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(Stock Exchange Code 2428)
September 8, 2017

To Shareholders with Voting Rights:

Kazuhiro Miyazawa
President and Representative Director
WELLNET CORPORATION
1-1-7 Uchisaiwai-cho, Chiyoda-ku,
Tokyo, Japan

**NOTICE OF
THE 35TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

You are cordially invited to attend the 35th Annual General Meeting of Shareholders of WELLNET CORPORATION (the "Company"). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 6:00 p.m. on Tuesday, September 26, 2017, Japan time.

- 1. Date and Time:** Wednesday, September 27, 2017 at 2:00 p.m. Japan time
* The Management Briefing Session will be held at 1:00 p.m. prior to the General Meeting of Shareholders.
- 2. Place:** Hall D5, Tokyo International Forum located at
3-5-1 Marunouchi, Chiyoda-ku, Tokyo, Japan
- 3. Meeting Agenda:**
 - Matter to be reported:** The Business Report and Financial Statements for the Company's 35th Fiscal Year (July 1, 2016 - June 30, 2017)
 - Proposals to be resolved:**
 - Proposal 1:** Appropriation of Surplus
 - Proposal 2:** Partial Amendments to the Articles of Incorporation
 - Proposal 3:** Election of Two (2) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
 - Proposal 4:** Election of Three (3) Directors Who Are Audit and Supervisory Committee Members
 - Proposal 5:** Election of One (1) Substitute Director Who Is an Audit and Supervisory Committee Member
 - Proposal 6:** Establishment of Remuneration, etc. for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
 - Proposal 7:** Establishment of Remuneration, etc. for Directors Who Are Audit and Supervisory Committee Members
 - Proposal 8:** Determination of Remuneration for Directors (Including Directors Who Are Audit and Supervisory Committee Members) for the Granting of Restricted Stock
- 4. Guidance for Exercising Voting Rights:**

Please refer to [Guidance for Exercising Voting Rights] on page 3.

Management Briefing Session

In response to shareholders' request, the Company will hold the Management Briefing Session for shareholders at 1:00 p.m. at the same venue as the General Meeting of Shareholders to explain its business activities and strategies. We would appreciate if you could also attend this session.

- Reception is scheduled to open at 12:30 p.m. on the day of the meeting.
- We have decided to discontinue distribution of gifts to shareholders who attend the Management Briefing Session and the General Meeting of Shareholders from the year before last. We would like to ask for your kind understanding.
- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
- Based on the provisions of the relevant laws and the Company's Articles of Incorporation, the accompanying documents noted below are posted on the Company's website (<http://www.well-net.jp/ir/event/meeting.html>) (Japanese only), and are therefore not included in the documents provided with this convocation notice.
 - Status of Stock Acquisition Rights
 - Internal Control System (System to Ensure Appropriateness of Operations)
 - Statement of Changes in Equity
 - Notes to Financial StatementsAccordingly, the documents provided here comprise a portion of the financial statements audited by the accounting auditor when preparing the accounting audit report and a portion of the business report and financial statements audited by the Corporate Auditor when preparing the audit report.
- If there are revisions to the Reference Documents for the General Meeting of Shareholders, Business Report or Financial Statements, the revised information will be announced and posted on the Company's website (<http://www.well-net.jp/>) (Japanese only).

[Guidance for Exercising Voting Rights]

1. Exercising Voting Rights via Postal Mail

Please indicate your vote for or against each proposal on the enclosed Voting Rights Exercise Form and return it so that it is received by 6:00 p.m. on Tuesday, September 26, 2017, Japan time.

2. Exercising Voting Rights via the Internet

(1) Instructions for exercising voting rights via the Internet

- 1) You may exercise your voting rights via the Internet only by accessing the following website designated by the Company through your PC, smartphone or mobile phone (i-mode, EZweb, Yahoo! Keitai service*). (Services are unavailable between 2:00 a.m. and 5:00 a.m. every day.)

[Website for exercising voting rights] <http://www.evote.jp/> (Japanese only)

* i-mode, EZweb, and Yahoo! are trademarks or registered trademarks of NTT DOCOMO, INC., KDDI CORPORATION, and Yahoo! Inc. (U.S.A.), respectively.

- 2) To exercise your voting rights via the Internet, please use the login ID and temporary password indicated on the enclosed Voting Rights Exercise Form, and enter your vote for each proposal according to the instructions on the screen. The deadline for exercising your voting rights is 6:00 p.m. on Tuesday, September 26, 2017, Japan time.
- 3) To prevent illegal access to the voting system by a person other than the shareholder (impersonation) as well as to avoid falsification of voting data, you will be asked to change your temporary password on the site for exercising voting rights.
- 4) The login ID and temporary password given are only effective for this General Meeting of Shareholders.

(2) About the website for exercising voting rights

- 1) You may not be able to exercise your voting rights through your PC or smartphone depending on the network environment for your Internet connection, for example, if the firewall is set for the Internet connection, if any anti-virus software is installed, if a proxy server is used, or if TLS encryption is not used.
- 2) When exercising your voting rights through your mobile phone, please use either i-mode, EZweb or Yahoo! Keitai service. Please note that, for security reasons, the voting system does not support a model without TLS encrypted communication or incapable of sending mobile phone data.
- 3) Exercise of voting rights via the Internet will be accepted until 6:00 p.m. on Tuesday, September 26, 2017. Please exercise your voting rights at your earliest convenience. If there are any questions, please contact the Help Desk.
- 4) The costs incurred for the access to the website for exercising voting rights (such as Internet connection charge and phone charge) shall be borne by the shareholder. Packet communication and other fees are charged for the usage of smartphone or mobile phone, which shall also be borne by the shareholder.

(3) Handling of voting rights exercised in duplicate

- 1) If you exercise your voting rights in duplicate via postal mail and via the Internet, your vote via the Internet will be treated as valid.
- 2) If you exercise your voting rights more than once via the Internet, or multiple times through PC, smartphone or mobile phone, your last vote will be treated as valid.

(4) Inquiries regarding exercise of voting rights via the Internet

If you have any questions regarding the exercise of voting rights via the Internet, please contact the Help Desk below.

Mitsubishi UFJ Trust and Banking Corporation, Stock Transfer Agency Division (Help Desk)

Tel: 0120-173-027 (Business hours: 9:00 a.m. to 9:00 p.m.; toll free) (within Japan only)

(Provided document)

Business Report

(From July 1, 2016 to June 30, 2017)

1. Current Status of the Company

(1) Status of business during the fiscal year ended June 30, 2017

1) Progress and results of business

During the fiscal year ended June 30, 2017, the markets on which the Company's business is grounded have entered a period of significant change with the progression of FinTech and the emergence of various new services such as the sharing business, in addition to the spread of smartphones. Under these circumstances, the Company announced the "New Medium Term Five-Year Management Plan (July 2016 - June 2021)" in August 2016 to actively and boldly take on new business opportunities, and has conducted activities to vigorously promote "Response to the age of electronic money," "Promotion of Bus IT Promotion Solution Project" and "Service support for consumers from the business operator side" as priority measures.

For the fiscal year ended June 30, 2017, the first year of the "New Medium Term Five-Year Management Plan (July 2016 - June 2021)," the Company reported net sales of ¥10,260 million (down 2.6% year-on-year), operating income of ¥1,099 million (down 46.5% year-on-year), ordinary income of ¥1,239 million (down 38.3% year-on-year) and net income of ¥869 million (down 35.6% year-on-year).

2) Status of capital investment

The total amount of capital investment conducted by the Company during the fiscal year ended June 30, 2017 was ¥656 million and the Company invested in mainly the software for information processing service, server equipment and its auxiliary equipment.

3) Status of fund procurement

There is no relevant information.

(2) Issues to be addressed

[New Medium Term Five-Year Management Plan] (July 2016 - June 2021)

The Company's main business domain is the non-face-to-face payment market and its peripheral market, and we have improved our performance by know-how and a track record accumulated in these markets. The non-face-to-face payment market is expected to continue achieving a certain level of growth in the future. During the period of the New Medium Term Five-Year Management Plan, rapid progression and practical application of FinTech is expected. Furthermore, we will pursue a growth strategy aimed at achieving the target of ¥5.0 billion in ordinary income in the final fiscal year by actively making investment to turn the major changes in environment such as the utilization and application of IoT into new business opportunities.

A. Released the WELLNET's "FinTech service," "*Shiharai-Hisho*" (August 2017)

We began the commercial service of "*Shiharai-Hisho*" on August 3, 2017 for our first client, The Kansai Electric Power Co., Inc. "*Shiharai-Hisho*" was conceptualized in 2011 for electronic money/cashless payment, which are expected to expand in the future, and its requirements have been defined and development has been pushed ahead since then.

The smartphone application "*Shiharai-Hisho*" is an electronic money service managed on servers with functions including the following:

- 1) Electronic money can be immediately charged from an affiliated bank (can be charged also from other receiving agencies).
- 2) The reminder function of the "*Hisho*" prevents one from "carelessly forgetting" payment, thereby improving the collection rate.
- 3) Costs will be reduced as a result of a shift from the issuance of invoices by mail to "*Hisho*."

To promote this service, we commenced proactive sales promotion activities, including working with The Kansai Electric Power Co., Inc., to appeal mainly to customers who pay by cash using the payment form. Going forward, we will make proposals to business operators who already have installed our

payment system (display this service as a new payment method on the “Payment Method Guidance Screen (provided by the Company),” which is used eight million times per month by consumers for payment purposes), spread and expand the service in cooperation with partner banks, and conduct aggressive promotion (especially aimed at consumers). Through these efforts, we will vigorously push forward the promotion of the app and expansion of the payment volume to foster this service into the one responsible for the next generation of WELLNET.

B. Actively promoting Bus IT Promotion Project

We will develop, introduce, popularize and expand “Bus Mori! SERIES,” which constitutes the core of Bus IT Promotion Solution. Regarding the smartphone application service “Bus Mori! CONCIERGE” introduced in August 2016, the number of downloads was more than 50,000 thanks to active sales promotion in cooperation with bus companies through initiatives such as sponsoring the FM radio program “BUSTALGIA,” bus wrap advertising, and distributing pamphlets and leaflets. The number of routes on which the application can be purchased is also steadily increasing.

“Bus Mori! CONCIERGE” is a convenient app that allows users to complete all the processes, including reservation, purchase, change and cancellation, simply with their smartphones at hand anytime and anywhere. Over the past year, this application was further enhanced. Specifically, the “Smartphone Commutation Ticket” that we started providing in March 2017 was adopted by JR BUS KANTO CO., LTD., JR Bus Tohoku Co., Ltd. and JR Hokkaido Bus and is being aggressively marketed at local bus companies throughout Japan.

As for the authentication method of electronic tickets, in addition to “Bus Mori! MONTA,” an in-vehicle tablet which is already in service, we plan to introduce “*Denshi Mogiri*” function in November 2017, which would allow users to complete authentication with their smartphones only. In order to achieve the final goal of making as many consumers as possible download and use the application, the Company will continuously and aggressively promote “Bus Mori! CONCIERGE,” which would allow consumers to “buy a highway bus ticket with your smartphone.”

C. Strengthening partnerships through open innovation

In an effort to capture the huge waves of “IoT” and “FinTech,” we will tackle business opportunities with precision by strengthening cooperation with universities, business entities, and companies with diverse knowledge and technologies. Regarding blockchain technology, we have conducted joint research with the National Institute of Informatics to contribute to the bus business and regional revitalization by utilizing IT through such initiatives as utilization of big data and yield management. We also completed preparations for establishing corporate venture capital so that we can flexibly cooperate with Hokkaido University and companies engaged in the development and establishment of the Company’s payment peripheral platform.

D. Stable system operation

We have improved the structure of our Sapporo Office based on the lessons learned from past failures. To be specific, with the support of NTT Advanced Technology Corporation, we unified the development styles of our Sapporo Office.

Regarding the structure of the Sapporo Office as well, we increased the number of Executive Officers to three and actively recruited employees.

On the infrastructure front, based on the judgment that the conventional method of infrastructure development cannot fully optimize rapidly changing traffic, we will consider cloud-based services that can flexibly handle scale-up and distributed processing in the next three years. Through this initiative, we will aim to achieve both stable operation and optimal cost performance.

E. Governance

The Company defines its *raison d’être* and action guidelines for employees in WELLNET Arete (Virtue) with a view to implementing effective governance. Although the product may change, we will penetrate the Company’s core action philosophy to employees.

(WELLNET Arete)

Contribute to society by continuously making “systems that would be handy to have.”

Proposing and spreading such “systems” to the whole world.

Distributing the income gained from this to employees, shareholders and our next investment.

(WELLNET Employee Arete)

I will avoid the pitfalls of stereotypes and think freely.

I will first think on my own, and then propose the best solution for all.
I will promote open discussions while “the one who should decide” will decide and the organization will put it into action.
I will always clearly define “who” will do “what” by “when.”
I will repeatedly validate the execution result and improve thereon.
I will make honest, accurate and quick reports.
I will conduct business after documenting services to be provided and compensation to be received.
I will hold rectitude as my motto and accept neither entertainment nor gifts.

F. Enhancement of activities contributing to local communities/employee benefits

We established the ¥100 million WELLNET Scholarship for a lot of financially struggling students attending a technical college in Hokkaido. We have been encouraged by the many letters of gratitude we received from such students, enabling us to build wonderful relations with them. We further increased the fund for scholarship by ¥60 million in the fiscal year ended June 30, 2017, and will continuously contribute to local communities.

In addition, as part of our effort to enhance employee benefits, we opened “WELLNET Morino Childcare Center,” an in-office childcare center within the Sapporo Office, in April 2017. This facility provides employees working in the Sapporo Office an environment where they can work with peace of mind and is expected to also lead to the acquisition of excellent human resources.

G. Changes in Management Structure

Guided by the management policy of actively and boldly taking on challenges of significantly expanding business opportunities, the Company decided to make a transition to a “company with audit and supervisory committee” subject to approval at the General Shareholders’ Meeting to be held in September 2017, out of a need to enhance transparency of the decision-making process and with an awareness of the corporate governance code.

The majority of the members of the Board of Directors are Outside Directors, with two Internal Directors and three Outside Directors. In addition, in order to show the Company’s stance of actively promoting female employees internally and externally, the Company has appointed one female Internal Director. Meanwhile, we also increased the number of Executive Officers to enhance our structure for achieving the target.

H. Revenue Forecast and Return to Shareholders (Four Years from July 2017) (July 2017 - June 2021)

We will shift to a proactive management policy for creating a higher level of corporate value. In addition to the close relationship with the business operators providing services and products, we will launch several smartphone applications that directly engage payers, or consumers. Investment for changing the line of business in promotional activities aimed at recognition and spreading of such services, acquisition and training of human resources, and improvement of system performance, among other things, will amount to a significant amount. We will also swiftly decide in a timely manner and make bold investments to maximize the investment effect. Furthermore, we will aggressively engage in M&As if they are judged to contribute to the growth of the income of the Company.

Meanwhile, we will proceed with visualization of the revenue structure, which tends to become ambiguous with an increase in services handled and business operators and due to other factors.

As stated above, the Company has decided on the management policy of aggressively taking risks, including making large and swift investment in the field related to “FinTech service” in the face of large business opportunities currently available. As such, we will not disclose the initial financial forecast for the fiscal year ending June 2018.

Meanwhile, we will set the dividend payout ratio at 50% or more over the next four years from this fiscal year and pay a dividend of ¥50 even when dividend per share is less than ¥50, as consideration for shareholders and in order to encourage shareholders to make long-term investment with peace of mind. This amount is 35% higher than the ¥37 dividend* for the fiscal year ended June 30, 2016 (excluding special dividend), the final year of the previous Medium Term Three-Year Management Plan.

*The Company carried out a 2-for-1 share split on July 1, 2016.

In addition, we will do our best to give an accurate and in-depth explanation of the issues to be addressed and the progress to shareholders and institutional investors who make long-term investment.

Going forward, we will seek to become a company that is loved by our customers, employees and shareholders with high expectations as we work to improve our corporate value. We hope that you look forward to the challenges we take on in the future.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Appropriation of Surplus

In the “New Medium-Term Five-Year Management Plan (July 2016 – June 2021) announced in August 2016, the Company upholds a management policy of proactively taking risks in order to create a higher level of corporate value. Nevertheless, in consideration of our shareholders and to encourage shareholders to make long-term investments with a peace of mind, the Company plans to maintain the dividend payout ratio of 50% or more during the period of the “New Medium-Term Five-Year Management Plan” and will pay a dividend of ¥50 even when dividend per share is less than ¥50.

Regarding the dividend for the fiscal year ended June 30, 2017, the initial year of the New Medium-Term Management Plan, the ordinary dividend was set at ¥50 per share.

This amount is 35% higher than the ¥37 dividend* for the fiscal year ended June 30, 2016 (excluding special dividend), the final year of the previous Medium Term Three-Year Management Plan.

*The Company carried out a two-for-one share split on July 1, 2016.

Matters regarding year-end dividend

- (1) Type of dividend property
Cash
- (2) Matters regarding allocation of dividend property and the total amount
Ordinary dividend of ¥50 per share of common shares of the Company
The total amount of dividend will be ¥944,742,100.
- (3) Effective date for dividends from surplus
September 28, 2017

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

- (1) The Company will make a transition to a company with audit and supervisory committee, with the aim of further enhancing its corporate governance. In association with such change, the Company will establish the provisions concerning the Audit and Supervisory Committee and Audit and Supervisory Committee Members, and remove the provisions relating to Corporate Auditors and the Board of Corporate Auditors necessary for making a transition to a company with audit and supervisory committee.
- (2) To plan capital policies and dividend policies by speeding up decision-making, the Company will newly establish Article 38 (Decision-Making Body with Respect to Distribution of Surplus, etc.) in our Articles of Incorporation as provided in the proposed amendment, to enable matters including the distribution of surplus, etc. of the Company to be determined by the Board of Directors pursuant to the provisions of Article 459, Paragraph 1 of the Companies Act.
- (3) Changes will be made to the numbering of Articles in line with the establishment and revocation of provisions.

The amendments to the Articles of Incorporation in this proposal will take effect at the conclusion of this General Meeting.

2. Description of the amendment

Description of amendment is as follows:

(Amended parts are underlined.)

Current	Proposed amendment
CHAPTER I. GENERAL PROVISIONS	CHAPTER I. GENERAL PROVISIONS
Articles 1 to 3 (Omitted) (Bodies)	Articles 1 to 3 (Unchanged) (Bodies)
Article 4 The Company shall have the following bodies in addition to the General Meeting of Shareholders and Directors: 1. Board of Directors; 2. <u>Corporate Auditors</u> ; 3. <u>Board of Corporate Auditors</u> ; and 4. Accounting Auditors	Article 4 The Company shall have the following bodies in addition to the General Meeting of Shareholders and Directors: 1. Board of Directors; 2. <u>Audit and Supervisory Committee</u> ; and (Deleted) 3. Accounting Auditors
Articles 5 to 18 (Omitted)	Articles 5 to 18 (Unchanged)
CHAPTER IV. DIRECTORS AND THE BOARD OF DIRECTORS	CHAPTER IV. DIRECTORS AND THE BOARD OF DIRECTORS
(Number of Directors)	(Number of Directors)
Article 19 The number of <u>Directors</u> of the Company shall not exceed ten (10). (New)	Article 19 The number of Directors of the Company (<u>excluding Directors who are Audit and Supervisory Committee Members</u>) shall not exceed ten (10). 2) <u>The number of Directors of the Company who are Audit and Supervisory Committee Members shall not exceed four (4).</u>
(Election of Directors)	(Election of Directors)
Article 20 Directors shall be elected by resolution of the General Meeting of Shareholders.	Article 20 Directors shall be <u>classified as Directors who are Audit and Supervisory Committee Members and other Directors, and</u> elected by resolution of the General Meeting of Shareholders.
2) (Omitted)	2) (Unchanged)
3) (Omitted)	3) (Unchanged)

Current	Proposed amendment
<p>(Term of Office of Directors)</p> <p>Article 21 The term of office of a Director shall expire upon the conclusion of the Annual General Meeting of Shareholders held with respect to the last business year ending within <u>two (2) years</u> from his/her election to office.</p> <p>2) <u>The term of office of a Director who is elected to increase the number of Directors or to fill a vacancy shall expire upon the expiration of the term of office of the other incumbent Directors.</u></p> <p>(New)</p> <p>(New)</p>	<p>(Term of Office of Directors)</p> <p>Article 21 The term of office of a Director <u>(excluding a Director who is an Audit and Supervisory Committee Member)</u> shall expire upon the conclusion of the Annual General Meeting of Shareholders held with respect to the last business year ending within <u>one (1) year</u> from his/her election to office.</p> <p>2) <u>The term of office of a Director who is an Audit and Supervisory Committee Member shall expire upon the conclusion of the Annual General Meeting of Shareholders held with respect to the last business year ending within two (2) years from his/her election to office.</u></p> <p>3) <u>The term of office of a Director who is an Audit and Supervisory Committee Member elected to fill a vacancy caused by the retirement of a Director who was an Audit and Supervisory Committee Member prior to the expiration of his/her term of office shall be the same as the remaining term of office of the retired Director who was an Audit and Supervisory Committee Member.</u></p> <p>4) <u>The effective period of a resolution for the election of a Director who is an Audit and Supervisory Committee Member elected to fill a vacancy in the position of Director who is an Audit and Supervisory Committee Member shall be until the commencement of the Annual General Meeting of Shareholders with respect to the last business year ending within two (2) years from the date of adoption of such resolution.</u></p>

Current	Proposed amendment
<p>(Representative Director and Executive Directors) Article 22 The Company shall elect Representative Director by resolution of the Board of Directors.</p> <p>2) (Omitted)</p> <p>3) The Board of Directors may appoint by its resolution one (1) President and Director and, as necessary, one (1) Chairman of the Board of Directors, and several Vice Presidents and Directors, Senior Managing Directors and Managing Directors.</p>	<p>(Representative Director and Executive Directors) Article 22 The Company shall elect <u>by resolution of the Board of Directors</u> Representative Director <u>from among the Directors (excluding Directors who are Audit and Supervisory Committee Members)</u>.</p> <p>2) (Unchanged)</p> <p>3) The Board of Directors may appoint by its resolution <u>from among the Directors (excluding Directors who are Audit and Supervisory Committee Members)</u> one (1) President and Director and, as necessary, one (1) Chairman of the Board of Directors, and several Vice Presidents and Directors, Senior Managing Directors and Managing Directors.</p>
<p>Article 23 (Omitted) (Notice of Convocation of Board of Directors' Meetings)</p>	<p>Article 23 (Unchanged) (Notice of Convocation of Board of Directors' Meetings)</p>
<p>Article 24 Notice of convocation of the Board of Directors' meetings shall be sent to each Director <u>and Corporate Auditor</u> at least three (3) days prior to the meeting; provided, however, that in the event of urgency, such period may be shortened.</p>	<p>Article 24 Notice of convocation of the Board of Directors' meetings shall be sent to each Director at least three (3) days prior to the meeting; provided, however, that in the event of urgency, such period may be shortened.</p>
<p>(New)</p>	<p><u>(Delegation of Decisions for the Execution of Important Business Operations)</u> Article 25 In accordance with the provisions of Article 399-13, Paragraph 6 of the Companies Act, the Company may by resolution of the Board of Directors delegate to Directors the whole or part of decisions for the execution of important business operations (excluding the matters specified in each item of Article 399-13, Paragraph 5).</p>
<p>(Method of Adopting Resolutions of the Board of Directors) Article <u>25</u> (Omitted)</p>	<p>(Method of Adopting Resolutions of the Board of Directors) Article <u>26</u> (Unchanged)</p>

Current	Proposed amendment
(Omission of Procedure for Adopting Resolutions of the Board of Directors)	(Omission of Procedure for Adopting Resolutions of the Board of Directors)
<p>Article <u>26</u> When all the Directors have agreed in writing or by electromagnetic record to the adoption of a matter for resolution by the Board of Directors, the Company shall deem that the matter for resolution by the Board of Directors has been adopted; <u>provided, however, that this shall not apply when an objection is raised by a Corporate Auditor.</u></p>	<p>Article <u>27</u> When all the Directors have agreed in writing or by electromagnetic record to the adoption of a matter for resolution by the Board of Directors, the Company shall deem that the matter for resolution by the Board of Directors has been adopted.</p>
<p>Article <u>27</u> (Omitted) (Compensation, etc. of Directors)</p>	<p>Article <u>28</u> (Unchanged) (Compensation, etc. of Directors)</p>
<p>Article <u>28</u> The amount of compensation, etc. to be granted to Directors shall be determined by resolution of the General Meeting of Shareholders.</p>	<p>Article <u>29</u> The amount of compensation, etc. to be granted to Directors shall be determined by resolution of the General Meeting of Shareholders <u>after classification of the Directors as Directors who are Audit and Supervisory Committee Members and other Directors.</u></p>
<p>Article <u>29</u> (Omitted)</p>	<p>Article 30 (Unchanged)</p>
<p><u>CHAPTER V. CORPORATE AUDITORS AND THE BOARD OF CORPORATE AUDITORS</u></p>	<p><u>CHAPTER V. AUDIT AND SUPERVISORY COMMITTEE</u></p>
<p>(New)</p>	<p><u>(Full-Time Audit and Supervisory Committee Members)</u></p>
<p>(New)</p>	<p>Article 31 <u>The Audit and Supervisory Committee may elect Full-Time Audit and Supervisory Committee Members from among the Audit and Supervisory Committee Members.</u></p>
<p>(New)</p>	<p><u>(Notice of Convocation of the Meeting of the Audit and Supervisory Committee)</u></p>
<p>(New)</p>	<p>Article 32 <u>Notice of convocation of a meeting of the Audit and Supervisory Committee shall be sent to each Audit and Supervisory Committee Member at least three (3) days prior to the meeting; provided, however, that in the event of urgency, such period may be shortened.</u></p>
<p>(New)</p>	<p><u>(Method of Adopting Resolutions of the Audit and Supervisory Committee)</u></p>
<p>(New)</p>	<p>Article 33 <u>Resolutions of the Audit and Supervisory Committee shall be adopted by the majority of the Audit and Supervisory Committee Members at a meeting of the Committee at which the majority of the Audit and Supervisory Committee Members entitled to participate in the voting are present.</u></p>
<p>(New)</p>	<p><u>(Audit and Supervisory Committee Regulations)</u></p> <p>Article 34 <u>Matters concerning the Audit and Supervisory Committee shall be</u></p>

(Number of Corporate Auditors)

Article 30 The number of Corporate Auditors of the Company shall not exceed four (4).

(Deleted)

(Election of Corporate Auditors)

Article 31 Corporate Auditors shall be elected by resolution of the General Meeting of Shareholders.

(Deleted)

2) Resolutions for the election of Corporate Auditors shall be adopted by a majority of the attending shareholders who hold one-third (1/3) or more of the voting rights of shareholders entitled to exercise voting rights.

3) In accordance with the provisions of Article 329, Paragraph 3 of the Companies Act, the Company may elect at a General Meeting of Shareholders a Substitute Corporate Auditor in preparation of the case where the number of Corporate Auditors lacks the number prescribed by laws and regulations.

4) The period during which a resolution pertaining to the election of a Substitute Corporate Auditor under the preceding Paragraph remains in effect shall be until the commencement of the Annual General Meeting of Shareholders held with respect to the last business year ending within four (4) years from the date of such resolution.

(Term of Office of Corporate Auditors)

Article 32 The term of office of a Corporate Auditor shall expire upon the conclusion of the Annual General Meeting of Shareholders held with respect to the last business year ending within four (4) years from his/her election to office.

(Deleted)

governed by, in addition to laws and regulations or the provisions of Articles of Incorporation, the Audit and Supervisory Committee Regulations established by the Audit and Supervisory Committee.

Current	Proposed amendment
<p>2) <u>The term of office of a Corporate Auditor elected to fill a vacancy caused by the retirement of a Corporate Auditor prior to the expiration of his/her term of office shall be the same as the remaining term of office of the retired Corporate Auditor; provided, however, that in the event that a Substitute Corporate Auditor elected pursuant to the preceding Article, Paragraph 3 has assumed his/her office, his/her term of office as a Substitute Corporate Auditor may not extend beyond the conclusion of the Annual General Meeting of Shareholders held with respect to the last business year ending within four (4) years from his/her election.</u></p>	
<p><u>(Full-Time Corporate Auditors)</u> <u>Article 33 The Board of Corporate Auditors shall elect by resolution Full-Time Corporate Auditors from among the Corporate Auditors.</u></p>	(Deleted)
<p><u>(Notice of Convocation of the Board of Corporate Auditors)</u> <u>Article 34 Notice of convocation of the Board of Corporate Auditors' meetings shall be sent to each Corporate Auditor at least three (3) days prior to the meeting; provided, however, that in the event of urgency, such period may be shortened.</u></p>	(Deleted)
<p><u>(Method of Adopting Resolutions of the Board of Corporate Auditors)</u> <u>Article 35 Except as otherwise provided by laws and regulations, resolutions of the Board of Corporate Auditors shall be adopted by a majority of the Corporate Auditors.</u></p>	(Deleted)
<p><u>(Board of Corporate Auditors Regulations)</u> <u>Article 36 Matters concerning the Board of Corporate Auditors shall be governed by, in addition to laws and regulations or the provisions of Articles of Incorporation, the Board of Corporate Auditors Regulations established by the Board of Corporate Auditors.</u></p>	(Deleted)
<p><u>(Compensation, etc. of Corporate Auditors)</u> <u>Article 37 The amount of compensation, etc. to be granted to Corporate Auditors shall be determined by resolution of the General Meeting of Shareholders.</u></p>	(Deleted)

Current	Proposed amendment
<u>(Exemption of Corporate Auditors)</u>	
<p>Article 38 <u>The Company may by resolution of the Board of Directors, in cases falling under the conditions prescribed by laws and regulations, exempt Corporate Auditors (including former Corporate Auditors) from their liability for damages pursuant to the provisions of Article 423, Paragraph 1 of the Companies Act, limited to the amount obtained by subtracting the minimum liability amount specified by laws and regulations from the amount for which the Corporate Auditors are liable.</u></p>	(Deleted)
<p>2) <u>The Company may enter into an agreement with a Corporate Auditor to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act, for cases falling under the requirements stipulated by laws and regulations; provided, however, that the limit of liability for damages under the agreement shall be the amount stipulated by laws and regulations.</u></p>	(Deleted)
Articles <u>39</u> to <u>41</u> (Omitted)	Articles <u>35</u> to <u>37</u> (Unchanged)
(New)	<u>(Decision-Making Body with respect to Distribution of Surplus, etc.)</u>
	<p>Article 38 <u>Except as otherwise provided by laws and regulations, the matters specified in each item of Article 459, Paragraph 1 of the Companies Act, including distribution of surplus, etc. of the Company, may be determined by resolution of the Board of Directors.</u></p>
Article <u>42</u> (Omitted)	Article <u>39</u> (Unchanged)

Proposal 3: Election of Two (2) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

If Proposal 2, “Partial Amendments to the Articles of Incorporation,” is approved as originally proposed, the Company will make a transition to a company with audit and supervisory committee and the terms of office of all five (5) Directors will expire as the amendments to the Articles of Incorporation take effect. Accordingly, the Company proposes to elect two (2) Directors (excluding Directors who are Audit and Supervisory Committee Members).

The resolution of this proposal shall become effective subject to Proposal 2, “Partial Amendments to the Articles of Incorporation” taking effect.

The candidates for Directors (excluding Directors who are Audit and Supervisory Committee Members) are as follows:

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions		
1	Kazuhiro Miyazawa (February 24, 1960)	March 1983	Joined TOYO KEIKI CO., LTD.	Number of shares of the Company held 468,700
	Reappointed	March 1996 September 1996 September 2009	Joined ICHITAKA TAKAHASHI CO., LTD. Director, General Manager of Sales Division of the Company President and Representative Director of the Company (to present)	
	[Reason for nomination as a candidate for Director] Mr. Kazuhiro Miyazawa served as Director, General Manager of Sales Division of the Company since September 1996 and has designed, promoted and expanded the Company’s present core business scheme. In addition, after his appointment as President and Representative Director in September 2009, he has been striving for the expansion of the Company’s business by making appropriate management decisions. The Company has appointed Mr. Miyazawa as a candidate for Director as he is also leading the New Medium Term Five-Year Management Plan, which is currently in progress, with his strong leadership.			
2	Shizuyo Takahashi (February 24, 1962)	April 1985	Joined Chase Manhattan Bank, Tokyo Branch	Number of shares of the Company held -
	Newly appointed	December 1990 October 1994 January 2004 January 2016 July 2017	Joined Chuo Coopers & Lybrand Consulting Co., Ltd. Joined Future System Consulting Corp. (currently Future Architect, Inc.) Executive Officer of Future System Consulting Corp. Joined Business Brain Showa-Ota Inc. Joined the Company, Acting General Manager of Administrative Division (to present)	
	[Reason for nomination as a candidate for Director] Ms. Shizuyo Takahashi has countless achievements in solving the issues of various companies in accounting firms and IT consulting firms by utilizing her consulting skills as well as through the development and establishment of specific IT solutions. She has extensive experience in budgeting, organizational administration and management from having served as Project Manager, Business Unit General Manager, and she has assumed the position of Executive Officer of a company listed in the First Section of the Tokyo Stock Exchange. Furthermore, as General Manager overseeing human resources, she is experienced in promoting reforms in the human resources system as well as advancing measures to reinforce human resources including hiring, training and performance evaluations. The Company has appointed Ms. Takahashi as a candidate for Director as she is expected to be capable of contributing to the adoption of management accounting, the automation of in-house business processes and development of these relational database, and the reinforcement of human resources through reforms of the personnel system, which are indispensable to the growth of the Company going forward.			

(Notes)

1. There are no special interests between candidates for Directors and the Company.
2. “Number of shares of the Company held” refers to the number of shares held as of June 30, 2017.

Proposal 4: Election of Three (3) Directors Who Are Audit and Supervisory Committee Members

If Proposal 2, “Partial Amendments to the Articles of Incorporation,” is approved as originally proposed, the Company will make a transition to a company with audit and supervisory committee. Accordingly, the Company proposes to elect three (3) Directors who are Audit and Supervisory Committee Members.

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

The resolution of this proposal shall become effective subject to Proposal 2, “Partial Amendments to the Articles of Incorporation” taking effect.

The candidates for Directors who are Audit and Supervisory Committee Members are as follows:

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions		
1	Hitoshi Ando (November 1, 1956) Newly appointed	April 1980 April 2005 March 2006 October 2007 December 2007 June 2016 September 2017	Joined Japan Development Bank (currently Development Bank of Japan Inc.) Jointed Technology Alliance Investment, Ltd. Managing Executive Officer (in charge of administration) of Technology Alliance Investment, Ltd. Joined Oshima Shipbuilding Co., Ltd., General Manager of Finance and Accounting Division Director, General Manager of Finance and Accounting Division of Oshima Shipbuilding Co., Ltd. Joined Kyowa Co., Ltd., Full-Time Auditor Scheduled to resign as Kyowa Co., Ltd., Full-Time Auditor [Significant concurrent positions] Part-Time Corporate Auditor of General Development Organization Co., Ltd.	Number of shares of the Company held -
<p>[Reason for nomination as a candidate for Outside Director] Mr. Hitoshi Ando has many years of experience in finance at a financial institution as well as achievements in strengthening administration through his experience in operations management and risk management. He also has experience in management of general affairs, finance and accounting and has served as Officer in charge and Director at business corporations. Currently he serves as Full-Time Auditor. In light of his extensive experience and insight, the Company has appointed Mr. Ando as a candidate for Outside Director (Full-Time Audit and Supervisory Committee Member) as he is expected to be capable of making fair and highly transparent management decisions under the system of an audit and supervisory committee to which the Company will make a transition on this occasion.</p>				

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	
2	Motohiro Sato (February 21, 1947) Newly appointed	October 1974 July 1978 May 1997 September 2005 September 2008 June 2011 September 2016	Passed the secondary examination of certified public accountants Joined Chiyoda Audit Corporation Passed the tertiary examination of certified public accountants Council of Chuo Audit Corporation Acting Chairman of ChuoAoyama Audit Corporation Managing Director of Ernst & Young ShinNihon LLC Retired from Ernst & Young ShinNihon LLC Established Certified Public Accountant Motohiro Sato Office Chief of Certified Public Accountant Motohiro Sato Office (to present) Outside Corporate Auditor of the Company (to present) [Significant concurrent positions] Outside Corporate Auditor of MAEDA CORPORATION Outside Corporate Auditor of FUJIYA CO., LTD. Chief of Certified Public Accountant Motohiro Sato Office
<p>[Reason for nomination as a candidate for Outside Director] Mr. Motohiro Sato has expertise and a wealth of experience as a certified public accountant. He has experience in managerial positions at multiple auditing firms, has abundant experience as an outside corporate auditor of other companies and is familiar with corporate accounting and auditing practices. Although Mr. Sato has no experience of involvement in corporate management in any form other than serving as an outside officer, he has knowledge grounded in firsthand experience of many of the issues that arise at companies, and his guidance based on that experience is extremely useful in strengthening and maintaining governance at the Company. Since his appointment as Outside Corporate Auditor of the Company in September 2016, he has contributed significantly to the supervision and auditing of the Company's management through his proactive and appropriate comments at the Board of Directors' meetings. The Company has appointed Mr. Sato as a candidate for Outside Director (Audit and Supervisory Committee Member) as he is expected to be capable of leveraging his experiences and achievements and making fair and highly transparent management decisions under the system of an audit and supervisory committee to which the Company will make a transition on this occasion.</p>			
3	Takashi Hanazawa (May 9, 1951)	April 1976 June 2007 September 2007 June 2010 June 2015 June 2016	Joined Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation) Director, General Manager of Research Planning Department of Nippon Telegraph and Telephone Public Corporation Executive Vice President and Representative Director of NTT Advanced Technology Corporation President & CEO of NTT Advanced Technology Corporation Director and Senior Advisor of NTT Advanced Technology Corporation Retired from Director and Senior Advisor of NTT Advanced Technology Corporation [Significant concurrent positions] Outside Director of HONDA TSUSHIN KOGYO CO., LTD.
<p>[Reason for nomination as a candidate for Outside Director] Mr. Takashi Hanazawa has for many years been involved in research and development primarily in the network technology field at Nippon Telegraph and Telephone Corporation. Having served in managerial positions including General Manager of Research Planning Department of Nippon Telegraph and Telephone Corporation and President & CEO of NTT Advanced Technology Corporation, he is also equipped with the insight and the abundant experience of a corporate manager. In addition, since his appointment as Advisor of the Company in 2016, he has given appropriate instruction and ample advice on the management of the Sapporo Office and technology management from the perspective of a corporate manager who is well-versed in systems. The Company has appointed Mr. Hanazawa as a candidate for Outside Director (Audit and Supervisory Committee Member) as he is expected to be capable of leveraging his experiences and achievements towards enhancing the development and operation of the Company's systems, and making fair and highly transparent management decisions under the system of an audit and supervisory committee to which the Company will make a transition on this occasion.</p>			

(Notes)

1. There are no special interests between each candidate and the Company.
2. Messrs. Hitoshi Ando, Motohiro Sato and Takashi Hanazawa are candidates for Outside Directors.
3. Subject to their election and assumption of office as Outside Directors, based on provisions of its Articles of Incorporation, the Company intends to enter into a limited liability agreement with Messrs. Hitoshi Ando, Motohiro Sato and Takashi Hanazawa to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the same Act; provided, however, that the limit of liability for damages under the agreement shall be the amount stipulated by laws and regulations.
4. The Company has registered Mr. Motohiro Sato as an independent officer in accordance with the regulations of the Tokyo Stock Exchange. The Company intends to continue registering him as an independent officer subject to the approval of his reappointment. Both Messrs. Hitoshi Ando and Takashi Hanazawa meet the requirements of an independent officer in accordance with the regulations of the Tokyo Stock Exchange, and, subject to the approval of their election, the Company intends to register them as independent officers with the Tokyo Stock Exchange.

Proposal 5: Election of One (1) Substitute Director Who Is an Audit and Supervisory Committee Member

If Proposal 2, “Partial Amendments to the Articles of Incorporation,” is approved as originally proposed, the Company will make a transition to a company with audit and supervisory committee. Accordingly, in order to prepare for the case where the number of Directors who are Audit and Supervisory Committee Members falls below the number specified by laws and regulations, the Company proposes to elect one (1) Substitute Director who is an Audit and Supervisory Committee Member in advance, as a substitute for all Directors who are Audit and Supervisory Committee Members.

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

The resolution of this proposal shall become effective subject to Proposal 2, “Partial Amendments to the Articles of Incorporation” taking effect.

The candidate for Substitute Director who is an Audit and Supervisory Committee Member is as follows:

Name (Date of birth)	Past experience, positions and significant concurrent positions	
Tsuyoshi Yamamoto (December 16, 1953) Newly appointed	April 1978 Joined Fujitsu Limited April 1982 Instructor of School of Engineering, Hokkaido University June 1986 Doctor of Engineering from Hokkaido University December 1986 Assistant Professor of Hokkaido University July 1989 Assistant Professor of High Performance Computing Center, Hokkaido University April 1996 Professor of High Performance Computing Center, Hokkaido University April 1999 Professor of Faculty of Engineering, Hokkaido University April 2004 Professor of Graduate School of Information Science and Technology, Hokkaido University April 2017 Specially Appointed Professor and Emeritus Professor of Graduate School of Information Science and Technology, Hokkaido University [Significant concurrent positions] Representative Director of Specified Nonprofit Organization Hokkaido Culture Night Representative Director of Specified Nonprofit Organization SAPPORO IT FRONT	Number of shares of the Company held 10,000
	[Reason for nomination as a candidate for Substitute Outside Director] Although Mr. Tsuyoshi Yamamoto has no experience of direct involvement in corporate management, he has extensive experience and broad insight regarding information technology, which is the base of the Company’s business. The Company has appointed Mr. Yamamoto as a candidate for Substitute Outside Director as it is believed that his experience and insight will be reflected in the Company’s audits. In addition, Mr. Yamamoto is involved in joint research with the Company in the commercialization of platforms that utilize blockchain technology.	

(Notes)

1. There are no special interests between the candidate and the Company.
2. Mr. Tsuyoshi Yamamoto is a candidate for Substitute Director who is an Audit and Supervisory Committee Member.
3. Subject to his election and assumption of office as Substitute Director who is an Audit and Supervisory Committee Member, based on provisions of its Articles of Incorporation, the Company intends to enter into a limited liability agreement with Mr. Tsuyoshi Yamamoto to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the same Act; provided, however, that the limit of liability for damages under the agreement shall be the amount stipulated by laws and regulations.

Proposal 6: Establishment of Remuneration, etc. for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

If Proposal 2, “Partial Amendments to the Articles of Incorporation,” is approved as originally proposed, the Company will make a transition to a company with audit and supervisory committee.

Accordingly, pursuant to Article 361, Paragraphs 1 and 2 of the Companies Act, the Company proposes that, in lieu of the current limit on remunerations for Directors, the amount of remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) be set at not more than ¥200,000 thousand per year. This is the same amount as the limit on remunerations for Directors approved at the 26th Annual General Meeting of Shareholders held on September 27, 2008. In addition, we propose that, as in the past, the amount of remuneration, etc., for Directors (excluding Directors who are Audit and Supervisory Committee Members) shall not include the employee portion of compensation for Directors who also hold employee posts.

The current number of Directors is five (5). However, if Proposal 2, “Partial Amendments to the Articles of Incorporation,” and Proposal 3, “Election of Two (2) Directors (excluding Directors who are Audit and Supervisory Committee Members),” are approved as originally proposed, the number of Directors (excluding Directors who are Audit and Supervisory Committee members) will be two (2).

The resolution of this proposal shall become effective subject to Proposal 2, “Partial Amendments to the Articles of Incorporation” taking effect.

Proposal 7: Establishment of Remuneration, etc. for Directors Who Are Audit and Supervisory Committee Members

If Proposal 2, “Partial Amendments to the Articles of Incorporation,” is approved as originally proposed, the Company will make a transition to a company with audit and supervisory committee.

Accordingly, pursuant to Article 361, Paragraphs 1 and 2 of the Companies Act, the Company proposes that the amount of remuneration for Directors who are Audit and Supervisory Committee Members be set at not more than ¥50,000 thousand per year.

If Proposal 2, “Partial Amendments to the Articles of Incorporation” and Proposal 4, “Election of Three (3) Directors Who Are Audit and Supervisory Committee Members,” take effect, the number of Directors who are Audit and Supervisory Committee Members shall become three (3).

The resolution of this proposal shall become effective subject to Proposal 2, “Partial Amendments to the Articles of Incorporation” taking effect.

Proposal 8: Determination of Remuneration for Directors (Including Directors Who Are Audit and Supervisory Committee Members) for the Granting of Restricted Stock

In conjunction with the Company's transition to a company with audit and supervisory committee, the Company has proposed to establish remuneration limits, as per Proposal 6 "Establishment of Remuneration for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)" and Proposal 7 "Establishment of Remuneration for Directors Who Are Audit and Supervisory Committee Members." Furthermore, the Company proposes to newly pay remunerations to Directors who are not Audit and Supervisory Committee Members and Directors who are Audit and Supervisory Committee Members for the issuance of restricted stock. This payment will be the compensation in the amount of not more than ¥30,000 thousand per year, and set separately from the above remuneration limit, for the purpose of providing an incentive to the Directors to contribute to the sustained enhancement of the Company's corporate value and promoting further sharing of the values between the Directors and shareholders.

This compensation limit for issuance of restricted stock is the same as the limit on the amount of stock option compensation approved at the 29th Annual General Meeting of Shareholders held on September 23, 2011, and we shall stop issuing stock-based compensation stock options for Directors.

Based on this proposal, the Company shall pay the Directors of the Company (including Directors who are Audit and Supervisory Committee Members; hereinafter collectively referred to as "Eligible Directors") monetary receivables for the granting of restricted stock. The total amount of monetary compensation receivables shall be not more than ¥30,000 thousand per year, of which not more than a total of ¥20,000 thousand per year will be paid to Directors who are not Audit and Supervisory Committee Members (however, excluding the employee salary portion for Directors who serve concurrently as employees), and not more than a total of ¥10,000 thousand per year will be paid to Directors who are Audit and Supervisory Committee Members, which are amounts considered reasonable in light of the above purpose. In addition, the specific timing and allocation of payment to the Eligible Directors shall be determined by the Board of Directors in terms of Directors who are not Audit and Supervisory Committee Members and by the Audit and Supervisory Committee in terms of Directors who are Audit and Supervisory Committee Members.

In addition, the Eligible Directors, who have been paid this restricted stock compensation, shall contribute the monetary compensation receivables relating to this monetary compensation (however, excluding amounts less than the paid-in amounts for shares in the number of shares constituting one unit) as contributed properties in kind for the acquisition of the Company's common shares, and receive the Company's common shares that have been issued or disposed of. The total number of the Company's common shares to be issued or disposed of shall be not more than 30,000 shares per fiscal year. The amount to be paid-in per share shall be an amount that is not particularly advantageous to the Eligible Directors who underwrite the said common shares which has been determined by the Board of Directors in terms of Directors who are not Audit and Supervisory Committee Members and by the Audit and Supervisory Committee in terms of Directors who are Audit and Supervisory Committee Members; based on the closing price of the common shares of the Company in the First Section of the Tokyo Stock Exchange on the business day immediately preceding the date of each resolution by the Board of Directors or the Audit and Supervisory Committee (or the closing price on the transaction day immediately prior thereto if no transaction is made on such business day).

Furthermore, the issuance or disposal of the common shares of the Company shall be conditional upon the conclusion of a Restricted Stock Allotment Agreement between the Company and the Eligible Directors which will basically contain the contents below.

- (1) The Eligible Director, as a general rule, must not transfer to a third party, establish the right of pledge or security by way of assignment, bequeath before death, bequest or otherwise dispose of the Company's restricted stock for one (1) year (a period which has been determined by the Company's Board of Directors; the "Transfer Restriction Period").
- (2) If the Eligible Director loses any of the positions of Director, Executive Officer or employee of the Company or a subsidiary of the Company prior to the expiry of the Transfer Restriction Period, with the exception of cases in which there are grounds deemed valid by the Board of Directors, the Company shall, as a matter of course, acquire the Restricted Stock allotted to the Director (the "Allotted Shares") without consideration.

Furthermore, if at the expiry of the Transfer Restriction Period, Allotted Shares remain for which the transfer restriction had not been cancelled, based on the grounds for cancellation of transfer restrictions set forth in (3) below, the Company shall, as a matter of course, acquire such shares without consideration.

- (3) The Company shall, conditional upon the Director who has been allotted the Restricted Stock continuously remaining in the office of Director, Executive Officer or employee of the Company or a subsidiary of the Company throughout the Transfer Restriction Period, cancel the transfer restriction of all or part of the Allotted Shares at the time that the Transfer Restriction Period expires. However, in

cases where said Director loses any of the positions of Director, Executive Officer or employee of the Company or a subsidiary of the Company prior to the expiry of the Transfer Restriction Period on grounds deemed valid by the Board of Directors, the Company shall adjust the timing of the cancellation of transfer restrictions, as necessary, in a reasonable manner.

- (4) In the event that, during the Transfer Restriction Period, a proposal regarding a merger agreement in which the Company becomes a non-surviving company, or a share exchange agreement or a share transfer agreement in which the Company becomes a wholly-owned subsidiary or any other proposal in which the Company undergoes organizational restructuring, etc., is approved by the General Meeting of Shareholders of the Company (the Board of Directors meeting, in cases where approval by the General Meeting of Shareholders is not required for an organizational restructuring, etc. of the Company), the Company shall, by resolution of the Board of Directors, cancel the transfer restrictions prior to the effective date of said organizational restructuring, etc. with regard to the reasonably determined number of Allotted Shares. In such cases, the Company shall, as a matter of course, acquire without consideration any Allotted Shares remaining for which transfer restrictions have not been cancelled, at the time immediately after transfer restrictions have been cancelled in accordance with the above provision.