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Securities Code: 4819

September 7, 2016

To Our Shareholders:

Kaoru Hayashi, Representative Director

**Digital Garage, Inc.**

3-5-7 Ebisu Minami, Shibuya-ku, Tokyo

## **Notice of the 21st Ordinary Shareholders' General Meeting**

You are cordially invited to attend the 21st Ordinary Shareholders' General Meeting of Digital Garage, Inc. (the "Company"), which will be held as indicated below.

**If you are unable to attend the meeting in person, you may exercise your voting rights by either of the following methods. Please review the attached Reference Documents for the Shareholders' General Meeting and exercise your voting rights.**

### **[Exercising your voting rights in writing]**

Please indicate your approval or disapproval for each proposal on the enclosed voting card, and post it so as to arrive no later than 6:30 p.m. on Wednesday, September 28, 2016 (JST).

### **[Exercising your voting rights on the Internet]**

Please access to the Website for Exercising Voting Rights designated by the Company (<http://www.web54.net/>) and enter your approval or disapproval for each proposal to exercise your voting rights by no later than 6:30 p.m. on Wednesday, September 28, 2016 (JST).

1. **Date and Time:** Thursday, September 29, 2016, at 1:00 p.m.
2. **Venue:** Galaxy Ballroom, B2 floor, The Westin Tokyo  
1-4-1 Mita, Meguro-ku, Tokyo (in Yebisu Garden Place)

3. **Purpose of the Meeting**

**Matters to be reported**

1. The Business Report and the Consolidated Financial Statements for the 21st fiscal year (from July 1, 2015 to June 30, 2016), and the results of audits of the Consolidated Financial Statements by the Financial Auditor and the Board of Auditors
2. The Non-consolidated Financial Statements for the 21st fiscal year (from July 1, 2015 to June 30, 2016)

**Matters to be resolved**

- Proposal No. 1:** Dividends of Surplus
- Proposal No. 2:** Partial Amendments to the Articles of Incorporation
- Proposal No. 3:** Election of Eight (8) Directors who are not Audit and Supervisory Committee Members
- Proposal No. 4:** Election of Four (4) Directors who are Audit and Supervisory Committee Members
- Proposal No. 5:** Determination of Amount of Remuneration for Directors who are not Audit and Supervisory Committee Members
- Proposal No. 6:** Determination of Amount of Remuneration for Directors who are Audit and Supervisory Committee Members
- Proposal No. 7:** Determination of Amount of Remuneration as Stock Compensation-type Stock Options (Stock Acquisition Rights) to Directors who are not Audit and Supervisory Committee Members and Other Terms Thereof
- Proposal No. 8:** Determination of Remuneration for Granting Restricted Shares to Directors who are not Audit and Supervisory Committee Members and Other Terms Thereof
- Proposal No. 9:** Issuance of Stock Acquisition Rights as Stock Options to Employees, etc.

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1. If any changes are made to items in the reference documents for the shareholders' general meeting and the business report, or to non-consolidated financial statements and consolidated financial statements, such changes will be posted on the Company's website (<http://www.garage.co.jp/ja/ir/>).
  2. When you attend the meeting, you are kindly requested to present the enclosed voting card at the reception.

# Reference Documents for the Shareholders' General Meeting

## Proposals and Reference Information

### **Proposal No. 1:** Dividends of Surplus

The Company, taking into account factors such as operating results for the fiscal year under review and future business development, proposes to pay dividends of surplus (year-end dividends) for the 21st fiscal year as follows:

#### Year-end dividends

Type of dividend property:	Cash
Allotment of dividend property and their aggregate amount:	¥30 per common share of the Company ¥1,410,972,000 in total
Effective date of dividends of surplus:	Friday, September 30, 2016

**Proposal No. 2: Partial Amendments to the Articles of Incorporation**

**I. Reason for proposal**

1. The Company proposes a transition to a company with audit and supervisory committee, with the aim of strengthening audit and supervising functions of the Board of Directors and further enhancing the corporate governance system. Accordingly, the Company shall newly establish regulations concerning the Audit and Supervisory Committee and Directors who are Audit and Supervisory Committee Members, remove regulations concerning Auditors and the Board of Auditors, and make other necessary changes for the transition to a company with audit and supervisory committee.
2. The fiscal year of the Company currently starts on July 1 of each year and ends on June 30 of the following year, and the Company proposes to change the fiscal year to start on April 1 of each year and end on March 31 of the following year in order to unify the group accounting period as the Company intends to improve transparency of business management by implementing efficient business operations and timely and appropriate disclosure of management information, and at the same time to address unification of the accounting period of consolidated companies to be required for applying International Financial Reporting Standards (IFRS).
3. In accordance with the change of the organizational structure of officers, the Company shall make necessary changes to appoint Representative Director to be convenor and chairman of Shareholders' General Meeting and the Board of Directors.
4. In addition to the foregoing, the Company will make necessary changes including renumbering certain Articles to accommodate addition and removal of provisions as mentioned above, and partially revising language and expressions. The amendments to the Articles of Incorporation shall be effective at the conclusion of this meeting.

**II. Details of amendments**

Details of amendments are as follows:

(Underlined portions are amended)

Current Articles of Incorporation	Proposed Amendments
<p>Article 1 to Article 3 &lt;Omitted&gt;</p> <p>Article 4 (Governing Bodies) The Company shall have the following governing bodies in addition to shareholders' general meeting and Directors.</p> <ol style="list-style-type: none"> <li>1. Board of Directors</li> <li>2. <u>Auditors</u></li> <li>3. <u>Board of Auditors</u></li> <li>4. Financial Auditor</li> </ol>	<p>Article 1 to Article 3 &lt;Unchanged&gt;</p> <p>Article 4 (Governing Bodies) The Company shall have the following governing bodies in addition to shareholders' general meeting and Directors.</p> <ol style="list-style-type: none"> <li>1. Board of Directors</li> <li>2. <u>Audit and Supervisory Committee</u></li> <li>&lt;Deleted&gt;</li> <li>3. Financial Auditor</li> </ol>
<p>Article 5 to Article 12 &lt;Omitted&gt;</p>	<p>Article 5 to Article 12 &lt;Unchanged&gt;</p>
<p>Article 13 (Convocation of Shareholders' General Meeting) An ordinary shareholders' general meeting of the Company shall be convened in <u>September</u> each year, and an extraordinary shareholders' general meeting shall be convened from time to time, whenever necessary.</p>	<p>Article 13 (Convocation of Shareholders' General Meeting) An ordinary shareholders' general meeting of the Company shall be convened in <u>June</u> each year, and an extraordinary shareholders' general meeting shall be convened from time to time, whenever necessary.</p>
<p>Article 14 (Record date of Ordinary Shareholders' General Meeting) The record date for voting rights at the ordinary shareholders' general meeting of the Company shall be <u>June 30</u> of each year.</p>	<p>Article 14 (Record date of Ordinary Shareholders' General Meeting) The record date for voting rights at the ordinary shareholders' general meeting of the Company shall be <u>March 31</u> of each year.</p>

Current Articles of Incorporation	Proposed Amendments
<p>Article 15 (Person Authorized to Convene Meetings and Chair Thereof)</p> <ol style="list-style-type: none"> <li>1. The <u>President</u> shall convene and preside at shareholders' general meeting.</li> <li>2. If the position of the <u>President</u> is vacant or he/she is in an accident, another Director, in accordance with the order determined in advance by a meeting of the Board of Directors, shall convene and preside at the meeting.</li> </ol>	<p>Article 15 (Person Authorized to Convene Meetings and Chair Thereof)</p> <ol style="list-style-type: none"> <li>1. <u>One of the Representative Directors</u> shall convene and preside at shareholders' general meeting.</li> <li>2. If the position of the <u>Representative Director</u> is vacant or he/she is in an accident, another Director, in accordance with the order determined in advance by a meeting of the Board of Directors, shall convene and preside at the meeting.</li> </ol>
<p>Article 16 to Article 19 &lt;Omitted&gt;</p>	<p>Article 16 to Article 19 &lt;Unchanged&gt;</p>
<p>Article 20 (Number) The Company shall have no more than ten (10) Directors.</p> <p style="text-align: center;">&lt;Newly established&gt;</p>	<p>Article 20 (Number)</p> <ol style="list-style-type: none"> <li>1. The Company shall have no more than ten (10) Directors <u>(excluding Directors who are Audit and Supervisory Committee Members)</u>.</li> <li>2. The Company shall have no more than <u>five (5) Directors who are Audit and Supervisory Committee Members</u>.</li> </ol>
<p>Article 21 (Method of Election)</p> <ol style="list-style-type: none"> <li>1. Directors shall be elected at a shareholders' general meeting.</li> <li>2. Election of Directors shall be made by the quorum of shareholders holding one-third (1/3) or more of the voting rights held by all the shareholders entitled to exercise their voting rights being present at the relevant shareholders' general meeting, and by the resolution of a majority vote of the voting rights of such present shareholders.</li> <li>3. Cumulative voting shall not be used for resolutions to elect Directors.</li> </ol>	<p>Article 21 (Method of Election)</p> <ol style="list-style-type: none"> <li>1. Directors shall be elected at a shareholders' general meeting, <u>while making a distinction between Directors who are Audit and Supervisory Committee Members and other Directors</u>.</li> <li>2. Election of Directors shall be made by the quorum of shareholders holding one-third (1/3) or more of the voting rights held by all the shareholders entitled to exercise their voting rights being present at the relevant shareholders' general meeting, and by the resolution of a majority vote of the voting rights of such present shareholders.</li> <li>3. Cumulative voting shall not be used for resolutions to elect Directors.</li> </ol>
<p>Article 22 (Term of Office) The term of office of a Director shall expire at the conclusion of the ordinary shareholders' general meeting pertaining to the last business year ending within <u>two (2) years</u> after the Director's election. <u>However, the term of office of the Director who is elected as a substitute shall be the remaining term of office of the predecessor's term of office.</u></p> <p style="text-align: center;">&lt;Newly established&gt;</p> <p style="text-align: center;">&lt;Newly established&gt;</p>	<p>Article 22 (Term of Office)</p> <ol style="list-style-type: none"> <li>1. The term of office of a Director <u>(excluding a Director who is an Audit and Supervisory Committee Member)</u> shall expire at the conclusion of the ordinary shareholders' general meeting pertaining to the last business year ending within <u>one (1) year</u> after the Director's election.</li> <li>2. <u>The term of office of a Director who is an Audit and Supervisory Committee Member shall expire at the conclusion of the ordinary shareholders' general meeting pertaining to the last business year ending within two (2) years after the Director's election.</u></li> <li>3. <u>The term of office of the Director who is an Audit and Supervisory Committee Member elected as a substitute of another Director who was an Audit and Supervisory Committee Member and retired before the expiration of his/her term shall be the remaining term of office of the predecessor.</u></li> </ol>
<p>Article 23 (Representative Director(s)) The Board of Directors shall appoint, by its resolution, Representative Director(s).</p>	<p>Article 23 (Representative Director(s)) The Board of Directors shall appoint, by its resolution, Representative Director(s) <u>from among the Directors (excluding Directors who are Audit and Supervisory Committee Members)</u>.</p>

Current Articles of Incorporation	Proposed Amendments
Article 24 (Directors with Titles) The Company may appoint, by a resolution of the Board of Directors, one Director and Chairman, one Director and President, and a certain number of Director and Vice Presidents, Senior Managing Directors and Managing Directors.	Article 24 (Directors with Titles) The Company may appoint, by a resolution of the Board of Directors, one Director and Chairman, one Director and President, and a certain number of Director and Vice Presidents, Senior Managing Directors and Managing Directors <u>from among the Directors (excluding Directors who are Audit and Supervisory Committee Members)</u> .
Article 25 (Person Authorized to Convene Meetings of the Board of Directors and Chair Thereof) 1. Except as otherwise provided by laws and regulations, the <u>President</u> shall convene and preside at meeting of the Board of Directors.  2. If the position of the <u>President</u> is vacant or he/she is in an accident, another Director, in accordance with the order determined in advance by a meeting of the Board of Directors, shall convene and preside at the meeting.	Article 25 (Person Authorized to Convene Meetings of the Board of Directors and Chair Thereof) 1. Except as otherwise provided by laws and regulations, <u>one of the Representative Directors</u> shall convene and preside at meeting of the Board of Directors.  2. If the position of the <u>Representative Director</u> is vacant or he/she is in an accident, another Director, in accordance with the order determined in advance by a meeting of the Board of Directors, shall convene and preside at the meeting.
Article 26 (Convocation Notice regarding Meetings of Board of Directors) 1. Convocation notice regarding a meeting of the Board of Directors shall be dispatched to each Director <u>and each Auditor</u> three (3) days prior to the date of such meeting; provided, however, that such period may be shortened in the case of urgent necessity.  2. A meeting of the Board of Directors may be held without carrying out the convocation procedure upon the consent of all the Directors <u>and Auditors</u> .	Article 26 (Convocation Notice regarding Meetings of Board of Directors) 1. Convocation notice regarding a meeting of the Board of Directors shall be dispatched to each Director three (3) days prior to the date of such meeting; provided, however, that such period may be shortened in the case of urgent necessity.  2. A meeting of the Board of Directors may be held without carrying out the convocation procedure upon the consent of all the Directors.
Article 27  <Omitted>  <Newly established>	Article 27  <Unchanged>  <u>Article 28 (Delegation of Execution of Important Operations)</u> The Company may, pursuant to the provisions of Article 399-13, paragraph 6 of the Companies Act, <u>delegate all or part of decisions regarding execution of important operations (excluding matters set forth in items of paragraph 5 of the said Article) to a Director by resolution of the Board of Directors.</u>
Article 28  <Omitted>  Article 29 (Remunerations, etc.) Remuneration, bonus and other economic benefits to be provided by the Company as a consideration for the execution of duties (“Remunerations, etc.”) to the Directors shall be determined by resolution of a shareholders’ general meeting.	Article 29  <Unchanged>  Article 30 (Remunerations, etc.) Remuneration, bonus and other economic benefits to be provided by the Company as a consideration for the execution of duties (“Remunerations, etc.”) to the Directors shall be determined by resolution of a shareholders’ general meeting, <u>while making a distinction between Directors who are Audit and Supervisory Committee Members and other Directors.</u>
Article 30 to Article 31 <Omitted>  CHAPTER V <u>Auditors and Board of Auditors</u>	Article 31 to Article 32 <Unchanged>  CHAPTER V <u>Audit and Supervisory Committee</u>
<u>Article 32 (Number)</u> The Company shall have no more than five (5) Auditors.	<Deleted>
<u>Article 33 (Method of Election)</u> 1. <u>Auditors shall be elected at a shareholders’ general meeting.</u>	<Deleted>

Current Articles of Incorporation	Proposed Amendments
<p><u>2. Election of Auditors shall be made by the quorum of shareholders holding one-third (1/3) or more of the voting rights held by all the shareholders entitled to exercise their voting rights being present at the relevant shareholders' general meeting, and by the resolution of a majority vote of the voting rights of such present shareholders.</u></p>	
<p><u>Article 34 (Term of Office)</u>  <u>The term of office of an Auditor shall expire at the conclusion of the ordinary shareholders' general meeting pertaining to the last business year ending within four (4) years after the Auditor's election. However, the term of office of the Auditor who is elected as a substitute shall be the remaining term of office of the retiring Auditor's term of office.</u></p>	<Deleted>
<p><u>Article 35 (Standing Corporate Auditor(s))</u>  <u>The Board of Auditors shall appoint, by its resolution, Standing Corporate Auditor(s) from among the Auditors.</u></p>	<Deleted>
<p><u>Article 36 (Convocation Notice regarding Meetings of Board of Auditors)</u>  <u>1. Convocation notice regarding a meeting of the Board of Auditors shall be dispatched to each Auditor three (3) days prior to the date of such meeting; provided, however, that such period may be shortened in the case of urgent necessity.</u>  <u>2. A meeting of the Board of Auditors may be held without carrying out the convocation procedure upon the consent of all the Auditors.</u></p>	<Deleted>
<p><u>Article 37 (Regulations of the Board of Auditors)</u>  <u>Particulars relating to the Board of Auditors shall be governed by the Regulations of the Board of Auditors established by the Board of Auditors, in addition to laws and regulations or the Articles of Incorporation.</u></p>	<Deleted>
<p><u>Article 38 (Remunerations, etc.)</u>  <u>Remunerations, etc. for Auditors shall be determined by resolution of a shareholders' general meeting.</u></p>	<Deleted>
<p><u>Article 39 (Exemption from Liability of Auditors)</u>  <u>1. The Company may, pursuant to the provisions of Article 426, paragraph 1 of the Companies Act, by resolution of the Board of Directors, exempt Auditors (including former Auditors) from their liability for damages caused by negligence of their duties, to the extent prescribed by laws and regulations.</u>  <u>2. The Company may, pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, enter into an agreement with Auditors to limit their liabilities for damages caused by negligence of their duties; provided, however, that the maximum liabilities based on the said agreement shall be the amounts stipulated in laws and regulations.</u></p>	<Deleted>
<p>&lt;Newly established&gt;</p>	<p><u>Article 33 (Convocation Notice regarding Meetings of Audit and Supervisory Committee)</u>  <u>1. Convocation notice regarding a meeting of the Audit and Supervisory Committee shall be dispatched to each Audit and Supervisory Committee Member three (3) days prior to the date of such meeting; provided, however, that such period may be shortened in the case of urgent necessity.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p style="text-align: center;">&lt;Newly established&gt;</p> <p>Article <u>40</u> to Article <u>41</u> &lt;Omitted&gt;</p> <p>Article <u>42</u> (Fiscal Year) The fiscal year of the Company shall be from <u>July 1</u> of each year to <u>June 30</u> of the following year.</p> <p>Article <u>43</u> (Record Date for Payment of Year-end Dividends of Surplus) The record date for year-end dividends of the Company shall be <u>June 30</u> of each year.</p> <p>Article <u>44</u> (Record Date for Payment of Interim Dividends) The Company may pay interim dividends with a record date of <u>December 31</u> of each year, by a resolution of the Board of Directors.</p> <p>Article <u>45</u> &lt;Omitted&gt;</p> <p style="text-align: center;">&lt;Newly established&gt;</p> <p style="text-align: center;">&lt;Newly established&gt;</p> <p style="text-align: center;">&lt;Newly established&gt;</p> <p style="text-align: center;">&lt;Newly established&gt;</p>	<p><u>2. A meeting of the Audit and Supervisory Committee may be held without carrying out the convocation procedure upon the consent of all the Audit and Supervisory Committee Members.</u></p> <p><u>Article 34 (Regulations of the Audit and Supervisory Committee)</u> <u>Particulars relating to the Audit and Supervisory Committee shall be governed by the Regulations of the Audit and Supervisory Committee established by the Audit and Supervisory Committee, in addition to laws and regulations or the Articles of Incorporation.</u></p> <p>Article <u>35</u> to Article <u>36</u> &lt;Unchanged&gt;</p> <p>Article <u>37</u> (Fiscal Year) The fiscal year of the Company shall be from <u>April 1</u> of each year to <u>March 31</u> of the following year.</p> <p>Article <u>38</u> (Record Date for Payment of Year-end Dividends of Surplus) The record date for year-end dividends of the Company shall be <u>March 31</u> of each year.</p> <p>Article <u>39</u> (Record Date for Payment of Interim Dividends) The Company may pay interim dividends with a record date of <u>September 30</u> of each year, by a resolution of the Board of Directors.</p> <p>Article <u>40</u> &lt;Unchanged&gt;</p> <p style="text-align: center;"><u>Supplementary provisions</u></p> <p><u>Article 1 (Transitional Measures concerning Exemption from Liability of Auditor)</u> <u>1. The Company may, if a case falls under requirements specified by laws and regulations regarding the liability under Article 423, paragraph 1 of the Companies Act, exempt Auditors (including former Auditors) from their liability for damages, to the extent prescribed by laws and regulations, by resolution of the Board of Directors, regarding conduct carried out before the conclusion of the 21st ordinary shareholders' general meeting on September 29, 2016.</u></p> <p><u>2. Article 39, paragraph 2 of the Articles of Incorporation, as in effect before the amendments effective by the resolution of 21st ordinary shareholders' general meeting on September 29, 2016, is still in effect only as regards the exemption of Auditor (including former Auditors) from liability for conducts falling under Article 423, paragraph 1 of the Companies Act which carried out before the conclusion of the said shareholders' general meeting.</u></p> <p><u>Article 2 (Transitional Measures concerning Fiscal Year)</u> <u>Notwithstanding the provisions of Article 37, the 22nd fiscal year shall be nine (9) months from July 1, 2016 to March 31, 2017.</u></p> <p><u>Article 3 (Transitional Measures concerning Record Date for Payment of Interim Dividends)</u> <u>Notwithstanding the provisions of Article 39, the record date for payment of interim dividends for the 22nd fiscal year shall be December 31, 2016.</u></p>



Current Articles of Incorporation	Proposed Amendments
<Newly established>	<u>Article 4 (Effective term of the Supplementary Provisions)</u> <u>Preceding two articles and this article shall be deleted</u> <u>following the end of the 22nd fiscal year.</u>

**Proposal No. 3:** Election of Eight (8) Directors who are not Audit and Supervisory Committee Members

Subject to the approval of Proposal No. 2 “Partial Amendments to the Articles of Incorporation” in its original form, the Company will become a company with audit and supervisory committee. Once the amendments take effect, the terms of office of current ten (10) Directors will expire. Therefore, the Company proposes to elect eight (8) Directors who are not Audit and Supervisory Committee Members.

The resolution for this proposal can only take effect after the partial amendments to the Articles of Incorporation of Proposal No. 2 take effect. The terms of office of Directors who are not Audit and Supervisory Committee Members to be elected at the Shareholders’ General Meeting, pursuant to the provisions of the Articles of Incorporation, shall expire at the conclusion of the Shareholders’ General Meeting to be held in June 2017.

The candidates for Directors who are not Audit and Supervisory Committee Members are as follows:

Candidate No.	Name (Date of Birth)	Career Summary, and Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)
1 Reelection	Kaoru Hayashi (December 26, 1959)  Number of the Company’s Shares Owned: 6,773,100 shares	Apr. 1983 Representative Director, From Garage, Inc.
		June 1988 Representative Director, Studio Garage, Inc.
		Aug. 1995 Founded the Company Representative Director, the Company
		Dec. 1996 Representative Director, K Garage, Inc. (now Representative Partner, K Garage, G.K.) (current position)
		Feb. 2003 Representative Director, Creative Garage, Inc.
		June 2003 Representative Director and Chairman, Kakaku.com, Inc. (current position)
		Sept. 2004 Representative Director and Chairman, Ibex & rims, Inc.
		Nov. 2004 Representative Director, President and Group CEO, the Company (current position)
		Aug. 2006 Representative Director and President, CGM Marketing, Inc. (now BI. Garage, Inc.) (current position)
		June 2009 Representative Director and Chairman, DG Incubation, Inc. (current position)
		June 2011 Director, DG COMMUNICATIONS Co., Ltd. (current position)
		July 2011 Director, Digital Garage US, Inc. (current position)
		June 2012 Director, Monex Group, Inc. (current position)
		Sept. 2012 Director, Chairman, econtext Asia Limited (current position)
		Apr. 2013 Representative Director and Chairman, Open Network Lab, Inc. (current position)
		Apr. 2013 Director, NaviPlus Co., Ltd. (current position)
		Aug. 2013 Director, Dentsu ScienceJam Inc. (current position)
		Oct. 2013 Director and Chairman, VeriTrans Inc. (current position)
		Oct. 2013 Director and Chairman, ECONTEXT, INC. (current position)
		Nov. 2013 Director, New Context Services, Inc.
June 2016 Director, Credit Saison Co., Ltd. (current position)		
July 2016 Director, DG Daiwa Ventures, Inc. (current position)		
<p><b>Reason for the nomination as candidate for Director</b>            Having paid particular attention to the potential of the Internet service in Japan from its predawn era, Kaoru Hayashi, as founding business manager of the Company, has created new Internet businesses since founding the Company in 1995. In addition, he has driven the Group business management and contributed to expansion of the business, leveraging his wealth of insights about overall Internet business. The Company therefore expects him to continue appropriately overseeing business operation of the Company and driving its medium- to long-term growth strategy, and nominated him as a candidate for Director.</p>		

Candidate No.	Name (Date of Birth)	Career Summary, and Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)
2 Reelection	Yasuyuki Rokuyata (April 5, 1956)  Number of the Company's Shares Owned: 392,400 shares	Feb. 1979 Representative Director, Dude, Co., Ltd. (current position)
		July 1994 Director, Studio Garage, Inc. Dec. 1995 Director, the Company Dec. 2004 Representative Director and President, Creative Garage, Inc. Mar. 2011 Representative Director and President, DG Incubation, Inc. (current position) July 2011 Director and COO, the Company Sept. 2012 Director and Vice President, in charge of the Incubation Segment (now the Incubation Technology Segment), the Company (current position) July 2013 Director, Digital Garage US, Inc. (current position) June 2015 Representative Director and President, DK Gate, Inc. (current position) Aug. 2016 Director, DK Media, Inc. (current position)
<p><b>Reason for the nomination as candidate for Director</b> Yasuyuki Rokuyata has been active in the business management of the Company since its foundation, and has been engaged in the overall businesses of the Group, centering on incubation business in his capacities as Vice President of the Company and directors of the Group companies. In addition, he has contributed to business expansion of the Group businesses by leveraging his extensive experience in business management. The Company therefore expects him to continue appropriately overseeing business operation of the Company and driving its medium- to long-term growth strategy, and nominated him as a candidate for Director.</p>		
3 Reelection	Makoto Soda (June 30, 1963)  Number of the Company's Shares Owned: 4,300 shares	Apr. 1986 Joined Universal Securities Co., Ltd. (now Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) June 1994 Joined Dresdner Kleinwort Benson Securities, Ltd. June 1997 Joined Daiwa Institute of Research Ltd. Apr. 2000 Joined Monex Securities Inc. Mar. 2007 Joined the Company Executive Officer, in charge of the Corporate Strategy Division, the Company Oct. 2008 Senior Operating Officer, the Company June 2009 Director, DG Incubation, Inc. (current position) Sept. 2009 Director, Head of Group CEO Office, the Company July 2011 Director, Head of Corporate Strategy Division, the Company Jan. 2012 Director, in charge of the Corporate Strategy Division, the Company (current position) June 2012 Director, VeriTrans Inc. Aug. 2012 CFO, Digital Garage US, Inc.
		<p><b>Reason for the nomination as candidate for Director</b> Since joining the Company, Makoto Soda has been engaged in primarily corporate planning, finance, and investor relations, in his capacities as Director in charge of the Corporate Strategy Division and directors of the Group companies. In addition, he has contributed to strengthening of the financial base and expansion of the Group through M&amp;As by reflecting his wealth of experience and expertise in overall business management and financial matters. The Company therefore expects him to continue appropriately overseeing business operation of the Company and driving its medium- to long-term growth strategy, and nominated him as a candidate for Director.</p>

Candidate No.	Name (Date of Birth)	Career Summary, and Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)
4 Reelection	<p style="text-align: center;">Keizo Odori (May 10, 1970)</p> <p>Number of the Company's Shares Owned: 2,000 shares</p>	<p>Apr. 2000    Joined Faith, Inc.</p> <p>June 2005    Director, Faith, Inc.</p> <p>Mar. 2006    Representative Director and President, GIGA NETWORKS, INC. (now Faith Wonderworks, Inc.)</p> <p>Aug. 2010    Adviser, the Company</p> <p>Aug. 2010    Representative Director and President, DG Mobile, Inc.</p> <p>Sept. 2010    Director, the Company</p> <p>Apr. 2012    Director, VeriTrans Inc. (current position)</p> <p>Apr. 2012    Director, NaviPlus Co., Ltd. (current position)</p> <p>Sept. 2012    Director, in charge of the Payment Segment (now the Financial Technology Segment), the Company (current position)</p> <p>Sept. 2012    Director, econtext Asia Limited (current position)</p> <p>Oct. 2013    Representative Director and President, Econtext, Inc. (current position)</p> <p>June 2015    Director, DK Gate, Inc. (current position)</p> <p>Sept. 2015    Director, DG Incubation Inc. (current position)</p> <p>July 2016    Representative Director, DG Daiwa Ventures, Inc. (current position)</p> <p>Aug. 2016    Representative Director, DK Media, Inc. (current position)</p>
<p><b>Reason for the nomination as candidate for Director</b></p> <p>Since joining the Company, Keizo Odori has been engaged primarily in the online settlement business, in his capacities as Director in charge of Financial Technology Segment and directors of the Group companies. In addition, he has contributed to growth of the business by strengthening the revenue base, managing the operation and implementing reorganization, by reflecting his wealth of experience in operational management. The Company therefore expects him to continue appropriately overseeing business operation of the Company and driving its medium- to long-term growth strategy, and nominated him as a candidate for Director.</p>		

Candidate No.	Name (Date of Birth)	Career Summary, and Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)
5 Reelection	Masashi Tanaka (October 27, 1975)  Number of the Company's Shares Owned: 10,100 shares	Apr. 1998 Joined Nippon Information and Communication Corporation
		Aug. 2001 Joined the Company
		July 2006 Director, DG&Ibex Company
		Oct. 2008 Senior Operating Officer, the Company Executive Vice President of DG&Ibex Company, a member of the Group CEO Office, and Director of econext Company
		Jan. 2011 Senior Operating Officer, the Company Head of Hybrid Solution Planning Office, Executive Vice President of DG&Ibex Company, and Executive Vice President of econext Company
		Apr. 2012 Director, VeriTrans Inc.
		Apr. 2012 Director, NaviPlus Co., Ltd.
		Sept. 2012 Director, the Company Head of Corporate Strategy Division and Executive Vice President of DG&Ibex Company
		July 2013 Director, Digital Garage US, Inc.
		June 2014 Director, the Company Head of Corporate Strategy Division, Head of General Affairs & Personnel Department, and Executive Vice President of DG&Ibex Company
		July 2015 Director, the Company Head of Corporate Strategy Division, Head of General Affairs Department, in charge of Media Incubation Segment, and Executive Vice President of Marketing Technology Company
July 2016 Director, the Company In charge of DG Lab, Head of Corporate Strategy Division, Head of General Affairs Department, and in charge of Media Incubation Segment (current position)		
July 2016 Director President, Digital Garage US, Inc. (current position)		
<p><b>Reason for the nomination as candidate for Director</b>  Since joining the Company, Masashi Tanaka has been engaged primarily in the marketing business and business administration of the overall Group, in his capacities as directors of the Group companies and Head of Corporate Strategy Division. In addition, he has contributed to business expansion of the Group and efficiency improvement of the business management based on his in-depth understanding on the overall Group business operation. The Company therefore expects him to continue appropriately overseeing business operation of the Company and driving its medium- to long-term growth strategy, and nominated him as a candidate for Director.</p>		

Candidate No.	Name (Date of Birth)	Career Summary, and Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)		
6 Reelection	Joichi Ito (June 19, 1966)  Number of the Company's Shares Owned: 20,000 shares	Apr. 1994 Representative Director, Ecosys Ltd.		
		Aug. 1995 Founded the Company Representative Director, the Company		
		June 1999 Director, the Company		
		June 1999 Representative Director and Chairman, Infoseek Corporation		
		Dec. 1999 Representative Director and President, Neoteny Co., Ltd.		
		Sept. 2000 Representative Director, Cura Co., Ltd.		
		June 2002 Director, PIA Corporation		
		Dec. 2004 Adviser, the Company		
		Jan. 2005 Director, Technorati Japan, Inc.		
		Nov. 2005 Director, Mozilla Japan, a Middle-natured Corporation with the Limited Liability		
		Aug. 2006 Director, CGM Marketing, Inc. (now BI. Garage, Inc.) (current position)		
		Sept. 2006 Director, the Company (current position)		
		June 2009 Director, Culture Convenience Club Co., Ltd. (current position)		
		Apr. 2011 Director, Massachusetts Institute of Technology (MIT) Media Lab (current position)		
July 2011 Director, Digital Garage US, Inc.				
June 2012 Director, The New York Times Company (current position)				
June 2013 Director, Sony Corporation (current position)				
<p><b>Reason for the nomination as candidate for Director</b> Joichi Ito has been engaged in a number of Internet businesses, leading penetration of Internet in Japan and co-founding the Company. He has also contributed to business expansion of the Group by leveraging his broad experience in Internet company management and engagement as venture capitalist. The Company therefore expects him to continue appropriately overseeing business operation of the Company and driving its medium- to long-term growth strategy, and nominated him as a candidate for Director.</p>				
7 Reelection	Kenji Fujiwara (September 25, 1946)  Number of the Company's Shares Owned: 19,000 shares	Apr. 1969 Joined Shufu-no-mise Daiei, Inc. (now The Daiei, Inc.)		
		May 1993 Director, Shufu-no-mise Daiei, Inc.		
		June 1994 Representative Director & President, Daiei Convenience Systems, Co. Ltd. (now Lawson, Inc.)		
		May 2000 Director, President & Chairman, former Econtext, Inc.		
		May 2002 Chairman and Representative Director, Daiei Convenience Systems Co., Ltd. (now Lawson, Inc.)		
		June 2003 President, Representative Director, FANCL CORPORATION		
		Mar. 2007 Chairman, Representative Director, FANCL CORPORATION		
		Jan. 2008 Director and Chairman, ThreeWin Co. Ltd.		
		July 2008 Director, SBS Corporation (current position)		
		Sep. 2008 Director, the Company (current position)		
		June 2009 Director, Kakaku.com, Inc. (current position)		
		June 2015 Director, SUNDRUG CO. LTD. (current position)		
		<p><b>Reason for the nomination as candidate for Outside Director</b> Kenji Fujiwara has experience as business manager gained through the positions as President and Chairman of Daiei Convenience Systems, Co. Ltd. (now Lawson, Inc.) and other important posts at listed companies. As Outside Director of the Company, he has provided us with valuable opinions and suggestions concerning business management of the Company from a holistic perspective based on his wealth of experience as business manager. The Company therefore expects him to continue contributing to appropriate oversight of business operation of the Company, and nominated him as a candidate for Outside Director who is not an Audit and Supervisory Committee Member.</p>		

Candidate No.	Name (Date of Birth)	Career Summary, and Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)
8 Reelection	Emi Omura (September 2, 1976)  Number of the Company's Shares Owned: – shares	Oct. 2002 Admitted to practice law in Japan (Tokyo Bar Association)
		July 2008 Partner, Athena Law Office (current position)
		Mar. 2009 Temporary Employee, the Office of International Affairs, Japan Federation of Bar Associations
		Sept. 2010 Associate Expert, International Labour Office in Geneva, the International Labour Organization (ILO)
		Oct. 2013 Deputy Director, the Office of International Affairs, Japan Federation of Bar Associations
		Jan. 2014 Director, the Office of International Affairs, Japan Federation of Bar Associations
		Sept. 2014 Director, the Company (current position)
<p><b>Reason for the nomination as candidate for Outside Director</b></p> <p>Although Emi Omura has not been involved in corporate management other than having served as an outside officer, she has experience in global work environment through her post at an international institution in addition to her wealth of experience and expertise as attorney-at-law. As Outside Director of the Company, she has provided us with valuable opinions and suggestions concerning business management of the Company from a broader perspective. The Company therefore expects her to continue contributing to appropriate oversight of business operation of the Company, and nominated her as a candidate for Outside Director who is not an Audit and Supervisory Committee Member.</p>		

\*1 Candidate for Director Kaoru Hayashi serves concurrently as Representative Director and President of BI. Garage, Inc., which is a subsidiary of the Company. The Company has a business relationship with BI. Garage, Inc. concerning (i) outsourcing service for administrative work of BI. Garage, Inc., (ii) office leasing, (iii) office equipment leasing at BI. Garage, Inc., (iv) secondment of the Company's employees to BI. Garage, Inc., (v) business transactions.

\*2 Candidate for Director Yasuyuki Rokuyata serves concurrently as Representative Director and President of WIC, Inc., which is a subsidiary of the Company. The Company has a business relationship with WIC, Inc. concerning credit line extended from the Company to WIC, Inc.

\*3 Candidate for Director Keizo Odori serves concurrently as Representative Director of DG Daiwa Ventures, Inc., which is an affiliate of the Company. The Company has a business relationship with DG Daiwa Ventures, Inc. concerning outsourcing service for administrative work of DG Daiwa Ventures, Inc.

Keizo Odori also serves concurrently as Representative Director of DK Media, Inc., which is an affiliate of the Company. The Company has a business relationship with DK Media, Inc. concerning outsourcing service for administrative work of DK Media, Inc.

\*4 There is no special interest between any other candidates for Directors and the Company.

\*5 Candidate for Director Kenji Fujiwara is a candidate for Outside Director. At the conclusion of this meeting, his tenure as Outside Director of the Company will have been eight years.

Kenji Fujiwara is serving as a person executing business in Kakaku.com, Inc., which is a specified affiliated business operator for the Company.

\*6 Candidate for Director Emi Omura is a candidate for Outside Director. The term of office of Emi Omura as Outside Director of the Company shall be two years at the conclusion of this meeting.

\*7 It is prescribed in the Articles of Incorporation of the Company in effect that the Company may enter into an agreement with Directors (excluding Executive Directors, etc.) and Auditors to limit their liability for damages to the Company in an effort to attract competent individuals to the said posts.

The Company has entered into the said agreement with Kenji Fujiwara and Emi Omura to limit their liability for damages. If the Proposal No. 3 is approved, the Company plans to renew the agreement with them.

The details of the agreement are as follows:

- The Outside Director shall be liable to the Company for damages caused by neglect of his or her duties, under Article 423, paragraph 1 of the Companies Act, up to the minimum amount prescribed in Article 425, paragraph 1 of the same Act.
- The limitation of the liability above shall apply only when the Outside Director acted in good faith and without gross negligence in performing the duties giving rise to said liabilities.

\*8 The Company has designated candidates for Directors Kenji Fujiwara and Emi Omura as independent officers in accordance with the regulations of the Tokyo Stock Exchange and notified therein. If they are reelected, the Company plans to continue their independent officer designation.



**Proposal No. 4:** Election of Four (4) Directors who are Audit and Supervisory Committee Members

Subject to the approval of Proposal No. 2 “Partial Amendments to the Articles of Incorporation” in its original form, the Company will become a company with audit and supervisory committee. Therefore, the Company proposes to elect Four (4) Directors who are Audit and Supervisory Committee Members. The consent of the Board of Auditors for this proposal has been obtained.

The resolution for this proposal can only take effect after the partial amendments to the Articles of Incorporation of Proposal No. 2 take effect. The terms of office of Directors who are Audit and Supervisory Committee Members to be elected at the Shareholders’ General Meeting pursuant to the provisions of the Articles of Incorporation after the partial amendments take effect shall expire at the conclusion of the Shareholders’ General Meeting to be held in June 2018.

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

Candidate No.	Name (Date of Birth)	Career Summary, and Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)
1 New election	Hitoshi Ushiku (May 19, 1957)  Number of the Company’s Shares Owned: 20,000 shares	Apr. 1980    Joined Suntory Holdings Limited
		Dec. 1989    Joined Morgan Stanley Japan Securities
		Dec. 1990    Joined Mitsubishi Corporation
		Aug. 2000    Director, former Econtext, Inc.
		Apr. 2004    President and Representative Director, JUST PLANNING Inc.
		July 2007    Joined the Company
		Sept. 2007    Director, Head of Group CEO’s Office, the Company
		Aug. 2008    President and Representative Director, former Econtext, Inc.
		Oct. 2008    Senior Operating Officer, the Company
		Sept. 2009    Director, the Company Company President of econtext Company
		Sept. 2010    Auditor, CGM Marketing, Inc. (now BI. Garage, Inc.) (current position)
		Sept. 2010    Auditor, DG Incubation, Inc. (current position)
		Sept. 2010    Standing Corporate Auditor, the Company (current position)
		Sept. 2011    Auditor, Open Network Lab, Inc. (current position)
		Apr. 2012    Auditor, VeriTrans Inc.
		Apr. 2012    Auditor, NaviPlus Co., Ltd.
		Oct. 2012    Auditor, Econtext, Inc.
		May 2015    Auditor, Digital Science Lab. Inc. (current position)
June 2015    Auditor, DK Gate, Inc. (current position)		
July 2016    Auditor, DG Daiwa Ventures, Inc. (current position)		
Aug. 2016    Auditor, DK Media, Inc. (current position)		
<p><b>Reason for the nomination as candidate for Director</b> Hitoshi Ushiku has served as directors of the Company and the Group companies, and has a wealth of experience in business management and insights in broad areas including compliance. In addition, he has actively worked to improve governance of the Company as Standing Corporate Auditor of the Company. The Company therefore expects him to continue contributing to appropriate oversight of business operation of the Company and ensuring its sound business management, and nominated him as a candidate for Director who is an Audit and Supervisory Committee Member.</p>		

Candidate No.	Name (Date of Birth)	Career Summary, and Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)	
2 New election	Makoto Sakai (February 21, 1957) Number of the Company's Shares Owned: 500 shares	Apr. 1986	Admitted to practice law in Japan (Nagoya Bar Association)
		Apr. 1988	Registered to the Tokyo Bar Association
		Aug. 2000	Established the Sakai Makoto Law Office
		June 2001	Corporate Auditor, Oak Capital Corporation (current position)
		Mar. 2005	Established the Sirius Law Office (currently in operation)
		Sept. 2010	Auditor, the Company (current position)
<p><b>Reason for the nomination as candidate for Outside Director</b>  Although Makoto Sakai has not been involved in corporate management other than having served as an outside officer, he has considerable experience and expertise as attorney-at-law. As Outside Auditor of the Company, he has provided us with valuable opinions and suggestions concerning business management of the Company from the legal perspective. The Company therefore expects him to continue contributing to appropriate oversight of business operation of the Company and ensuring its sound business management, and nominated him as a candidate for Outside Director who is an Audit and Supervisory Committee Member.</p>			
3 New election	Junji Inoue (Sept. 18, 1949) Number of the Company's Shares Owned: – shares	Apr. 1974	Joined Mitsubishi Corporation
		June 1993	Chief of Palo Alto Office, Mitsubishi International Corporation Established MC Silicon Valley President, MC Silicon Valley
		Mar. 2000	Senior Vice President and General Manager, eCommerce Department, iMIC Division, Mitsubishi International Corporation
		Apr. 2003	Executive Officer, Mitsubishi Corporation
		June 2003	Director, Executive Officer & President, IT Frontier Corp.
		Mar. 2005	Representative Director and President, IT Frontier Corp.
		June 2007	Director, eAccess Ltd.
		Apr. 2009	Representative Director & Chairman, CEO and CTO, IT Frontier Corp.
		Apr. 2011	Adviser, IT Frontier Corp.
		Apr. 2012	Adviser, Bewith, Inc. (current position)
		June 2012	Executive Managing Director, Remote Sensing Technology Center of Japan (current position)
		Sept. 2012	Auditor, the Company (current position)
		July 2016	Adviser, Takasago Thermal Engineering Co., Ltd. (current position)
<p><b>Reason for the nomination as candidate for Outside Director</b>  Junji Inoue has a wealth of overseas business experience and as Outside Auditor of the Company, he has provided us with valuable opinions and suggestions concerning business management of the Company from a global perspective. The Company therefore expects him to continue contributing to appropriate oversight of business operation of the Company and ensuring its sound business management, and nominated him as a candidate for Outside Director who is an Audit and Supervisory Committee Member.</p>			

Candidate No.	Name (Date of Birth)	Career Summary, and Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)
4 New election	Koji Makino (October 7, 1966) Number of the Company's Shares Owned: 500 shares	Oct. 1988    Joined KPMG Minato Audit Firm (now KPMG AZSA LLC) Tokyo Office
		Aug. 1992    Became a Certified Public Accountant
		Aug. 1997    Manager, KPMG Melbourne Office
		Sept. 2000    Century Ota Showa & Co. (now KPMG AZSA LLC) Tokyo Office
		Sept. 2001    Joined Dan Consulting Co., Ltd.
		Oct. 2001    Became a Certified Public Tax Accountant
		July 2003    Director, Dan Consulting Co., Ltd.
		Jan. 2006    Established and Representative, Makino Koji Certified Public Accountant Office (current position)
		Feb. 2009    Director, BE1 Accounting Office (current position)
		Sept. 2012    Auditor, the Company (current position)
		June 2013    Auditor, Inageya Co., Ltd. (current position)
		Dec. 2015    Auditor, Obara Group Inc. (current position)
<p><b>Reason for the nomination as candidate for Outside Director</b>  Although Koji Makino has not been involved in corporate management other than having served as an outside officer, he has a wealth of experience and expertise as certified public accountant and consultant. As Outside Auditor of the Company, he has provided us with valuable opinions and suggestions concerning business management of the Company from the accounting and taxation perspective. The Company therefore expects him to continue contributing to appropriate oversight of business operation of the Company and ensuring its sound business management, and nominated him as a candidate for Outside Director who is an Audit and Supervisory Committee Member.</p>		

- \*1 There is no special interest between any of the candidates for Directors and the Company.
- \*2 Hitoshi Ushiku is currently Standing Corporate Auditor of the Company. At the conclusion of this meeting, his tenure as Auditor will have been six years.
- \*3 Candidate for Director Makoto Sakai is a candidate for Outside Director. He is currently Outside Auditor of the Company. At the conclusion of this meeting, his tenure as Auditor will have been six years.
- \*4 Candidate for Director Junji Inoue is a candidate for Outside Director. He is currently Outside Auditor of the Company. At the conclusion of this meeting, his tenure as Auditor will have been four years.
- \*5 Candidate for Director Koji Makino is a candidate for Outside Director. He is currently Outside Auditor of the Company. At the conclusion of this meeting, his tenure as Auditor will have been four years.
- \*6 It is prescribed in the Articles of Incorporation of the Company in effect that the Company may enter into an agreement with Directors (excluding Executive Directors, etc.) and Auditors to limit their liability for damages to the Company in an effort to attract competent individuals to the said posts.
- The Company has entered into the said agreement with Makoto Sakai, Junji Inoue and Koji Makino to limit their liability for damages. If the Proposal No. 4 is approved, the Company plans to renew the agreement with them.
- The details of the agreement are as follows:
- The Director shall be liable to the Company for damages caused by neglect of his or her duties, under Article 423, paragraph 1 of the Companies Act, up to the minimum amount prescribed in Article 425, paragraph 1 of the same Act.
  - The limitation of the liability above shall apply only when the Director acted in good faith and without gross negligence in performing the duties giving rise to said liabilities.
- \*7 The Company has designated candidates for Directors Makoto Sakai, Junji Inoue and Koji Makino as independent officers in accordance with the regulations of the Tokyo Stock Exchange and notified therein. If the candidates are elected as Directors who are Audit and Supervisory Committee Members, the Company plans to continue their independent officer designation.

**Proposal No. 5: Determination of Amount of Remuneration for Directors who are not Audit and Supervisory Committee Members**

The 19th Shareholders' General Meeting held on September 25, 2014, approved that total amount of remuneration for Directors of the Company would be 500 million yen or less per year (including total 50 million yen or less for Outside Directors) and that within the overall cap, stock compensation-type stock options (it shall not, however, exceed 200 million yen per year) and ordinary stock options may be granted to Directors (excluding Outside Directors), which remain effective today.

Subject to the approval of Proposal No. 2 "Partial Amendments to the Articles of Incorporation" in its original form, the Company will become a company with audit and supervisory committee. Accordingly, the Company requests an approval for the amount of remuneration for Directors who are not Audit and Supervisory Committee Members in place of the current total amount of remuneration for Directors to be 500 million yen or less per year (including total 50 million yen or less for Outside Directors), the same amount as the current overall cap of remuneration for Directors, taking into account the past remuneration paid to Directors and other factors.

The above amount of remuneration for Directors who are not Audit and Supervisory Committee Members does not include the portion for salaries paid to those Directors who also serve as employees.

The number of Directors is currently ten (10) (including two (2) Outside Directors). Subject to the approval of Proposal No. 2 "Partial Amendments to the Articles of Incorporation" and Proposal No. 3 "Election of Eight (8) Directors who are not Audit and Supervisory Committee Members" in their original forms, the number of Directors who are not Audit and Supervisory Committee Members will be eight (8) (including two (2) Outside Directors).

This proposal, however, can only take effect after Proposal No. 2 "Partial Amendments to the Articles of Incorporation" takes effect.

**Proposal No. 6:** Determination of Amount of Remuneration for Directors who are Audit and Supervisory Committee Members

Subject to the approval of Proposal No. 2 “Partial Amendments to the Articles of Incorporation” in its original form, the Company will become a company with audit and supervisory committee.

Accordingly, the Company requests an approval for the amount of remuneration for Directors who are Audit and Supervisory Committee Members to be 100 million yen or less per year, taking into account their duties and responsibilities.

Subject to the approval of Proposal No. 2 “Partial Amendments to the Articles of Incorporation” and Proposal No. 4 “Election of Four (4) Directors who are Audit and Supervisory Committee Members” in their original forms, the number of Directors who are Audit and Supervisory Committee Members will be four (4).

This proposal, however, can only take effect after Proposal No. 2 “Partial Amendments to the Articles of Incorporation” takes effect.

**Proposal No. 7:** Determination of Amount of Remuneration as Stock Compensation-type Stock Options (Stock Acquisition Rights) to Directors who are not Audit and Supervisory Committee Members and Other Terms Thereof

Subject to the approval of Proposal No. 2 “Partial Amendments to the Articles of Incorporation” in its original form, the Company will become a company with audit and supervisory committee. The Company requests an approval for an aggregate limit of remuneration for Directors who are not Audit and Supervisory Committee Members to be provided in the form of stock compensation-type stock options in place of the current the aggregate limit of remuneration for Directors that is provided in the form of stock compensation-type stock options, with the aim of establishing greater link between the remuneration for Directors and the share price of the Company, and making Directors share not only the benefits of higher share prices but also the risks of lower share prices with shareholders after transition in the same manner as before, thereby giving them greater motivation to make contributions to improve business performance and increase corporate value in the medium and long run.

The Company requests that shareholders approve an allocation of stock acquisition rights as stock compensation-type stock options in the range of 250 million yen or less per year for Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors, hereinafter “Target Directors”) in a framework that is separate to the remuneration amount described in the Proposal No. 5 “Determination of Amount of Remuneration for Directors who are not Audit and Supervisory Committee Members.”

Specifically, the Company shall give a Target Director the same compensation as payments for stock acquisition rights allotted to the Director and allow the Director to acquire the stock acquisition rights by offsetting the payments for the stock acquisition rights with the claim to the compensation. The amount of remunerations as above stock compensation-type stock options (stock acquisition rights) shall be the fair value per stock acquisition right calculated taking into account market price of the stock and exercise price on the allotment date of the stock acquisition rights and other conditions multiplied by the total number of stock acquisition rights allotted.

Above stock compensation-type stock option (stock acquisition rights) is a stock compensation-type stock option which requires a cash contribution of one (1) yen upon the exercise of each stock acquisition right. Allocation is determined considering all relevant factors including the contributions by those Target Directors to the Company, and the Company believes that the proposed grant of stock acquisition rights as stock options is appropriate.

The above amount of remuneration for Directors who are not Audit and Supervisory Committee Members does not include the portion for salaries paid to those Directors who also serve as employees.

The number of Directors is currently ten (10) (including two (2) Outside Directors). Subject to the approval of Proposal No. 2 “Partial Amendments to the Articles of Incorporation” and Proposal No. 3 “Election of Eight (8) Directors who are not Audit and Supervisory Committee Members” in their original forms, the number of Directors who are not Audit and Supervisory Committee Members will be eight (8) (including two (2) Outside Directors). However, the Company does not intend to grant stock options (stock acquisition rights) to Outside Directors.

This proposal, however, can only take effect after Proposal No. 2 “Partial Amendments to the Articles of Incorporation” takes effect.

Details of the stock compensation-type stock options (stock acquisition rights)

(1) Type and number of the shares subject to stock acquisition rights

The type of shares to be delivered upon exercise of the stock acquisition rights shall be common shares of the Company and the number of shares to be delivered upon exercise of one (1) stock acquisition right (hereinafter the “Number of Shares Granted”) shall be one (1). However, in the event that the Company makes a share split or share consolidation, the Number of Granted Shares shall be adjusted using the following formula and any fraction less than one (1) share arising from such adjustment shall be discarded. Such adjustment shall be made with regard to the Number of Granted Shares subject to stock acquisition rights that have not been exercised at such time.

$$\text{Number of Granted Shares after adjustment} = \text{Number of Granted Shares before adjustment} \times \text{Ratio of share split or consolidation}$$

In addition, other than the above mentioned events, in cases where it is appropriate to change the Number of Granted Shares due to a merger, company split, share exchange, share transfer, allotment of shares without contribution, etc., the Company may make adjustments as it deems necessary.

(2) Total number of stock acquisition rights

Total number of stock acquisition rights issued within one (1) year from the date of the Shareholders' General Meeting for each fiscal year shall not exceed the number obtained by dividing annual amount of 250 million yen by the fair value of one (1) stock acquisition right calculated based on a fair calculation method such as the Black-Scholes Model as of the allotment date of the stock acquisition rights (any fraction under one (1) share in the number of shares shall be disregarded) and such total number shall not exceed 100,000.

(3) Cash to be paid in exchange for the stock acquisition rights

The amount to be paid for the exercise of one (1) stock acquisition right shall be the amount to be paid per share, which is determined by the Company's Board of Directors meeting where offering terms, etc. of the stock acquisition rights, by reference to a fair value calculated based on a fair calculation method such as the Black-Scholes Model as of the allotment date of the stock acquisition rights. The Company shall pay monetary remuneration equivalent to the total amount payable for stock acquisition rights to Directors to whom such stock acquisition rights are allotted, thereby offsetting the payment obligations and the remuneration claims.

(4) Amount of assets to be contributed upon exercise of stock acquisition rights

The amount of assets to be paid upon exercise of the stock acquisition rights shall be one (1) yen per share to be transferred upon exercise of the stock acquisition rights, multiplied by the Number of Shares Granted.

(5) Exercise period for the stock acquisition rights

The stock acquisition rights may be exercised within fifty (50) years beginning from the day following the allotment date of the stock acquisition rights.

(6) Major conditions for exercise of stock acquisition rights

Stock acquisition right holders may exercise stock acquisition rights within the ten (10) days following the date on which they lose their respective positions as Directors and Operating Officers of the Company.

(7) Restrictions on the acquisition of stock acquisition rights through transfer

The acquisition of stock acquisition rights through transfer shall require approval by the Company's Board of Directors.

(8) Other details of stock acquisition rights

Other details of stock acquisition rights shall be determined by the Company's Board of Directors meeting where offering terms, etc. of the stock acquisition rights shall be resolved.

**Proposal No. 8:** Determination of Remuneration for Granting Restricted Shares to Directors who are not Audit and Supervisory Committee Members and Other Terms Thereof

The Company requests an approval for payment of remuneration for newly granting the restricted shares to Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors, hereinafter “Target Directors”) in a framework that is separate to the remuneration amount described in Proposal No. 5 “Determination of Amount of Remuneration for Directors who are not Audit and Supervisory Committee Members” and Proposal No. 7 “Determination of Amount of Remuneration as Stock Compensation-type Stock Options (Stock Acquisition Rights) to Directors who are not Audit and Supervisory Committee Members and Other Terms Thereof,” with the aim of, as part of revisions of remuneration system for corporate officers, giving incentives to Target Directors for sustainable growth in our corporate value and making Target Directors further share values with our shareholders.

The remuneration to be paid to Target Directors for granting the restricted shares shall be monetary claim, and its total amount shall be 300 million yen or less per year, the level of amount deemed as reasonable in light of the aforementioned objective. Provided, however, that the Company assumes in principle an amount equivalent to compensation for duties executed in three fiscal years will be paid to Target Directors in a lump sum as the remuneration in the first year of the three fiscal years covered under the Midterm Business Plan. The Company assumes the amount to be paid per fiscal year will be essentially 100 million yen or less. For any Target Director who is appointed during the three fiscal years covered under the Midterm Business Plan, the Company assumes to pay an amount equivalent to compensation for duties executed during the period from the time of appointment to the last day of the last year of the three fiscal years covered under the Midterm Business Plan in a lump sum. Also, the Company asks that specific granting periods and distributions to each Target Directors be determined by the Board of Directors. The remuneration for granting the restricted shares shall not, however, be provided to Outside Directors.

The above amount of remuneration for Directors other than Directors who are Audit and Supervisory Committee Members does not include the portion for salaries paid to those Directors who also serve as employees.

The number of Directors is currently ten (10) (including two (2) Outside Directors). Subject to the approval of Proposal No. 2 “Partial Amendments to the Articles of Incorporation” and Proposal No. 3 “Election of Eight (8) Directors who are not Audit and Supervisory Committee Members” in their original forms, the number of Directors who are not Audit and Supervisory Committee Members will be eight (8) (including two (2) Outside Directors).

In addition, Target Directors shall pay all of the monetary remuneration claims to be provided under this Proposal in accordance with resolution of the Board of Directors of the Company in the form of property contributed in kind, and shall have the common shares of the Company be issued or disposed of. The total number of the common shares of the Company to be issued or disposed of thereby shall be 120,000 shares or less per year. As mentioned above, however, for the monetary remuneration claims for the restricted shares compensation system, it is assumed in principle to pay an amount equivalent to compensation for duties executed in three fiscal years to Target Directors in a lump sum in the first year of the three fiscal years covered by the Midterm Business Plan. The Company assumes the level of shares to be issued per fiscal year will be essentially 40,000 shares or less. In addition, as mentioned above, for any Target Director who is appointed during the three fiscal years covered under the Midterm Business Plan, the Company assumes to pay an amount equivalent to compensation for duties executed during the period from the time of appointment to the last day of the last year of the three fiscal years covered under the Midterm Business Plan in a lump sum.

The amount to be paid per share shall be determined based on the closing price of the Company’s common shares on the Tokyo Stock Exchange on the business day immediately before each resolution by the Board of Directors (if there is no closing price on such date, the closing price of the closest preceding trading day), which will be within the range not specially advantageous to Directors who are to be granted the common shares. For the issuance or disposal of the common shares of the Company, an agreement on allotment of the restricted shares that includes mostly the following provisions (hereinafter the “Allotment Agreement”) shall be entered into between the Company and each eligible Director.

- (1) The Target Director may not transfer, offer as security, or otherwise dispose of the common shares of the Company allotted under the Allotment Agreement (hereinafter the “Allotted Shares”) for a period



of minimum 1 year and maximum 5 years that starts from the day of allotment designated in the Allotment Agreement as determined in advance by the Board of Directors of the Company (hereinafter the “Restricted Period”). The restriction described in the previous sentence will hereinafter be referred to as the “Restriction.”

- (2) In case the Target Director retires from the position of director (excluding Directors who are Audit and Supervisory Committee Members), operating officer, or employee of the Company or any of its subsidiaries before the Restricted Period expires, the Company shall acquire such Allotted Shares by rights without contribution, unless there is a reason the Board of Directors of the Company deems justifiable.
- (3) Notwithstanding the provision in (1) above, the Company shall lift the Restriction on all of the Allotted Shares upon expiration of the Restricted Period, on the condition that any of the Target Directors has remained in the position of director (excluding Directors who are Audit and Supervisory Committee Members), operating officer or employee of the Company or any of its subsidiaries throughout the Restricted Period. In case, however, the Target Director retired from any of the positions defined in (2) above before expiration of the Restricted Period for a reason the Board of Directors deems justifiable, the Company shall make reasonable adjustments to the number of the Allotted Shares and the schedule to lift the Restriction as necessary.
- (4) The Company shall acquire by rights without contribution the Allotted Shares on which the Restriction is not lifted in accordance with the provision in (3) above at the time of expiration of the Restricted Period.
- (5) Notwithstanding the provision in (1) above, if a merger agreement under which the Company will become a non-surviving company, a share exchange agreement based upon which the Company will become a wholly-owned subsidiary, a stock transfer plan or other matters relating to organizational restructuring are approved in a Shareholders’ General Meeting of the Company during the Restricted Period (or approved by the Board of Directors of the Company in case that approval of the Shareholders’ General Meeting is not required), the Company may lift the Restriction on the certain number of the Allotted Shares that will be reasonably determined by resolution of the Board of Directors of the Company prior to the date on which the organizational restricting becomes effective, in view of the period from the date of commencement of the Restricted Period through the date of approval on the organizational restricting.
- (6) In the event specified in (5) above, the Company shall acquire by rights without contribution the Allotted Shares on which the Restriction has not been lifted as of the time immediately after the Restriction was lifted in accordance with the provision in (5) above.
- (7) In addition to the above, the means of manifestation of intention and of giving notice related to the Allotment Agreement, the method of revision for the Allotment Agreement, (if required) details of lifting additional conditions for the Restriction of the Allotted Shares (e.g. lifting all or part of the Restrictions of Allotted Shares in accordance with a level of achievement of business performance predetermined by the Board of Directors of the Company), and other matters determined by the Board of Directors of the Company will be included in the content of the Allotment Agreement.

This proposal, however, can only take effect after Proposal No. 2 “Partial Amendments to the Articles of Incorporation” takes effect.

**Proposal No. 9:** Issuance of Stock Acquisition Rights as Stock Options to Employees, etc.

Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act, the Company requests approval for the determination of offering terms for stock acquisition rights to be issued as stock options with particularly favorable conditions to employees of the Company and directors, operating officers and employees of the Company's subsidiaries, to be entrusted to the Board of Directors of the Company.

I. Reason for the need to solicit subscribers for stock acquisition rights on particularly favorable terms

It will be designed for giving employees of the Company and directors, operating officers and employees of subsidiaries of the Company greater motivation to make contributions to improve business performance and increase corporate value of the Group in the medium and long run by establishing greater link between the Company's business performance and their benefit.

II. Details and maximum number of stock acquisition rights for which offering terms may be determined based on the matters resolved at the Meeting

1. Persons subject to the allotment of stock acquisition rights

Employees of the Company and directors, operating officers and employees of subsidiaries of the Company.

2. Total number of stock acquisition rights to be issued

The maximum number of the stock acquisition rights shall be 170,000, with the terms specified in 4. below.

3. Cash to be paid in exchange for the stock acquisition rights

No cash payment in exchange for the stock acquisition rights shall be required.

4. Details of the stock acquisition rights

(1) Type and number of the shares subject to stock acquisition rights

The maximum number of the stock acquisition rights shall be 170,000. The number of shares to be delivered upon exercise of one (1) stock acquisition right (hereinafter the "Number of Shares Granted") shall be one (1) share of the Company's common shares.

However, in the event that the Company makes a share split (including any allotment of common shares of the Company without contribution; the same shall apply hereinafter) or share consolidation, the Number of Granted Shares shall be adjusted using the following formula and any fraction less than one (1) share arising from such adjustment shall be discarded. Such adjustment shall be made with regard to the Number of Granted Shares subject to stock acquisition rights that have not been exercised at such time.

$$\text{Number of Granted Shares after adjustment} = \text{Number of Granted Shares before adjustment} \times \text{Ratio of share split or consolidation}$$

In addition, in the event that it is necessary for the Company to make an adjustment to the Number of Granted Shares in cases where the Company carries out a merger, company split, issuance of shares for subscription, reduction of common stock or other equivalent circumstance, the Company may adjust the Number of Granted Shares to an extent reasonable.

(2) Amount of assets to be contributed upon exercise of stock acquisition rights

The assets to be contributed upon exercise of stock acquisition rights shall be cash, and the amount of cash shall be the amount to be paid per share that may be issued upon exercise of the stock acquisition rights (hereinafter the "Exercise Price") multiplied by the Number of Granted Shares.

The Exercise Price shall be equal to the average closing price of the Company's common shares on the Tokyo Stock Exchange in regular trading on each day (excluding any day on which no trade is executed) of the month preceding the month in which the stock acquisition rights are allocated (hereinafter "Allotment Date"), multiplied by 1.05 (with fractional amounts less than one yen being

rounded up to the nearest yen). If the resulting amount is below the closing price of the Company's common shares on the Tokyo Stock Exchange in regular trading on the Allotment Date of the stock acquisition rights (the closing price of the nearest preceding trading day if no trade is executed), the closing price on that day is adopted as the exercise price.

In the event that the Company makes a share split or share consolidation of the Company's common shares, the Exercise Price shall be adjusted using the following formula and any fraction less than one (1) yen arising from such adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price prior to adjustment} \times \frac{1}{\text{Ratio of share split or consolidation}}$$

In addition, if the Company issues new shares of common shares or disposes of its treasury shares at a price lower than the market value (excluding issuance of the Company's shares or disposition of treasury shares upon exercise of stock acquisition rights), the Exercise Price shall be adjusted using the following formula, with any fraction less than one (1) yen being rounded up.

$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price prior to adjustment} \times \left( \frac{\text{Number of outstanding shares} + \frac{\text{Number of shares newly issued} \times \text{Amount paid per share}}{\text{Market price per share before new issuance}}}{\text{Number of outstanding shares} + \text{Number of shares newly issued}} \right)}{1}$$

The "Number of outstanding shares" in the above formula shall be the total number of the Company's shares issued less the number of treasury shares owned by the Company, and in the case of disposition of treasury shares, the "Number of shares newly issued" shall read as "Number of treasury shares to be disposed of" and "Market price per share before new issuance" as "Market price per share before disposition."

In addition, other than the above mentioned events, in cases where the Company carries out a merger, company split or reduction of common stock, the Company may make an appropriate adjustment of the Exercise Price to the extent reasonable.

(3) Exercise period for the stock acquisition rights

Exercise period for the stock acquisition rights shall be from the day marking the end of two (2) years after the day when granting such stock acquisition rights is resolved up to the end of ten (10) years after the same day.

(4) Matters concerning the amount of increase in common stock and capital surplus resulting from issuance of shares upon exercise of stock acquisition rights

- (i) The amount of increase in common stock resulting from the issuance of shares upon exercise of the stock acquisition rights shall be one-half of the maximum amount of increase in common stock as calculated pursuant to Article 17, paragraph 1 of the Ordinance on Accounting of Companies. Any fraction of less than one (1) yen shall be rounded up to the nearest yen.
- (ii) The amount of increase in capital surplus resulting from the issuance of shares upon exercise of stock acquisition rights shall be the maximum amount of increase in common stock as provided in i) above less the amount of increase in common stock as determined in i) above.

(5) Restrictions on the acquisition of stock acquisition rights through transfer

The acquisition of the stock acquisition rights through transfer shall require approval by resolution of the Board of Directors of the Company.

(6) Provisions pertaining to acquisition of the stock acquisition rights

- (i) In the event that a merger agreement under which the Company will become a non-surviving company, a company split agreement or a company split plan under which the Company will become a split company, or a share exchange agreement or the plan of the share transfer under

which the Company will become a wholly-owned subsidiary is approved by the Shareholders' General Meeting of the Company (or approved by the Board of Directors of the Company in case that approval of the Shareholders' General Meeting is not required), the Company may acquire the stock acquisition rights without contribution on a day that will be determined separately by the Company's Board of Directors.

- (ii) In the event that a person who has received allotment of the stock acquisition rights (hereinafter the "Stock Acquisition Right Holder") may no longer exercise such stock acquisition rights in accordance with the terms and restrictions of exercise of stock acquisition rights stipulated in (8) below, the Company may acquire the stock acquisition rights held by the Stock Acquisition Right Holder without contribution on a day that will be determined separately by the Company's Board of Directors.
- (iii) In the event that a Stock Acquisition Right Holder has made an offer to waive all or part of their stock acquisition rights in writing, the Company may acquire the stock acquisition rights held by the Stock Acquisition Right Holder without contribution on a day that will be determined separately by the Company's Board of Directors.
- (iv) In the event that a Stock Acquisition Right Holder violates the agreement on the allotment of stock acquisition rights to be entered into with the Company, the Company may acquire the stock acquisition rights held by the Stock Acquisition Right Holder without contribution on a day that will be determined separately by the Company's Board of Directors.

(7) Treatment of any fractions less than one (1) share resulting from exercise of the stock acquisition rights

Any fractions less than one (1) share to be issued to the Stock Acquisition Right Holders who exercised the stock acquisition rights shall be discarded.

(8) Terms of exercise of stock acquisition rights

- (i) Partial exercise of stock acquisition rights is not permitted.
- (ii) At the time of exercising the stock acquisition rights, each Stock Acquisition Right Holder is required to be in the position of director, auditor, operating officer, advisor or employee of the Company or any of its affiliates, or in an equivalent position thereto. This does not apply in cases of retirement of a director or auditor of the Company or its affiliates due to the expiry of term of office or retirement of employees at mandatory retirement age or other cases acknowledged by the Board of Directors.
- (iii) In case any Stock Acquisition Right Holder deceases, such person's heir may exercise their stock acquisition rights. Provided however, that such exercise shall be subject to terms and conditions provided in the agreement on the allotment of the stock acquisition rights stipulated in (v) below.
- (iv) A Stock Acquisition Right Holder may exercise the stock acquisition rights only when the number of shares to be issued upon exercise of each stock acquisition right is an integer multiple of the share trading unit of the Company.
- (v) Terms and conditions of exercise of stock acquisition rights other than above shall be governed by the agreement on the allotment of stock acquisition rights entered into separately between the Company and the Stock Acquisition Right Holders based on resolutions passed at this Shareholders' General Meeting and the Board of Directors meeting.

(9) Other matters

Other offering terms for stock acquisition rights and all relevant details shall be determined by resolution of the Board of Directors.

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