remuneration.

(8) Exercising voting rights

In accordance with the instructions of the trust administrator, voting rights pertaining to Company shares in the Trust Account shall not be exercised uniformly. The applicable method is intended to ensure neutrality in terms of the impact of the exercising of voting rights pertaining to Company shares in the Trust Account on the management of the Company.

(9) Handling of dividends

Dividends tied to Company shares in the Trust Account shall be received by the Trust and used to pay for the acquisition of Company shares and the trust fees for the trustee as they relate to the Trust. Where the Trust is terminated, dividends etc. remaining in the Trust shall be distributed to Directors in office at the time of the termination of the Trust in proportion to the number of points each Director possesses in accordance with the provisions of the Executive Stock Benefit Regulations.

(10) Handling upon the termination of the Trust

The Trust shall be terminated where the Company's shares are delisted, the Executive Stock Benefit Regulations are abolished, or other such scenario arises.

Of the residual assets of the Trust at the time of its termination, all Company shares are to be acquired free of charge and canceled through the adoption of a resolution by the Board of Directors.

Of the residual assets of the Trust at the time of its termination, the money that is remaining after money is paid to Directors in accordance with paragraph (9) above shall be paid to the Company.

3. Outline of the transfer restriction agreement pertaining to Company shares provided to Directors

Where a Director receives Company shares while in office, the Director shall, prior to the provision of Company shares, conclude a transfer restriction agreement (hereinafter, the "Transfer Restriction Agreement") with the Company that includes, in summary, the following contents. (Directors shall receive Company shares subject to the conclusion of the Transfer Restriction Agreement.) However, the Company may provide the Company shares without concluding the Transfer Restriction Agreement in case a Director has already resigned at the time of the provision of shares.

1) Contents of transfer restrictions

A Director may not, at any time between the date on which Company shares are received and the date on which the Director retires from all positions as officer in the Company, transfer, grant a security interest in, or otherwise dispose of Company shares that are received.

2) Acquisition by the Company free of charge

Where certain misconduct is committed or where requirements for the lifting of transfer restrictions as provided for in item 3) below are not met, the Company shall acquire the shares in question free of charge.

3) Lifting of transfer restrictions

Where a Director retires from all positions as an officer of the Company for any justifiable reason or retires due to death, transfer restrictions shall be lifted as of the time of the retirement thereof.

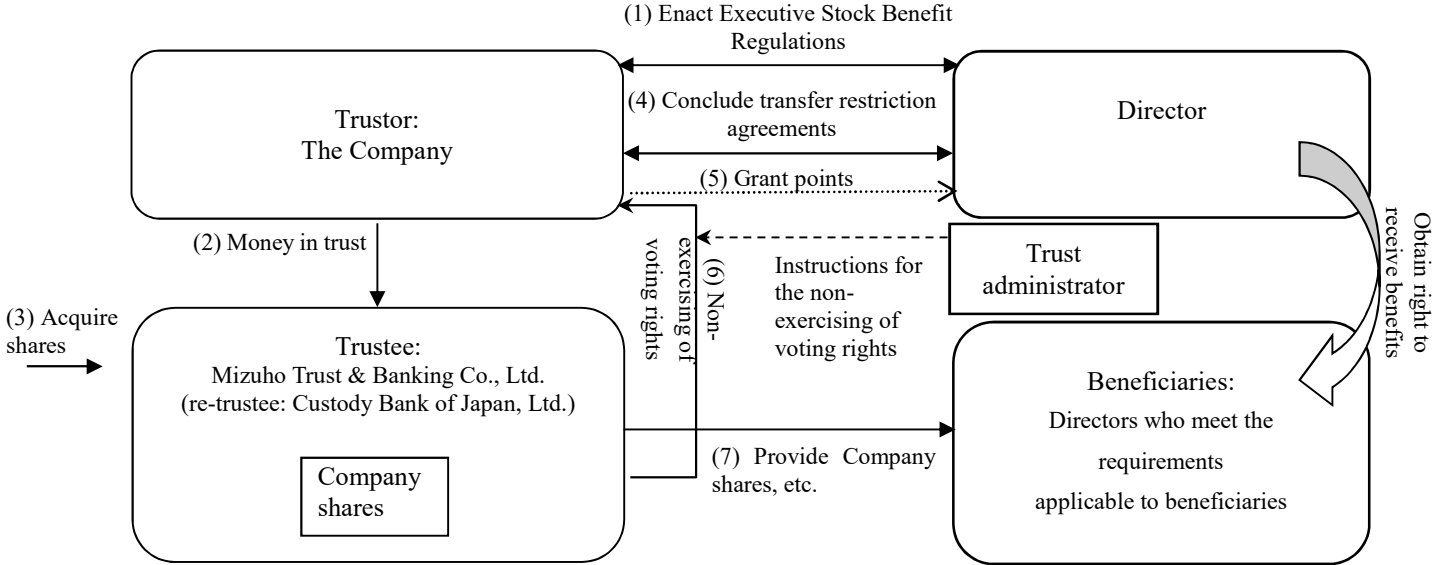
4) Handling when a reorganization or other such change occurs

Where a merger agreement resulting in the extinguishment of the Company or any other set of provisions related to the reorganization of the Company is approved at a General Meeting of Shareholders of the Company while transfer restrictions are in effect, transfer restrictions shall be lifted through the adoption of a resolution at a meeting of the Company's Board of Directors as of the time immediately prior to the business day before the date on which the said agreement or reorganization is to take effect.

Please note that Company shares subject to transfer restrictions under the Transfer Restriction Agreement are to be managed in a dedicated account opened by eligible Directors at a securities firm designated by the Company during the term of the transfer restrictions to ensure that one cannot transfer, grant a security interest in, or otherwise dispose of Company shares during the term of the transfer restrictions.

In addition to the above, the method by which intentions are to be declared and notified in the Transfer Restriction Agreement, the method by which the Transfer Restriction Agreement shall be amended, and any other matter as set forth by the Board of Directors shall constitute part of the Transfer Restriction Agreement.

Reference 1): Workings of the System



- (1) The Company will enact the Executive Stock Benefit Regulations within the scope of the framework approved through this proposal.
- (2) The Company will entrust money within the scope approved through this proposal.
- (3) The money entrusted as described in (2) will be used by the Trust as funds to acquire Company shares through the exchange market or by accepting the disposal of the Company’s treasury shares.
- (4) Directors will conclude a transfer restriction agreement with the Company which includes conditions to restrict the Company shares received by Directors while in office from being transferred or otherwise disposed of until they resign, and certain conditions allowing the Company to acquire such shares free of charge.
- (5) The Company will grant points to Directors based on the Executive Stock Benefit Regulations.
- (6) In accordance with the instruction of the trust administrator independent of the Company, the Trust shall not exercise the voting rights pertaining to Company shares in the Trust Account.
- (7) The Trust will, at a certain time each year, provide the Directors who meet the beneficiary requirements stipulated in the Executive Stock Benefit Regulations (hereinafter, the “Beneficiaries”) with a number of Company shares corresponding to the number of points that have been granted to the Beneficiaries. However, if a Director meets the requirements as prescribed in the Executive Stock Benefit Regulations, the Trust will provide him/her with a monetary benefit equivalent to the market value of Company shares for a certain percentage of points at the time of resignation.

Reference 2): Policy for deciding the remuneration for individual Directors (draft)

a. Basic Policy

It shall be the basic policy that the Company's remuneration structure should encourage Directors' contribution to not only short-term but also medium- to long-term corporate earnings, as well as clarifying their responsibility for the Company's earnings, and decisions on the remuneration for individual Directors should be at an appropriate level taking into consideration corporate earnings and individual Directors' contribution to management (including actions for improving medium- to long-term earnings).

Moreover, in order to design the remuneration scheme and decide specific amounts of remuneration in accordance with objective and transparent procedures, the Board of Directors shall respect the contents of the advice provided by the Nominating and Remuneration Committee, mainly composed of independent External Directors, as much as possible, and shall make a decision within the scope approved at the General Meeting of Shareholders.

b. Composition Ratio by Type for Remuneration to Individual Directors and Policy for its Determination

The composition ratio of Directors' remuneration shall be determined based on reference to the Company's management strategies and business environment, Company performance and data from surveys on the remuneration for officers, etc.

Remuneration for Directors (excluding External Directors) consists of basic remuneration (fixed remuneration) and non-monetary remuneration (performance-linked stock remuneration) with a general 8:2 ratio between basic remuneration and non-monetary remuneration where the amount of non-monetary remuneration is a standard amount.

Remuneration for External Directors shall be restricted to basic remuneration from the viewpoint of independence from business execution and their supervisory function of the Board of Directors.

c. Policy for Deciding Amount of Individual Monetary Remuneration (Including Policies for Timing to Grant and Conditions for Remuneration)

Basic remuneration shall be monetary remuneration paid in the same amount every month.

The base for payment of the Company's basic remuneration shall be determined while taking into consideration the maximum amount of existing employee's salary, the general level of remuneration for officers such as data of surveys on the remuneration for officers by external research organizations, earnings of the Company and the discussions and examinations by the Nominating and Remuneration Committee.

The basic remuneration for Directors shall be calculated by combining the remuneration determined for each position, using difference coefficients between positions stipulated by rules of remuneration for officers, and the remuneration calculated in line with short-term corporate earnings and each Director's contribution to management from medium- to long-term perspectives (calculations based on an eight-grade evaluation).

The basic remuneration for an External Director shall be decided by comprehensively taking into consideration the External Director's contribution to the Company, social status and circumstances surrounding their appointment.

d. Policy for Deciding the Details and Method of Calculating the Amount or Number of Performance-linked Remuneration and Non-monetary Remuneration (Including Policies for Timing to Grant and Conditions for Remuneration)

As performance-linked stock-based remuneration, called "Board Benefit Trust-Restricted Stock (BBT-RS)," non-monetary remuneration aims to clarify the link between Director remuneration and performance, and the Company's stock price, as well as raise awareness of Directors to contribute to improving medium- to long-term performance and increasing corporate value.

The performance indicator shall be ordinary profit for each fiscal year from the perspective of evaluating business results that also reflect changes in the financial environment.

For each fiscal year, Directors shall be awarded a number of points based on the Executive Stock Benefit Regulations, taking into consideration their position and level of performance, on the date of the Annual

General Meeting of Shareholders after discussion and consideration by the Nominating and Remuneration Committee. The Company's shares corresponding to the number of points granted shall be subject to transfer restrictions until the Director retires, and in principle are delivered at a certain time each year (however, a portion of the points awarded will be paid in cash equivalent to the market value of the Company's shares, and payment will be received, in principle, at the time of the Director's retirement).

In addition, where a Director who has been granted points is dismissed by a resolution adopted at a General Meeting of Shareholders, or resigns because of certain misconduct committed during the term of office, or commits an inappropriate act that may cause damage to the Company during the term of office, the Director shall be unable to obtain the right to receive benefits in whole or in part, and if any Company shares have already been paid, the Company may request a return of such shares in whole or in part.