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Securities code 6324
June 7, 2022

Dear Shareholders:

Mitsumasa Ito
Chairperson and Representative Director
Harmonic Drive Systems Inc.
6-25-3 Minami-Oi, Shinagawa-ku, Tokyo, Japan

CONVOCATION NOTICE OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS FOR FISCAL 2021

We would like to express our appreciation for your continued support and patronage. We hereby notify you of the Ordinary General Meeting of Shareholders for fiscal 2021 of Harmonic Drive Systems Inc. (the “Company”). The meeting will be held for the purposes as described below. In addition to attending the meeting in person, you can exercise your voting rights in writing or via the Internet, so **please consider exercising your voting rights in advance as much as possible to prevent the spread of novel coronavirus (COVID-19).**

Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by no later than 5:30 p.m. (the close of the Company’s business hours) on Tuesday, June 21, 2022, Japan Time.

[Exercising Voting Rights by Mail]

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form, and return it so that it arrives by the above deadline for exercise.

[Exercising Voting Rights via the Internet]

Please check the “Guide to Exercising Voting Rights via the Internet” on page 4, and exercise your voting rights by the above deadline for exercise.

- 1. Date and Time:** **Wednesday, June 22, 2022 at 10:00 a.m. Japan time
(Reception opens at 9:00 a.m.)**
- 2. Venue:** **Prince Room, B1F, Grand Prince Hotel Takanawa located at
3-13-1 Takanawa, Minato-ku, Tokyo, Japan
(Please refer to the attached “Guide to the Location of the General Meeting
of Shareholders” in Japanese)**

From the standpoint of preventing the spread of COVID-19, the corporate briefing for shareholders, which is usually held after the conclusion of the General Meeting of Shareholders each year, shall be cancelled. Also, please note that we will not be giving out souvenirs, etc. or providing drinks to shareholders. We appreciate your understanding.

3. Meeting Agenda:

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for Fiscal 2021 (April 1, 2021 - March 31, 2022) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors
 2. Non-consolidated Financial Statements for Fiscal 2021 (April 1, 2021 - March 31, 2022)

Proposals to be resolved:

- Proposal 1:** Appropriation of Surplus
Proposal 2: Partial Amendments to the Articles of Incorporation
Proposal 3: Election of nine (9) Directors
Proposal 4: Election of one (1) Corporate Auditor
Proposal 5: Final Retirement Benefits to Directors and Corporate Auditors following Discontinuation of the Retirement Benefits System
Proposal 6: Determination of Remuneration for the Allotment of Restricted Shares to Directors (excluding Outside Directors)
Proposal 7: Payment of Directors' Bonuses

4. Matters Determined in Regard to the Convocation:

Treatment of duplicate exercise of voting rights

- (1) If voting rights are exercised by a shareholder multiple times both in writing and via the Internet, the vote exercised via the Internet shall be considered as valid.
- (2) If voting rights are exercised by a shareholder multiple times via the Internet, the final vote exercised shall be considered as valid.

End

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- 1) When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
 - 2) If exercising voting rights by proxy, please submit a proxy statement or other written document proving the authority to represent at the reception desk, together with the Voting Rights Exercise Form of the proxy. (In regard to the qualifications for a proxy, proxies shall be limited to one (1) other shareholder with voting rights at this General Meeting of Shareholders, in accordance with the provisions of the Articles of Incorporation).
 - 3) In the event of revisions to the Reference Documents for the General Meeting of Shareholders and the Appendix, they shall be posted on the Company's website (<https://www.hds.co.jp/>).
 - 4) Of the documents to be provided with this Notice, the Consolidated Statements of Shareholders' Equity, Notes to Consolidated Financial Statements, Non-Consolidated Statements of Shareholders' Equity, and Notes to Non-consolidated Financial Statements are posted on the Company's website described above in accordance with the provisions of laws and regulations as well as Article 15 of the Company's Articles of Incorporation and therefore are not provided in this Notice. Furthermore, the Consolidated Financial Statements and Non-consolidated Financial Statements provided in the Appendix of this Notice are parts of the Consolidated Financial Statements and Non-consolidated Financial Statements that were audited by the Accounting Auditor and Corporate Auditors when preparing the Accounting Audit Report and the Audit Report.

Guide to Exercising Voting Rights

Shareholders' voting rights are an important right of shareholders. Please review the "Reference Documents for the General Meeting of Shareholders" and exercise your voting rights. Voting rights may be exercised with the three methods below.

1. Attending the General Meeting of Shareholders

Please submit the enclosed Voting Rights Exercise Form at the reception desk. In addition, please bring this Notice.

Date and time of the General Meeting of Shareholders

10:00 a.m. on Wednesday, June 22, 2022 (Japan time)

(Reception opens at 9:00 a.m.)

Venue: Prince Room, B1F, Grand Prince Hotel Takanawa located at

3-13-1 Takanawa, Minato-ku, Tokyo, Japan

(Please refer to the attached "Guide to the Location of the General Meeting of Shareholders" in Japanese.)

Note:

If voting rights are exercised by a shareholder multiple times both in writing and via the Internet, the vote exercised via the Internet shall be considered as valid. If voting rights are exercised by a shareholder multiple times via the Internet, the final vote exercised shall be considered as valid.

2. By Mail

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form, and return it so that it arrives by the deadline for exercise.

Deadline for exercise

5:30 p.m. on Tuesday, June 21, 2022 (Japan time)

3. Via the Internet

Please see the next page for details.

Please access the designated Voting Rights Exercise Website (<https://soukai.mizuho-tb.co.jp/>), and indicate your vote for or against the proposals by the deadline for exercise.

Deadline for exercise

5:30 p.m. on Tuesday, June 21, 2022 (Japan time)

Guide to Exercising Voting Rights via the Internet

■ Via “Smart Exercise”

You can log in to the Voting Rights Exercise Website without entering Voting Rights Exercise Code and Password.

- (1) Please read the QR code printed on the lower right of the enclosed Voting Rights Exercise Form.
Note: “QR code” is a registered trademark of DENSO WAVE INCORPORATED.
- (2) Please indicate your vote for or against the proposals following the instructions on the screen to input your vote.

You may only exercise your voting rights once via “Smart Exercise.”
To change your vote after exercising your voting rights, please access the website for PCs and log in to the system by entering the Voting Rights Exercise Code and Password printed on the enclosed Voting Rights Exercise Form, and exercise your vote again.
*Scanning the QR code again redirects you to the website for PCs.

■ Via ID and Password

Voting Rights Exercise Website

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

- (1) Please access the “Voting Rights Exercise Website”
You may also read the QR code printed on the above and access the “Voting Rights Exercise Website”
Click “Next”
- (2) Log in to the system
Enter the “Voting Rights Exercise Code” and click “Next”
- (3) Change password
Enter the “Password” and click “Register”

Please indicate your vote for or against the proposals following the instructions on the screen to input your vote.

Voting Rights Exercise Code and Password are printed on the enclosed Voting Rights Exercise Form.

■ The Electronic Voting Platform for Foreign and Institutional Investors

Other than the method described above, institutional investors may use the Electronic Voting Platform for Foreign and Institutional Investors operated by ICJ, Inc., subject to prior application for the use of the platform.

[Please contact below if you have any inquiry on how to exercise your voting rights via the Internet using a PC, smartphone or mobile phone.]

Stock Transfer Agency Department at Mizuho Trust & Banking

Toll free in Japan: 0120-768-524

(9:00 a.m. – 9:00 p.m. except for year-end and New Year holidays, Japan time)

<Measures to prevent COVID-19 infection at the General Meeting of Shareholders>

We will take following measures to prevent the spread of COVID-19, prioritizing the safety and security of shareholders, and appreciate the understanding and cooperation of shareholders.

Requests to Shareholders

- We ask shareholders to consider exercising their voting rights by postal mail or via the Internet.
- We strongly recommend shareholders who will be most affected by the infection such as elderly persons, those with underlying disease, who are pregnant or are feeling unwell to refrain from coming to the venue of the General Meeting of Shareholders.

Requests to Shareholders in attendance

- As the number of seats is reduced to provide extra space between seating compared to previous years, shareholders allowed to enter the venue may be limited if a large number of shareholders attend the meeting.
- Before entering the venue, shareholders in attendance will be asked to use alcohol-based hand sanitizer and wear a face mask.
- Shareholders in attendance will be subject to body temperature checks at the reception and we may refuse entry of those who are confirmed to have a fever (37.5 degrees Celsius or higher).
- Please note that staff members may refuse the attendance of shareholders who look unwell.
- Please be advised to arrive early because the reception is expected to be crowded due to the above measures.

Our measures

- Directors, Auditors and Executive Officers on the stage, and staff members of the General Meeting of Shareholders will be wearing face masks.
- We will consider ways to ensure smooth and efficient progress of the General Meeting of Shareholders.
- Please note that we will not be giving out souvenirs, etc. or providing drinks to shareholders.
- The corporate briefing for shareholders, which is usually held after the conclusion of the General Meeting of Shareholders each year, shall be cancelled.
- Our staff members will be less than previous years.

We may update the above measures given the changes in the situation, and please confirm our website (<https://www.hds.co.jp/>) as necessary.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Appropriation of Surplus

In regard to the appropriation of surplus, taking into consideration the return of profits to shareholders, strengthening the business operation, and future business development, the Company proposes to pay a year-end dividend from surplus for the fiscal year under review as follows.

Items Related to the Year-end Dividend

(1) Type of dividend property

Cash

(2) Items related to the allocation of dividend property and its total amount

11 yen per share of common stock at a total of 1,058,893,704 yen

Furthermore, as the Company paid an interim dividend of 10 yen per share on December 6, 2021, the annual dividend will be 21 yen per share.

(3) Date the appropriation of surplus comes into effect

June 23, 2022

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for amendments

- (1) To amend Article 14 and Article 24 of the current Articles of Incorporation in order to enable flexible operation of General Meetings of Shareholders and Board of Directors meetings, according to the composition of the Company's Board of Directors, and allow a Director determined by the Board of Directors in advance to serve as a convener and chairperson of General Meetings of Shareholders and board of Directors meetings.
- (2) The amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the "Act Partially Amending the Companies Act" (Act No. 70 of 2019) will be enforced on Sep. 1, 2022. Accordingly, in order to prepare for the introduction of the system for electronic provision of materials for General Meetings of Shareholders, the Articles of Incorporation of the Company shall be amended as follows:
 - 1) The provisions related to the internet disclosure and deemed provision of the reference documents for the General Meeting of Shareholders, etc. (Article 15 of the current Articles of Incorporation) will become unnecessary and will therefore be deleted.
 - 2) The proposed Article 15, Paragraph 1 provides that information contained in the reference documents for General Meeting of Shareholders, etc. shall be provided electronically.
 - 3) The purpose of the proposed Article 15, Paragraph 2 is to establish a provision to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested it.
 - 4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. shall be established.

2. Details of amendments

The details of the amendments are as follows:

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
(Convener and Chairperson) Article 14 Unless otherwise prescribed by laws and regulations, <u>Chairperson and Director</u> shall convene general meetings of shareholders and shall also serve as chairperson with a resolution of the Board of Directors. 2. <u>If the office of the Chairperson and Director is vacant, or in case of an accident, President of the Board shall,</u> or if President and Director are unable to act as such due to an accident, one of the other Directors designated in accordance with an order of priority determined in advance by the Board of Directors shall convene general meetings of shareholders and shall also serve as chairperson.	(Convener and Chairperson) Article 14 Unless otherwise prescribed by laws and regulations, a Director <u>determined in advance by the Board of Directors</u> shall convene general meetings of shareholders and shall also serve as Chairperson. 2. In the absence or disability of the Director in the preceding paragraph due to an accident, another Director designated in accordance with an order of priority determined in advance by the Board of Directors shall convene general meetings of shareholders and shall also serve as chairperson.
<u>(Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u> Article 15 <u>The Company may, when convening a General Meeting of Shareholders, deem that it has provided information to shareholders pertaining to matters to be described or indicated in the reference documents for the General Meeting of Shareholders, business report, non-consolidated financial statements, and consolidated financial statements, by disclosing such information through the Internet in accordance with the provisions provided in the Ordinance of the Ministry of Justice.</u>	<Deleted>
<Newly established>	<u>(Measures for Electronic Provision, Etc.)</u> Article 15 <u>The Company shall, when convening a general meeting of shareholders, provide information contained in the reference documents for the General Meeting of Shareholders, etc. electronically.</u> 2. Among the matters to be provided electronically, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.

Current Articles of Incorporation	Proposed Amendments
<p>(Convener and Chairperson of the Board of Directors)</p> <p>Article 24 Unless otherwise prescribed by laws and regulations, <u>Chairperson and Director</u> shall convene Board of Directors meetings and shall also serve as chairperson.</p> <p>2. <u>If the office of the Chairperson and Director is vacant, or in case of an accident, President and Director shall, or if the President and Director is unable to act as such</u> due to an accident, one of the other Directors designated in accordance with an order of priority determined in advance by the Board of Directors shall convene <u>Board of Directors meetings and shall also serve as Chairperson.</u></p>	<p>(Convener and Chairperson of the Board of Directors)</p> <p>Article 24 Unless otherwise prescribed by laws and regulations, a <u>Director determined in advance by the Board of Directors</u> shall convene Board of Directors meetings and shall also serve as Chairperson.</p> <p>2. If the <u>Director in the preceding paragraph</u> is unable to act as such due to an accident, one of the other Directors designated in accordance with an order of priority determined in advance by the Board of Directors shall convene Board of Directors meetings and shall also serve as Chairperson.</p>
<p><Newly established></p>	<p><u>(Supplementary provisions)</u></p> <p>1. <u>The deletion of Article 15 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) of the current Articles of Incorporation and the proposed Article 15 (Measures for Electronic Provision, Etc.) shall come into effect on September 1, 2022.</u></p> <p>2. <u>Notwithstanding the provisions of the preceding paragraph, Article 15 of the current Articles of Incorporation (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) shall remain in force with respect to a General Meeting of Shareholders to be held by the end of February 2023.</u></p> <p>3. <u>These supplementary provisions shall be deleted on March 1, 2023 or the lapse of three months from the date of the General Meeting of Shareholders set forth in the preceding paragraph, whichever is later.</u></p>

Proposal 3: Election of nine (9) Directors

The terms of office of all nine (9) Directors will expire at the conclusion of this General Meeting of Shareholders, and therefore the Company proposes the election of nine (9) Directors.

The candidates for Directors are as follows:

No.		Name	(Age)	Current positions and responsibilities at the Company	Attributes	Attendance at Board of Directors meetings	Years in office
1	Reappointment	Mitsumasa Ito	(83)	Chairperson and Representative Director	—	16/17	43 years
2	Reappointment	Akira Nagai	(74)	President and Representative Director, Chief Executive Officer	—	17/17	9 years
3	Reappointment	Akira Maruyama	(60)	Director Executive Officer General Manager of Corporate Planning Division and IT Promotion Office	—	17/17	6 years
4	Reappointment	Kazutoshi Kamijoh	(54)	Director Executive Officer General Manager of Finance Accounting, Finance and Tax Division	—	17/17	2 years
5	Reappointment	Yoshihiro Tanioka	(63)	Director Executive Officer General Manager of Development and Engineering Division	—	13/13	1 year
6	Reappointment	Haruhiko Yoshida	(78)	Outside Director	Outside Independent	17/17	19 years
7	Reappointment	Masanobu Nakamura	(75)	Outside Director	Outside Independent	17/17	9 years
8	Reappointment	Yoshio Fukuda	(69)	Outside Director	Outside Independent	17/17	2 years
9	New appointment	Kazuhiko Hayashi	(68)	—	Outside Independent	—	—

Note: 1. Mr. Yoshihiro Tanioka was newly elected at the Ordinary General Meeting of Shareholders for fiscal 2020 held on June 23, 2021 and subsequently took office, and the status of his attendance at meetings of the Board of Directors held on or after that date is presented.

2. The age is as of the date of this General Meeting of Shareholders.

Reappointment	Candidate for reappointment as Director
New appointment	Candidate for new appointment as Director
Outside	Candidate for Outside Director
Independent	Independent Director registered at the Tokyo Stock Exchange

Past experience, positions, responsibilities and significant concurrent positions

May 1976	Representative Director, Harmonic Drive System GmbH
Aug. 1979	Director, the Company
Jun. 1991	Managing Director and General Manager of Corporate Planning Office, the Company
Apr. 1992	Managing Director and General Manager of General Affairs Division, the Company
Jul. 1994	President and Representative Director, the Company
Jun. 2003	Chairperson and Representative Director, the Company
Jun. 2005	Chairperson and Representative Director and Chief Executive Officer, the Company
Jun. 2007	Chairperson and Representative Director and Executive Chairperson and Chief Executive Officer, the Company
Apr. 2009	President, Research Institute for Ocean chemistry Foundation
Jun. 2010	Chairperson and Representative Director and Executive Chairperson and CEO, the Company
Jun. 2011	Chairperson and Representative Director, the Company (incumbent)
Apr. 2012	Councilor, Research Institute for Ocean chemistry Foundation (General)
Jul. 2016	Chairperson, Harmonic Ito Foundation (General)
Sep. 2016	Councilor, Research Institute for Ocean chemistry Foundation (Public Interest)
Mar. 2017	Deputy Chairperson of the Supervisory Board, Harmonic Drive AG
Mar. 2018	Chairperson, Harmonic Ito Foundation (Public Interest) (incumbent)
Jun. 2019	Director, KODEN Holdings Co., Ltd.
Jan. 2020	Member of Supervisory Board, Harmonic Drive SE (incumbent)
Jun. 2021	Chairperson and Representative Director, KODEN Holdings Co., Ltd. (incumbent)

(Significant concurrent positions)

Chairperson, Harmonic Ito Foundation (Public Interest)
 Member of Supervisory Board, Harmonic Drive SE
 Chairperson and Representative Director, KODEN Holdings Co., Ltd.

(Reason for nomination as candidate)

Mr. Mitsumasa Ito has served as President and Representative Director, and Chairperson over many years, and has achieved considerable results, from formulating and promoting Group management policies and strategies, to developing and expanding the business foundation, and cultivating a corporate culture. In addition, he possesses business experience in Europe covering more than 20 years, has led the internationalization of the Group, and has served as a driving force for the Group's operations. Based on the above, the Company has judged that he is an essential person to serve as a leader for the Group and further develop the Group, cultivate its corporate culture, and sustainably enhance its corporate value, and therefore proposes his continued election as Director.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1972	Joined Mitsui & Co., Ltd.
Apr. 2002	Joined the Company
Apr. 2002	General Manager of Overseas Division, the Company
Jun. 2002	Chairperson and Director, HD Systems, Inc.
Jun. 2003	Executive Officer (Marketing and Sales), General Manager of Overseas Division, General Manager of Corporate Planning and IT Office, the Company
Dec. 2005	President and CEO, HD Systems, Inc. (incumbent)
Jun. 2007	Managing Executive Officer (Corporate Planning and IT), the Company
Apr. 2009	Managing Executive Officer (Corporate Planning and Finance), the Company
Jan. 2011	Corporate Auditor, Harmonic Drive Systems (Shanghai) Co., Ltd.
Jun. 2013	President and Representative Director, Executive President, the Company
May 2015	Director, Harmonic AD, Inc. (incumbent)
Jun. 2016	President and Representative Director, Chief Executive Officer, In charge of Marketing and Sales, the Company
Dec. 2016	Manager, GK HD Management (incumbent)
Mar. 2017	Chairperson of the Supervisory Board, Harmonic Drive AG
Jun. 2017	President and Representative Director, Chief Executive Officer, In charge of Marketing and Sales and Quality, the Company
Jun. 2019	President and Representative Director, Chief Executive Officer, In charge of Quality, the Company
Jan. 2020	Deputy Chairperson of the Supervisory Board, Harmonic Drive SE (incumbent)
Jun. 2020	President and Representative Director, Chief Executive Officer, the Company (incumbent)

(Significant concurrent positions)

President and CEO, HD Systems, Inc.
 Director, Harmonic AD, Inc.
 Manager, GK HD Management
 Deputy Chairperson of the Supervisory Board, Harmonic Drive SE

(Reason for nomination as candidate)

Mr. Akira Nagai has served as President and Representative Director since June 2013, and has demonstrated his capabilities in strengthening the management foundation, enhancing corporate value, and other areas. In addition, he has utilized his abundant experience overseas to build good relationships with customers and partners around the world, and has appropriately directed and supervised Group companies developing business in the U.S., Germany, China, and South Korea. Based on the above, the Company has judged that he is an essential person to sustainably enhance Group corporate value, and therefore proposes his continued election as Director.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1985	Joined the Company
Apr. 2007	General Manager of Marketing and Sales Division, the Company
Apr. 2009	General Manager of Marketing and Sales Division and General Manager of Sales Planning Department, the Company
Sep. 2009	General Manager of Engineering Department, Precision Equipment Division, the Company
Sep. 2012	General Manager of Engineering Division, the Company
Jun. 2014	Executive Officer (Engineering), the Company
May 2015	Director, HD Logistics, Inc.
Jun. 2016	Director and Executive Officer (Development Engineering), the Company
Jun. 2018	Director and Executive Officer (Corporate Planning and IT), the Company
Jun. 2019	Corporate Auditor, Winbel Co., Ltd. (incumbent)
Jun. 2019	Director and Executive Officer, General Manager of Corporate Planning Division, the Company
Jun. 2021	Director and Executive Officer, General Manager of Corporate Planning Division and General Manager of ICT Promotion Office, the Company (incumbent)

(Significant concurrent positions)

Corporate Auditor, Winbel Co., Ltd.

(Reason for nomination as candidate)

Mr. Akira Maruyama has participated in the development of speed reducers over many years, and possesses broad and deep insight in HarmonicDrive® in particular. In addition, he has utilized his insight and demonstrated his abilities as manager not only of the development division but also the sales, engineering and technology divisions, and is currently making a significant contribution to the development of the Group as manager of the corporate planning and ICT Promotion divisions and fulfilling his responsibilities as Director. Based on the above, the Company has judged that he is an essential person to sustainably enhance Group corporate value, which centers on technology and technical skill, and therefore proposes his continued election as Director.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1992	Joined the Company
Jul. 2003	Corporate Planning Manager of Corporate Planning and IT Office, and Administrative Manager, the Company
Jul. 2007	General Manager of Corporate Planning Department, Corporate Planning and IT Office, and General Manager of Administration Department, the Company
May 2012	Corporate Auditor, Ome Iron Casting Co., Ltd.
May 2013	Corporate Auditor, Harmonic Drive Systems (Shanghai) Co., Ltd.
Jul. 2014	Executive Officer, In charge of Corporate Planning and Finance, the Company
Jun. 2016	Executive Officer, In charge of Corporate Planning, Finance and Accounting, the Company
Mar. 2017	Company
Jun. 2019	Manager, GK HD Management (incumbent)
	Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company
Jun. 2020	Director and Executive Officer, General Manager of Finance Accounting, Finance and Tax Division, the Company (incumbent)
Jul. 2021	Member of the Supervisory Board, Harmonic Drive SE (incumbent)

(Significant concurrent positions)

Manager, GK HD Management
Member of the Supervisory Board, Harmonic Drive SE

(Reason for nomination as candidate)

Mr. Kazutoshi Kamijoh has been engaged in corporate planning, finance, investor relations, information disclosure and other responsibilities over many years, and possesses abundant experience, deep insight, and a high level of expertise in finance and accounting, which he has cultivated through formulating corporate plans and capital policies, building relationships with investors, implementing corporate actions, and others. Currently, as the manager in charge of accounting, finance, and tax affairs of the Company, he is demonstrating leadership in order to further strengthen the financial base of the Group while also being actively involved in IR activities, contributing to the enhancement of the Group's value. Based on the above, the Company has judged that he is an essential person to sustainably enhance Group corporate value, and therefore proposes his continued election as Director.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1982	Joined the Company
May 2003	Manager of No.1 Development Department, Mechatronics Division, the Company
Mar 2006	General Manager of Engineering Department, Mechatronics Division, the Company
May 2007	Director, Winbel Co., Ltd.
Jul. 2007	General Manager of Mechatronics Division, the Company
Oct. 2009	General Manager of Development Division, the Company
Jun. 2010	Executive Officer and General Manager of Development Division, the Company
Sep. 2011	Executive Officer (Engineering), the Company
Sep. 2012	Executive Officer and General Manager of Overseas Business Division, the Company
Apr. 2015	Executive Officer and General Manager of Sales Strategy Division, the Company
May 2015	Representative Director and President, Harmonic AD, Inc.
May 2015	Director of SAMICK ADM Co., Ltd. (incumbent)
May 2017	Executive Officer in charge of Harmonic Planetary Development, the Company
May 2018	Director, Harmonic AD, Inc. (incumbent)
Jun. 2018	Executive Officer (Development and Engineering), the Company
Jun. 2019	Executive Officer, General Manager of Development and Engineering Division, the Company
Jun. 2019	Director and Executive Officer, General Manager of Development and Engineering Division, the Company
Jun. 2021	Company (incumbent)

(Significant concurrent positions)

Director, SAMICK ADM Co., Ltd.

Director, Harmonic AD, Inc.

(Reason for nomination as candidate)

For many years since he joined the Company, Mr. Yoshihiro Tanioka has been involved with development and engineering, and has demonstrated particularly outstanding abilities in the development of mechatronics products and the business management, which are used for total motion control, the domain of the Company. Furthermore, having served in such roles as manager of the sales strategy and overseas business divisions and Representative Director and President of Harmonic AD, Inc., he possesses expertise not only in development, but also in a wide range of other fields such as international marketing and corporate management. At present, as general manager of the development and engineering division, he is demonstrating strong leadership by, for example, resolving customers' technical issues and developing new products, and is thus contributing to the enhancement of the Group's value. Based on the above, the Company has judged that he is an essential person to enhance Group corporate value, and therefore proposes his continued election as Director.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1966	Joined Mitsui & Co., Ltd.
Feb. 1996	Senior Executive Vice President, Mitsui & Co. (U.S.A.), Inc.
Apr. 1998	General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.
Jun. 1998	Director and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.
Jun. 2001	Representative Director, Executive Managing Director, and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.
Apr. 2002	Executive Managing Officer and General Manager of Communications, Transportation & Industrial Project Unit, Mitsui & Co., Ltd.
Jul. 2002	Executive Managing Officer and Assistant to President of Machinery and Information Group, Mitsui & Co., Ltd.
Jun. 2003	Outside Director, Nagano Keiki Co., Ltd.
Jun. 2003	Outside Director, the Company (incumbent)
Jun. 2006	Corporate Auditor, Hakudo Co., Ltd.
Jun. 2007	Outside Director, Hakudo Co., Ltd.

(Reason for nomination as candidate for Outside Director and expected role)

Mr. Haruhiko Yoshida has served in prominent positions at Mitsui & Co., Ltd., and possesses abundant experience and superior insight in regard to corporate management, in addition to extensive international experience. Thus far, he has utilized this ability and experience to appropriately advise and supervise the management of the Company in general, and can be expected to continue to do so. The Company therefore proposes his continued election as Outside Director.

In addition, as Mr. Haruhiko Yoshida possesses strong independence and there is no risk of a conflict of interest with general shareholders, the Company has judged that its corporate governance structure will also be strengthened.

Mr. Haruhiko Yoshida was appointed Outside Director of the Company in June 2003, and his term of office will be 19 years as of the conclusion of this General Meeting of Shareholders.

Past experience, positions, responsibilities and significant concurrent positions

May 1970	Joined The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.)
Jun. 1999	Executive Officer and Nihonbashi Branch Manager, The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.)
Apr. 2001	Executive Officer and New York Branch Manager, The Sanwa Bank, Ltd. (present MUFG Bank, Ltd.)
Jan. 2002	Managing Executive Officer and New York Branch Manager, UFJ Bank Limited (present MUFG Bank, Ltd.)
May 2002	Executive Operating Officer, Corporate Banking Company Director, UFJ Bank Limited (present MUFG Bank, Ltd.)
May 2004	Representative Director, Executive Operating Officer (Strategic Support Group), Company Director, UFJ Bank Ltd. (present MUFG Bank, Ltd.)
Jun. 2005	Special Advisor, Sanshin Co., Ltd.
Oct. 2005	President and Representative Director, BNP Paribas (Japan)
Nov. 2005	Director, Tokyo Branch, BNP Paribas Securities (Japan) Limited.
Jun. 2007	Board of Directors Advisory Committee, the Company
May 2011	Chairperson, BNP Paribas Securities (Japan) Limited
Sep. 2011	Special Advisor, BNP Paribas Securities (Japan) Limited
Jun. 2013	Outside Director, the Company (incumbent)
Jul. 2013	Chairperson, Social Collaboration Council, The Mathematical Society of Japan (incumbent)

(Reason for nomination as candidate for Outside Director and expected role)

Mr. Masanobu Nakamura has served in prominent positions in major banks and securities companies, and possesses abundant experience and superior insight in regard to corporate management, in addition to extensive international experience. Thus far, he has utilized this ability and experience to appropriately advise and supervise the management of the Company in general, and can be expected to continue to do so. The Company therefore proposes his continued election as Outside Director.

In addition, as Mr. Masanobu Nakamura possesses strong independence and there is no risk of a conflict of interest with general shareholders, the Company has judged that its corporate governance structure will also be strengthened.

Mr. Masanobu Nakamura was appointed Outside Director of the Company in June 2013, and his term of office will be 9 years as of the conclusion of this General Meeting of Shareholders.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1976	Joined Teijin Limited
Jul. 2006	Corporate Officer, Teijin Group Member of the Board and General Manager of Raw Materials & Polymers Division, Teijin Fibers Ltd.
May 2007	President, P.T. Teijin Indonesia Fiber Corporation Tbk
Jun. 2010	Corporate Officer and Member of the Board, General Manager of Corporate Planning Division, Teijin Limited
Jun. 2012	Executive Officer and Member of the Board, General Manager of Electronics Materials and Performance Polymer Products Business Group, and General Manager of Resin and Plastic Processing Business Unit, Teijin Limited President, Teijin Chemicals Ltd. Chairperson, Global Policy Board, Teijin DuPont Films Global Joint Venture
Jun. 2013	Senior Executive Officer and Member of the Board, General Manager of Electronics Materials and Performance Polymer Products Business Group, Teijin Limited Chairperson, Global Policy Board, Teijin DuPont Films Global Joint Venture
Apr. 2015	Advisor, Member of the Board, Teijin Limited
Jun. 2015	Advisor, Teijin Limited
Jun. 2016	Outside Director, Toyo Construction Co., Ltd. (incumbent)
Jun. 2017	Outside Corporate Auditor, the Company
Jun. 2017	Auditor, Japan Indonesia Association, Inc. (incumbent)
Jun. 2020	Outside Director, the Company (incumbent)
Jun. 2020	Director, Harmonic AD, Inc.

(Significant concurrent positions)

Outside Director, Toyo Construction Co., Ltd.

Auditor, Japan Indonesia Association, Inc.

(Reason for nomination as candidate for Outside Director and expected role)

Mr. Yoshio Fukuda has served in prominent positions at Teijin Limited and Teijin Group and possesses abundant experience and superior insight in regard to corporate management, in addition to extensive international experience. In addition, he has a high level of knowledge of strategic planning, establishment of joint ventures, M&As, etc. Based on the above, the Company has judged that he has been appropriately advising and supervising the overall management of the Group, which is expanding its business internationally, from an independent standpoint, and can be expected to continue to do so. The Company therefore proposes his election as Outside Director.

In addition, as Mr. Yoshio Fukuda possesses strong independence and there is no risk of a conflict of interest with general shareholders, the Company has judged that its corporate governance structure will also be strengthened.

Mr. Yoshio Fukuda was appointed Outside Director of the Company in June 2020, and his term of office will be 2 years as of the conclusion of this General Meeting of Shareholders.

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1978	Joined Toyota Motor Co., Ltd. (present Toyota Motor Corporation)
Jan. 2001	Project General Manager of Leading-edge Vehicle Development Planning Office, Toyota Motor Corporation
Jan. 2004	General Manager of Electronics Engineering Div. II, Toyota Motor Corporation
Jan. 2005	General Manager of Electronics Engineering Div. I, Toyota Motor Corporation
Apr. 2007	General Manager of BR Control Software Development Office, Toyota Motor Corporation
Jan. 2010	Managing Executive Officer, Sumitomo Wiring Systems, Ltd.
Jan. 2012	Executive Officer of Sumitomo Electric Industries, Ltd., Managing Executive Officer of Sumitomo Wiring Systems, Ltd., and Director of AutoNetworks Technologies, Ltd.
Jun. 2015	Senior Managing Executive Officer of Sumitomo Wiring Systems, Ltd., Executive Officer of Sumitomo Electric Industries, Ltd., and Director of AutoNetworks Technologies, Ltd.
Jul. 2019	Visiting Professor, Nagasaki Institute of Applied Science

(Reason for nomination as candidate for Outside Director and expected role)

Mr. Kazuhiko Hayashi has engaged in the development and engineering of power train and electric drive control system, etc. at the Toyota Group, and demonstrated leadership as manager. He has served in prominent positions at the Sumitomo Electric Industries Group, and possesses abundant experience and superior insight in regard to corporate management. In addition, he has top-class expertise on the development and engineering of such products, and served as a visiting professor at a graduate school which was established to invent new technology based on advanced technology and creating new business, where he lectured on energy and control-related fields in the automotive industry. Based on this experience and capability, the Company judges that he can advise and supervise the management of the Company in general, and therefore newly proposes his election as Outside Director.

In addition, as Mr. Kazuhiko Hayashi possesses strong independence and there is no risk of a conflict of interest with general shareholders, the Company has judged that its corporate governance structure will also be strengthened.

- Notes:
1. Candidates' histories at the Company are carried over from the former Harmonic Drive Systems Inc.
 2. There are no special interests between any of the candidates and the Company.
 3. Mr. Haruhiko Yoshida, Mr. Masanobu Nakamura, Mr. Yoshio Fukuda, and Mr. Kazuhiko Hayashi are candidates for Outside Directors.
 4. Mr. Haruhiko Yoshida, Mr. Masanobu Nakamura, Mr. Yoshio Fukuda, and Mr. Kazuhiko Hayashi are candidates for Independent Directors with no risk of conflict of interest with general shareholders, for which appointment is required by the Tokyo Stock Exchange.
 5. The number of shares of the Company held includes the portion held by the Officers' Shareholding Association.
 6. Liability limitation agreement with Outside Directors

In order to create an environment where the Company can invite capable personnel to serve as Directors, and to enable them to sufficiently perform the duties expected of them, the Company stipulates in its Articles of Incorporation that it may enter into an agreement with Directors (excluding persons who are Executive Directors, etc.) to limit their liability to the Company to a certain range. Among candidates for Director, Mr. Haruhiko Yoshida, Mr. Masanobu Nakamura, and Mr. Yoshio Fukuda are currently Outside Directors, and the Company has thus entered into liability limitation agreements with each of these candidates. If candidate for Director Mr. Kazuhiko Hayashi is elected and assumes office, the Company will enter into a liability limitation agreement with him.

An overview of the content of the liability limitation agreements that the Company has entered into with incumbent Outside Directors is as follows.

- If a Director (excluding persons who are Executive Directors, etc.) causes damages to the Company owing to the neglect of his or her duties, his or her liability shall be limited to the minimum amount for liability set forth in Article 425, Paragraph 1 of the Companies Act, provided that he or she has performed his or her duties in good faith and without gross negligence.

7. Directors and officers, etc. liability insurance contracts

The Company has concluded a directors and officers, etc. liability insurance agreement provided for in Article 430-3 of the Companies Act with an insurance company, and the said insurance agreement shall compensate for damages including compensation for damages and legal expenses to be borne by the insureds. Note that the Company bears the full cost of the insurance premiums. If each of the candidates for Director is elected and assumes office, the Company plans to make all of them insured persons under the aforementioned directors and officers, etc. insurance agreement.

(Reference)

Skills matrix of Directors after the conclusion of this General Meeting of Shareholders

The overall composition of the Board of Directors and the main skills (insight, experience, capability, expertise, etc.) of each Director are as outlined below if this proposal is approved as originally proposed:

Name	Position (As proposed)	Attributes	Expected insight, experience, capability and expertise, etc.						
			Corporate management/ Management strategy	Overseas business	Sales/ Marketing	Manufacturing /Production	Technology/ R&D	Financial strategy/ Capital policy / Accounting	Information and Communication Technology (ICT)
Mitsumasa Ito	Chairperson of board of directors	—	●	●	●	●		●	
Akira Nagai	President and Representative Director	—	●	●	●			●	●
Akira Maruyama	Representative Director	—	●		●	●	●		●
Kazutoshi Kamijoh	Director	—	●		●			●	
Yoshihiro Tanioka	Director	—	●	●	●	●	●		
Haruhiko Yoshida	Outside Director	Outside Independent	●	●	●				
Masanobu Nakamura	Outside Director	Outside Independent	●	●	●			●	
Yoshio Fukuda	Outside Director	Outside Independent	●	●	●	●		●	
Kazuhiko Hayashi	Outside Director	Outside Independent	●	●			●		

Reasons for selecting skill areas of the Skills Matrix

Skill areas	Reasons for selection
Corporate management/ Management strategy	A director needs management experience and track record at various companies including a manufacturing company as well as abundant knowledge to deliver technological innovation for a better society under the Group's mission of "contributing to technological innovation in society through motion control technology", in addition to achieving a sustainable society and enhancing corporate value.
Overseas business	A director needs abundant knowledge and experience in overseas business management and local culture, etc. to promote the growth strategy of the Group which operates business overseas.
Sales/ Marketing	A director needs proven knowledge and abundant experience in sales and marketing to identify essential needs of customers, create attractive and satisfactory products, and provide customer-oriented services.
Manufacturing/ Production	A director needs proven knowledge and abundant experience in manufacturing and production which is essential to maintain and develop a production system to achieve added-value manufacturing in total motion control, the domain of the Company, and high customer satisfaction.
Technology/ R&D	A director needs experience in R&D for speed reducers and mechatronics products, in addition to expertise and experience in the industry, to ensure high product quality as a leading company of precision speed reducers, and develop high added-value products for customers.
Financial strategy/ Capital policy/ Accounting	A director needs proven knowledge and abundant experience in finance and accounting to build a solid financial base, promote growth investment and financial strategy to sustainably enhance corporate value and return profits to shareholders.
Information and Communication Technology (ICT)	A director needs proven knowledge and experience in information and communication technology to develop information infrastructure including cyber security measures and to promote ICT across the Company utilizing advanced information technologies.

(Reference) Independence Standards for Outside Directors

The Company shall elect independent outside directors who are outside directors without any risk of a conflict of interest with general shareholders (outside directors under Article 2, Paragraph 15 of the Companies Act) and outside officers prescribed in Article 2, paragraph (3), item (v) of the Regulation for Enforcement of the Companies Act (Ministry of Justice Order No. 12 of February 7, 2006) who do not fall under any of the following items and who possess strong independence without any risk of a conflict of interest with general shareholders.

- 1) A major business partner of the Group or an executive thereof;
- 2) A major shareholder who directly or indirectly holds 10% or more of the Company's total voting rights or a person performing an executive role thereof;
- 3) An executive of the Group companies;
- 4) An accounting auditor of the Group or an employee thereof;
- 5) A consultant, accounting specialist and/or legal special receiving substantial amount of money or other financial benefits beyond compensation as directors and officers paid by the Group (or if the entity receiving such financial benefits is a corporation, association or other organization, then any individual belonging to such organization);
- 6) A person who has been an executive of the Group companies or has served as a director, corporate auditor or executive officer of the Group over the past ten (10) years, a relative within the second degree of relationship of such person or a person living together with such person;

In addition, if an applicable person is still judged to be substantially independent despite he or she falling under any of the items 1) – 6) above, the Company will explain and disclose the reason at the time of election.

End

Proposal 4: Election of one (1) Corporate Auditor

Corporate Auditor, Mr. Takumi Yokoyama will resign at the conclusion of this General Meeting of Shareholders, and therefore the Company proposes the election of one (1) Corporate Auditor.

Note that Mr. Hidefumi Iguchi will be elected as a replacement for Mr. Takumi Yokoyama and will serve the remaining term of the retiring Corporate Auditor, as stipulated in the Company's Articles of Incorporation.

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

The candidate for Corporate Auditors is as follows:

Hidefumi Iguchi

(April 5, 1959)

New appointment

Number of shares of the Company held: 5,286

Past experience, positions, responsibilities and significant concurrent positions

Apr. 1983	Joined the Company
May 1999	General Manager of Quality Assurance Promotion Office, the Company
Apr. 2009	General Manager of Operational Process Innovation Department, the Company
Jun. 2011	General Manager of Internal Control and Audit Office, the Company
May. 2013	Corporate Auditor, Harmonic Precision Inc.
Jul. 2014	Executive Officer (Corporate Governance), General Manager of the Internal Control and Audit Office, the Company
Jun. 2020	Executive Officer (Administration and Human Resource), General Manager of Administration and Human Resource and Manager of Environment
Apr. 2022	Executive Officer, General Manager of Administration and Human Resource Division, Manager of Environment and General Manager of Health Promotion Center, the Company (incumbent)

(Reason for nomination as candidate)

Mr. Hidefumi Iguchi has engaged in business of the Company over many years, and has served prominent positions at quality, environment, internal control audit, human resource and administration divisions. Based on the above, he possesses abundant experience and superior insight which the Company has judged would contribute to perform his duties as Corporate Auditor. The Company therefore newly proposes his election as Corporate Auditor.

- Notes:
1. Candidates' histories at the Company are carried over from the former Harmonic Drive Systems Inc.
 2. There are no special interests between the candidate and the Company.
 3. Liability limitation agreement with Corporate Auditors
In order to create an environment where the Company can invite capable personnel to serve as Corporate Auditors, and to enable them to sufficiently perform the duties expected of them, the Company stipulates in its Articles of Incorporation that it may enter into an agreement with Corporate Auditors to limit their liability to the Company to a certain range. If candidate for Corporate Auditor Mr. Hidefumi Iguchi is elected and assumes office, the Company will enter into a liability limitation agreement with him.
An overview of the content of the liability limitation agreements that the Company has entered into with incumbent Corporate Auditors is as follows.
 - If a Corporate Auditor causes damages to the Company owing to the neglect of his or her duties, his or her liability shall be limited to the minimum amount for liability set forth in Article 425, Paragraph 1 of the Companies Act, provided that he or she has performed his or her duties in good faith and without gross negligence.
 4. Directors and officers liability insurance contracts
The Company has concluded a directors and officers' liability insurance agreement provided for in Article 430-3 of the Companies Act with an insurance company, and the said insurance agreement shall compensate for damages including compensation for damages and legal expenses to be borne by the insureds. Note that the Company bears the full cost of the insurance premiums. If Mr. Hidefumi Iguchi is elected and assumes office, the Company plans to make him an insured person under the aforementioned directors and officers' insurance agreement.

Proposal 5: Final Retirement Benefits to Directors and Corporate Auditor following Discontinuation of the Retirement Benefits System

As part of reviewing the executive remuneration system, the Company resolved at its meeting of the Board of Directors held on May 13, 2022 that the retirement benefit system for Directors (excluding Outside Directors) and Full-time Corporate Auditors of the Company shall be discontinued from the closure of this General Meeting of Shareholders. Accordingly, we propose the payment of retirement benefit corresponding to their terms of office, from the date of appointment until the conclusion of this General Meeting Shareholders, to five (5) Directors (excluding Outside Directors) and one (1) Full-time Corporate Auditor based on the standard stipulated in the regulations for directors and corporate auditors. Retirement benefits for Directors (excluding Outside Directors) and Corporate Auditor are calculated based on the criteria stipulated under the regulations for the Company's directors and officers (Final monthly compensation x Years of service by rank x Rank multiplier x Achievement multiplier), and the retirement benefits for Directors will be in line with the Policy for Determining Directors' Remuneration, etc. which was resolved at the Board of Directors as described in pages 43-45 of this Convocation Notice. The Company therefore considers it is appropriate. It is also proposed that the timing of payment shall be the retirement date of each Director and Corporate Auditor, and that the decisions as to the specific amount of remuneration and method of payment, etc. be left to the Board of Directors for Directors and to the consultation of Corporate Auditors for Corporate Auditors.

Brief histories of the Directors and Corporate Auditor to receive the final retirement benefit following the discontinuation of the retirement benefits system are as follows:

Name	Past experience	
Mitsumasa Ito	Aug. 1979	Director, the Company
	Jun. 2011	Chairperson and Representative Director, the Company (incumbent)
Akira Nagai	Jun. 2013	President and Representative Director, the Company (incumbent)
Akira Maruyama	Jun. 2016	Director, the Company (incumbent)
Kazutoshi Kamijoh	Jun. 2020	Director, the Company (incumbent)
Yoshihiro Tanioka	Jun. 2021	Director, the Company (incumbent)
Yoshitsugu Yokogoshi	Jun. 2020	Full-time Outside Corporate Auditor, the Company (incumbent)

Proposal 6: Determination of Remuneration for the Allotment of Restricted Shares to Directors (excluding Outside Directors)

Remuneration to Directors of the Company was approved at the Ordinary General Meeting of Shareholders for fiscal year 2017 held of June 21, 2018 to be up to 300 million yen per year (including up to 80 million yen for Outside Directors and excluding salaries paid to Directors who also serve as an employee of the Company for their performance as an employee).

The Company proposes to allocate its common shares to Directors (excluding Outside Directors) of the Company which are subject to regulations such as certain transfer restriction period and acquisition without contribution by the Company (hereinafter referred to as the "Restricted Shares"). The purpose of this proposal is to share the merit and risk of share price fluctuation with shareholders, so as to incentivize them to contribute to the improvement of the Company's medium- to long-term performance and to increasing corporate value.

In addition, the Company proposes to set the total amount of monetary remuneration claims to be provided by the Company as remuneration, etc. on Restricted Shares to Directors (excluding Outside Directors) of the Company to be up to 100 million yen, separately from the above remuneration for Directors, by comprehensively considering the past payment records of the retirement benefits system which was abolished at the Board of Directors of the Company held on May 13, 2022, future increase or decrease of Directors, and changes in executive officers. The allotment of Restricted Shares is determined given overall circumstances such as the degree of contributions, etc. of Directors to the Company. As defined in 2 below, the ratio of maximum Restricted Shares to be allotted in each fiscal year to the total number of shares shall be approximately 0.04% (the said percentage for the ten-year period from the introduction will be approximately 0.4% if the maximum number of the Restricted Shares is issued each year), indicating that the dilution ratio is insignificant. The Company therefore believes the content of the proposed system is reasonable.

Furthermore, the Company's Board of Directors held on February 23, 2021 resolved on matters related to the policy determine remuneration, etc., of individual Directors, as outlined in pages 43-45 of this Convocation Notice. As stated above, the Board of Directors held on May 13, 2022 determined to discontinue the retirement benefits system, and resolved to make required changes in line with the Policy on condition this proposal will be approved as originally proposed.

The Company currently has nine (9) Directors (of whom four (4) are Outside Directors) and the number of Directors will be the same if Proposal 3 is approved.

Details and upper limit of Restricted Shares to Directors (excluding Outside Directors) of the Company

1. Allotment of Restricted Shares and payment thereof

The Company will, pursuant to a resolution of its Board of Directors, provide the monetary remuneration claims to Directors (excluding Outside Directors) as remuneration, etc. of Restricted Shares, the total amount of which shall not exceed the total yearly amount stipulated above. Each Director will in turn pay the full amount of the monetary remuneration claim as an in-kind capital contribution, in exchange for the allotment of the Restricted Shares.

The amount to be paid in per share in relation to the allotment will be determined by the Board of Directors of the Company on the basis of the closing price of the common shares of the Company at the Tokyo Stock Exchange, one business day prior to the day of resolution by the Board of Directors in relation to the issuance or disposal of the shares (if there is no trading on such date, the closing price of the closest preceding day on which the trading took place) provided that the amount shall not be significantly favorable to eligible Directors.

Provision of the above monetary remuneration claims will be contingent on the eligible Directors (excluding Outside Directors) agreeing to pay in the in-kind capital contribution as above and executing an agreement on the allotment of restricted share that contains the provision stated in item 3 below.

2. Total number of the Restricted Shares

The total number of the Restricted Shares to be allotted to Directors (excluding Outside Directors) of the Company in each fiscal year shall not exceed 35,000.

However, the Company may reasonably adjust the total number of the Restricted Shares, if it engages

in a share split (including an allotment of its common shares without contribution) or consolidation of its common shares after the date of the resolution of this proposal, or in similar situations it becomes necessary to make certain adjustment in the total number of the Restricted Shares to be allotted.

3. Summary of the Restricted Shares Allotment Agreement

In accordance with a resolution by the Company's Board of Directors, the Restricted Shares Allotment Agreement to be concluded between the Company and the eligible Directors receiving an allotment of Restricted Shares shall include the following provisions.

(1) Definitions of Transfer Restrictions

The eligible Directors who have received an allotment of Restricted Shares (hereinafter the "Applicable Allotted Shares") may not transfer, establish a pledge, establish transfer security interest, make a gift before death, bequeath or otherwise dispose of the Restricted Shares (hereinafter the "Transfer Restrictions") to a third party during a period from the grant date of Applicable Allotted Shares to the date on which the eligible Directors retire (hereinafter the "Transfer Restriction Period").

(2) Acquisition of Restricted Allotted Shares without contribution

In the event that the eligible Director who has received an allotment of Restricted Shares retires from his or her position as Director before the day preceding the day of the first General Meeting of Shareholders following the Transfer Restriction Period start date, the Company shall acquire the Applicable Allotted Shares without contribution, unless there is a reason recognized as legitimate by the Company's Board of Directors.

Also, if there are any Applicable Allotted Shares for which the Transfer Restrictions have not been lifted in accordance with the provisions on reasons for the lifting of the Transfer Restrictions as mentioned in (3) below at the time that the Transfer Restriction Period mentioned in (1) above has ended, the Company shall acquire these Applicable Allotted Shares without contribution.

(3) Lifting of the Transfer Restrictions

On the condition that an eligible Director who has received an allotment of Restricted Shares continuously maintains his or her position as a Director of the Company until the date of the first General Meeting of Shareholders following the Transfer Restriction Period start date, the Company shall lift the Transfer Restrictions for all Applicable Allotted Shares upon expiry of the Transfer Restriction Period.

However, if, due to a reason that the Company's Board of Directors deems as justifiable, the eligible Director in question retires from his or her position as a Director of the Company prior to the expiry of the Transfer Restriction Period, the number of Applicable Allotted Shares for which the Transfer Restrictions are lifted, as well as the timing of the lifting of the Transfer Restrictions shall be adjusted to the extent reasonable as needed.

(4) Treatment during reorganization, etc.

If, during the Transfer Restriction Period, matters relating to a merger agreement in which the Company is the dissolving company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or some other reorganization, etc. are approved at the Company's General Meeting of Shareholders (or, in the case where the approval at the Company's General Meeting of Shareholders is not required in relation to the reorganization, etc. in question, at a meeting of the Company's Board of Directors), by resolution of the Company's Board of Directors, the Company shall lift the Transfer Restrictions for the number of Applicable Allotted Shares determined rationally based on the period from the Transfer Restrictions Period start date until the date on which the reorganization, etc. are approved, in advance of the date on which the reorganization, etc. enter into effect.

In this event, the Company shall acquire without contribution the Applicable Allotted Shares for which the Transfer Restrictions have not been lifted one business day prior to the date on which the reorganization, etc. enter into effect.

Proposal 7: Payment of Directors' Bonuses

Taking into consideration the Company's performance during the fiscal year under review, the Company proposes to pay directors' bonuses totaling 260 million yen (240 million yen to Directors and 20 million yen to Outside Directors) to nine (9) Directors (of whom four (4) are Outside Directors) who were in their posts as of the end of the fiscal year under review.

The directors' bonuses are paid as performance-linked remuneration, and we judge them reasonable because the total amount is calculated to be approximately 4% of non-consolidated profit for fiscal 2021 as described in the "(1) Total Amounts of Remuneration, etc., for Directors and Corporate Auditors (Note 3)" on page 43 mentioned Business Report and "II. Policy for Determining Details and Calculation Method of Performance-linked Remuneration" on page 44. The Directors' bonuses will be calculated based on the decision made by the Board of Directors.