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Securities code: 3201
February 4, 2022

To Our Shareholders

Kazuya Tomita
President and Chief Executive Officer
**THE JAPAN WOOL TEXTILE CO., LTD.**
47 Akashi-machi, Chuo-ku, Kobe, Hyogo
(Head Office: 3-10, 3-Chome, Kawara-machi, Chuo-ku, Osaka)

# Notice of the 191st Annual General Meeting of Shareholders

We are pleased to announce the 191st Annual General Meeting of Shareholders of The Japan Wool Textile Co., Ltd. will be held as described below.
In order to prevent the spread of the novel coronavirus infection, we ask you to refrain from coming to the meeting if possible, regardless of your health condition, and exercise your voting rights in writing (by mail) or via the Internet, etc. by 5:55 pm on Thursday, February 24, 2022, after reviewing the "Reference Documents for the General Meeting of Shareholders" provided below.

1. **Date and time:** Friday, February 25, 2022, at 10:00 am (Reception commences at 9:00 am.)
2. **Venue:** Main Conference Room, 7th Floor, New Building, Nihon mengyo Club (Mengyo Kaikan), 5-8, 2-Chome, Bingomachi, Chuo-ku, Osaka
3. **Agenda of the Meeting:**
   **Matters to be reported:**
   **1** The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 191st fiscal year (from December 1, 2020 to November 30, 2021)
   **2** The Report on the Results of the Audit of the Consolidated Financial Statements for the 191st Fiscal Year (from December 1, 2020 to November 30, 2021) by the Accounting Auditor and the Audit and Supervisory Board

   **Matters to be resolved:**
   **Proposal No. 1:** Appropriation of Surplus
   **Proposal No. 2:** Partial Amendments to the Articles of Incorporation
   **Proposal No. 3:** Election of Eight Directors
   **Proposal No. 4:** Pre-Election of One Substitute Member of the Audit and Supervisory Board
   **Proposal No. 5:** Determination of Remuneration for Granting Restricted Stock to Directors (Excluding Outside Directors)
4. **Notice Regarding Provision of documents attached to the Notice of Convocation via the Internet**
   Pursuant to the provisions of laws and regulations and Article 17 of the Articles of Incorporation of The Japan Wool Textile Co., Ltd., the "System for Ensuring the Appropriateness of Operations and the Status of Operation of the System," the "Basic Policy Regarding the Control of the Corporation," the "Consolidated Statement of Changes in Net Assets," the "Notes to the Consolidated Financial Statements," the "Statement of Changes in Net Assets," and the "Notes to the Non-Consolidated Financial Statements" are provided on the company's website (https://www.nikke.co.jp/). Therefore, the documents attached to this Notice of Convocation are part of the documents audited by the Audit and Supervisory Board Members and the Accounting Auditor in preparing the Audit Report.

*Please note that if it becomes necessary to revise the Business Report, the Consolidated Financial Statements, the Non-Consolidated Financial Statements, or the Reference Documents for the General Meeting of Shareholders, the revised information will be posted on the company's website (https://www.nikke.co.jp/).

# Reference Documents for the General Meeting of Shareholders

Agenda and reference matters

## Proposal No. 1 Appropriation of Surplus

We, at The Japan Wool Textile Co., Ltd. (hereinafter referred to as Nikke), consider the return of profits to our shareholders to be a priority issue in our management.
In FY2021, as the first year of the "Nikke Group RN 130 Second Medium-Term Management Plan (FY2021-2023)," we worked on the promotion of medium- and long-term strategies, as well as on business operations with a close eye on the impact of the spread of the novel coronavirus infection. As a result, each profit category exceeded our initial forecast, and the net income attributable to owners of parent reached a new record high.
Therefore, the year-end dividend for the fiscal year ended November 2021 will be 16 yen per share, an increase of 1 yen per share from the previous fiscal year as announced.

(1) Kind of asset distributed as dividend
Cash

(2) Matters concerning the allocation of the dividend property and the total amount thereof
16 yen per share of common stock of Nikke
Total amount of dividends: 1,178,082,592 yen
The annual dividend for the fiscal year under review, including the interim dividend (12 yen) paid earlier, will be 28 yen per share (total amount of dividends: 2,038,792,072 yen).

(3) Date on which the dividend of surplus becomes effective
February 28, 2022

Proposal No. 2 Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

In view of the spread of infectious diseases such as the novel coronavirus, large-scale disasters including natural disasters, and the progress of digitalization of society as a whole, we believe that it is in the interests of our shareholders to expand the methods of holding general meetings of shareholders so that many shareholders, including those in remote areas, can attend, and we intend to add Article 14, Paragraph 3 of the Articles of Incorporation along with additional text so that we can hold general meetings of shareholders without designating a place for the meeting (so-called virtual-only general meetings of shareholders) in the future in accordance with the "Act for Partially Amending the Industrial Competitiveness Enhancement Act and Other Related Acts" (Act No. 70 of 2021).

2. Details of the changes

Details of the changes are as follows:

(Amended parts are underlined.)

| Current Articles of Incorporation | Proposed Amendments |
|---|---|
| CHAPTER 3 General Meeting of Shareholders<br>Article 14 (Convocation)<br>An annual general meeting of shareholders shall be convened in February of each year, and an extraordinary general meeting of shareholders shall be convened when necessary. | CHAPTER 3 General Meeting of Shareholders<br>Article 14 (Convocation)<br>An annual general meeting of shareholders shall be convened in February of each year, and an extraordinary general meeting of shareholders shall be convened <u>whenever</u> necessary. |
| 2. General meetings of shareholders shall be convened either at the location of the registered head office and its adjoining areas or in Osaka City. | 2. General meetings of shareholders shall be convened either at the location of the registered head office and its adjoining areas or in Osaka City. <u>However, this shall not apply in cases where the Company hold its general meeting of shareholders without the designation of its place pursuant to the provisions of Paragraph 3 of this Article.</u> |
| (Newly added) | 3. <u>The Company may convene its general meeting of shareholders without the designation of its place.</u> |

3. Determination of the method of holding the general meeting of shareholders

We have been promoting the establishment of a corporate governance system that ensures transparency and fairness from early on, by establishing an Advisory Board (a voluntary nomination and remuneration committee) in 2004, where more than half of the members are Independent Outside Directors, to receive reports and provide advice on the nomination and remuneration of Officers and matters related to the foundation of corporate management that are presented by the Representative Director. We believe that the addition of the option, i.e., a general meeting of shareholders without a designated location, proposed in this Proposal will greatly contribute to the establishment of a sustainable and transparent governance system by ensuring the rights of shareholders at all times under any circumstances and enabling the Directors to adequately fulfill their accountability and pursue the "open general meeting of shareholders" sought by Nikke and its shareholders.

If this Proposal is approved, the Board of Directors of Nikke will decide on the method of holding the general meeting of shareholders each time it is held, while giving maximum consideration to the interests of the shareholders. In making its decision, Nikke will have careful deliberations, giving top priority to the protection of the rights and safety of its shareholders and taking into account measures against infectious diseases such as the novel coronavirus, other social demands, the opinions of stakeholders, and the objective views of Nikke's Independent Outside Directors.

Proposal No. 3 Election of Eight Directors

In accordance with the Articles of Incorporation, the term of office of Directors is set at one year in order to emphasize their management responsibility and to seek the confidence of shareholders in the Directors each year. In addition, in order to keep the Board of Directors small, the number of Directors is limited to eight in accordance with the Articles of Incorporation. In that regard, as the term of office of all eight Directors will expire at the conclusion of this general meeting of shareholders, the election of eight Directors, including three Outside Directors, is hereby proposed.

If this Proposal is approved as originally proposed, the ratio of Outside Directors to Nikke's Directors will be more than one third.

The candidates for Directors are as follows:

| Candidate No. | Name | Current position and responsibilities in the Nikke Group | Candidate attributes |
|---|---|---|---|
| 1 | Kazuya Tomita | President and Chief Executive Officer<br>Advisory Board Member | Reappointment |
| 2 | Yutaka Nagaoka | Director and Managing Executive Officer<br>General Manager of Human & Future Development Division & General Manager of Development Division | Reappointment |
| 3 | Kuniaki Hihara | Director and Managing Executive Officer<br>General Manager of Industrial Machinery & Materials Division<br>President and Chief Executive Officer, Fujico Co., Ltd. | Reappointment |
| 4 | Yoshirou Kawamura | Director and Managing Executive Officer<br>General Manager of Textile & Clothing Materials Division | Reappointment |
| 5 | Takehiro Okamoto | Managing Executive Officer<br>Director of Corporate Strategy Center, Nikke | New appointment |
| 6 | Yoshihiro Onishi | Outside Director<br>Advisory Board Member | Reappointment Outside Independent |
| 7 | Yasuhiro Wakamatsu | - | New appointment Outside Independent |
| 8 | Seishi Miyajima | - | New appointment Outside Independent |

Reappointment: Director candidate for reappointment

New appointment: Director candidate for new appointment

Outside: Outside Director candidate

Independent: Independent Officer pursuant to the provisions of the stock exchange

## Candidate No. 1 Kazuya Tomita

Reappointment



**Date of birth**
April 3, 1959
**Number of Nikke shares held**
80,900
**Years in office**
9 years
**Attendance at Board of Directors meetings**
12/12 meetings

[Brief history, positions and responsibilities at Nikke]

| | |
|---|---|
| April 1984 | Joined Nikke |
| February 2007 | Manager of Community Service Group, Nikke |
| December 2008 | General Manager of Community Service Business, Nikke |
| February 2009 | Executive Officer, General Manager of Community Service Business, Nikke |
| December 2011 | Executive Officer, General Manager of Community Service Business & General Manager of Management Department & General Manager of Communication/New Service Department, Nikke |
| December 2012 | Managing Executive Officer, General Manager of Human & Future Development Division & General Manager of Consumer Business Division & General Manager of Management Department & General Manager of Communication/New Service Department, Nikke |
| February 2013 | Director, Managing Executive Officer, General Manager of Human & Future Development Division & General Manager of Consumer Business Division & General Manager of Management Department & General Manager of Communication/New Service Department, Nikke |
| June 2014 | Director and Managing Executive Officer, Nikke<br>Director of Corporate Strategy Center, Nikke |
| February 2016 | President and Chief Executive Officer, Nikke (current position) |

[Reasons for nomination as a Director candidate]
Mr. Kazuya Tomita has been supervising the management and making decisions on important matters appropriately as President and Chief Executive Officer. In addition, in order to realize the medium- to long-term vision named “Nikke Group RN 130 Vision,” he formulated and promoted the "RN130 Second Medium-Term Management Plan,” the second phase to achieve the vision, and achieved an increase in net income attributable to owners of parent for the 11th consecutive year. Amid the continuing impact of the novel coronavirus, he has worked to build a strong corporate group that can withstand the severe business environment by diversifying the Group’s businesses and steadily making efforts in each business field. Based on these achievements, we believe that he is an appropriate person to realize the sustainable enhancement of the Nikke Group’s corporate value, and therefore we request your support for his continued appointment as a Director. In addition, there are no special interests between him and Nikke.

## Candidate No. 2 Yutaka Nagaoka

Reappointment



**Date of birth**
September 7, 1961
**Number of Nikke shares held**
31,700
**Years in office**
2 years
**Attendance at Board of Directors meetings**
12/12 meetings

[Brief history, positions and responsibilities at Nikke]

| | |
|---|---|
| April 1984 | Joined Nikke |
| December 2008 | Textile & Clothing Materials Division, General Manager of Gifu Mill, Nikke |
| December 2010 | Textile & Clothing Materials Division, General Manager of Innami Mill, Nikke |
| February 2012 | General Manager of Textile & Clothing Materials Division, Nikke (in charge of special missions for overseas business) |
| February 2014 | Textile & Clothing Materials Division, General Manager of Gifu Mill, Nikke |
| September 2015 | President and Chief Executive Officer, Nikke Machine Manufacturing Corp. |
| February 2018 | Executive Officer, Nikke<br>President and Chief Executive Officer, Nikke Machine Manufacturing Corp. |
| February 2020 | Director and Managing Executive Officer<br>General Manager of Human & Future Development Division, Nikke |
| February 2021 | Director and Managing Executive Officer<br>General Manager of Human & Future Development Division<br>& General Manager of Development Division, Nikke (current position) |

[Reasons for nomination as a Director candidate]
As a Director, Mr. Yutaka Nagaoka has supervised management and made decisions on important matters appropriately, and as a Managing Executive Officer, he has served as the General Manager of Human & Future Development Division, steadily expanding each business field. In particular, he has positioned the lifestyle support field, which covers nursing care, childcare, child-related businesses, and sports schools, as a growth driver in the “Nikke Group RN 130 Vision” and has implemented measures for medium- to long-term growth, including the opening of new bases. Based on these achievements, we believe that he is an appropriate person to realize the sustainable enhancement of the Nikke Group’s corporate value, and therefore we request your support for his continued appointment as a Director. In addition, there are no special interests between him and Nikke.

## Candidate No. 3 Kuniaki Hihara

Reappointment



**Date of birth**
May 7, 1957
**Number of Nikke shares held**
30,525
**Years in office**
4 years
**Attendance at Board of Directors meetings**
12/12 meetings

[Brief history, positions and responsibilities at Nikke]

| | | | |
|---|---|---|---|
| April 2011 | Joined Nikke | February 2018 | Director and Managing Executive Officer, Nikke<br>General Manager of Industrial Machinery & Materials Division, Nikke (current position) |
| July 2012 | General Manager of Sales Department III, Textile & Clothing Materials Division, Nikke | | |
| October 2013 | President, Nikke (Thailand) Co., Ltd. | | |
| December 2014 | General Manager of Nikke (Shanghai) Management Co., Ltd. | June 2018 | Outside Director, Ashimori Industry, Co., Ltd. |
| June 2015 | President, Nankai Nikke (Malaysia) Sdn. Bhd. | June 2020 | President and Chief Executive Officer, Fujico Co., Ltd. (current position) |
| February 2016 | President and Chief Executive Officer, Ambic Co., Ltd. | | |

[Material concurrent positions]
President and Chief Executive Officer, Fujico Co., Ltd.

[Reasons for nomination as a Director candidate]
As a Director, Mr. Kuniaki Hihara has supervised management and made decisions on important matters appropriately, and as a Managing Executive Officer, he has served as the General Manager of Industrial Machinery & Materials Division and worked to improve the profitability of the Industrial Machinery & Materials Division by focusing on growth industries, such as automobile-related and environment-related industries, and strengthening overseas business. He has also worked to expand our non-woven fabric business by creating synergies with Fujico Co., Ltd., which has become a Nikke Group company. Based on these achievements, we believe that he is an appropriate person to realize the sustainable enhancement of the Nikke Group's corporate value, and therefore we request your support for his continued appointment as a Director. In addition, there are no special interests between him and Nikke.

## Candidate No. 4 Yoshirou Kawamura

Reappointment



**Date of birth**
November 15, 1960
**Number of Nikke shares held**
28,800
**Years in office**
3 years
**Attendance at Board of Directors meetings**
12/12 meetings

[Brief history, positions and responsibilities at Nikke]

| | | | |
|---|---|---|---|
| April 1983 | Joined Nikke | September 2015 | General Manager of Manufacturing Control Department, Textile & Clothing Materials Division, Nikke |
| December 2005 | General Manager of Jiangyin Nikke Worsted Spinning Co., Ltd.<br>& General Manager of Jiangyin Nikke Dyeing Co., Ltd. | February 2016 | Executive Officer, General Manager of Manufacturing Control Department, Textile & Clothing Materials Division, Nikke |
| December 2008 | General Manager of Research and Development Office II, Research and Development Center, Nikke | June 2017 | Executive Officer, General Manager of Manufacturing Control Department, Textile & Clothing Materials Division & General Manager of Fabric Business, Nikke |
| May 2010 | General Manager of Engineering Division, Nikke | | |
| February 2013 | President and Chief Executive Officer, Nikke Machine Manufacturing Corp. | February 2019 | Director and Managing Executive Officer, Nikke<br>General Manager of Textile & Clothing Materials Division, Nikke (current position) |

[Reasons for nomination as a Director candidate]
As a Director, Mr. Yoshirou Kawamura has supervised management and made decisions on important matters appropriately, and as a Managing Executive Officer, he has served as the General Manager of Textile & Clothing Materials Division, working to strengthen the profitability of existing businesses and foster new businesses. In particular, he steadily promoted measures to develop overseas businesses and functional materials, which are positioned as growth drivers. Based on these achievements, we believe that he is an appropriate person to realize the sustainable enhancement of the Nikke Group's corporate value, and therefore we request your support for his continued appointment as a Director. In addition, there are no special interests between him and Nikke.

## Candidate No. 5 Takehiro Okamoto

New appointment



**Date of birth**
June 9, 1961

**Number of Nikke shares held**
24,800

[Brief history, positions and responsibilities at Nikke]

| | |
|---|---|
| August 2005 | Joined Nikke |
| December 2008 | Management Strategy Center, Head of the Finance & Accounting Department, Nikke |
| March 2013 | General Manager of Management Department, Industrial Machinery & Materials Division, Nikke |
| December 2014 | Management Strategy Center, Head of the Business Research & Planning Department, Nikke |
| February 2016 | Executive Officer and Management Strategy Center, Head of the Business Research & Planning Department, Nikke |
| February 2019 | Managing Executive Officer and Director of Management Strategy Center (current position) |
| June 2021 | Outside Director, Kawanishi Warehouse Co., Ltd. (current position) |

[Material concurrent positions]
Outside Director, Kawanishi Warehouse Co., Ltd.

[Reasons for nomination as a Director candidate]
As a Managing Executive Officer, Mr. Takehiro Okamoto has served as the Director of Management Strategy Center, formulating and promoting management strategies, establishing corporate governance, and advancing finance, human resources, investor relations and M&A strategies for the entire Group. Based on these achievements, we believe that he is an appropriate person to realize the sustainable enhancement of the Nikke Group's corporate value, and therefore we request your support for his appointment as a new Director. In addition, there are no special interests between him and Nikke.

## Candidate No. 6 Yoshihiro Onishi

Reappointment | Outside | Independent Officer



**Date of birth**
January 26, 1946

**Number of Nikke shares held**
—

**Years in office**
4 years

**Attendance at Board of Directors meetings**
12/12 meetings

[Brief history, positions and responsibilities at Nikke]

| | |
|---|---|
| April 1968 | Joined ShinMaywa Industries, Ltd. |
| July 1996 | General Manager of Industrial Machinery Systems Division, ShinMaywa Industries, Ltd. |
| June 1997 | Director, ShinMaywa Industries, Ltd. |
| April 2003 | Manager of Corporate Planning Office, ShinMaywa Industries, Ltd. |
| June 2003 | Managing Director, ShinMaywa Industries, Ltd. |
| April 2006 | Director, Senior Executive Officer, ShinMaywa Industries, Ltd. |
| October 2006 | General Manager of Aircraft Division, ShinMaywa Industries, Ltd. |
| April 2010 | General Manager of Quality Assurance Division, ShinMaywa Industries, Ltd. |
| January 2011 | President and Chief Executive Officer, ShinMaywa Industries, Ltd. |
| June 2017 | Advisor, ShinMaywa Industries, Ltd. |
| February 2018 | Outside Director, Nikke (current position) |

[Reasons for nomination as an Outside Director candidate and overview of expected roles]
Mr. Yoshihiro Onishi has management experience at another company, and has supervised the Board of Directors at Nikke from an independent standpoint. In addition, as an Outside Member of the Advisory Board that provides advice on the nomination and remuneration of Officers and matters related to the foundation of corporate management that are presented by the Representative Director, he is also actively involved in improving the corporate governance of the Nikke Group. Based on these achievements and his extensive experience, we believe that he can help realize the sustainable enhancement of the corporate value of the Nikke Group and supervise the Group management, and therefore we request your support for his continued appointment as an Outside Director. In addition, there are no special interests between him and Nikke.

## Candidate No. 7 Yasuhiro Wakamatsu

New appointment | Outside | Independent Officer



**Date of birth**
August 6, 1954

**Number of Nikke shares held**
—

[Brief history]

| | | | |
|---|---|---|---|
| April 1977 | Joined Kawanishi Warehouse Co., Ltd. | June 2013 | President and Chief Executive Officer and General Manager of Sales Division, Kawanishi Warehouse Co., Ltd. |
| June 2006 | Director and General Manager of Kobe Branch, Kawanishi Warehouse Co., Ltd. | September 2015 | President and Chief Executive Officer, Kawanishi Warehouse Co., Ltd. |
| April 2011 | Director, Kawanishi Warehouse Co., Ltd. | April 2021 | Chairman, Kawanishi Warehouse Co., Ltd. (current position) |
| June 2011 | Director and General Manager of International Department, Kawanishi Warehouse Co., Ltd. | | |
| June 2011 | Managing Director and Deputy General Manager of Sales Division & General Manager of International Department, Kawanishi Warehouse Co., Ltd. | | |
| April 2013 | Managing Director and Deputy General Manager of Sales Division, Kawanishi Warehouse Co., Ltd. | | |

[Material concurrent positions]
Chairman, Kawanishi Warehouse Co., Ltd.

[Reasons for nomination as an Outside Director candidate and overview of expected roles]
Mr. Yasuhiro Wakamatsu has management experience at another company, and based on his achievements and extensive experience in the warehousing industry, we believe that he can help realize the sustainable enhancement of the corporate value of the Nikke Group and supervise the Group management from an independent standpoint, and therefore we request your support for his appointment as a new Outside Director. In addition, there are no special interests between him and Nikke.

## Candidate No. 8 Seishi Miyajima

New appointment | Outside | Independent Officer



**Date of birth**
January 11, 1960

**Number of Nikke shares held**
—

[Brief history]

| | | | |
|---|---|---|---|
| April 1983 | Joined Nomura Real Estate Development Co., Ltd. | April 2013 | President and Chief Executive Officer, Nomura Real Estate Urban Net Co., Ltd. |
| June 2001 | General Manager of Corporate Sales Department, Nomura Real Estate Development Co., Ltd. | April 2016 | Chairman, Nomura Real Estate Urban Net Co., Ltd. |
| June 2006 | Director and Deputy General Manager of Corporate Company, Nomura Real Estate Development Co., Ltd. | June 2018 | Director<br>Executive Vice President and Executive Officer, Shinnihon Corporation |
| April 2009 | Director and Managing Executive Officer<br>General Manager of Corporate Company, Nomura Real Estate Development Co., Ltd. | | |
| April 2012 | Representative Director and Senior Executive Officer<br>General Manager of Corporate Company, Nomura Real Estate Development Co., Ltd. | | |
| May 2012 | Executive Officer and Head of Property Brokerage & CRE Business Unit, Nomura Real Estate Holdings, Inc. | | |

[Reasons for nomination as an Outside Director candidate and overview of expected roles]
Mr. Seishi Miyajima has management experience at another company, and based on his achievements and extensive experience in the real estate industry, we believe that he can help realize the sustainable enhancement of the corporate value of the Nikke Group and supervise the Group management from an independent standpoint, and therefore we request your support for his appointment as a new Outside Director. In addition, there are no special interests between him and Nikke.

Notes 1. In order to enhance objectivity in the decision of candidates for Directors, Nikke has established an “Advisory Board” that functions as a Nomination and Remuneration Committee, and the Board of Directors decides on candidates based on the results of deliberations by the Advisory Board.

2. Mr. Yoshihiro Onishi, Mr. Yasuhiro Wakamatsu, and Mr. Seishi Miyajima are candidates for Outside Directors who meet the requirements for Outside Directors.
Mr. Yoshihiro Onishi has been designated as an Independent Officer in accordance with the provisions of the Tokyo Stock Exchange and will continue to be so upon approval of his reappointment. Mr. Yasuhiro Wakamatsu and Mr. Seishi Miyajima also meet the requirements for Independent Officers as stipulated by the Tokyo Stock Exchange and will be newly designated as Independent Officers if their appointment is approved.

3. The reasons for the nomination of each Director candidate are as stated below the brief history of each candidate.

4. Conclusion of liability limitation agreement
Nikke has entered into an agreement with Mr. Yoshihiro Onishi, a candidate for Outside Director, to limit his liability as outlined below, pursuant to Article 427, Paragraph 1 of the Companies Act. If his reappointment is approved, Nikke plans to continue the said liability limitation agreement with him. In addition, if the appointment of Mr. Yasuhiro Wakamatsu and Mr. Seishi Miyajima is approved, Nikke plans to enter into the same liability limitation agreement as above with them. The outline of the agreement is as follows:
   - In the event that an Outside Director is liable to Nikke for damages as provided for in Article 423, Paragraph 1 of the Companies Act due to negligence of his duties, he shall be liable up to the minimum liability amount as provided for in Article 425, Paragraph 1 of the Companies Act.
   - The aforementioned limitation of liability shall be applied only when the Outside Director concerned has performed his duties that caused the liability in good faith and without gross negligence.

5. Nikke has concluded a liability insurance agreement for directors and officers as stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, and the said insurance agreement is outlined on page 31 of the Business Report. If the Director candidates are appointed and take office, they will be included in the insured of said insurance. Nikke also plans to renew the policy with the same terms and conditions at the next renewal.

<Reference: Nikke’s views on Independent Outside Officers>

Independent Outside Officers shall provide advice that contributes to the enhancement of medium- to long-term corporate value, supervise management, monitor conflicts of interest, and reflect the opinions of stakeholders in the Board of Directors. Independent Outside Members of the Audit and Supervisory Board shall conduct audits from their independent standpoint and express their opinions as appropriate.

- Nikke shall hold liaison meetings between Independent Outside Directors and Audit and Supervisory Board Members as needed so that Independent Outside Officers can actively participate in the discussions of the Board of Directors, in order to exchange information and share understanding from an objective standpoint.
- Nikke shall select candidates for Independent Outside Officers by setting its own criteria for independence as follows, in order to substantially ensure the compliance with the independence criteria set forth in the Financial Instruments and Exchange Act.
  Candidates shall
  (a) Not be a major shareholder of Nikke or its business executor.
  A major shareholder is defined as an entity who holds 10% or more of the total voting rights.
  (b) Not be a major business partner of the Nikke Group or its business executor.
  A major business partner is defined as an entity whose payments or receipts for transactions with the Nikke Group in the immediately preceding fiscal year exceed 2% of the consolidated net sales of the Nikke Group or the group to which the entity belongs.
  (c) Not be a consultant, accounting expert or legal expert who receives a large amount of money or other property from the Nikke Group other than remuneration as an officer.
  A large amount of money is defined as an amount equal to the higher of 10 million yen or 2% of the person’s net sales or total income in the immediately preceding fiscal year, and not exceeding the amount of the person’s remuneration as an officer.

In addition, the Advisory Board shall be consulted by the Representative Director and verify the candidate's independence.

Excerpt from the “Nikke Corporate Governance Guidelines”

**[Reference] Skills matrix of Officers after the conclusion of this general meeting of shareholders**

The following skills matrix shows the skills of each Officer, provided that the candidates are appointed as proposed in Proposal No. 3.

| Position | Name | | Years in office | Principal specialized area of experience | | |
|---|---|---|---|---|---|---|
| | | | | Corporate management | Sales | R&D of technology |
| Director | Kazuya Tomita | | 9 years | ○ | ○ | |
| Director | Yutaka Nagaoka | | 2 years | ○ | | ○ |
| Director | Kuniaki Hihara | | 4 years | ○ | ○ | |
| Director | Yoshirou Kawamura | | 3 years | ○ | | ○ |
| Director | Takehiro Okamoto | | - | | ○ | |
| Director | Yoshihiro Onishi | Independent/ Outside | 4 years | ○ | | ○ |
| Director | Yasuhiro Wakamatsu | Independent/ Outside | - | ○ | ○ | |
| Director | Seishi Miyajima | Independent/ Outside | - | ○ | ○ | |
| Audit and Supervisory Board Member | Shogo Ueno | | 2 years | ○ | ○ | |
| Audit and Supervisory Board Member | Junichi Komiya | | 4 years | ○ | ○ | |
| Audit and Supervisory Board Member | Takeshi Katayama | Independent/ Outside | 7 years | ○ | | |
| Audit and Supervisory Board Member | Michiko Uehara | Independent/ Outside | 5 years | | | |

Note. The above list does not represent all the knowledge and experience possessed by each Officer.

| Principal specialized area of experience | | | | Business experience at Nikke | | | |
|---|---|---|---|---|---|---|---|
| Finance/Accounting | HR/Labor | Legal/Risk management | Global experience | Textile & Clothing Materials | Industrial Machinery & Materials | Human & Future Development | Consumer Goods & Services |
| ○ | ○ | ○ | | ○ | | ○ | ○ |
| | ○ | | ○ | ○ | ○ | ○ | ○ |
| | | | ○ | ○ | ○ | | |
| | | | ○ | ○ | ○ | | |
| ○ | ○ | ○ | | | ○ | ○ | |
| | | | | | | | |
| | | ○ | ○ | | | | |
| | ○ | | | | | | |
| | | | | ○ | | ○ | ○ |
| | | ○ | | ○ | | | |
| ○ | | ○ | | | | | |
| | | ○ | | | | | |

Proposal No. 4

# Pre-Election of One Substitute Member of the Audit and Supervisory Board

We request the appointment of one substitute Member of the Audit and Supervisory Board in the event that the number of Audit and Supervisory Board Members falls short of the number stipulated in laws and regulations.
The pre-election of the substitute Audit and Supervisory Board Member will be effective until the beginning of the next annual general meeting of shareholders.
Please note that the submission of this Proposal has been approved by the Audit and Supervisory Board in advance.
The candidate for substitute Audit and Supervisory Board Member is as follows:

## Candidate Junichi Kato



**Date of birth**
January 26, 1962

**Number of Nikke shares held**
–

[Brief history]

| | |
|---|---|
| October 1994 | Joined Century Audit Corporation (now Ernst & Young ShinNihon LLC) |
| January 1998 | Joined Setsuo Hashimoto Certified Public Accountant Office (currently Hashimoto & Kato Certified Public Accountant Office) (current position) |
| April 1999 | Registered as a Certified Public Accountant |
| July 1999 | Registered as a Licensed Tax Accountant |
| June 2005 | Established Tax Corporation Sincere/Representative Partner (current position) |

[Material concurrent positions]

Certified Public Accountant (Hashimoto & Kato Certified Public Accountant Office)
Licensed Tax Accountant (Representative Partner of Tax Corporation Sincere)

[Reasons for nomination as a candidate for substitute Outside Member of the Audit and Supervisory Board]

Although Mr. Junichi Kato has not been involved in the management of a company in the past, we would like him to perform appropriate audits from an independent standpoint by utilizing his experience as a certified public accountant familiar with financial, accounting and tax matters, and therefore we request your support for his appointment as a candidate for substitute Outside Member of the Audit and Supervisory Board. In addition, there are no special interests between him and Nikke.

Notes 1. Mr. Junichi Kato is a candidate for substitute Outside Member of the Audit and Supervisory Board who meets the requirements for Outside Members of the Audit and Supervisory Board.
2. The reasons for the nomination of the candidate for substitute Outside Member of the Audit and Supervisory Board are as stated below the brief history of the candidate.
3. In the event that the number of Audit and Supervisory Board Members falls short of the number stipulated in laws and regulations and Mr. Junichi Kato takes office as an Outside Member of the Audit and Supervisory Board, he will be designated as an Independent Officer as he meets the requirements for Independent Officers as stipulated by the Tokyo Stock Exchange.
4. In the event that the number of Audit and Supervisory Board Members falls short of the number stipulated in laws and regulations and Mr. Junichi Kato takes office as an Outside Member of the Audit and Supervisory Board, Nikke plans to enter into a liability limitation agreement with him in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act. The outline of the agreement is as follows:
   - In the event that an Outside Member of the Audit and Supervisory Board is liable to Nikke for damages as provided for in Article 423, Paragraph 1 of the Companies Act due to negligence of his duties, he shall be liable up to the minimum liability amount as provided for in Article 425, Paragraph 1 of the Companies Act.
   - The aforementioned limitation of liability shall be applied only when the Outside Member of the Audit and Supervisory Board concerned has performed his duties that caused the liability in good faith and without gross negligence.
5. Nikke has concluded a liability insurance agreement for directors and officers as stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, and the said insurance agreement is outlined on page 31 of the Business Report. In the event that the number of Audit and Supervisory Board Members falls short of the number stipulated in laws and regulations and Mr. Junichi Kato takes office as an Outside Member of the Audit and Supervisory Board, he will be included in the insured of the said insurance policy.

Proposal No. 5

# Determination of Remuneration for Granting Restricted Stock to Directors (Excluding Outside Directors)

1. Reasons for the proposal

With regard to the amount of remuneration, etc. for Directors of Nikke, an annual amount not exceeding 300 million yen (including 24 million yen for Outside Directors) was approved at the 189th annual general meeting of shareholders held on February 26, 2020.

As part of the review of the remuneration system for directors, we propose that the Directors of Nikke (excluding Outside Directors; hereinafter referred to as "Eligible Directors") be granted additional remuneration for receiving restricted stock on top of the above remuneration amount in order to provide them with incentives for sustainable enhancement of the corporate value of Nikke and to have them further share value with the shareholders.

2. Amounts and details of remuneration

The remuneration to be paid to the Eligible Directors under this Proposal so that they can receive restricted stock shall be paid in the form of monetary claims and the total amount shall not exceed 50 million yen per year. The specific timing and allocation of payments to each Eligible Director shall be determined by the Board of Directors after consultation with the Advisory Board where Independent Outside Directors constitute the majority. Currently, there are eight Directors (including three Outside Directors). If Proposal No. 3, "Election of Eight Directors," is approved and adopted as proposed, the number of Directors will be eight (including three Outside Directors).

The Eligible Directors shall, based on a resolution of the Board of Directors of Nikke, pay all of the monetary claims to be granted under this Proposal as contribution in kind, and in return receive shares of common stock of Nikke that shall be issued or disposed of by Nikke. The total number of shares of common stock of Nikke to be issued or disposed of for the Eligible Directors shall not exceed 100,000 shares per year. (However, if a stock split of Nikke common stock (including allotment of shares of Nikke common stock without contribution) or a reverse stock split of Nikke common stock is conducted after the date of approval of this Proposal, or if any other event occurs that requires adjustment of the total number of shares of Nikke common stock to be issued or disposed of as restricted stock, the total number of such shares shall be adjusted to the extent reasonable.)

The amount to be paid per share shall be determined by the Board of Directors based on the closing price of Nikke common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors (or the closing price on the immediately preceding transaction day if no transaction is made on such business day), to the extent that the amount is not particularly favorable to the Eligible Directors who are to receive such common stock. For the issuance or disposal of shares of Nikke common stock and the provision of monetary remuneration claims as assets to be contributed in kind, Nikke and the Eligible Directors shall enter into an agreement on the allotment of restricted stock (hereinafter referred to as the "Allotment Agreement"), which is outlined below. The maximum amount of remuneration, the total number of shares of Nikke common stock to be issued or disposed of, and other terms and conditions for granting restricted stock to the Eligible Directors under this Proposal have been determined in accordance with the aforementioned purposes, business conditions of Nikke, the Policy for Determining the Details of Remuneration, Etc. for Individual Officers of Nikke, and other various circumstances, so we believe that they are appropriate. (If this Proposal is approved, the said policy will be revised to the one provided in the "Reference" section below in order to be consistent with the approved content.)

[Outline of the Allotment Agreement]

(1) Transfer restriction period

The Eligible Directors may not transfer, create a security interest in, or otherwise dispose of the shares of Nikke common stock allotted to them under this Allotment Agreement (hereinafter, the "Allotted Shares") during the period from the date of allotment under this Allotment Agreement to the time immediately following their resignation from the position previously determined by the Board of Directors of Nikke (hereinafter, the "Transfer Restriction Period"; hereinafter this restriction is referred to as the "Transfer Restriction").

(2) Handling at the time of resignation

If an Eligible Director resigns from his or her position previously determined by the Board of Directors of Nikke before the expiration of the period previously determined by the Board of Directors of Nikke (hereinafter referred to as the "Service Period"), Nikke shall naturally acquire the Allotted Shares without charge, except in cases where there is a justifiable reason for such resignation, such as expiration of the term of office, death, etc.

(3) Lifting of Transfer Restriction

Notwithstanding the provisions of (1) above, Nikke shall lift the Transfer Restriction with regard to all of the Allotted Shares upon expiration of the Transfer Restriction Period, on the condition that the Eligible Director has been in a position previously determined by the Board of Directors of Nikke continuously during the Service Period. However, if the Eligible Director resigns from his or her position as an Officer or Employee of Nikke or any of its subsidiaries that is previously determined by the Board of Directors of Nikke prior to the expiration of the Service Period due to expiration of his or her term of office, death, or any other justifiable reason as set forth in (2) above, reasonable adjustment shall be made as necessary in terms of how many Allotted Shares the lifting of the Transfer Restriction will apply to and when the Transfer Restriction will be lifted. In addition, Nikke

shall naturally acquire, without charge, the Allotted Shares for which the Transfer Restriction has not yet been lifted at the time immediately after the Transfer Restriction is lifted in accordance with the above provisions.

(4) Handling in reorganization, etc.

Notwithstanding the provisions of (1) above, if, during the Transfer Restriction Period, a merger agreement in which Nikke would become an absorbed company, a share exchange agreement or share transfer plan in which Nikke would become a wholly owned subsidiary, or any other matter relating to reorganization, etc. is approved at a general meeting of shareholders of Nikke (or at a meeting of the Board of Directors of Nikke, if such reorganization, etc. does not require approval at a general meeting of shareholders of Nikke), Nikke shall, by a resolution of the Board of Directors of Nikke, lift the Transfer Restriction for the number of Allotted Shares reasonably determined based on the period from the commencement date of the Transfer Restriction Period to the date of approval of such reorganization, etc. prior to the effective date of the reorganization, etc. In addition, in the case specified above, Nikke shall naturally acquire, without charge, the Allotted Shares for which the Transfer Restriction has not been lifted at the time immediately after the Transfer Restriction is lifted.

(5) Other matters

Other matters concerning the Allotment Agreement shall be determined by the Board of Directors of Nikke.

## [Reference] Policy for Determining the Details of Officer Remuneration, Etc.

If Proposal No. 5 is approved and adopted, Nikke plans to revise the “Policy for Determining the Details of Remuneration, Etc. for Individual Officers” on page 31 of this Notice of Convocation to the following content.
The Policy for Determining the Details of Remuneration, Etc. for Individual Officers after the revision is detailed as follows:

Remuneration, etc., for Directors, Audit and Supervisory Board Members, and Executive Officers who do not concurrently serve as Directors (hereinafter referred to as “Officers”) shall consist of “fixed remuneration,” “remuneration linked to annual performance,” and “remuneration linked to the progress and achievement of the Medium-Term Management Plan,” and "stock-based remuneration," which allocates shares.

a. “Fixed remuneration”
The amount shall be fixed based on the position of the Officer.

b. “Remuneration linked to annual performance”
The weighted average of consolidated operating income, ordinary income, and net income attributable to owners of parent shall be used as an index, and the overall payment rate shall be determined according to the percentage of achievement obtained by comparing the target value based on the results of previous fiscal years with the results of the relevant fiscal year.

c. “Remuneration linked to the progress and achievement of the Medium-Term Management Plan”
The weighted average of consolidated net sales, operating income, ordinary income, and net income attributable to owners of parent shall be used as an index, and the overall payment rate shall be determined according to the percentage of achievement obtained by comparing the target value for each fiscal year set in the Medium-Term Management Plan with the results of the relevant fiscal year. For fiscal years for which a Medium-Term Management Plan is not formulated, the single-year target shall be used as the target value.

d. “Stock-based remuneration”
Restricted stock shall be allocated as stock-based remuneration based on the position of the Officer. The transfer restriction period shall be until the date of resignation from the position as previously determined by the Board of Directors.

e. The payment ratio shall be determined based on the position of the Officer, and generally consist of 50% fixed remuneration, 30% performance-linked remuneration, and 20% stock-based remuneration. The 30% performance-linked remuneration shall consist of 20% “remuneration linked to annual performance” and 10% “remuneration linked to the progress and achievement of the Medium-Term Management Plan”.

f. Remuneration for Chairman of the Board and Chairman of the Board of Directors meetings shall generally consist of 80% fixed remuneration and 20% stock-based remuneration. Outside Directors and Audit and Supervisory Board Members shall receive only fixed remuneration.

g. Fixed remuneration shall be paid monthly. Performance-linked remuneration shall be paid monthly in equal amounts together with the fixed remuneration, and also paid as a year-end bonus after the general meeting of shareholders held in February each year. With regard to stock-based remuneration, restricted stock shall be allotted based on the resolution for allotment at the Board of Directors meeting held after the general meeting of shareholders held in February each year, within one month of such resolution.

h. As for the amounts of remuneration, etc. for individual Officers, the Representative Director entrusted by the Board of Directors shall finalize them by taking into account the degree of each Officer’s contribution to business performance (the degree of contribution compared to the plan, previous year, etc.) in accordance with the allocation policy recommended by the Advisory Board.