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Stock Code: 4626
May 28, 2021

To Our Shareholders:

Eiji Sato
President and CEO

TAIYO HOLDINGS CO., LTD.

388 Ohkura, Ranzan-machi, Hiki-gun, Saitama 355-0222, Japan

NOTICE OF 75TH ORDINARY GENERAL SHAREHOLDERS' MEETING

You are cordially invited to attend the 75th Ordinary General Shareholders' Meeting of Taiyo Holdings Co., Ltd. (the "Company"), which will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing (by postal mail), via the Internet, or other means.

Please review the attached Reference Documents for the General Shareholders' Meeting and exercise your voting rights no later than 5:00 p.m. on Friday, June 18, 2021 (Japan Standard Time).

Meeting Details

- 1. Date and Time:** Saturday, June 19, 2021 at 1:00 p.m. (Japan Standard Time)
- 2. Venue:** STATION CONFERENCE Ikebukuro Room 1, 12F, Metropolitan Plaza building
1-11-1 Nishi-Ikebukuro, Toshima-ku, Tokyo, Japan
(Please note that the meeting venue differs from last year.)

3. Purpose:

Items to be reported:

1. Business Report and Consolidated Financial Statements for the 75th Period (from April 1, 2020 to March 31, 2021), and results of the audit of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors
2. Non-Consolidated Financial Statements for the 75th Period (from April 1, 2020 to March 31, 2021)

Items to be resolved:

- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Partial Amendment of the Articles of Incorporation
- Proposal 3:** Election of One (1) Alternate Audit & Supervisory Board Member
- Proposal 4:** Revision of the Compensation System for Directors

4. Exercise of Voting Rights

Institutional investors who have requested to use the Electronic Voting System Platform run by Investor Communications Japan (ICJ), which was established by Tokyo Stock Exchange Inc. in partnership with Broadridge Financial Solutions, Inc. as electronic exercise of voting rights in advance, may do so.

Reference Documents for the General Shareholders' Meeting

Proposal 1: Appropriation of Surplus

The Company regards profit distribution to shareholders in cash as an important policy and will effectuate a continuous, stable profit distribution at high levels. In addition, we use the dividend on equity ratio as our target index, and aim to keep this figure at a minimum of 5% based on the consolidated financial results for the mid- to long-term.

In addition, in January 2021, the Company celebrated its 20th anniversary since listing on the First Section of the Tokyo Stock Exchange.

We intend to declare the following year-end dividends for the fiscal year under review, a commemorative dividend of 30 yen per share in addition to the ordinary dividend:

(1) Dividend type

Cash

(2) Details of dividend allocation and total amount

- Total dividend of 95.10 yen, comprising 65.10 yen for the ordinary dividend and 30 yen for the commemorative dividend, both per common share

Total dividends: 2,697,664,896 yen

- Total dividend of 95.10 yen, comprising 65.10 yen for the ordinary dividend and 30 yen for the commemorative dividend, both per Series 1 Class A Company shares

Total dividends: 0 yen*1

- Total dividend of 95.10 yen, comprising 65.10 yen for the ordinary dividend and 30 yen for the commemorative dividend, both per Series 2 Class A Company shares

Total dividends: 0 yen*2

(3) Effective distribution date for dividends of surplus

June 21, 2021

Annual dividends for the fiscal year under review will be 160.20 yen per share, including an interim dividend of 65.10 yen per share which has already been distributed.

Notes:

*1 The Company acquired and canceled all issued Series 1 Class A Company shares on June 26, 2018.

*2 The Company acquired and canceled all issued Series 2 Class A Company shares on June 27, 2019.

Proposal 2: Partial Amendment of the Articles of Incorporation

1. Reason for Proposal

The Company intends to make amendments to and deletions of articles and paragraphs in its current Articles of Incorporation concerning Series 1 and Series 2 Class A Company shares to reflect future capital policy and the possibility of issuing such shares.

2. Description of Amendments

A description of the amendments is provided below.

(Amended parts are underlined)

Current Articles of Incorporation	Proposed Amendments
Articles 1 through 5 (Article text omitted)	Articles 1 through 5 (Same as current)
(Shares Authorized) Article 6 The total number of shares of the Company authorized to be issued shall be <u>50,200,000</u> shares <u>and the total number of each Class of Company shares authorized to be issued by the Company shall be as follows.</u>	(Shares Authorized) Article 6 The total number of shares of the Company authorized to be issued shall be <u>50,000,000</u> shares.
<u>Common share: 50,000,000 shares</u>	(Deleted)
<u>Series 1 Class A Company shares: 100,000 shares</u>	(Deleted)
<u>Series 2 Class A Company shares: 100,000 shares</u>	(Deleted)
(Purchase of Treasury Stock) Article 7 (Article text omitted)	(Purchase of Treasury Stock) Article 7 (Same as current)
(Number of Shares in One Unit) Article 8 The number of shares in one (1) unit of shares of the Company shall be one hundred (100) shares <u>for common shares, and Series 1 and Series 2 Class A Company shares, respectively.</u>	(Number of Shares in One Unit) Article 8 The number of shares in one (1) unit of shares of the Company shall be one hundred (100) shares.
Articles 9 through 12 (Article text omitted)	Articles 9 through 12 (Same as current)
<u>Chapter 2-2 Class A Company shares</u>	(Deleted)
<u>(Class A Company Shares)</u>	
<u>Articles 12-2 The content of Series 1 and Series 2 Class A Company shares issued by the Company shall be established as follows.</u>	(Deleted)
<u>(1) Restriction on transfer</u> <u>Any acquisition of Series 1 and Series 2 Class A Company shares by transfer must be approved by the Company's Board of Directors.</u>	(Deleted)
<u>(2) Terms and conditions for put options with common shares as consideration</u> <u>The Company shall acquire all Series 1 and Series 2 Class A Company shares on the day set forth below and in exchange for said acquisition deliver to the shareholders holding Series 1 and Series 2 Class A Company shares one (1) common share for every one (1) Series 1 and Series 2 Class A Company share.</u>	(Deleted)

Current Articles of Incorporation	Proposed Amendments
<p><u>Series 1 Class A Company shares</u> <u>Date on which a period of three (3) years passes from the first date of issuance of Series 1 Class A Company shares</u> <u>Series 2 Class A Company shares</u> <u>Date on which a period of three (3) years passes from the first date of issuance of Series 2 Class A Company shares</u></p>	
<p>(3) <u>Put options with common shares as consideration</u> <u>The shareholders holding Series 1 and Series 2 Class A Company shares can request that the Company deliver common shares of the Company in exchange for all or part of their holdings of Series 1 and Series 2 Class A Company shares.</u> <u>The common shares to be delivered in exchange of the Series 1 and Series 2 Class A Company shares shall be one (1) common share for every one (1) Series 1 and Series 2 Class A Company share. Only in the event that inheritance proceedings commence for the shareholder holding Series 1 and Series 2 Class A Company shares and at any time after the issuance of those shares, his/her put option may be exercised only to the extent of the shares that are inherited.</u></p>	<p>(Deleted)</p> <p>(Deleted)</p>
<p>(Convocation) Article 13 (Article text omitted)</p>	<p>(Convocation) Article 13 (Same as current)</p>
<p>(Record Date of Ordinary General Meeting) Article 14 The record date for voting rights at the Company's ordinary general meeting shall be March 31 every year.</p> <p>2 <u>When an agenda item of an ordinary general meeting of shareholders becomes effective subject to a resolution of a general meeting of Class shareholders comprising Class shareholders of Class shares stipulated in Article 322, paragraph 1 of the Companies Act, the record date for the voting rights of the general meeting of Class shareholders shall be the same as the record date for the voting rights of the ordinary general meeting of shareholders.</u></p>	<p>(Record Date of Ordinary General Meeting) Article 14 The record date for voting rights at the Company's ordinary general meeting shall be March 31 every year.</p> <p>(Deleted)</p>
<p>Articles 15 through 18 (Article text omitted)</p>	<p>Articles 15 through 18 (Same as current)</p>
<p>(General Meeting of Class Shareholders) <u>Articles 18-2 Articles 13, 15 and 18 shall apply mutatis mutandis for general meetings of Class shareholders.</u></p>	<p>(Deleted)</p>
<p>Articles 19 through 49 (Article text omitted)</p>	<p>Articles 19 through 49 (Same as current)</p>

Proposal 3: Election of One (1) Alternate Audit & Supervisory Board Member

In case the number of audit & supervisory board members prescribed by law is not met, the election of one (1) alternate audit & supervisory board member is requested.

The board of audit & supervisory board members concurs with this proposal.

The candidate for alternate audit & supervisory board member has agreed to his appointment if the number of audit & supervisory board members prescribed by law is not met.

The candidate for alternate audit & supervisory board member is as follows:

Name (Date of birth)	Brief resume, positions and important concurrent positions held	Number of the Company's shares owned
Masahiko Todo (July 17, 1968)	Apr. 1997 Registered as an attorney at law (Daini Tokyo Bar Association) Joined Ushijima & Associates (current Ushijima & Partners, Attorneys-at-Law) Jan. 2005 Partner of Ushijima & Partners, Attorneys-at-Law (present post)	Common Shares 0 shares
[Reason chosen as a candidate for alternate outside audit & supervisory board member] Masahiko Todo has no experience of direct involvement in management of a company in the past, but he was selected as a candidate for alternate outside audit & supervisory board member because the Company expects him to utilize his high-level expertise and experience as an attorney in the Company's auditing system and it has judged that he will be able to carry out the duties of an outside audit & supervisory board member in an appropriate manner.		

Notes:

1. There is no special interest between Masahiko Todo and the Company.
2. Masahiko Todo is a candidate for alternate outside audit & supervisory board member.
3. If Masahiko Todo is appointed as an outside audit & supervisory board member, the Company plans to notify the Tokyo Stock Exchange of his appointment as an independent officer in accordance with the provisions of the Tokyo Stock Exchange.
4. If Masahiko Todo is appointed as an outside audit & supervisory board member, the Company plans to conclude an agreement with him limiting liability for damages set forth in Article 423, Paragraph 1 of the Companies Act, pursuant to Article 427, Paragraph 1 of the same Act. A general outline of the agreement provisions is as follows:
 - In the event that the audit & supervisory board member is liable for damages to the Company due to the neglect of duties, the audit & supervisory board member will bear the liability, limited to the minimum amount stipulated in laws and regulations.
 - Recognition of the limited liability mentioned above shall be limited to instances in which the audit & supervisory board member to whom the liability is attributable has executed his/her duties in good faith and without gross negligence.
5. The Company has entered into a directors and officers liability insurance policy with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act, and the Company will cover damages incurred by the insured under the policy. If he is appointed as an outside audit & supervisory board member, he will be included as an insured in the policy.
For a summary of the details of the directors and officers liability insurance policy, please refer to "2. Current Status of the company (3) Status of Corporate Officers 1) Status of Directors and Audit and Supervisory Board Members (as of March 31, 2021) Note 8. Summary, etc. of Details of Directors and Officers Liability Insurance Policy" in the Business Report of the Japanese original.
6. There is no plan to conclude an indemnity agreement between Masahiko Todo and the Company regarding the expenses stipulated in Article 430-2, Paragraph 1, Item 1 of the Companies Act and the loss stipulated in Item 2 of the same Paragraph.

Proposal 4: Revision of the Compensation System for Directors

The Company introduced the performance cash bonus deferral in restricted stock system at the 68th Ordinary General Shareholders' Meeting as a stock compensation system to motivate directors to increase the medium- to long-term corporate value of the Group, and subsequently revised the said system and introduced a new restricted stock system at the 71st Ordinary General Shareholders' Meeting. Stock bonuses have been paid to executive directors eligible under these systems (directors specified in each provision of Article 363, Paragraph 1 of the Companies Act; the same applies hereinafter).

The act partially amending the Companies Act (hereinafter referred to as the "Amended Companies Act of 2019"), which came into effect on March 1, 2021, clarified the details concerning stock-based compensation, etc., within the matters to be specified as details of non-monetary compensation, etc. In accordance with this amendment, the Company requests that shareholders approve revisions to the two types of stock compensation systems: the restricted stock system and the performance cash bonus deferral in restricted stock system.

The Company currently has eight (8) directors (including four (4) outside directors), of which three (3) will be executive directors.

1. Description of Main Revision to Compensation System for Directors

The amount of Company director compensation approved to date includes: 1) aggregate base salaries of not more than 300 million yen approved at the 64th Ordinary General Shareholders' Meeting held on June 29, 2010, 2) performance cash bonuses of not more than 1.6% of consolidated net income* in aggregate, in each fiscal year as performance-based compensation for executive directors approved at the 68th Ordinary General Shareholders' Meeting held on June 20, 2014, 3) cash payments of not more than 3.4% of profit attributable to owners of parent in aggregate, in each fiscal year for performance cash bonus deferral in restricted stock for executive directors (payment of this cash is premised on its use as funds to acquire new common shares issued or disposed of by the Company), and 4) restricted stock compensation (monetary claims for allotment of restricted stock) of not more than 300 million yen per year approved at the 71st Ordinary General Shareholders' Meeting held on June 21, 2017.

This proposal does not involve a change in the amount of compensation for directors described above, but rather, in accordance with the enforcement of the Amended Companies Act of 2019, intends to request shareholders to approve the following revisions: the maximum number of shares allocated under the restricted stock system shall be 40,000 shares per fiscal year; the maximum number of shares allocated under the performance cash bonus deferral in restricted stock system shall be 100,000 shares per fiscal year; and other related changes. (For details, please refer to "2. Details of Revision to Stock Compensation System for Directors" below.)

* Due to the revision of the accounting standards in September 2013, the amount which had heretofore been stated as "net income" on the Consolidated Statement of Income has been changed to "profit attributable to owners of parent" since the 70th fiscal year. The performance cash bonus is therefore paid based on the index, "profit attributable to owners of parent," however, this represents no change from the prior index.

2. Details of Revision to Stock Compensation System for Directors

The revisions in the stock compensation system for directors in this proposal are related to matters required to be specified in accordance with the enforcement of the Amended Companies Act of 2019 and, in practice, there are no changes in the amount of compensation or the structures of the restricted stock system and the performance cash bonus deferral in restricted stock system. Under the stock compensation system, common shares newly issued or disposed of by the Company are allocated to executive directors. With regard to the allocation conditions under the system, the term “maximum number of shares issued” has been defined to indicate the maximum number of common shares newly issued or disposed of by the Company under both the restricted stock system and the performance cash bonus deferral in restricted stock system, each of which has had no separate upper limit, and the number has been determined using a calculation formula. The Company now has decided to set a fixed maximum number of shares issued separately for each of the restricted stock system and the performance cash bonus deferral in restricted stock system, and accordingly proposes to make changes as follows. The details set forth in e) and f) below remain unchanged from the allocation conditions to date.

(Allocation conditions)

- a) The maximum aggregate number of common shares newly issued or disposed of by the Company under the restricted stock system (hereinafter, “maximum number of restricted shares issued”) shall be 40,000 shares per fiscal year.
- b) The maximum aggregate number of common shares newly issued or disposed of by the Company under the performance cash bonus deferral in restricted stock system (hereinafter the “maximum number of performance-linked restricted shares issued”) shall be 100,000 shares per fiscal year.
- c) The aggregate number of common shares newly issued or disposed of by the Company under both the restricted stock system and the performance cash bonus deferral in restricted stock system for a given fiscal year shall be less than 1,420,000 shares when combined with the common shares held by all executive directors (limited to the individuals who are an executive director of the Company at the time of receipt) who have received such common shares (hereinafter the “maximum number of shares held by eligible individuals”).
- d) The maximum number of restricted shares issued (as in a) above), the maximum number of performance-linked restricted shares issued (as in b) above), and the maximum number of shares held by eligible individuals (as in c) above) may be adjusted to a reasonable extent, as necessary, in accordance with the split ratio, consolidation ratio, etc., if a stock split or reverse stock split of the Company’s common stock occurs with an effective date that falls on or after the date on which this proposal is approved or if any other unavoidable event arises that requires adjustment of the respective maximum numbers.
- e) When determining the number of shares allocated based on each of the restricted stock and the performance cash bonus deferral in restricted stock systems, the number of common shares allocated based on the restricted stock system shall be given priority.
- f) The amount paid in per common share of the Company allocated based on the restricted stock system and the performance cash bonus deferral in restricted stock system shall be the closing price of the Company’s common shares on the Tokyo Stock Exchange on the business day prior to the date of each Board of Directors meeting to determine details of offerings related to the common shares issued or disposed of, in principle (if no trades were executed on that day, the closing price on the most recent day on which the stock was traded). The Board of Directors will determine an amount that does not afford the executive director receiving the common shares a special advantage.

The following condition still remains valid: if the number of common shares that should be issued or disposed of under the performance cash bonus deferral in restricted stock system exceeds the maximum number of shares, the Company will pay the amount equivalent to the number of excess shares in cash. However, as described above, having set a fixed maximum number of shares issued or disposed of for each stock compensation system, the Company will change the term to indicate the maximum number of shares, which determines when the Company should start paying cash as compensation under the system, from “maximum number of shares issued or maximum number of shares held by eligible individuals” to “maximum number of performance-linked restricted shares issued or maximum number of shares held by eligible individuals.”

3. Reasons for Appropriateness of Revision to Compensation System for Directors

As described in “1. Description of Main Revision to Compensation System for Directors” and “2. Details of Revision to Stock Compensation System for Directors,” the changes in the stock compensation system for directors in this proposal aim to set a fixed maximum number of common shares issued or disposed of for each stock compensation system in accordance with the enforcement of the Amended Companies Act of 2019, and are not intended for changing the amount of compensation or the structures of the restricted stock system and the performance cash bonus deferral in restricted stock system.

The revisions in the maximum number of common shares issued or disposed of under the stock compensation system in this proposal have been determined in consideration of the purpose of the stock compensation system, the business conditions of the Company, the payment policy of each stock compensation system (please refer to “2. Current Status of the Company (3) Status of Corporate Officers 3) Compensation, etc., of Directors and Audit and Supervisory Board Members for the Current Fiscal Year (b). Matters Concerning the Policy for Determining the Details of Individual Directors’ Compensation, etc.” in the Business Report of the Japanese original) and other circumstances, and the Company has deemed them appropriate.

The newly determined maximum number of restricted shares issued of 40,000 shares and performance-linked restricted shares issued of 100,000 shares represent 0.14% and 0.34%, respectively, of the total number of shares outstanding of 28,998,502 shares (as of March 31, 2021), for a total of 0.48%, while the maximum number of shares held by eligible individuals of 1,420,000 shares represents 4.90%.

4. Overview of the Stock Compensation System after the Revision

The overview of the performance cash bonus deferral in restricted stock system and the restricted stock system after the revision based on this proposal is as follows:

(1) Restricted Stock Compensation

Under the restricted stock system, the Company may pay restricted stock bonuses of not more than 300 million yen a year in aggregate, granting restricted stock to executive directors.

With respect to the amount of monetary remuneration claims to be granted to each executive director as restricted stock compensation, the Company has established a policy for determining how to calculate these amounts and how these amounts were determined. The policy stipulates that the system shall be designed to motivate executive directors to contribute to the medium- to long-term corporate value as well as to increase their mutual interest with shareholders. The amount is determined by position in compensation for the execution of duties during the restricted stock payment eligibility period (from the date of the ordinary General Shareholders’ Meeting for the fiscal year prior to a specific fiscal year that includes the day on which restricted stock bonus was paid to the day prior to the ordinary General Shareholders’ Meeting for the specific fiscal year).

Each executive director who is compensated by the Company with restricted stock shall pay in the entirety of monetary remuneration claims received as investment in kind to receive common shares newly issued or disposed of by the Company. The Company shall leave the specifics of allocation and timing of payment to each executive director, and other details up to the discretion of the Board of Directors.

Executive directors have concluded a restricted stock allocation agreement with the Company including the content described below and have agreed to pay in the entirety of monetary remuneration claims they have been paid as a restricted stock bonus as investment in kind for allocation of common shares in the Company that the Company has newly issued or allocated. Moreover, the conditions for payment are that the executive director holds the position of an executive director of the Company immediately prior to the pay-in date for the new shares or allocated treasury shares subject to the stated allocation, and that the new share issue or treasury share allocation subject to the stated allocation has not been halted on the grounds of revocation, injunction, or other reason.

(Overview of Restricted Stock Allocation Agreement)

- a) A director who receives common shares of the Company under the allocation agreement (hereinafter the “allocated shares” in this section “Overview of Restricted Stock Allocation Agreement”) shall not transfer, hypothecate, or otherwise dispose of such shares (hereinafter “transfer restriction” in this section “Overview of Restricted Stock Allocation Agreement”) for 10 years from the pay-in date (hereinafter “transfer restriction period” in this section “Overview of Restricted Stock Allocation Agreement”).
- b) The Company will lift the transfer restriction on the entirety of shares allocated to the director once the transfer restriction period has expired (however, the period may be separately adjusted if the director is

removed from the position due to death), on the condition that the director remained incumbent as an executive director of the Company throughout the restricted stock payment eligibility period. If the director leaves office during the restricted stock payment eligibility period (including instances in which he/she has ceased being an executive director), the Company shall adjust the number of allocated shares whose transfer restriction would be lifted in the future. This number will be based on the days the director remained in the position dating from the first day of the restricted stock payment eligibility period. Immediately after the director leaves the position, the Company shall acquire, by rights, without contribution, the remaining allocated shares whose restriction on transfer will not be lifted.

- c) Notwithstanding the provision in a) above, the Company may rescind the transfer restriction on the allocated shares by resolution of the Board of Directors if a proposal concerning a merger agreement that would render the Company defunct, or a proposal concerning a share exchange agreement, a share transfer plan, organizational restructuring or other such proposal that would make the Company a wholly-owned subsidiary is approved at a General Shareholders' Meeting of the Company (the Company's Board of Directors for an organizational restructuring or other such proposal that does not require approval of the General Shareholders' Meeting), or if action is taken as a result of a change in the Company's majority shareholder during the transfer restriction period. If such corporate reorganization or other such proposal is approved during the payment eligibility period for the restricted stock in question, the number of allocated shares on which the transfer restriction shall be rescinded will be adjusted according to the period of time extending from the first day of the payment eligibility period of the restricted stock compensation to the date on which the reorganization or other such proposal is approved, or the date on which the change in majority shareholder of the Company becomes effective, and the Company shall acquire, by rights, without contribution, the allocated shares on which the restriction is not rescinded.

(2) Performance Cash Bonus Deferral in Restricted Stock

Under the performance cash bonus deferral in restricted stock system, the Company may pay cash equivalent to not more than 3.4% of profit attributable to owners of parent in aggregate, in each fiscal year as a performance cash bonus deferral in restricted stock to executive directors to be used as funds for payment for the acquisition of common stock newly issued or disposed of by the Company. With respect to the performance cash bonus deferral in restricted stock, the Company has established a policy for determining the amounts and calculation method thereof. The policy stipulates that the system shall be designed to motivate executive directors to contribute to the medium- to long-term corporate value as well as to increase their mutual interest with shareholders. The aggregate amount to be paid under the system shall be calculated based on profit attributable to owners of parent of the fiscal year concerned (the fiscal year preceding a particular fiscal year in which falls a payment date of performance cash bonus deferral in restricted stock), and is allocated according to officers' ranks, in cash, which is to be used to acquire common shares of the Company.

To receive common shares newly issued or disposed of by the Company, each executive director shall pay in cash, that is a performance cash bonus deferral in restricted stock received (however, this excludes amounts equivalent to income tax, local income tax and other taxes and the social insurance premium, as well as the commission on payment, the amount to be paid in for shares constituting less than one unit, etc.; the same applies hereinafter). The Company shall leave the specifics of allocation and timing of payment to each executive director, and other details up to the discretion of the Board of Directors.

Executive directors have concluded a performance-based stock allocation agreement with the content described below with the Company, agreeing to pay cash in the amount they have received under the performance cash bonus deferral in restricted stock system to receive common shares newly issued or disposed of by the Company.

However, in the event that a law or judicial judgment prevents the Company from issuing or disposing of common shares to deliver to each executive director under the performance cash bonus deferral in restricted stock system, the recipients will receive the compensation in cash only (without exchanging this cash for common shares). If the number of common shares that should be issued or disposed of under the performance cash bonus deferral in restricted stock system exceeds the maximum number of performance-linked restricted shares issued or maximum number of shares held by eligible individuals, the Company will pay the amount equivalent to the number of excess shares in cash as compensation for the performance cash bonus deferral in restricted stock.

Moreover, if a person inherits from an executive director the right to receive compensation for performance cash bonus deferral in restricted stock, this person will receive the compensation in cash only.

(Overview of Performance Cash Bonus Deferral in Restricted Stock Allocation Agreement)

- a) A director who receives common shares of the Company under the allocation agreement (hereinafter the “allocated shares” in this section “Overview of Performance Cash Bonus Deferral in Restricted Stock Allocation Agreement”) shall not transfer, hypothecate, or otherwise dispose of such shares (hereinafter the “transfer restriction” in this section “Overview of Performance Cash Bonus Deferral in Restricted Stock Allocation Agreement”) for three years from the pay-in date (hereinafter the “transfer restriction period” in this section “Overview of Performance Cash Bonus Deferral in Restricted Stock Allocation Agreement”).
- b) Notwithstanding the provision in a) above, the Company may lift the transfer restriction on the allocated shares by resolution of the Board of Directors if any of the following events occur during the transfer restriction period: when a General Shareholders’ Meeting of the Company approves a proposal concerning a merger agreement that would render the Company defunct, or a proposal concerning a share exchange agreement, a share transfer plan, an organizational restructuring or other such proposal that would make the Company a wholly-owned subsidiary (or the Company’s Board of Directors approves proposals such as an organizational restructuring that do not require approval of the General Shareholders’ Meeting), or if an act involving a change in the Company’s controlling shareholder is performed.