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Securities Code: 2301

January 12, 2023

To our shareholders:

Taishi Nakai, CEO

GAKUJO Co., Ltd.

1-1-3 Yurakucho, Chiyoda-ku, Tokyo

Convocation Notice of the 45th Ordinary Annual General Shareholders' Meeting

We are pleased to announce the 45th Ordinary Annual General Shareholders' Meeting of GAKUJO Co., Ltd. (the "Company"), which will be held as indicated below.

To prevent the spread of novel coronavirus (COVID-19), please exercise your voting rights in writing (by mail) or by electromagnetic means (such as online), and refrain from attending the General Shareholders' Meeting if at all possible. Please exercise your voting rights by reviewing the "Information on the Exercise of Voting Rights" and the Reference Documents for the General Shareholders' Meeting.

1. Date and Time Friday, January 27, 2023, at 10:00 a.m. (JST)

2. Location Compass Hall, 10F, Gakujo Umeda Compass
2-5-10 Umeda, Kita-ku, Osaka

3. Purpose

Matters to be reported

Business Report and Non-consolidated Financial Statements for the 45th fiscal year (November 1, 2021 to October 31, 2022)

Matters to be resolved

<Company Proposals (Proposal Nos. 1 to 3)>

Proposal No. 1 Dividends of Surplus (Year-End Dividends for the 45th Fiscal Year)

Proposal No. 2 Amendment to the Articles of Incorporation

Proposal No. 3 Election of Six Directors

<Shareholder Proposals (Proposal Nos. 4 to 8)>

Proposal No. 4 Acquisition of Treasury Shares

Proposal No. 5 Appropriation of Surplus

Proposal No. 6 Amendment to the Articles of Incorporation (Disclosure of Capital Costs)

Proposal No. 7 Amendment to the Articles of Incorporation (Cancellation of Treasury Shares)

Proposal No. 8 Cancellation of Treasury Shares

Outline of Shareholder Proposals (Proposals Nos. 4 to 8) is as described in the "Reference Documents for the General Shareholders' Meeting" (pages 8 to 15) below.

4. Notes on the Exercise of Voting Rights

If there is no indication of approval or disapproval for each proposal, it will be treated as an indication of "approval" for the Company proposals and "disapproval" for shareholder proposals.

- If you are attending the meeting in person, please present the enclosed Voting Rights Exercise Form at the reception.
- If there are any revisions to the Reference Documents for the General Shareholders' Meeting, the Business Report or the Non-consolidated Financial Statements, they will be posted on the Company's website (<https://company.gakujo.ne.jp>).

Reference Documents for the General Shareholders' Meeting

Proposals and Reference Information

<Company Proposals (Proposal Nos. 1 to 3)>

Proposal No. 1 Dividends of Surplus (Year-End Dividends for the 45th Fiscal Year)

To maximize corporate value, the Company will secure internal reserves and place the highest priority on growth investments, including new business development and human resource development, which are essential for future business expansion. After securing internal reserves for growth, we intend as much as possible to return surplus funds to shareholders, taking into consideration the state of cash flow. Based on this basic policy, we would like to propose the following year-end dividends for the 45th fiscal year.

- (1) Type of dividend property
To be paid in cash.
- (2) Allotment of dividend property and their aggregate amount
The Company proposes to pay a dividend of ¥25 per common share of the Company.
In this event, the total dividends will be ¥348,108,825.
- (3) Effective date of dividends of surplus
The effective date of dividends will be January 30, 2023.

Proposal No. 2 Amendment to the Articles of Incorporation

1. Reasons for the proposal

With the enforcement of the revised provisions stipulated in the proviso of Article 1 of the Supplementary Provisions in the Act Partially Amending the Companies Act (Act No. 70 of 2019) on September 1, 2022, the Company’s Articles of Incorporation shall be amended as follows as an electronic system for providing materials for General Shareholders’ Meeting has been introduced.

- (1) Since it is obligatory to stipulate in the Articles of Incorporation that the information contained in the Reference Documents for the General Shareholders’ Meeting, etc. shall be provided through electronic means, Article 16 (Electronic Means of Provision, Etc.), paragraph 1 shall be established in the Articles of Incorporation for the proposed amendment.
- (2) In order to allow the scope of matters stated in the documents to be issued to shareholders who request the issuance of said documents (of the matters for which electronic means shall be taken to provide the information contained in the Reference Documents for the General Shareholders’ Meeting, etc.) to be limited to the scope specified by the Ministry of Justice Order, Article 16 (Electronic Means of Provision, Etc.), paragraph 2 shall be established in the Articles of Incorporation for the proposed amendment.
- (3) Article 16 (Internet Disclosure of Reference Documents, Etc.) of the current Articles of Incorporation shall be deleted as it is no longer required due to the introduction of the electronic system for providing materials for General Shareholders’ Meeting.
- (4) Supplementary provisions regarding the effect of the provision to be deleted in (3) above shall be set forth. Note that the supplementary provisions shall be deleted after the expiration date.

2. Details of the amendments

The details of the amendments are as follows:

(Underlined portions indicate amendments.)

Current Articles of Incorporation	Proposed amendment
<p><u>Article 16. (Internet Disclosure of Reference Documents, Etc.)</u> <u>The Company may disclose information pertaining to matters to be stated or indicated in the Reference Documents for the General Shareholders’ Meeting, the Non-consolidated Financial Statements, the Consolidated Financial Statements and the Business Report via the Internet as specified by the Ministry of Justice Order.</u></p> <p>(Newly established)</p>	<p>(Deleted)</p> <p><u>Article 16. (Electronic Means of Provision, Etc.)</u></p> <ol style="list-style-type: none"> 1. <u>When convening a General Shareholders’ Meeting, the Company shall take electronic means to provide information contained in the Reference Documents for the General Shareholders’ Meeting, etc.</u> 2. <u>In the documents to be issued to the shareholders who request the issuance of said documents by the record date of their voting rights, the Company may not describe all or part of the matters to be provided through electronic means as specified by the Ministry of Justice Order.</u>

Current Articles of Incorporation	Proposed amendment
<p>(Newly established)</p> <p>(Newly established)</p>	<p>Supplementary Provisions</p> <p><u>Article 1. (Transitional Measures Concerning the Electronic Provision of Materials for the General Shareholders' Meeting)</u></p> <p><u>1. Article 16 of the Articles of Incorporation (Internet Disclosure of Reference Documents, Etc.) shall remain in effect for General Shareholders' Meeting held within six months of September 1, 2022.</u></p> <p><u>2. These supplementary provisions shall be deleted after three months from the date of the General Shareholders' Meeting set forth in the preceding paragraph.</u></p>

Proposal No. 3 Election of Six Directors

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

The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
1	Kiyokazu Nakai (September 13, 1948)	<p>Nov. 1976 Established Mitaka Kikaku (predecessor of the Company)</p> <p>Nov. 1977 Established Mitaka Kikaku Co., Ltd. (currently the Company), CEO</p> <p>Jan. 2022 Chairman of the Company (current position)</p>	20,000 shares
2	Taishi Nakai (August 15, 1978)	<p>Sept. 2001 Joined Mitaka Kikaku Co., Ltd. (currently the Company)</p> <p>Apr. 2012 Sub-Manager of the Osaka Sales Division of the Company</p> <p>Sept. 2013 General Manager of the Kyoto Branch Office of the Company</p> <p>Oct. 2016 Deputy Director and General Manager of the Tokyo Sales Division of the Company</p> <p>Jan. 2018 Director of the Company (Deputy Representative of the Tokyo Headquarters, in charge of the Tokyo Sales Division)</p> <p>Jan. 2020 Executive Vice President of the Company (Representative of the Tokyo Headquarters and in charge of the Tokyo Sales Division, Recruitment Department, Public Service Department, Planning Department, and Web Business Promotion Department)</p> <p>Jan. 2022 CEO of the Company (Representative of the Tokyo Headquarters and in charge of the Tokyo Sales Division, Agents Department, Public Service Department, Sales and Marketing Division, Schools Planning Department, Planning Department, and Web Business Promotion Department) (current position)</p>	429,700 shares
3	*Shinichiro Inui (August 11, 1973)	<p>Apr. 1996 Joined Mitaka Kikaku Co., Ltd. (currently the Company)</p> <p>Aug. 2000 Manager of the Business Department of the Company</p> <p>July 2003 Manager of the Sales Department of the Tokyo Headquarters of the Company</p> <p>Apr. 2007 Manager of the Planning Department of the Company</p> <p>Feb. 2018 Executive Officer of the Company (in charge of the Planning Department and Web Business Promotion Department)</p> <p>Jan. 2021 Executive Officer of the Company (in charge of the Management Department, Planning Department, and Web Business Promotion Department) (current position)</p>	100 shares

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
4	Akira Tsujiuchi (May 24, 1954)	<p>Feb. 1978 Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)</p> <p>June 1998 Partner of Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)</p> <p>June 2019 Retired from Tohmatsu & Co.</p> <p>July 2019 Head of Tsujiuchi Public Accounting Office (current position)</p> <p>Jan. 2020 Outside Director of the Company (current position)</p> <p>June 2020 Outside Auditor (Part-time) of Sekisui Jushi Corporation (current position)</p> <p>June 2021 Outside Corporate Auditor (Part-time) of GS Yuasa Corporation (current position)</p>	700 shares
5	Yuko Sasagawa (July 22, 1962)	<p>Apr. 1985 Joined Life Publishing Co., Ltd.</p> <p>Mar. 1986 Retired from Life Publishing Co., Ltd.</p> <p>Mar. 1986 Joined Book Center 1/2</p> <p>July 1987 Retired from Book Center 1/2</p> <p>Sept. 1987 Joined Sapporo Word Processor Academy (currently Flexjapan inc.)</p> <p>July 1992 Retired from Sapporo Word Processor Academy</p> <p>July 1992 Joined Right Staff Co., Ltd. (English conversation school)</p> <p>Apr. 1997 Retired from Right Staff Co., Ltd.</p> <p>July 1997 Founder and Director and Division Manager of Right Staff Co., Ltd. (worker dispatch business) (currently Imagine Plus Co., Ltd.)</p> <p>Jan. 2002 Director and Vice President of Right Staff Co., Ltd.</p> <p>June 2003 President and Representative Director of Right Staff Co., Ltd.</p> <p>Apr. 2012 Founder and President and Representative Director of IMAGINE NEXT (current position)</p> <p>Jan. 2021 Retired as President and Representative Director of Imagine Plus Co., Ltd., Advisor (current position)</p> <p>Jan. 2022 Outside Director of the Company (current position)</p> <p>July 2022 Independent Member of the Board (Part-time) of KANEKA CORPORATION (current position)</p>	- shares
6	*Shuji Hokazono (April 16, 1965)	<p>Apr. 1989 Joined The Asahi Shimbun Company</p> <p>Apr. 1994 Staff member of Tokyo Editorial Center of The Asahi Shimbun Company</p> <p>Apr. 2005 Deputy General Manager of the Nagoya Editorial Center of The Asahi Shimbun Company</p> <p>Apr. 2012 Deputy General Manager of the Osaka PR Department of The Asahi Shimbun Company</p> <p>Apr. 2013 General Manager of the Kochi General Bureau of The Asahi Shimbun Company</p> <p>Nov. 2015 Director of Education of the Osaka Editorial Bureau of The Asahi Shimbun Company</p> <p>Apr. 2016 Manager of the Osaka Representative Office of The Asahi Shimbun Company (current position)</p>	- shares

- Notes:
1. New candidates for Director are indicated by an asterisk (*).
 2. There is no special interest between any of the candidates and the Company.
 3. Akira Tsujiuchi, Yuko Sasagawa and Shuji Hokazono are candidates for Outside Director.
 4. Akira Tsujiuchi is nominated as a candidate for Outside Director because he has worked for Deloitte Touche Tohmatsu LLC for many years and has abundant experience in auditing various companies, and it is believed that he will make effective proposals regarding the Company's overall management, accounting operations, and internal control systems. While he has no experience being involved in the management of a company except as an outside officer, it is determined that he will be able to appropriately perform his duties as an Outside Director for the reasons stated above.
 5. Yuko Sasagawa is nominated as a candidate for Outside Director because of her wealth of knowledge of corporate management related to human resource development and, if elected as an Outside Director, she is expected to use this knowledge to provide effective supervision, advice, and other proposals regarding the execution of duties by Directors, particularly from her professional perspective as a female manager.
 6. Shuji Hokazono is nominated as a candidate for Outside Director because he has worked for The Asahi Shimbun Company for many years and has a wealth of experience through his work at the Editorial Centers in Tokyo and Nagoya, as well as the Advertising Bureau and the Kochi General Bureau, and it is expected that he will be able to make effective proposals regarding the Company's overall management and the business alliance between the Company and The Asahi Shimbun Company. While he has no experience being involved in the management of a company except as an outside officer, it is determined that he will be able to appropriately perform his duties as an Outside Director for the reasons stated above.
 7. Both Akira Tsujiuchi and Yuko Sasagawa are currently Outside Directors of the Company, and their terms as Outside Directors as of the end of this meeting shall be three years in the case of Mr. Tsujiuchi, and one year in the case of Ms. Sasagawa.
 8. As specified in the "Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company," Shuji Hokazono is currently in a position and responsibility of an executive in The Asahi Shimbun Company, a company with a special relationship with the Company, and has held such a position and responsibility for the past ten years.
 9. The Company has entered into an agreement with Akira Tsujiuchi and Yuko Sasagawa, in accordance with the provisions of Article 427, paragraph (1) of the Companies Act, to limit their liability for damages under Article 423, paragraph (1) of the same Act. The maximum amount of liability for damages under this agreement is the total of the amounts stipulated in Article 425, paragraph (1) of the Companies Act, and if their reappointment is approved, the Company plans to continue this agreement with both of them. If the election of Shuji Hokazono is approved, the Company plans to enter into the same limited liability agreement with him.
 10. The Company has designated Akira Tsujiuchi and Yuko Sasagawa as independent officers as defined by the Tokyo Stock Exchange, Inc. and has notified the Exchange thereof, and will continue to appoint them as independent officers if their reappointment is approved. In addition, Shuji Hokazono also satisfies the requirements for independent officers as defined by the Tokyo Stock Exchange, and if his appointment is approved, he will be designated as an independent officer.

<Shareholder Proposals (Proposal Nos. 4 to 8)>

Proposals No. 4 through 8 (pages 8-15) were proposed by one shareholder. The outline and reasons for these proposals are stated in the original text.

Proposal No. 4 Acquisition of Treasury Shares

(1) Outline of the proposal

Pursuant to the provisions of Article 156, paragraph (1) of the Companies Act, within one year from the conclusion of this Ordinary Annual General Shareholders' Meeting, the Company shall acquire up to 1,155,000 shares of common stock of the Company, not exceeding the total acquisition cost of ¥1,710 million (however, if the total acquisition price permitted under the Companies Act (the "distributable amount" as defined in Article 461 of the Companies Act) is less than this amount, up to the maximum total acquisition price permitted under the Companies Act), by cash delivery.

(2) Reasons for the proposal

The Company is not an investment company. However, as of the end of July 2022, the Company has highly liquid assets under management totaling ¥10 billion, including ¥4.5 billion in cash and deposits and ¥5.4 billion in investment securities. This is equivalent to about 80% of total assets and 70% of market capitalization, and is the cause of the excess capital of a 92% equity ratio. As suggested and recommended by the "Competitiveness and Incentives for Sustainable Growth: Building Favorable Relationships between Companies and Investors" Project (Ito Report), listed companies are required to raise "Minimum Level of ROE to be Targeted and the Need for a Higher Awareness of the Cost of Capital" (page 18 of the report), but the Company's excess capital has resulted in a cost of capital exceeding business risk and a return on equity (ROE) that does not adequately reflect the earning power of the Company's core businesses.

The Company leases a portion of its headquarters building in Osaka, which also contributes to the excess capital. The Company's stock price indicators, such as the EV/EBITDA ratio, which is the corporate value divided by earnings before interest, taxes, depreciation, and amortization, are undervalued relative to its competitors because the Company owns assets that do not contribute to its core business.

As of November 18, 2022, the number of shares proposed to be acquired was 5% of total trading volume for the previous year. Even if there is a six-month silent period in total for the year from the end of the quarter when treasury shares cannot be repurchased to the announcement of results for the same, this is 10% of the total trading volume for the remaining six months when repurchase is possible, which the market can fully absorb in one year.

Opinion of the Company's Board of Directors on Proposal No. 4

1) Opinion of the Company's Board of Directors

The Company's Board of Directors opposes this shareholder proposal for the following reasons:

2) Reasons for opposition

The Company regards the return of profits to shareholders as an important management issue and maintains a basic policy for shareholder return to maintain a dividend payout ratio of 40 to 50% and flexibly acquiring treasury shares with consideration for market conditions and performance trends. Over the past five fiscal years, the Company has repurchased more than ¥1.2 billion of treasury shares, resulting in a total return ratio of 60.7% for the fiscal year ended October 31, 2022. The Company will continue to return profits to shareholders in accordance with the shareholder return policy. (See <References> below.)

On the other hand, in the job placement support business which is operated for the purpose of "Creating choices for the future," corporate needs are shifting from the "bulk recruitment of new graduates for general administrative positions" to "year-round job-based recruitment," and addressing this change has become an important issue. In addition, the Company has shifted to a management structure under CEO Taishi Nakai aiming for the achievement of permanent growth and increased corporate value by further strengthening the speed of execution and management structure, starting in the fiscal year ended October 31, 2022, and the new organization is now at a stage where it has begun to tackle new challenges based on the five-year medium-term management plan announced in December 2021 and starting from the fiscal year ended October 31, 2022.

The following three points are positioned as key strategies in the medium-term management plan, and we are actively investing in digital transformation, new product development, and human resources to respond to the changing business environment.

- a. Achieve further growth and reinforcement of core online media as a platform to support the “year-round recruitment of people in their 20s.”
- b. We will continue to take on the challenge of actively developing new businesses, while making rapid progress in the new services launched since 2020 under the theme of “pursuing realism through technology.”
- c. We will strengthen our structure by concentrating resources on the Tokyo Metropolitan market and expand our brand power and market share through marketing strategies that leverage technology.

By implementing these key strategies, we aim to achieve net sales of ¥12 billion in the fiscal year ending October 31, 2026, approximately double the level of the fiscal year ended October 31, 2021, and an ordinary profit of ¥3.32 billion, an increase of 65% from the fiscal year ended October 31, 2021.

The Company also believes that in preparation for unforeseen circumstances such as economic cycles and pandemics, it is not appropriate for the Company to spend a large amount of money to conduct a large-scale acquisition of treasury shares at this time, given the need to have sufficient cash reserves that can be used flexibly.

We also believe that it is important to strike an optimal balance between securing funds for strategic investments that will lead to sustainable growth and returning profits to shareholders. The Company believes that flexible and dynamic decision-making and the implementation of acquisition of treasury shares, based on a comprehensive assessment of stock price trends, business performance and financial position, and the business environment etc., will lead to the enhancement of the Company’s medium- to long-term corporate value and the common interests of shareholders.

The Company’s Articles of Incorporation stipulate that the Company may purchase treasury shares by resolution of the Board of Directors. The Board of Directors will continue to make timely and appropriate decisions on acquisition of treasury shares going forward, and will implement them flexibly and dynamically when necessary.

Therefore, the Board of Directors opposes this shareholder proposal.

Proposal No. 5 Appropriation of Surplus

(1) Outline of the proposal

The appropriation of the surplus shall be as follows:

This proposal is an additional proposal independent of the proposal for the appropriation of surplus if the Board of Directors of the Company proposes the same proposal at this Ordinary Annual General Shareholders' Meeting.

a. Type of dividend property
Cash

b. Dividend per share
¥82 per common share of the Company, less the amount of the dividend of surplus per share of common shares of the Company, as proposed by the Board of Directors of the Company and approved at this Ordinary Annual General Shareholders' Meeting (¥82 if the Board of Directors of the Company does not propose the appropriation of the surplus at this Ordinary Annual General Shareholders' Meeting)

c. Allotment of dividend property and their aggregate amount
Dividend per share of common stock of the Company in accordance with b. above (the total amount of dividends is calculated by multiplying the dividend per share by the total number of common shares issued and outstanding (excluding treasury shares) as of October 31, 2022)

d. Effective date of dividends of surplus
Date of this Ordinary Annual General Shareholders' Meeting

e. Dividend payment start date
Date three weeks after the business day following the date of this Ordinary Annual General Shareholders' Meeting

(2) Reasons for the proposal

The Company has a large amount of assets under management and a business model that does not require large capital investments, so it cannot cancel its excess capital unless it returns at least 100% of its profits to shareholders. In the medium-term management plan announced in December 2021, the Company stated its policy to pay a dividend payout ratio of 40 to 50%, but has not detailed the specific capital allocation in consideration of capital efficiency such as ROE. Considering the risk of damage to shareholder value from the further expansion of assets under management and shareholders' equity, and from mergers and acquisitions (M&A) without regard to the cost of capital, the only way to protect shareholders will be by taking radical step toward shareholder returns. It is therefore proposed that a dividend of ¥82 per share be paid, corresponding to the Company's projected net income per share for the fiscal year ended October 31, 2022.

The Company intends to maintain three years of business expenses in assets under management, equivalent to approximately 70% of the Company's market capitalization as of the end of July 2022, to protect the Company's employment in the event of an emergency. However, as a company in the business of helping young people find jobs, we should be investing in human resources, not in savings, and we should be helping our employees improve their skills to increase their market value as professionals so that when the time comes, it will be easier for them to change jobs. In the first place, our personnel expenses are a little over ¥1 billion per year, which is far less than the ¥10 billion in assets under management, even over three years.

Opinion of the Company's Board of Directors on Proposal No. 5

1) Opinion of the Company's Board of Directors

The Company's Board of Directors opposes this shareholder proposal for the following reasons:

2) Reasons for opposition

As mentioned in Proposal No. 4 “Acquisition of Treasury Shares,” the Company regards the return of profits to shareholders as an important management issue and maintains a basic policy for shareholder return to maintain a dividend payout ratio of 40 to 50% and flexibly acquiring treasury shares with consideration for market conditions and performance trends.

The Company had initially set the dividend per share at ¥37.00 for the fiscal year ended October 31, 2022, but in light of the financial results for the period, the Company has decided to propose a year-end dividend of ¥25.00 and an annual dividend of ¥43.00 per share (a dividend payout ratio of 43.3%) to this General Shareholders’ Meeting.

The Company has announced that it aims to achieve a ROE of 11% to 13%, and the ROE for the fiscal year ended October 31, 2022 was 11.6%.

We also believe that it is an important issue for the Company’s business environment to respond to the growing need for companies to engage in year-round recruitment of people in their 20s, given the changing environment surrounding employment and hiring in Japan. To address these challenges, we believe it is necessary to continue to actively invest in the future.

As stated above, the Company believes that it is important to strike an optimal balance between securing funds for strategic investments that will lead to sustainable growth and returning profits to shareholders. However, it is believed that this proposal would be an excessive dividend considering the said balance, and would not enhance the Company’s medium- to long-term corporate value or the common interests of shareholders.

Therefore, the Board of Directors opposes this shareholder proposal.

Proposal No. 6 Amendment to the Articles of Incorporation (Disclosure of Capital Costs)

(1) Outline of the proposal

Add the following Chapter and Article to the Company’s Articles of Incorporation. Note that the Company may make necessary adjustments to the Articles listed in this proposal if formal adjustments (including, but not limited to, the correction of misplaced Article numbers) to the Articles listed in this proposal will be required from the approval of any of the other proposals (including proposals made by the Company) made at this Ordinary Annual General Shareholders’ Meeting.

(Underlined portions indicate amendments.)

Current Articles of Incorporation	Proposed amendment
(Newly established)	<p style="text-align: center;"><u>Chapter VII</u> <u>Disclosure of Cost of Equity</u></p> <p><u>Article 34 (Disclosure of Cost of Equity)</u></p> <p><u>In the report on corporate governance submitted by the Company to the Tokyo Stock Exchange, the Company shall disclose the cost of equity known to the Company within one month prior to the date of submission of the report, together with the basis for its calculation.</u></p>

(2) Reasons for the proposal

Despite having a large amount of highly liquid assets, the Company has a history of having allocated share acquisition rights using treasury shares to securities companies in 2021, causing the stock price to decline as shareholders disliked the risk of dilution per share. This inconsistent capital policy is evidence of the Company’s lack of awareness of the cost of equity, which shareholders expect as a return. The Company may use M&A in the future as a growth strategy, but if it embarks on M&A or large investments without taking minority shareholders into consideration, such as with the issuance of share acquisition rights, the risk of capital efficiency deteriorating and earnings per share being diluted is likely to recur.

The Corporate Governance Code established by the Tokyo Stock Exchange states in “Principle 5.2 Establishing and Announcing Management Strategy and Business Plan” that “When establishing and announcing management strategies and business plans, listed companies should articulate their revenue plans and capital policies, and present targets for profitability and capital efficiency after accurately identifying the company’s cost of capital. Also, companies should provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human capital, and specific measures that will be taken in order to achieve their plans and targets.”

In April 2022, the Company selected the Prime Market, a new market segment of the Tokyo Stock Exchange. The Company should present the cost of equity as “targets for profitability and capital efficiency” and “provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human capital, and specific measures that will be taken in order to achieve their plans and targets.”

Opinion of the Company’s Board of Directors on Proposal No. 6

1) Opinion of the Company’s Board of Directors

The Company’s Board of Directors opposes this shareholder proposal for the following reasons:

2) Reasons for opposition

Principle 5.2 of the Corporate Governance Code, which is cited in the reason for the proposal, states that “listed companies should articulate their revenue plans and capital policies, and present targets for profitability and capital efficiency after accurately identifying the company’s cost of capital. Also, companies should provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human capital, and specific measures that will be taken in order to achieve their plans and targets,” but this does not require the disclosure of figures for the cost of capital or the basis for these calculations.

We also recognize that the cost of capital is an important indicator for management decisions, but understand that it is not determined uniquely, as there are various approaches based on certain assumptions that form the basis for calculation.

For these reasons, we believe that disclosure of the cost of capital is inconsistent with the provisions of the Articles of Incorporation, which are the fundamental principles of the Company.

Therefore, the Board of Directors opposes this shareholder proposal.

Proposal No. 7 Amendment to the Articles of Incorporation (Cancellation of Treasury Shares)

(1) Outline of the proposal

Add the following Article to the Articles of Incorporation of the Company, and move each Article from Article 16 forward in the current Articles of Incorporation. Note that the Company may make necessary adjustments to the Articles listed in this proposal if formal adjustments (including, but not limited to, the correction of misplaced Article numbers) to the Articles listed in this proposal will be required from the approval of any of the other proposals (including proposals made by the Company) made at this Ordinary Annual General Shareholders' Meeting.

(Underlined portions indicate amendments.)

Current Articles of Incorporation	Proposed amendment
(Newly established)	<u>Article 16. (Cancellation of Treasury Shares)</u> <u>The Company may cancel treasury shares (including determining the class and number of each class of treasury shares to be cancelled) by an ordinary resolution at a shareholders meeting as provided for in Article 309, paragraph (1) of the Companies Act.</u>

(2) Reasons for the proposal

As of September 30, 2022, the Company held treasury shares equivalent to 11% of the total number of shares outstanding, and as mentioned above, the Company issued share acquisition rights using treasury shares in 2021, causing the stock price to decline and overlooking any damage to shareholder value. In the future, treasury shares may be used in M&A, but as we are overcapitalized, even if we find a target company with a lower valuation than our own, utilizing interest-bearing debt instead of treasury shares would bring us closer to an optimal capital structure.

In addition, as an executive of the securities company to which the issue of share acquisition rights in 2021 was allotted has recently been appointed as an advisor to the Company, shareholders are understandably concerned about the possibility of a renewed risk of dilution of the Company's shares in the future, and the cancellation of treasury shares will enhance shareholder value. It is therefore proposed that the Articles of Incorporation be amended to allow shareholders themselves to make decisions regarding the cancellation of treasury shares by a resolution of the General Shareholders' Meeting. For the Company, which has excess capital, it is more rational to acquire and use treasury shares for stock-based compensation in the future, in order to minimize the risk of damaging shareholder value.

Opinion of the Company's Board of Directors on Proposal No. 7

1) Opinion of the Company's Board of Directors

The Company's Board of Directors opposes this shareholder proposal for the following reasons:

2) Reasons for opposition

Treasury shares held by the Company is expected to be used as compensation for the Company's shares to be delivered under stock-based compensation or for M&A, or cancelled, etc. The Company has recently decided to introduce stock-based compensation for employees in order to further increase their sense of participation in management and commitment to improving corporate value, as part of our efforts to strengthen human capital.

We believe it is essential for the Board of Directors to make flexible and dynamic management decisions regarding the acquisition, holding, utilization, and cancellation of treasury shares, while comprehensively considering the capital policy based on mid- to long-term management strategies, growth investments, and the external environment.

Therefore, the Company believes that it is appropriate for the Board of Directors to pass a resolution regarding the cancellation of treasury shares, in accordance with the provisions of the Companies Act.

Therefore, the Board of Directors opposes this shareholder proposal.

Proposal No. 8 Cancellation of Treasury Shares

- (1) Outline of the proposal
Subject to the approval of Proposal No. 7 “Amendment to the Articles of Incorporation (Cancellation of Treasury Shares),” cancel all treasury shares held by the Company.

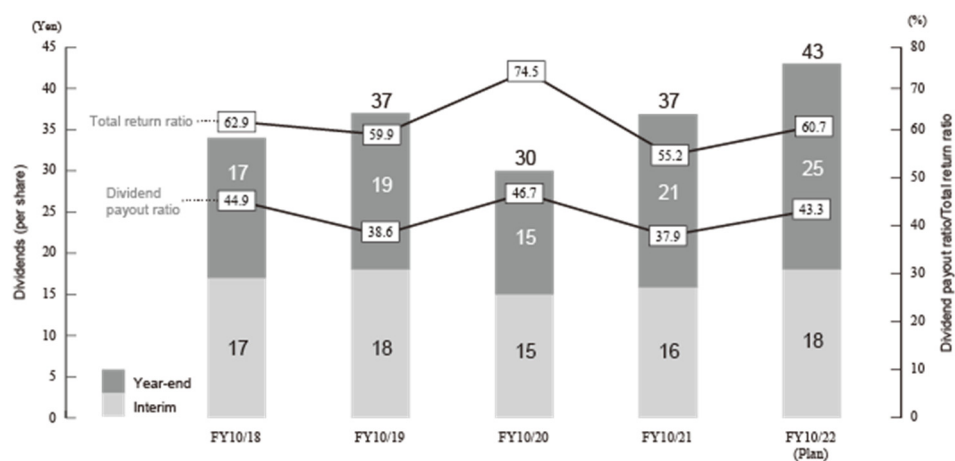
- (2) Reasons for the proposal
For the reasons stated in Proposal No. 7 “Amendment to the Articles of Incorporation (Cancellation of Treasury Shares),” it is proposed that the Company cancels all treasury shares held by the Company. For the Company, which has had a bitter experience of damaging shareholder value by issuing share acquisition rights using treasury shares, the cancellation of treasury shares will contribute to improving the Company’s shareholder value.

Opinion of the Company’s Board of Directors on Proposal No. 8

- 1) Opinion of the Company’s Board of Directors
The Company’s Board of Directors opposes this shareholder proposal for the following reasons:

- 2) Reasons for opposition
As mentioned in Proposal No. 7 “Amendment to the Articles of Incorporation (Cancellation of Treasury Shares),” we believe it is essential to perform acquisition, holding, utilization, and cancellation of treasury shares flexibly and dynamically, while comprehensively considering the capital policy based on mid- to long-term management strategies, growth investments, and the external environment. The Company will make timely and appropriate decisions regarding the cancellation of treasury shares based on the medium- to long-term capital policy and, when deemed necessary, will implement such cancellations flexibly and dynamically by a resolution of the Board of Directors in accordance with the provisions of the Companies Act.
Also, the Company has recently decided to introduce stock-based compensation for employees in order to further increase their sense of participation in management and commitment to improving corporate value, as part of our efforts to strengthen human capital.
Therefore, the Board of Directors opposes this shareholder proposal.

<References> Trends in dividends, dividend payout ratio, treasury share acquisition and total return ratio



	FY10/18	FY10/19	FY10/20	FY10/21	FY10/22
Net income per share (Yen)	75.77	95.81	64.29	97.64	99.35
Dividends per share (Yen)	34	37	30	37	43
Dividend payout ratio (%)	44.9	38.6	46.7	37.9	43.3
Total amount of treasury share acquisition (Thousands of yen)	204,318	300,458	260,075	239,599	238,168
Total return ratio (%)	62.9	59.9	74.5	55.2	60.7