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Securities Code: 6718

(June 1, 2026)

To Our Shareholders:

Tomio Suzuki, President (Representative Director)

AIPHONE CO., LTD.

1-1 Shinsakae-machi, Naka-ku, Nagoya, Aichi

Meiji Yasuda Seimei Nagoya Building

Notice of the 68th Annual General Meeting of Shareholders

We are pleased to announce the 68th Annual General Meeting of Shareholders of AIPHONE CO., LTD. (the “Company”) to be held as described below.

When convening the Meeting, the Company takes measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. (items for which measures for providing information in electronic format are to be taken) in electronic format, and posts this information on the website shown below. Please access websites by using the Internet addresses shown below to review the information.

The Company’s website:

<https://www.aiphone.co.jp/ir/stock/general-meeting/> (in Japanese)

[Website General Meeting of Shareholders material is posted on]

<https://d.sokai.jp/6718/teiji/> (in Japanese)

Instead of attending the meeting in person, you may exercise your voting rights in writing or via the Internet and other means. Please read the Reference Documents for the General Meeting of Shareholders, and exercise your voting rights by 5:30 p.m. on Thursday, June 25, 2026 (JST).

1. Date and Time: Friday, June 26, 2026, at 10:00 a.m. (JST) (Reception starts at 9:00 a.m.)

2. Venue: 16F Hall, Meiji Yasuda Seimei Nagoya Building

1-1 Shinsakae-machi, Naka-ku, Nagoya, Aichi

3. Purpose of the Meeting

Items to be reported:

1. Business Report and Consolidated Financial Statements, and Audit Reports of Consolidated Financial Statements by the Financial Auditor and the Audit & Supervisory Board for the 68th fiscal year (from April 1, 2025, to March 31, 2026)
2. Non-consolidated Financial Statements for the 68th fiscal year (from April 1, 2025, to March 31, 2026)

Items to be resolved:

Proposal No. 1 Appropriation of Surplus

Proposal No. 2 Election of Five Directors

Proposal No. 3 Revisions to the Terms of Shares with Transfer Restrictions for Directors

- If you attend the meeting, please submit the Voting Rights Exercise Form at the reception desk. Also, please bring this Notice with you in the interest of resource conservation.
- Only shareholders are allowed to attend the General Meeting in person. If you attend the General Meeting by proxy, your proxy must be a shareholder as well. In addition to the Voting Rights Exercise Form to be exercised by proxy and documents evidencing the authority of proxy, your proxy is requested to submit his or her own Voting Rights Exercise Form.
- The Company sends out paper-based documents stating items subject to measures for electronic provision, however, those documents do not include the following matters in accordance with the provisions of laws and regulations and Article 14 of the Company’s Articles of Incorporation: (1) “Notes to Consolidated Financial Statements”; and (2) “Notes to Non-consolidated Financial Statements.”

Accordingly, Consolidated Financial Statements and Non-consolidated Financial Statements included in those documents are a portion of the documents audited, specifically when the Financial Auditor prepares Independent Auditor's Audit Reports and when Audit & Supervisory Board Members prepare Audit Report.

- If revisions to the items subject to measures for electronic provision arise, the content of revisions will be posted on each of the above websites.
- The proceedings of this meeting will be conducted in Japanese. Shareholders who require an interpreter should arrange for an interpreter (one person only) at their own discretion and inform the reception desk staff on the day of the meeting. Note that an interpreter may not exercise voting rights or make statements as a shareholder, unless he or she is also a shareholder with voting rights.
- The officers and staff of the Company will be in informal dress with no ties (the so-called Cool Biz) at the meeting site. Shareholders attending the General Meeting are recommended to be dressed lightly.

Reference Documents for the General Meeting of Shareholders

Proposals and Reference Information

Proposal No. 1 Appropriation of Surplus

The Company considers the return of profits to shareholders to be an important management priority. The Company intends to continue to pay stable dividends to shareholders based on a long-term perspective, aiming to pay an annual dividend of ¥50 per share in principle, with a guideline dividend payout ratio of 35% on a consolidated basis, as its basic policy. The Company would like to pay a year-end dividend for the 68th fiscal year and appropriate other surplus as given below so that the annual dividend during the period of the 8th Medium-term Management Plan is in line with the above basic policy and does not fall below the annual dividend of ¥80 per share for the fiscal year ended March 31, 2023.

After giving consideration to the full-year consolidated business performance and other factors, the Company proposes a year-end dividend of ¥80 per share, which is in line with the amount initially forecasted.

1. Year-end dividend
 - 1) Type of dividend property
To be paid in cash.
 - 2) Allotment of dividend property and their aggregate amount
¥80 per common share of the Company, for a total of ¥1,309,346,640
 - 3) Effective date of dividends of surplus
June 29, 2026
2. Other appropriation of surplus
 - 1) Item of surplus to be increased and amount of increase
Reserve for research and development: ¥100,000,000
Reserve for dividends: ¥50,000,000
General reserve: ¥300,000,000
 - 2) Item of surplus to be decreased and amount of decrease
Retained earnings brought forward: ¥450,000,000

Proposal No. 2 Election of Five Directors

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

The candidates for Director are as follows:

Candidate No.	Name (age)	Gender	Main abilities, knowledge, and experience possessed by candidates for Director							
			Corporate management/ Management strategy	International experience	Sales/ Marketing	R&D/ Quality control	Corporate governance	Legal affairs/ Risk management	Finance/ Accounting	Sustainability
1	Shusaku Ichikawa (73) Reelection	Male	●	●	●	●				●
2	Tomio Suzuki (53) Reelection	Male	●	●		●	●			●
3	Masaaki Iritani (76) Reelection Outside Independent	Male	●				●	●		●
4	Yoshinobu Shigeji (70) Reelection Outside Independent	Male	●		●				●	●
5	Ayako Yoshino (51) Reelection Outside Independent	Female	●				●	●		●

Note: The above list does not represent all the abilities, knowledge and experience of each candidate.

Candidate No.	Name (Date of birth) (Gender)	Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
1	Shusaku Ichikawa (February 9, 1953) (Male)	<p>Apr. 1975 Joined the Company</p> <p>May 1985 Director and General Manager of Products Planning Department</p> <p>Feb. 1986 Director and General Manager of Toyota Plant</p> <p>Feb. 1987 Director and General Manager of Sales Headquarters</p> <p>May 1987 President (Representative Director)</p> <p>Apr. 2015 President (Representative Director), and General Manager of International Sales Headquarters</p> <p>Apr. 2018 President (Representative Director), Executive Officer, and General Manager of International Sales Headquarters, in charge of Subsidiary Control Department</p> <p>Apr. 2019 Chairman and CEO (Representative Director), and General Manager of International Sales Headquarters, in charge of Subsidiary Control Department</p> <p>Apr. 2022 Chairman and CEO (Representative Director), and General Manager of International Sales Headquarters</p> <p>Apr. 2026 Chairman and CEO (Representative Director)</p> <p>(Significant concurrent positions outside the Company)</p> <p>Director of AIPHONE CORPORATION</p> <p>Director of AIPHONE S.A.S.</p> <p>Director of AIPHONE PTY LTD.</p> <p>Director of AIPHONE PTE. LTD.</p> <p>Director of AIPHONE UK LIMITED</p> <p>Director of AIPHONE COMMUNICATIONS (THAILAND) CO., LTD.</p> <p>Director and Chairman of AIPHONE COMMUNICATIONS (VIETNAM) CO., LTD.</p> <p>Chairman and CEO (Representative Director) of AIPHONE COMMUNICATIONS CO., LTD.</p> <p>Director of SOFTWARE SAPPORO INC. (non-consolidated subsidiary)</p> <p>Director of TESIYO TECHNOLOGY INC. (non-consolidated subsidiary)</p> <p>Director of Micro Link Japan Co., Ltd. (non-consolidated subsidiary)</p>	1,909,513
<p>(Reasons for nomination as candidate for Director)</p> <p>Shusaku Ichikawa has served as Representative Director of the Company since May 1987, demonstrating management leadership and supervision in an appropriate manner. He has excellent management and execution capability based on his abundant experience and extensive insight nurtured as a corporate manager. For these reasons, the Company has renominated him as a candidate for Director.</p>			

Candidate No.	Name (Date of birth) (Gender)	Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
2	Tomio Suzuki (July 16, 1972) (Male)	<p>Oct. 2014 Joined the Company</p> <p>Apr. 2015 Deputy branch manager of Nagoya Branch, Sales Headquarters</p> <p>Apr. 2019 General Manager of Administrative Department, Engineering Headquarters</p> <p>Apr. 2021 Deputy General Manager of Corporate Planning Department</p> <p>Apr. 2022 Executive Officer, General Manager of Corporate Planning Department</p> <p>June 2022 Director, Executive Officer, General Manager of Corporate Planning Department</p> <p>Apr. 2023 President (Representative Director) and Executive Officer</p> <p>Apr. 2026 President (Representative Director), Executive Officer, and General Manager of International Sales Headquarters</p> <p>(Significant concurrent positions outside the Company)</p> <p>Director of AIPHONE COMMUNICATIONS (THAILAND) CO., LTD.</p> <p>Director of AIPHONE COMMUNICATIONS (VIETNAM) CO., LTD.</p> <p>Director of AIPHONE COMMUNICATIONS CO., LTD.</p> <p>Director of SOFTWARE SAPPORO INC. (non-consolidated subsidiary)</p> <p>Director of TESYIO TECHNOLOGY INC. (non-consolidated subsidiary)</p> <p>Director of Micro Link Japan Co., Ltd. (non-consolidated subsidiary)</p>	12,081
<p>(Reasons for nomination as candidate for Director)</p> <p>Tomio Suzuki has served as Representative Director since April 2023, and has a wide range of experience and knowledge, having been involved in business in the fields of sales, technical and corporate planning since joining the company. He has again been nominated as a candidate for Director because the Company has determined that he will be able to appropriately undertake the execution and promotion of management strategies of the Company.</p>			

Candidate No.	Name (Date of birth) (Gender)	Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
3	Masaaki Iritani (January 4, 1950) (Male)	<p>Apr. 1976 Registered as an attorney at law (joined Iritani Law Office)</p> <p>July 1978 Outside Audit & Supervisory Board Member of CHUO SEISAKUSHO, LTD.</p> <p>June 2004 Corporate Auditor (external) of Chubu Electric Power Co., Inc.</p> <p>June 2006 Outside Audit & Supervisory Board Member of Tokai Rubber Industries, Ltd. (present Sumitomo Riko Company Limited)</p> <p>Apr. 2008 Chairman of Aichi Bar Association</p> <p>Apr. 2008 Vice President of Japan Federation of Bar Associations</p> <p>Apr. 2009 Chairman of CHUBU Federation of Bar Associations</p> <p>June 2011 Outside Director of Tokai Rubber Industries, Ltd. (present Sumitomo Riko Company Limited)</p> <p>June 2013 Outside Director of the Company</p> <p>June 2015 Outside Audit & Supervisory Board Member of Toyo Logistics Co., Ltd.</p> <p>June 2022 Outside Director (Audit & Supervisory Committee Member) of CHUO SEISAKUSHO, LTD.</p> <p>(Significant concurrent positions outside the Company) Representative of Iritani Law Office Outside Director (Audit & Supervisory Committee Member) of CHUO SEISAKUSHO, LTD. Outside Audit & Supervisory Board Member of Toyo Logistics Co., Ltd. Chairperson of Aichi Prefectural Personnel Commission</p>	2,760
<p>(Reasons for nomination as candidate for Outside Director and summary of expected role)</p> <p>Masaaki Iritani has supervised the management in an appropriate manner as Outside Director since June 2013. Although he has never been involved in the management of a company in the past aside from as an outside officer, he has abundant experience and professional knowledge as a lawyer. The Company has renominated him as a candidate for Outside Director with the expectation of utilizing his experience toward the Company's compliance management.</p>			

Candidate No.	Name (Date of birth) (Gender)	Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
4	Yoshinobu Shigeji (April 30, 1956) (Male)	<p>Apr. 1979 Joined The Fuji Bank, Limited (present Mizuho Bank, Ltd.)</p> <p>Mar. 2006 Executive Officer and General Manager of Nagoya Chuo Branch, Mizuho Bank, Ltd.</p> <p>Apr. 2008 Executive Officer, General Manager of Corporate Business Department, Mizuho Bank, Ltd.</p> <p>Apr. 2010 Managing Executive Officer, Mizuho Bank, Ltd.</p> <p>Apr. 2011 Advisor, Mizuho Bank, Ltd.</p> <p>June 2011 Audit & Supervisory Board Member of Mizuho Financial Group, Inc. and Audit & Supervisory Board Member of Mizuho Securities Co., Ltd.</p> <p>June 2012 Audit & Supervisory Board Member of Mizuho Bank, Ltd.</p> <p>July 2013 Managing Executive Officer in charge of Marketing & Sales (Building Construction), Marketing & Sales Division, Taisei Corporation</p> <p>Apr. 2015 Senior Managing Executive Officer in charge of Marketing & Sales (Building Construction), Marketing & Sales Division, Taisei Corporation</p> <p>Apr. 2023 Advisor of Taisei Corporation</p> <p>June 2023 Outside Director of the Company</p>	577
(Reasons for nomination as candidate for Outside Director and summary of expected role) Yoshinobu Shigeji has supervised the management in an appropriate manner as Outside Director since June 2023. He has abundant experience and broad insight through his many years of involvement in corporate management and the finance sector. The Company judges he can appropriately continue to fulfill the duties as Outside Director.			
5	Ayako Yoshino (June 2, 1975) (Female)	<p>Oct. 2001 Registered as an attorney-at-law Joined Goto, Ota & Tateoka Legal Professional Corporation</p> <p>Apr. 2005 Outside Audit & Supervisory Board Member of Kono Seiju Co., Ltd.</p> <p>May 2018 Auditor of Syusaikai</p> <p>June 2020 Outside Audit & Supervisory Board Member of the Company</p> <p>June 2023 Outside Director of the Company</p> <p>(Significant concurrent positions outside the Company) Lawyer of Goto, Ota & Tateoka Legal Professional Corporation Outside Audit & Supervisory Board Member of Kono Seiju Co., Ltd. Auditor of Syusaikai</p>	653
(Reasons for nomination as candidate for Outside Director and summary of expected role) Ayako Yoshino has supervised the management in an appropriate manner as Outside Director since June 2023. Although she has never been involved in the management of a company in the past aside from as an outside officer, she has abundant experience and professional knowledge as a lawyer. The Company has renominated her as a candidate for Outside Director with the expectation of utilizing her experience toward the Company's compliance management.			

- Notes:
1. There is no special interest between any of the candidates and the Company.
 2. Number of the Company's shares owned by Mr. Ichikawa includes 1,450 thousand shares owned by Ichikawa Co., Ltd., an asset management company whose shares are owned by Mr. Ichikawa and his relatives.
 3. The number of the Company's shares owned by each candidate is the current number of shares held as of the end of the fiscal year under review (March 31, 2026). It also includes the number of shares held through an officer shareholding association.
 4. Mr. Iritani, Mr. Shigeji, and Ms. Yoshino are candidates for Outside Director.

5. Mr. Iritani, Mr. Shigeji, and Ms. Yoshino are currently Outside Directors of the Company. At the conclusion of this meeting, Mr. Iritani's tenure as Outside Director of the Company will have been 13 years, and Mr. Shigeji's tenure and Ms. Yoshino's tenure as Outside Director of the Company will have been three years.
6. Mr. Iritani serves as an Outside Audit & Member of Toyo Logistics Co., Ltd. Although the Company had business transactions with the company in the past, such transactions have since ended. There is no special interest between any other concurrent positions of Mr. Iritani and the Company.
7. Ms. Yoshino is a lawyer of Goto, Ota & Tateoka Legal Professional Corporation, with which the Company has a legal consultancy agreement. The corresponding value of the business transacted accounts for less than 0.1% of consolidated net sales for the Company and less than 1% of the net sales of the Corporation; thus, the Company determined that this is not something that affects the independence of Outside Directors. There is no special interest between any other concurrent positions of Ms. Yoshino and the Company.
8. The Company has entered into a limited liability agreement with Mr. Iritani, Mr. Shigeji, and Ms. Yoshino pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, to limit their liability for damages under Article 423, paragraph (1) of the same Act. Pursuant to this agreement, the defined maximum amount of liability for damages is set as the higher of either ¥4 million or the minimum liability amount provided for under Article 425, paragraph (1) of the Companies Act. If the reelection of the above candidates is approved, the Company plans to renew the agreements with them.
9. The Company has entered into a directors and officers liability insurance ("D&O Insurance") policy that insures directors and officers with an insurance company pursuant to Article 430-3, paragraph (1) of the Companies Act to cover damages that may arise from the insured directors and officers assuming liability in connection with the execution of their duties or through receiving claims pertaining to the pursuit of such liability. Each candidate shall be included as the insured in the policy. In addition, when the policy is renewed, the Company plans to renew the policy with the same terms.
10. The Company has submitted notification to the Tokyo Stock Exchange and the Nagoya Stock Exchange that Mr. Iritani, Mr. Shigeji, and Ms. Yoshino have been designated as independent officers as provided for by the aforementioned exchanges. If their reelection is approved, the Company plans for their designation as independent officer to continue.

Proposal No. 3 Revisions to the Terms of Shares with Transfer Restrictions for Directors

1. Reasons for the revision and justification thereof

The amount of remuneration, etc. for the Company's Directors was resolved at the 39th Annual General Meeting of Shareholders held on June 27, 1997, to be within ¥300 million per year (excluding the portion of employee salaries of directors who concurrently serve as employees). In addition, at the 61st Annual General Meeting of Shareholders held on June 27, 2019, the Company introduced the restricted share-based remuneration plan (hereinafter "the Plan"), under which remuneration to grant restricted shares is paid to Directors of the Company (excluding Outside Directors; hereinafter "Eligible Directors"), and the total amount of monetary remuneration claims to be paid to Eligible Directors and the total number of common shares of the Company to be issued or disposed of by the Company were each resolved to be within ¥90 million per year (excluding the portion of employee salaries of directors who concurrently serve as employees) and 70,000 shares per year, respectively, separately from the aforementioned remuneration framework, and this has continued to the present.

The Company proposes to revise the details of the Plan as follows (the "Revision"), with the aim of further enhancing the motivation to contribute to the sustainable enhancement of the Company's corporate value, and of promoting and enabling shared value with shareholders over as long a period as possible.

Specifically, the transfer restriction period for restricted shares granted to Eligible Directors under the Plan will be changed from "a period of one to three years from the date of allotment as determined in advance by the Board of Directors of the Company" to "a period of one to fifty years from the date of allotment as determined in advance by the Board of Directors of the Company." In addition, the performance indicators for the conditions for lifting of transfer restrictions due to achievement of performance targets will be partially revised, and other necessary changes will be made to the lifting of transfer restrictions and the treatment upon retirement under the Plan. The Revision does not involve changes to the total amount of monetary remuneration claims to be paid to the Eligible Directors based on the Plan, or to the total number of common shares of the Company to be issued or disposed of by the Company. Subject to the approval and adoption of Proposal No. 2, "Election of Five Directors" as originally proposed, the number of Eligible Directors will be two.

Note that the Revision applies to restricted shares to be granted in the future and does not change the transfer restriction period, etc. for restricted shares already granted.

This proposal has been determined in consideration of the above purpose, the Company's business performance, the policy on the determination of individual remuneration, etc. for Directors (note that if this proposal is approved and adopted, the policy will be changed to be consistent with the approved content; for the content of the revised policy, please refer to "Policy on the Determination of Individual Remuneration, etc. for Directors after the Revision" below), and other various circumstances, and the content is considered appropriate.

2. Outline of agreement on allotment of restricted shares after revision

(1) Restriction Period

From the day on which shares are allotted under the agreement on allotment of restricted shares (the "Allotment Agreement"), the Eligible Director shall not transfer, create a security interest on, or otherwise dispose of the common shares of the Company allotted under the Allotment Agreement (the "Allotted Shares") for a period of minimum 1 year and maximum 50 years as determined in advance by the Board of Directors of the Company (the "Restriction Period").

(2) Treatment upon retirement or resignation

If an Eligible Director retires or resigns from the positions of both Director and Executive Officer not concurrently serving as a Director of the Company before the Restriction Period expires, the Company shall automatically acquire such Allotted Shares without contribution, unless the reason for his/her retirement or resignation from office is the expiration of the term of his/her office, retirement age, death, or other justifiable reason.

(3) Lifting of transfer restrictions due to achievements in performance targets

Notwithstanding the provisions of (1) above, the Company shall lift the transfer restrictions on the Allotted Shares upon expiration of the Restriction Period, provided that the Eligible Director has continuously held the position of either Director of the Company or Executive Officer not concurrently serving as a Director during the Restriction Period, and to the extent determined based on the degree of achievement of

performance targets, such as operating profit, pre-established by the Company's Board of Directors. However, if the Eligible Director retires or resigns from the position designated in (2) above before the expiration of the Restriction Period due to the expiration of the term of his/her office, retirement age, death or other justifiable reason, the Company shall rationally adjust the number of the Allotted Shares on which the transfer restrictions are to be lifted and the timing of lifting as necessary, taking into account the degree of achievement of the performance targets described above.

In addition, at the time it becomes certain that the transfer restrictions will not be lifted in accordance with the above provisions, the Company shall automatically acquire without contribution the Allotted Shares for which such restrictions will not be lifted. In addition, immediately after the transfer restrictions on any of the Allotted Shares are lifted in accordance with the above provisions, the Company shall automatically acquire without contribution any Allotted Shares on which the transfer restrictions have not been lifted.

(4) Treatment during reorganization, etc.

Notwithstanding the provisions of (1) above, if, during the Restriction Period, matters relating to a merger agreement in which the Company is the disappearing company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or other reorganization, etc. are approved at the Company's General Meeting of Shareholders (or at a meeting of its Board of Directors in cases where approval at the Company's General Meeting of Shareholders is not required in relation to the reorganization, etc.), the Company shall lift the transfer restrictions on the Allotted Shares with the number of shares that is reasonably determined considering the degree of achievement of performance targets, etc. prior to the date on which the reorganization, etc. becomes effective, by resolution of the Board of Directors of the Company. Further, the Company shall automatically acquire without contribution the Allotted Shares on which the transfer restrictions have not been lifted as of the time immediately after the transfer restrictions were lifted.

(5) Other matters

Any other matters relating to the Allotment Agreement shall be determined by the Company's Board of Directors.

(For reference)

Subject to the approval and adoption of this proposal at the General Meeting of Shareholders, the Company also plans to grant restricted shares similar to those granted to the Eligible Directors to Executive Officers not concurrently serving as Directors, pursuant to a resolution of the Board of Directors, and to newly issue or dispose of the Company's common shares for such purpose.

[Policy on the Determination of Individual Remuneration, etc. for Directors after the Revision]

(i) Policy on the determination of the content of remuneration, etc. for officers, etc.

The Company has established a policy on the determination of the amount or calculation method of remuneration, etc. for officers, and the content of such policy is determined in accordance with the Articles of Incorporation and the Rules of the Board of Directors, taking into account business performance, economic conditions, and other factors.

Remuneration for Directors of the Company consists of monetary remuneration and non-monetary remuneration, part of which is performance-linked remuneration.

The basic ratio of each type of remuneration, etc. is as follows:

Monetary remuneration not linked to performance (Basic remuneration)	:	Monetary remuneration linked to performance (Performance-linked remuneration)	:	Non-monetary remuneration linked to performance (Non-monetary remuneration)
80	:	10	:	10

Note that the ratio of monetary remuneration linked to performance will vary depending on the degree of achievement of performance targets.

As for the timing or conditions for payment of remuneration, etc., monetary remuneration not linked to performance is fixed monthly remuneration, and monetary remuneration linked to performance is an officer bonus paid promptly after the annual general meeting of shareholders for the fiscal year concerned. Non-monetary remuneration is provided under the restricted share-based remuneration plan, with a transfer restriction period of one to fifty years as determined in advance by the Board of Directors, and the transfer restrictions are lifted on the condition of certain continuous service, etc. Note that monetary remuneration not linked to performance is paid according to the Director's position, duties, years of service, etc. In addition, monetary remuneration linked to performance is determined by setting the amount based on the Director's position and duties as the base amount, taking into account the degree of achievement of internal targets for ordinary profit, the actual payment of performance-linked bonuses to employees, etc. Non-monetary remuneration is granted as restricted shares approved at the general meeting of shareholders as an incentive to achieve sustained improvement in medium- to long-term corporate value and shareholder value, and the number of shares granted is determined according to the Director's position.

As for re-delegation of the determination of the content of remuneration, etc. to a third party, the Company has established a Nominating and Compensation Advisory Committee to enhance the fairness, transparency, and objectivity of the procedures concerning the nomination and remuneration of Directors and to strengthen corporate governance, and has delegated to the committee the determination of the content of remuneration, etc. for Directors. The Committee is composed of four members: Shusaku Ichikawa, Chairman and CEO (Representative Director), Masaaki Iritani, Outside Director who is an independent officer, Yoshinobu Shigeji, Outside Director, and Ayako Yoshino, Outside Director. The operation of the committee is stipulated in the Rules of the Nominating and Compensation Advisory Committee resolved by the Board of Directors.

Decisions other than those delegated to the Nominating and Compensation Advisory Committee shall be made by resolution of the Board of Directors or the Nominating and Compensation Advisory Committee as necessary. Note that the determination policy is deliberated and reported by the Nominating and Compensation Advisory Committee to the Board of Directors, which then makes the final decision.

Remuneration, etc. for Directors of the Company is determined within the remuneration limit of ¥300 million per year (excluding the portion of employee salaries of directors who concurrently serve as employees) as resolved at the 39th Annual General Meeting of Shareholders held on June 27, 1997, taking into account business performance and economic conditions, etc. The number of Directors at the conclusion of the said Annual General Meeting of Shareholders was ten. Moreover, at the 61st Annual General Meeting of Shareholders held on June 27, 2019, the amount of remuneration related to the restricted share-based remuneration plan for Directors (excluding Outside Directors) was resolved to be within ¥90 million per year separately from the aforementioned remuneration framework. The number of Directors (excluding Outside Directors) at the conclusion of the said Annual General Meeting of Shareholders was three.

Remuneration for Audit & Supervisory Board Members of the Company is determined within the remuneration limit of ¥50 million per year as resolved at the 39th Annual General Meeting of Shareholders held on June 27, 1997, by the Audit & Supervisory Board. The number of Audit & Supervisory Board Members at the conclusion of the said Annual General Meeting of Shareholders was three (including two Outside Audit & Supervisory Board Members).

a. Basic remuneration

The basic remuneration is determined in consideration of each Director's position, duties, years of service, as well as the state of execution of business and the previous fiscal year's consolidated business performance, etc.

b. Performance-linked remuneration

It is determined using the degree of achievement of consolidated business performance as the evaluation standard as a short-term incentive. The indicator used in the evaluation standard is ordinary profit. The reason for selecting this indicator is that it is an objective indicator for judging the degree of achievement of the Company's management objectives and is considered appropriate as an indicator for performance-linked remuneration, etc. The individual bonus amount is calculated by multiplying the base amount set based on position and duties by a coefficient corresponding to actual performance, and is determined in consideration of the actual payment of performance-linked bonuses to employees, etc.

c. Non-monetary remuneration

Restricted share-based remuneration with a transfer restriction period of one to fifty years is granted as a medium- to long-term incentive. The number of shares to be granted is, in principle, the number of shares obtained by dividing the amount equivalent to the consideration for the performance of duties over one fiscal year set for each position by the closing price of the Company's common shares on the Tokyo Stock Exchange on the day preceding the resolution of allotment by the Board of Directors (or the closing price on the most recent trading day if no transaction was conducted on that day). With regard to the lifting of transfer restrictions, the number of shares on which the transfer restrictions are to be lifted is determined at the time the transfer restriction period expires in accordance with the degree of achievement of performance targets such as operating profit, which are the main management targets in the Medium-term Management Plan, on the condition that the Director holds the position of Director of the Company or Executive Officer not concurrently serving as a Director.

(ii) Reason why the Board of Directors determined that the content of individual remuneration, etc. for Directors for the current fiscal year is in line with the determination policy

At the Company, in order to ensure the fairness and transparency of the deliberation process, the remuneration proposal is deliberated and determined by the Nominating and Compensation Advisory Committee delegated by the Board of Directors within the remuneration limit approved at the General Meeting of Shareholders; therefore, the content is judged to be in line with the determination policy.