

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. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Securities code: 2001

June 7, 2021

To Shareholders with Voting Rights,

4-8 Kojimachi, Chiyoda-ku, Tokyo, Japan

NIPPON CORPORATION

Toshiya Maezuru, Representative Director and President

Convocation Notice for the 197th Annual Shareholders Meeting

The 197th Annual Shareholders Meeting (the “Meeting”) of NIPPON CORPORATION (the Company”) will be held as stated below.

This year, in view of the novel coronavirus disease spread, the Company asks that shareholders focus on their health and wellbeing and consider not attending the Meeting if suffering from any cold-like symptoms or feeling unwell. The Company also asks that elderly people, people with underlying conditions, and pregnant women consider not attending the Meeting.

If exercising your voting rights in writing or via the Internet, etc., please confirm the Reference Documents for the Annual Shareholders Meeting below and exercise your voting rights no later than 5:30 p.m. Japan time on Monday, June 28, 2021.

[Voting in writing]

Please indicate your approval or disapproval for the proposals on the enclosed Voting Rights Exercise Form and return it that it is received by the deadline above.

[Voting via the Internet, etc.]

Please confirm the “Guidance for Voting via the Internet, etc.” on pages 56 to 57 (translation omitted) for exercise of voting rights via the Internet, etc., and access the website for exercising voting rights designated by the Company (<https://www.web54.net>) (in Japanese). Please use the “Voting Rights Exercise Code” and the “Password” described on the enclosed Voting Rights Exercise Form, follow the on-screen instructions, and enter your approval or disapproval for the proposals by the deadline above.

- 1. Date and time:** 10 a.m. Japan time, Tuesday, June 29, 2021
- 2. Venue:** 7-18-18 Roppongi, Minato-ku, Tokyo, Japan
B1F (Reception at 1F), Belle Salle Roppongi, Sumitomo Fudosan Roppongi-dori Building

3. Meeting Agenda:

- Matters to be reported:**
1. Business Report, Consolidated Financial Statements and Audit Reports on the Consolidated Financial Statements by Accounting Auditor and the Audit and Supervisory Committee for the 197th Period (April 1, 2020 through March 31, 2021).
 2. Non-consolidated Financial Statements for the 197th Period (April 1, 2020 through March 31, 2021).

Proposals to be resolved:

- Proposal 1:** Appropriation of Retained Earnings
Proposal 2: Election of Eleven Directors (Excluding Directors who are Audit and Supervisory Committee Members)
Proposal 3: Determination of Details of Stock Compensation-type Stock Option Compensation for Directors (Excluding Directors who are Audit and Supervisory Committee Members and Outside Directors)

4. Exercising voting rights:

- (1) If voting rights are exercised multiple times via the Internet, the final vote submitted shall be treated as the valid exercise of voting rights.
- (2) If voting rights are exercised multiple times via both the Internet and the Voting Rights Exercise Form, the final vote arriving shall be treated as the valid exercise of voting rights, or if both arrive on the same day, the vote submitted via the Internet shall be treated as the valid exercise of voting rights.

5. Matters regarding the Appendix and the Reference Documents for the Annual Shareholders Meeting:

- (1) Of the documents to be attached to this Notice, the items below are provided on the Company's website in accordance with the provisions of laws and regulations as well as Article 16 of the Company's Articles of Incorporation, and therefore are not provided in this Notice and its Appendix:
 - 1) Consolidated Notes to Consolidated Financial Statements
 - 2) Non-consolidated Notes to Non-consolidated Financial StatementsFurthermore, the Consolidated Financial Statements and Non-consolidated Financial Statements audited by the Audit and Supervisory Committee and the Accounting Auditor comprise each document provided in this Notice and its Appendix, in addition to the Consolidated Notes and Non-consolidated Financial Statements provided on the Company's website.
- (2) If the Reference Documents for the Annual Shareholders Meeting, Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements require revisions, the revised versions shall be posted on the Company's website:

The Company's website: <https://www.nippn.co.jp/ir/stock/meeting/index.html>

- //////////
- ◎ If attending the Meeting, please submit the enclosed Voting Rights Exercise Form at the meeting venue reception desk.
 - ◎ Please note that the temperatures of shareholders attending the Meeting will be measured and persons with a high temperature or visible signs of illness may be refused entry to the venue, in order to prevent the spread of the novel coronavirus. In addition, shareholders attending the Meeting will be asked to take measures including the wearing of masks and use of hand sanitizer. Thank you for your cooperation. Furthermore, persons affiliated with the Company will be wearing masks at the Meeting. We thank you for your understanding. The Company's measures to prevent the spread of the novel coronavirus and any changes to these measures will be posted on the Company's website (<https://www.nippn.co.jp/ir/stock/meeting/index.html>).
 - ◎ The Company will not be distributing souvenirs or product samples at the Meeting. We thank you for your understanding in this regard.

Reference Documents for the Annual Shareholders Meeting

Proposals and References

Proposal 1: Appropriation of Retained Earnings

The Company's basic policy is to maintain stable and continuous dividends while securing internal reserves aimed at strengthening the corporate structure and promoting future business development. The Company regards returning profits to shareholders one of the most important goals in management.

To reward shareholders for their day-to-day support, the Company proposes a year-end dividend for the 197th fiscal year of 19 yen per share, comprising an ordinary dividend of 17 yen per share plus a commemorative dividend of 2 yen per share. Accordingly, the annual dividend will be 36 yen per share, including an interim dividend of 17 yen per share.

- 1) Type of dividend property:
Cash
- 2) Allotment of dividend property to shareholders and its total amount
19 yen per share of the Company's common stock for a total of 1,460,739,532 yen
- 3) Effective date of the distribution of retained earnings
June 30, 2021

Proposal 2: Election of Eleven Directors (Excluding Directors who are Audit and Supervisory Committee Members)

The terms of office of all 11 Directors (excluding Directors who are Audit and Supervisory Committee Members; hereinafter, the same applies in this proposal) will expire at the close of the Meeting. Accordingly, the Company proposes to elect eleven Directors.

The Audit and Supervisory Committee of the Company has concluded that all candidates in this proposal are well qualified.

The candidates for Director are as follows:

No.	Name (Date of birth)	Past experience, significant concurrent positions, and positions and responsibilities at the Company	Number of shares of the Company held
1	Hiroshi Sawada (January 1, 1931)	<p>April 1953 Joined the Company June 1983 Director June 1986 Managing Director June 1989 Senior Managing Director June 1993 Representative Director, President April 2002 Representative Director, President & C.O.O. June 2002 Representative Director, Chairman of the Board of Directors June 2009 Representative Director, Chairman of the Board of Directors; President & C.O.O June 2012 Representative Director, Chairman of the Board of Directors (to present)</p> <p>[Reason for nomination as candidate for Director] Mr. Hiroshi Sawada serves as Representative Director, President, and has abundant experience and achievements as a manager. Since becoming Representative Director, Chairman in June 2002, he has contributed to the Group's further development. The Company has appointed him as a candidate for Director as he is expected to continue contributing to the Company's management.</p> <p>[Attendance at the Board of Directors meeting] 18/18</p>	172,595

No.	Name (Date of birth)	Past experience, significant concurrent positions, and positions and responsibilities at the Company	Number of shares of the Company held
2	Toshiya Maezuru (January 7, 1961)	<p>April 1983 Joined the Company</p> <p>April 2008 General Manager, Production Control Group, Production & Technology Div.</p> <p>June 2011 General Manager, Fukuoka Mill</p> <p>June 2013 General Manager, Production & Technology Div.</p> <p>June 2014 Executive Officer; General Manager, Production & Technology Div.</p> <p>June 2015 Director; Executive Officer; Vice General Manager, Production & Technology Dept.; General Manager, Production & Technology Div., Production & Technology Dept.</p> <p>June 2017 Director; Managing Director; General Manager, Production & Technology Dept.; General Manager, Production & Technology Div., Production & Technology Dept.</p> <p>June 2018 Director; Managing Director; General Manager, Production & Technology Dept.</p> <p>December 2019 Director; Managing Director; General Manager, Production & Technology Dept.; Chairman, Food Research & Development Committee</p> <p>April 2020 Director; Senior Managing Director; General Manager, Production & Technology Dept.; Chairman, Food Research & Development Committee</p> <p>June 2020 Representative Director, President & C.O.O. (to present)</p> <p>[Reason for nomination as candidate for Director] Mr. Toshiya Maezuru has abundant operational experience in the manufacturing department. Since becoming the Representative Director and President in June 2020, he has led the Group's management. The Company has appointed him as a candidate for Director as he is expected to continue contributing to the Company's management.</p> <p>[Attendance at the Board of Directors meeting] 18/18</p>	10,300

No.	Name (Date of birth)	Past experience, significant concurrent positions, and positions and responsibilities at the Company	Number of shares of the Company held
3	Toshifumi Horiuchi (May 25, 1959)	<p>April 1983 Joined the Company</p> <p>January 2009 General Manager, Business Administration Div.</p> <p>April 2010 General Manager, Business Administration Div., Wheat Flour Business Company</p> <p>June 2013 Vice President, Wheat Flour Business Company; General Manager, Business Administration Div., Wheat Flour Business Company</p> <p>April 2014 Vice General Manager, Wheat Flour Business Dept.; General Manager, Business Administration Div., Wheat Flour Business Dept.</p> <p>June 2014 Executive Officer; Vice General Manager, Wheat Flour Business Dept.; General Manager, Business Administration Div., Wheat Flour Business Dept.</p> <p>June 2015 Director; Executive Officer; Vice General Manager, Wheat Flour Business Dept.; General Manager, Business Administration Div., Wheat Flour Business Dept.</p> <p>June 2017 Director; Managing Director; Acting General Manager, Wheat Flour Business Dept.</p> <p>April 2019 Director; Managing Director; Acting General Manager, Wheat Flour Business Dept.</p> <p>June 2019 Director; Managing Director; General Manager, Wheat Flour Business Dept.</p> <p>April 2020 Director; Senior Managing Director; General Manager, Wheat Flour Business Dept.</p> <p>June 2020 Representative Director, Vice President and Executive Officer (to present)</p> <p>(Responsibilities in the Company) In charge of Wheat Flour Business Dept.</p> <p>[Reason for nomination as candidate for Director] Mr. Toshifumi Horiuchi has abundant operational experience in the business administration department. Since becoming a Director in June 2015, he has been responsible for the Wheat Flour Business and has been central to the Group's management. The Company has appointed him as a candidate for Director as he is expected to continue contributing to the Company's management.</p> <p>[Attendance at the Board of Directors meeting] 18/18</p>	9,700

No.	Name (Date of birth)	Past experience, significant concurrent positions, and positions and responsibilities at the Company	Number of shares of the Company held
4	Atsuo Ouchi (April 3, 1959)	<p>April 1983 Joined the Company</p> <p>June 2009 General Manager, Foods Business Administration Div.</p> <p>April 2010 General Manager, Foods Business Administration Div., Foods Business Company</p> <p>June 2015 Executive Officer; General Manager, Foods Business Administration Div., Foods Business Dept.</p> <p>June 2016 Executive Officer; General Manager, Foods Business Administration Dept.; General Manager, Foods Business Administration Div., Foods Business Administration Dept.</p> <p>June 2017 Director; Executive Officer; General Manager, Foods Business Administration Dept.</p> <p>April 2019 Director; Executive Officer; General Manager, Foods Business Administration Dept.</p> <p>June 2019 Director; Managing Director; General Manager, Foods Business Administration Dept.</p> <p>December 2019 Director; Managing Director; General Manager, Foods Business Administration Dept.; Chairman, Food Research & Development Committee</p> <p>April 2020 Director; Senior Managing Director; General Manager, Foods Business Administration Dept.; Chairman, Food Research & Development Committee</p> <p>June 2020 Director; Senior Managing Director; Chairman, Food Research & Development Committee (to present)</p> <p>(Responsibilities in the Company) In charge of Foods Business Dept.</p> <p>[Reason for nomination as candidate for Director] Mr. Atsuo Ouchi has abundant operational experience in the business administration department. Since becoming a Director in June 2017, he has been responsible for Food Business and has contributed to the Group's development. The Company has appointed him as a candidate for Director as he is expected to continue contributing to the Company's management.</p> <p>[Attendance at the Board of Directors meeting] 18/18</p>	12,500

No.	Name (Date of birth)	Past experience, significant concurrent positions, and positions and responsibilities at the Company	Number of shares of the Company held
5	Yuzuru Kogiso (March 28, 1957)	<p>April 1980 Joined the Company</p> <p>April 2005 General Manager, Secretariat Office, General Administration & Human Resources Dept.</p> <p>April 2008 General Manager, Secretariat Office, General Administration Div.</p> <p>June 2013 General Manager, General Administration Div.</p> <p>June 2014 Associate Director; General Manager, General Administration Div.</p> <p>June 2015 Executive Officer; General Manager, General Administration Div.</p> <p>June 2016 Director; Executive Officer; General Manager, General Administration Div.</p> <p>June 2017 Director; Managing Director</p> <p>June 2020 Director; Senior Managing Director (to present)</p> <p>(Responsibilities in the Company) In charge of Management Dept.; in charge of IT; in charge of CSR</p> <p>[Reason for nomination as candidate for Director] Mr. Yuzuru Kogiso has abundant operational experience in the administration department. Since becoming a Director in June 2016, he has been responsible for the management department and has contributed to the Group's development. The Company has appointed him as a candidate for Director as he is expected to continue contributing to the Company's management.</p> <p>[Attendance at the Board of Directors meeting] 18/18</p>	36,600
6	Takaaki Aonuma (December 16, 1959)	<p>April 1982 Joined the Company</p> <p>June 2010 General Manager, General Accounting Group, Accounting & Finance Div.</p> <p>March 2014 General Manager, Related Business Div.</p> <p>June 2015 Associate Director; General Manager, Related Business Div.</p> <p>June 2016 Executive Officer; General Manager, Related Business Div.</p> <p>June 2017 Executive Officer; General Manager, Accounting & Finance Div.</p> <p>June 2019 Director; Executive Officer; General Manager, Accounting & Finance Div.</p> <p>February 2020 Director, Executive Officer</p> <p>June 2020 Director; Managing Director (to present)</p> <p>(Responsibilities in the Company) In charge of Accounting & Finance Div. and Audit Management Div.</p> <p>[Reason for nomination as candidate for Director] Mr. Takaaki Aonuma has abundant operational experience in the accounting department. Since becoming a Director in June 2019, he has been responsible for the accounting department and has contributed to the Group's development. The Company has appointed him as a candidate for Director as he is expected to continue contributing to the Company's management.</p> <p>[Attendance at the Board of Directors meeting] 18/18</p>	9,500

No.	Name (Date of birth)	Past experience, significant concurrent positions, and positions and responsibilities at the Company	Number of shares of the Company held
7	Akiko Kimura (January 2, 1959)	<p>July 1997 Joined the Company</p> <p>June 2013 General Manager, Business Development & Support, International Business Div.</p> <p>June 2015 Associate Director; General Manager, Business Development & Support, International Business Div.</p> <p>June 2017 Executive Officer; General Manager, Business Development & Support, International Business Dept.</p> <p>June 2018 Executive Officer; Vice General Manager, International Business Div.; General Manager, Business Development & Support, International Business Div.</p> <p>June 2019 Director; Executive Officer; General Manager, Business Development & Support, International Business Div.</p> <p>June 2020 Director; Managing Director; General Manager, Business Development & Support, International Business Div. (to present)</p> <p>(Responsibilities in the Company) In charge of International Business Div.</p> <p>[Reason for nomination as candidate for Director] Ms. Akiko Kimura has abundant operational experience in the international department. Since becoming a Director in June 2019, she has been responsible for the international department and has contributed to the Group's development. The Company has appointed her as a candidate for Director as she is expected to continue contributing to the Company's management.</p> <p>[Attendance at the Board of Directors meeting] 18/18</p>	8,300
8	Keizo Kagawa (March 9, 1960)	<p>April 1984 Joined the Company</p> <p>June 2013 Vice General Manager, Foods Business Administration Div., Foods Business Company; Vice General Manager, Trade Business Administration Div., Foods Business Company</p> <p>September 2014 General Manager, Administration Div., OK Food Industry Co., Ltd.</p> <p>June 2015 Director, OK Food Industry Co., Ltd.</p> <p>June 2016 Managing Director, OK Food Industry Co., Ltd.</p> <p>June 2018 Executive Officer; General Manager, Corporate Planning Div.</p> <p>June 2020 Director; Managing Director; General Manager, Corporate Planning Div. (to present)</p> <p>(Responsibilities in the Company) In charge of Health Care Business Div.</p> <p>[Reason for nomination as candidate for Director] Mr. Keizo Kagawa has abundant operational experience in the business administration department and key subsidiaries. Since becoming a Director in June 2020, he has been responsible for the corporate planning department and has contributed to the Group's development. The Company has appointed him as a candidate for Director as he is expected to continue contributing to the Company's management.</p> <p>[Attendance at the Board of Directors meeting] 15/15</p>	4,300

No.	Name (Date of birth)	Past experience, significant concurrent positions, and positions and responsibilities at the Company	Number of shares of the Company held
9	<p style="text-align: center;">New appointment</p> <p>Yasunori Tanaka (July 25, 1959)</p>	<p>April 1982 Joined the Company</p> <p>June 2007 General Manager, Production & Technology Group, Production & Technology Dept.</p> <p>June 2013 General Manager, Osaka Mill</p> <p>August 2014 Managing Director, Tofuku Flour Mills Co., Ltd.</p> <p>June 2015 Associate Director, the Company; Director, Managing Director, Tofuku Flour Mills Co., Ltd.</p> <p>March 2016 Associate Director, the Company; Director, Senior Managing Director, Tofuku Flour Mills Co., Ltd.</p> <p>June 2017 Counselor, the Company; Representative Director, President, Tofuku Flour Mills Co., Ltd.</p> <p>June 2018 Executive Officer; General Manager, Plant Engineering Div., Production & Technology Dept.</p> <p>June 2020 Managing Director; General Manager, Production & Technology Dept.; General Manager, Plant Engineering Div., Production & Technology Dept. (to present)</p> <p>(Responsibilities in the Company) In charge of environmental issues In charge of Quality Assurance Dept.</p> <p>[Reason for nomination as candidate for Director] Mr. Yasunori Tanaka has abundant operational experience in the manufacturing department. Since becoming an Executive Officer in June 2018, he has been responsible for the production and technology department and has contributed to the Group's development. The Company has appointed him as a candidate for Director as he can be expected to further contribute to the Company's management.</p>	7,100
10	<p style="text-align: center;">Outside</p> <p>Yoshio Kumakura (January 19, 1940)</p>	<p>April 1963 Joined Sumitomo Bank Co., Ltd. (currently Sumitomo Mitsui Banking Corporation)</p> <p>April 1969 Registered as attorney</p> <p>January 1980 Partner, Nakamura & Partners (to present)</p> <p>June 2004 Auditor, the Company</p> <p>June 2014 Director, the Company (to present)</p> <p>(Significant concurrent position) Partner; Attorney, Nakamura & Partners</p> <p>[Reason for nomination as candidate for Outside Director and outline of expected roles] Mr. Yoshio Kumakura has abundant experience as an attorney and is well versed in corporate legal affairs. Since becoming an Outside Director of the Company in June 2014, his expert views and extensive experience have been reflected in the Company's management. Likewise, as a member of the Advisory Committee, he has contributed to appropriate decision-making on remuneration for Executive Officers and on nominations to the Board of Directors. Therefore, the Company appoints him as a candidate for Outside Director, in the conviction that he will be an indispensable member of the Board of Directors of the Company, serving the Board in a supervisory capacity.</p> <p>[Attendance at the Board of Directors meeting] 18/18</p>	10,000

No.	Name (Date of birth)	Past experience, significant concurrent positions, and positions and responsibilities at the Company	Number of shares of the Company held
11	<div style="border: 1px solid black; display: inline-block; padding: 2px;">Outside</div> Naotaka Kawamata (May 1, 1965)	<p>April 1990 Joined the Ministry of Transport (currently Ministry of Land, Infrastructure, Transport and Tourism)</p> <p>April 1994 Registered as attorney</p> <p>April 1994 Joined Marunouchi Sogo Law Office</p> <p>January 2008 Partner, Marunouchi Sogo Law Office (to present)</p> <p>June 2014 Auditor, the Company</p> <p>April 2015 Professor, Legal Training and Research Institute, Supreme Court of Japan</p> <p>June 2017 Director, the Company (to present)</p> <p>(Significant concurrent position) Partner; Attorney, Marunouchi Sogo Law Office Outside Director (Audit and Supervisory Committee Member), TOREX SEMICONDUCTOR LTD. Outside Director (Audit and Supervisory Committee Member), NIPPON DENSETSU KOGYO CO., LTD.</p> <p>[Reason for nomination as candidate for Outside Director and outline of expected roles] Mr. Naotaka Kawamata has abundant experience as an attorney and is well versed in corporate legal affairs. Since becoming an Outside Director of the Company in June 2017, his expert views and extensive experience have been reflected in the Company's management. Likewise, as a member of the Advisory Committee, he has contributed to appropriate decision-making on remuneration for executive officers and on nominations to the Board of Directors. Therefore, the Company appoints him as a candidate for Outside Director, in the conviction that he will be an indispensable member of the Board of Directors of the Company, serving the Board in a supervisory capacity.</p> <p>[Attendance at the Board of Directors meeting] 18/18</p>	4,900

- (Notes)
1. Messrs. Yoshio Kumakura and Naotaka Kawamata are candidates for Outside Director.
 2. Messrs. Yoshio Kumakura and Naotaka Kawamata have been registered as independent directors provided by the rules of the Tokyo Stock Exchange. If both candidates are elected, they will continue to serve as independent directors.
The Company consigns legal administration services to Nakamura & Partners where Mr. Yoshio Kumakura serves. However, as the compensation paid by the Company to the entity is less than 1% of its total annual compensation in the previous fiscal year, the Company believes that he does not have any conflict of interest with general shareholders. The Company consigns legal administration services to Marunouchi Sogo Law Office where Mr. Naotaka Kawamata serves. However, as the compensation paid by the Company to the entity is less than 1% of its total annual compensation in the previous fiscal year, the Company believes that he does not have any conflict of interest with general shareholders.
 3. The Company has entered into an agreement to limit the liability of Messrs. Yoshio Kumakura and Naotaka Kawamata under Article 423, Paragraph 1 of the Companies Act. The limit of liabilities under the agreement is the amount stipulated by laws and regulations. In case their reelection is approved, the Company will maintain the agreement with them.
 4. Mr. Yoshio Kumakura will have served as an Outside Director for seven years at the close of this Meeting.
 5. Mr. Naotaka Kawamata will have served as an Outside Director for four years at the close of this Meeting.
 6. The Company has concluded a directors and officers liability insurance agreement provided for in Article

430-3, Paragraph 1 of the Companies Act with an insurance company. The insured persons including the Directors of the Company shall be covered under the agreement for their liability borne from performance of their duties or damage arising from claims in pursuit of that liability (excluding, however, cases where an exemption is provided in the insurance contract). If the candidates are elected as Director and assume office, each of them will be insured under the insurance contract. In addition, the Company plans to renew the insurance agreement with the above details at the next time of renewal.

Proposal 3: Determination of Details of Stock Compensation-type Stock Option Compensation for Directors (Excluding Directors who are Audit and Supervisory Committee Members and Outside Directors)

At the 196th Annual Shareholders Meeting held on June 26, 2020, the Company approved Proposal 7 “Determination of Amount and Details of Stock Compensation-type Stock Option Compensation for Directors (Excluding Directors who are Audit and Supervisory Committee Members and Outside Directors)” (hereafter, the resolution relating to this proposal at the same Annual Shareholders Meeting shall be the “Original Resolution”). By a resolution of the Board of Directors, stock acquisition rights are granted as stock compensation-type stock option to Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors), in “an amount of not more than 120 million yen per annum.”

The specific terms of the granting of stock acquisition rights as compensation to Directors, as provided by the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) in force from March 1, 2021, were subject to the approval of a shareholders meeting. In light of this, further approval is now sought regarding the terms of stock acquisition rights, for the continuation of the current stock option system.

This proposal concerns procedural matters accompanying amendments of laws and regulations, and does not represent any expansion of the compensation framework from the Original Resolution. As in the Original Resolution, Directors will not only benefit from rises in the share price, but are also risk from falls, just as regular shareholders are. As such, the number of stock acquisition rights to be allocated is in an amount based on the role of the executive calculated on a fair-value basis for stock acquisition rights, for the purpose of further boosting motivation to help improve medium-to-long-term business performance and raise corporate value. It is judged that the terms of the proposal are reasonable. The Company has compiled a “policy for deciding the terms of compensation, etc. for individual directors,” of which an overview can be found on pages 20 and 21 (translation omitted). We believe its terms remain reasonable as a basis for decision-making, in the event of approval of this proposal, and accordingly do not plan any change to this policy.

The stock options are a stock compensation-type stock option with an exercise price of 1 yen per share, issuable when the stock acquisition rights are exercised. In the allotment of stock acquisition rights, a compensation equal to the amount payable at fair value is paid to the Directors, the sum - in lieu of its payment - being offset against compensation claims.

If Proposal 2 “Election of Eleven Directors (Excluding Directors who are Audit and Supervisory Committee Members)” is approved and passed as originally proposed, the number of Directors to which this proposal applies will be nine (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors).

The Audit and Supervisory Committee of the Company has concluded that this proposal is appropriate.

The details of the stock acquisition rights to be allotted to Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) are as follows:

1. Total number of stock acquisition rights, type and number of shares underlying the stock acquisition rights

The maximum total number of stock acquisition rights to be allotted per annum will be 3,000 units.

The type of shares underlying the stock acquisition rights will be a maximum of 150,000 shares of the Company’s common stock per annum.

The number of shares underlying each subscription right to shares will be 50 shares.

Furthermore, the Company will adjust the number of shares to be granted as deemed necessary if it is appropriate to change the number of shares to be granted as a result of the Company conducting a merger, company split, share split (including a gratis allotment of shares), or consolidation of shares.

2. Amount to be paid for the stock acquisition rights
The amount to be paid for the stock acquisition rights will be an amount calculated using the Black-Scholes model on the allotment date of the stock acquisition rights. Furthermore, instead of paying this amount, persons to whom stock acquisition rights are allotted will offset compensation claims against the Company in exchange for the stock acquisition rights.
3. Amount of property to be contributed when exercising the stock acquisition rights
The amount of property to be contributed when exercising the stock acquisition rights will be one yen per share delivered upon exercise of the stock acquisition rights, multiplied by the number of shares to be granted.
4. Period when the stock acquisition rights may be exercised
The period when the stock acquisition rights may be exercised will be a period determined by the Board of Directors, of up to 30 years from the day after the allotment date of the stock acquisition rights.
5. Conditions for the exercise of the stock acquisition rights
Holders of stock acquisition rights who lose their position as Director of the Company may only exercise their stock acquisition rights at once within 10 days of the day after losing their position, during the period described in the above item 4.
6. Restrictions on the transfer of the stock acquisition rights
The acquisition of stock acquisition rights by transfer will require approval by a resolution of the Board of Directors of the Company.
7. Acquisition of stock acquisition rights
Before exercising their rights, if holders of stock acquisition rights are unable to exercise such rights under the terms of exercise stated in 5. above or as stipulated in the stock acquisition rights allocation agreement, such rights can be acquired gratis on a date to be separately decided at the discretion of the Board of Directors.
In the event of approval of a proposal for a merger agreement at a shareholders meeting (if this is not mandatory then a Board of Directors meeting) that results in the dissolution of the Company, an absorption-type split agreement or incorporation-type split plan which results in the Company being the split company, or a share exchange agreement or share transfer plan which results in the Company becoming a wholly owned subsidiary, stock acquisition rights that have not been exercised on that day can be acquired gratis on a date to be separately decided at the discretion of the Board of Directors.
8. Other details on the stock acquisition rights
The details of the above items 1. through 7. and other details related to the stock acquisition rights will be determined at the meeting of the Board of Directors which determines the items to be offered for the stock acquisition rights.