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(Stock Exchange Code 2428)

September 3, 2019

**To Shareholders with Voting Rights:**

Kazuhiro Miyazawa  
President and Representative Director

WELLNET CORPORATION  
1-1-7 Uchisaiwai-cho, Chiyoda-ku,  
Tokyo, Japan

**NOTICE OF  
THE 37TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

You are cordially invited to attend the 37th Annual General Meeting of Shareholders of WELLNET CORPORATION (the “Company”). The meeting will be held for the purposes as described below. If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 6:00 p.m. on Tuesday, September 24, 2019, Japan time.

- 1. Date and Time:** Wednesday, September 25, 2019 at 2:00 p.m. Japan time  
\* The Management Briefing Session will be held at 1:00 p.m. prior to the General Meeting of Shareholders.
- 2. Place:** JIJI PRESS HALL (2F JIJI PRESS Building) located at  
5-15-8 Ginza, Chuo-ku, Tokyo, Japan  
(The venue has changed since last year.  
Upon arrival please refer to the “Map of the Venue of the General Meeting of Shareholders” at the end of these materials. Please ensure that you come to the correct venue.)
- 3. Meeting Agenda:**  
**Matter to be reported:** The Business Report and Financial Statements for the Company’s 37th Fiscal Year (July 1, 2018 - June 30, 2019)  
**Proposals to be resolved:**
  - Proposal 1:** Partial Amendments to the Articles of Incorporation
  - Proposal 2:** Election of Two (2) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
  - Proposal 3:** Election of Three (3) Directors Who Are Audit and Supervisory Committee Members
  - Proposal 4:** Election of One (1) Substitute Director Who Is an Audit and Supervisory Committee Member
- 4. Guidance for Exercising Voting Rights:**  
Please refer to [Guidance for Exercising Voting Rights] on page 3.

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## Management Briefing Session

The Company will hold the Management Briefing Session for shareholders as an opportunity to explain the details of its business activities and strategies to the shareholders. The Management Briefing Session will be held at 1:00 p.m. at the same venue prior to the General Meeting of Shareholders. We would appreciate if you could also attend this session.

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- Reception is scheduled to open at 12:30 p.m. on the day of the meeting.
- We decided to discontinue distribution of gifts to shareholders, who attend the General Meeting of Shareholders and the Management Briefing Session, from the 33rd Annual General Meeting of Shareholders. We would like to ask for your kind understanding.
- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
- Based on the provisions of the relevant laws and the Company's Articles of Incorporation, the accompanying documents noted below are posted on the Company's website (<http://www.well-net.jp/ir/>) (Japanese only), and are therefore not included in the documents provided with this convocation notice.
  - Status of Stock Acquisition Rights
  - Internal Control System (System to Ensure Appropriateness of Operations)
  - Statement of Changes in Equity
  - Notes to Financial StatementsAccordingly, the documents provided here comprise a portion of the Financial Statements audited by the accounting auditor when preparing the accounting audit report and a portion of the Business Report and Financial Statements audited by the Audit and Supervisory Committee when preparing the audit report.
- If there are revisions to the Reference Documents for the General Meeting of Shareholders, Business Report or Financial Statements, the revised information will be announced and posted on the Company's website (<http://www.well-net.jp/ir/>) (Japanese only).
- The Company, at the Board of Directors' meeting held on August 16, 2019, passed a resolution to pay a dividend of surplus of ¥50 per share, with starting date of payment of September 26, 2019.

## [Guidance for Exercising Voting Rights]

### 1. Exercising Voting Rights in Writing

Please indicate your vote for or against each proposal on the enclosed Voting Rights Exercise Form and return it so that it is received by 6:00 p.m. on Tuesday, September 24, 2019, Japan time.

### 2. Exercising Voting Rights via the Internet

#### (1) Instructions for exercising voting rights via PC or mobile phone

- 1) On the website for exercising voting rights (<https://evote.tr.mufg.jp/>), please use the login ID and temporary password indicated on the enclosed Voting Rights Exercise Form, and enter your vote for each proposal according to the instructions on the screen.
- 2) To prevent illegal access to the voting system by a person other than the shareholder (impersonation) as well as to avoid falsification of voting data, you will be asked to change your temporary password on the site for exercising voting rights.
- 3) The login ID and temporary password given are only effective for this General Meeting of Shareholders.

#### (2) Exercising voting rights via smartphone

- 1) By scanning the QR code® indicated on the enclosed Voting Rights Exercise Form with smartphone, you will be automatically connected to the website for exercising voting rights where you can exercise your voting rights.  
(You do not need to enter your login ID and temporary password.)
- 2) From the perspective of security, exercising voting rights by using the QR code is available only once. When scanning the QR code for the second and subsequent times, you will need to enter your login ID and temporary password.
- 3) You may not be able to log in with the QR code depending on your smartphone. If you are unable to log in with the QR code, please exercise your voting rights by following the “2. (1) Instructions for exercising voting rights via PC or mobile phone” above.  
\*QR Code is registered trademarks of DENSO WAVE INCORPORATED.

#### (3) About the website for exercising voting rights

- 1) You may not be able to exercise your voting rights through your PC or smartphone depending on the network environment for your Internet connection, for example, if the firewall is set for the Internet connection, if any anti-virus software is installed, if a proxy server is used, or if TLS encryption is not used.
- 2) When exercising your voting rights through your mobile phone, please use either i-mode, EZweb or Yahoo! Keitai service. Please note that, for security reasons, the voting system does not support a model without TLS encrypted communication or incapable of sending mobile phone data.
- 3) Exercise of voting rights via the Internet will be accepted until 6:00 p.m. on Tuesday, September 24, 2019, Japan time. Please exercise your voting rights at your earliest convenience. If there are any questions, please contact the Help Desk.
- 4) The costs incurred for the access to the website for exercising voting rights (such as Internet connection charge and phone charge) shall be borne by the shareholder. Packet communication and other fees are charged for the usage of smartphone or mobile phone, which shall also be borne by the shareholder.

#### (4) Handling of voting rights exercised in duplicate

- 1) If you exercise your voting rights in duplicate in writing and via the Internet, your vote via the Internet will be treated as valid.
- 2) If you exercise your voting rights more than once via the Internet, or multiple times through PC, smartphone or mobile phone, your last vote will be treated as valid.

#### (5) Inquiries regarding exercise of voting rights via the Internet

If you have any questions regarding the exercise of voting rights via the Internet, please contact the Help Desk below.

Mitsubishi UFJ Trust and Banking Corporation, Stock Transfer Agency Division (Help Desk)  
Tel: 0120-173-027 (Business hours: 9:00 a.m. to 9:00 p.m.; toll free) (within Japan only)

(Provided document)

# Business Report

(From July 1, 2018 to June 30, 2019)

## 1. Current Status of the Company

### (1) Status of business during the fiscal year ended June 30, 2019

#### 1) Progress and results of business

Face-to-face smartphone payments have recently shown drastic changes. In the non-face-to-face payment market, the Company's business domain, moves toward cashless payments and others are expected to become more active. Moreover, the trend of transferring various services to cloud-based ones is accelerating. Under these circumstances, the Company announced the "Medium Term Five-Year Management Plan (July 2016 - June 2021)" in August 2016 to actively and boldly take on new business opportunities, and has conducted activities to promote "Response to the age of electronic money," "Promotion of Bus IT Promotion Solution Project" and "Service support for consumers from the business operator side" as priority measures.

For the fiscal year ended June 30, 2019, the third year of the Medium Term Plan, the Company reported net sales of ¥10,032 million (up 2.5% year-on-year), operating profit of ¥503 million (down 25.8% year-on-year), ordinary profit of ¥530 million (down 24.9% year-on-year) and profit of ¥374 million (down 24.3% year-on-year).

#### 2) Status of capital investment

The total amount of capital investment conducted by the Company during the fiscal year ended June 30, 2019 was ¥1,921 million and the Company invested in mainly software facilities and land to construct new buildings at the Sapporo Office.

#### 3) Status of fund procurement

There is no relevant information.

### (2) Issues to be addressed

[New Medium Term Five-Year Management Plan] (July 2016 - June 2021)

The non-face-to-face payment market, the Company's business domain, is expected to continue achieving a certain level of growth in the future. During the period of the New Medium Term Five-Year Management Plan, we are pursuing a growth strategy aimed at achieving the target of ¥5.0 billion in ordinary profit in the final fiscal year by activities to meet the changes in environment, such as the rapid change in payment methods.

#### A. Current status of WELLNET's "Smartphone payment service," *Shiharai-Hisho*

On August 3, 2017, we began the commercial service of *Shiharai-Hisho*, a smartphone payment service compatible with the increasingly cashless society expected in the future, with our first client, The Kansai Electric Power Co., Inc. Subsequently, Kyushu Electric Power Co., Inc., Hokkaido Electric Power Co., Inc. (exclusive adoption of the Company's service), Tohoku Electric Power Co., Inc., Shikoku Electric Power Co., Inc. (exclusive adoption of the Company's service), and Hokuriku Electric Power Company (exclusive adoption of the Company's service) also began offering this service, and we have become affiliated with 27 banks, including Sumitomo Mitsui Banking Corporation and JAPAN POST BANK Co., Ltd. We expect to be affiliated with more banks going forward. In addition to power companies, we are expanding this service to businesses that have already introduced our Multi Payment Services, as well as lifestyle and transportation infrastructure business operators such as bus, railway, and airline companies.

#### B. Driving forward our Bus IT Promotion Project, *Bus Mori!* SERIES

The number of routes that are compatible with the smartphone application *Bus Mori!* introduced in August 2016 has already increased to 296, partly due to the effect of increase in variation of services, such as single-trip tickets, coupon tickets, commuter tickets, free passes and collaboration with Alipay. We are engaging in proactive sales promotion. Moreover, we are developing several new services in a plan to foster *Bus Mori!* into a total cloud service.

Moving forward, we will increase user numbers and payment volumes for both *Shiharai-Hisho* and *Bus*

*Mori!* in collaboration with business operators and affiliated partners.

#### C. Stable system operation

The effect of our investments in stable operations and reinforcement of the system over the past few years is apparent in the fact that there were no major system failures in these two years. We aim to optimize cost performance on the premise of stable operations in the future.

Additionally, in a bid to secure excellent human resources of information technology engaging in the development and operation of systems at the Sapporo Office, we purchased land with a usable area of 5,486.19 m<sup>2</sup> in Odori Higashi 9-chome, Chuo-ku, Sapporo, in April 2019, and started the design process. We aim for the relocation of the Sapporo Office in 2021.

#### D. R&D for the future

In an effort to capture the huge waves of “IoT” and “FinTech,” we are forming affiliations where necessary with universities, etc. with diverse knowledge and technologies and choosing the right course for R&D. Additionally, we will consider investment in startup ventures developing payment peripheral platforms as necessary.

#### E. Governance

##### 1) WELLNET Arete

The Company defines its *raison d’etre* and action guidelines for employees in WELLNET Arete (Virtue) with a view to implementing effective governance. Although the product may change, we provide education of the Company’s core action philosophy to employees.

(WELLNET Arete)

Contribute to society by continuously making “systems that would be handy to have.”

Proposing and spreading such “systems” to the whole world.

Distributing the profit gained from this to employees, shareholders and our next investment.

(WELLNET Employee Arete)

I will avoid the pitfalls of stereotypes and think freely.

I will first think on my own, and then propose the best solution for all.

I will promote open discussions while “the one who should decide” will decide and the organization will put it into action.

I will always clearly define “who” will do “what” by “when.”

I will repeatedly validate the execution result and improve thereon.

I will make honest, accurate and quick reports.

I will conduct business after documenting services to be provided and compensation to be received.

I will hold rectitude as my motto and accept neither entertainment nor gifts.

##### 2) Board of Directors in which Outside Directors make up majority

The Company made a transition to a “company with an audit and supervisory committee” in September 2017 to enhance transparency of the decision-making process in its active and bold management, and with an awareness of the corporate governance code. The majority of the members of the Board of Directors are Outside Directors, with two Internal Directors against three Outside Directors. All members participate in vigorous discussions in every meeting.

#### F. Activities contributing to local communities

As part of our social contribution, we are providing support to many students through our WELLNET Scholarship, established to help financially struggling students at colleges of technology in Hokkaido. Many letters of gratitude were received from these students, which motivated our employees. We will continue with these activities.

In April 2017, we opened the “WELLNET Morino Childcare Center,” an in-office childcare center established to give employees at the Sapporo Office peace of mind. As part of our social contribution activities, we have begun accepting children in the surrounding neighborhood as well.

#### G. Performance forecast and shareholder returns

We do not disclose the financial forecast for each fiscal year since it is difficult to forecast the effect of active and bold investment on corporate performance. Meanwhile, in regard to the policy of setting the dividend payout ratio at 50% or more (a dividend of 50 yen even when dividend per share is less than 50 yen) during the Medium Term Management Plan in order to encourage shareholders to make long-term

investment with peace of mind, we will keep this policy for the dividend for the fiscal year ended June 30, 2019. For the fiscal year ending June 30, 2020 and later, however, as we aim to give priority to early monetization of next-generation products and services in focus and investment plans including the construction of the new Sapporo Office in a bid to secure excellent human resources of information technology, the minimum dividend payment per share (50 yen) will only apply until the end of this fiscal year (ended June 30, 2019).

It should be noted that we will maintain the dividend payout ratio of 50% or more.

We will survive this drastic changes and collectively work to improve our corporate value toward the next generation.

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### Proposal 1: Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

The Company shall relocate the head office to Minato-ku, Tokyo in order to redevelop the area on which the current head office stands. In accordance with this, the Company shall amend the location of the headquarters as stipulated in Article 3 of the current Articles of Incorporation from Chiyoda-ku, Tokyo to Minato-ku, Tokyo. A supplementary provision shall be established in order to establish transitional measures pertaining to this amendment.

2. Description of amendments

Description of amendments is as follows:

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed amendments
<p>(Location of the Head Office)            Article 3. The head office of the Company shall be located at <u>Chiyoda-ku</u>, Tokyo, Japan.</p> <p>(Newly established)</p>	<p>(Location of the Head Office)            Article 3. The head office of the Company shall be located at <u>Minato-ku</u>, Tokyo, Japan.</p> <p><u>Supplementary Provision</u>  <u>The amendment to Article 3 will take effect on the date that the head office is relocated, which will be determined at a Board of Directors' meeting held by June 30, 2020. This supplementary provision will be deleted after the effective date of the amendment to Article 3.</u></p>

**Proposal 2:** Election of Two (2) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

The terms of office of all two (2) Directors (excluding Directors who are Audit and Supervisory Committee Members; applicable to the rest of this proposal) will expire at the conclusion of this meeting.

Accordingly, the Company proposes the election of two (2) Directors.

Further, this proposal has been reviewed by the Audit and Supervisory Committee of the Company, and the opinion has been received that each candidate for Directors would be appropriate as a Director of the Company.

The candidates for Directors are as follows:

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions		
1	Kazuhiro Miyazawa (February 24, 1960)	March 1983	Joined TOYO KEIKI CO., LTD.	Number of shares of the Company held 476,188
	Reappointed	March 1996 September 1996 September 2009	Joined ICHITAKA TAKAHASHI CO., LTD. Director, General Manager of Sales Division of the Company President and Representative Director of the Company (to present)	
[Reason for nomination as a candidate for Director] Mr. Kazuhiro Miyazawa served as Director, General Manager of Sales Division of the Company from September 1996 and designed, promoted and expanded the Company's service scheme. In addition, after his appointment as President and Representative Director in September 2009, he has been making appropriate management decisions. The Company has appointed Mr. Miyazawa as a candidate for Director as he is also leading the New Medium Term Five-Year Management Plan, which is currently in progress, with his strong leadership.				
2	Masaaki Uchiyama (August 3, 1956)	April 1980 March 1989	Joined ALL NIPPON AIRWAYS CO., LTD. General Affairs Section of ANA REAL ESTATE CO., LTD.	Number of shares of the Company held -
	Newly appointed	June 1996 April 2005 April 2008 August 2012 October 2013 April 2015	Manager of Accounting Section of Air Nippon Co., Ltd. General Manager of Finance & Accounting Division of ANA Sales Co., Ltd. Member of the Board, General Manager of Finance & Accounting Department of ANA Sales Co., Ltd. Vice President, Representative Director and CFO of AirAsia Japan Co., Ltd. Executive Vice President (in charge of general administration & HR, and finance & accounting) of ALL NIPPON AIRWAYS TRADING CO., LTD. Corporate Auditors Office of ANA HOLDINGS INC. (scheduled to retire in August 2019)	
[Reason for nomination as a candidate for Director] Mr. Masaaki Uchiyama mainly has experience in administrative work such as general affairs, HR, and finance & accounting, and has broad knowledge and experience regarding budget preparation, management accounting, sales recovery management, promoting reforms in various personnel systems, and management of overseas affiliates & joint ventures, etc. The Company has appointed Mr. Uchiyama as a candidate for Director as he has the ability to fully exhibit stable and accurate operation establishment of the Company's Administrative Division.				

(Notes)

1. There are no special interests between candidates for Directors and the Company.
2. "Number of shares of the Company held" refers to the number of shares held as of June 30, 2019.
3. In addition to the number of the Board of Directors' meetings above, there were six written resolutions of the Board of Directors deemed passed in accordance with the provisions of Article 370 of the Companies Act and Article 27 of the Company's Articles of Incorporation.



**Proposal 3:** Election of Three (3) Directors Who Are Audit and Supervisory Committee Members

The terms of office of all three (3) Directors who are Audit and Supervisory Committee Members will expire at the conclusion of this meeting.

Accordingly, the Company proposes to elect three (3) Directors who are Audit and Supervisory Committee Members.

The Audit and Supervisory Committee has given its consent to this proposal.

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

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions		
1	Sadanobu Takada (September 14, 1954)  Newly appointed	April 1978	Joined The Dai-Ichi Kangyo Bank, Limited (currently Mizuho Bank, Ltd.)	Number of shares of the Company held  -
		October 1989	International Business Division of The Dai-Ichi Kangyo Bank, Limited (seconded to Dai-Ichi Kangyo Bank (Schweiz) AG)	
		April 2002	Assistant General Manager of Group Strategic Planning Division II of Mizuho Holdings, Inc.	
		June 2007	Executive Officer of Mizuho Investors Securities Co., Ltd.	
		June 2012	Senior Managing Director of Mizuho Investors Securities Co., Ltd.	
		January 2013	Managing Executive Officer of Mizuho Securities Co., Ltd.	
		May 2015	Representative Director of Business Challenged Co., Ltd.	
		October 2015	Representative Director of Mizuho Business Challenged Co., Ltd.	
		May 2018	Advisor of Mizuho Business Challenged Co., Ltd. (scheduled to retire the position in September 2019)	
		April 2019	Advisor of NIPPON TOCHI-TATEMONO Co., Ltd. (scheduled to retire the position in September 2019)	
[Reason for nomination as a candidate for Outside Director] Mr. Sadanobu Takada has extensive knowledge and experience in the financial sector, such as in banks and securities companies. The Company has appointed Mr. Takada as a candidate for Outside Director due to his experience with underwriting in the Securities Division, experience as General Manager in the IR Consulting Division, his extensive experience as Executive Officer, Representative Director, and President, and because he has the ability to provide wide-ranging, effective advice regarding financial services provided by the Company, as well as IR, equity, financial strategy, and governance.				

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	
2	Motohiro Sato (February 21, 1947)  Reappointed	October 1974  July 1978  May 1997 September 2005 September 2008 June 2011  September 2016 September 2017	Passed the secondary examination of certified public accountants Joined Chiyoda Audit Corporation Passed the tertiary examination of certified public accountants Council of Chuo Audit Corporation Acting Chairman of ChuoAoyama Audit Corporation (currently Ernst & Young ShinNihon LLC) Managing Director of Ernst & Young ShinNihon LLC (currently Ernst & Young ShinNihon LLC) Retired from Ernst & Young ShinNihon LLC Established Certified Public Accountant Motohiro Sato Office Chief of Certified Public Accountant Motohiro Sato Office (to present) Outside Corporate Auditor of the Company Outside Director and Audit and Supervisory Committee Member (to present)  [Significant concurrent positions] Outside Corporate Auditor of MAEDA CORPORATION Outside Corporate Auditor of FUJIYA CO., LTD. Chief of Certified Public Accountant Motohiro Sato Office
[Reason for nomination as a candidate for Outside Director]		Mr. Motohiro Sato has expertise and a wealth of experience as a certified public accountant. He has experience in managerial positions at multiple auditing firms, has abundant experience as an outside corporate auditor of other companies and is familiar with corporate accounting and auditing practices. Although Mr. Sato has no experience of involvement in corporate management in any form other than serving as an outside officer, he has knowledge grounded in firsthand experience of many of the issues that arise at companies, and his guidance based on that experience is extremely useful in strengthening and maintaining governance at the Company. Since his appointment as Outside Corporate Auditor of the Company in September 2016 and as Outside Director (Audit and Supervisory Committee Member) in September 2017, he has contributed significantly to the supervision and auditing of the Company's management through his proactive and appropriate comments at the Board of Directors' meetings. The Company has appointed Mr. Sato as a candidate for Outside Director (Audit and Supervisory Committee Member) as he is expected to be capable of leveraging his experiences and achievements and making fair and highly transparent management decisions.	

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	
3	Takashi Hanazawa (May 9, 1951)  Reappointed	April 1976  June 2007  June 2009  June 2010  June 2015  June 2016  September 2017	<p>Joined Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation)</p> <p>Director, General Manager of Research Planning Department of Nippon Telegraph and Telephone Public Corporation</p> <p>Executive Vice President and Representative Director of NTT Advanced Technology Corporation</p> <p>President &amp; CEO of NTT Advanced Technology Corporation</p> <p>Director and Senior Advisor of NTT Advanced Technology Corporation</p> <p>Retired from Director and Senior Advisor of NTT Advanced Technology Corporation</p> <p>Outside Director and Audit and Supervisory Committee Member of the Company (to present)</p> <p>[Significant concurrent positions] Outside Director of HONDA TSUSHIN KOGYO CO., LTD.</p>
		<p>Number of shares of the Company held 1,789</p> <p>Attendance at the Board of Directors' meetings: 14/14</p> <p>Attendance at the Audit and Supervisory Committee's meetings: 13/13</p> <p>[Reason for nomination as a candidate for Outside Director] Mr. Takashi Hanazawa has for many years been involved in research and development primarily in the network technology field at Nippon Telegraph and Telephone Corporation. Having served in managerial positions including General Manager of Research Planning Department of Nippon Telegraph and Telephone Corporation and President &amp; CEO of NTT Advanced Technology Corporation, he is also equipped with the insight and the abundant experience of a corporate manager. Additionally, since his appointment as Outside Director (Audit and Supervisory Committee Member) of the Company, he has provided much pertinent guidance and advice as a manager with knowledge regarding systems at the Board of Directors' meetings, and has been strengthening the system development and business operations of the Company. In addition to the above, he is expected to be capable of making fair and highly transparent management decisions. Therefore, the Company has appointed Mr. Hanazawa as a candidate for Outside Director (Audit and Supervisory Committee Member).</p>	

(Notes)

1. There are no special interests between candidates for Directors and the Company.
2. Messrs. Sadanobu Takada, Motohiro Sato and Takashi Hanazawa are candidates for Outside Directors (Audit and Supervisory Committee Members).
3. Tenure as Outside Director (Audit and Supervisory Committee Member) of the Company  
Both Messrs. Motohiro Sato and Takashi Hanazawa are currently Outside Directors (Audit and Supervisory Committee Members) of the Company. At the conclusion of this meeting, their tenures since assuming office as Outside Director will have been two (2) years.
4. Based on provisions of its Articles of Incorporation, the Company has concluded a limited liability agreement with Messrs. Motohiro Sato and Takashi Hanazawa to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the same Act, and the limit of liability for damages under the agreement shall be the amount stipulated by laws and regulations. The Company intends to continue these agreements with them subject to the approval of their reappointment. If the appointment of Mr. Sadanobu Takada is approved, the Company will enter into the same agreement with him.
5. The Company has registered Messrs. Motohiro Sato and Takashi Hanazawa as independent officers in accordance with the regulations of the Tokyo Stock Exchange. The Company intends to continue registering both of them as independent officers subject to the approval of their reappointment. Mr. Sadanobu Takada meets the requirements of an independent officer in accordance with the regulations of the Tokyo Stock Exchange, and, subject to the approval of his election, the Company intends to register him as an independent officer with the Tokyo Stock Exchange.
6. "Number of shares of the Company held" refers to the number of shares held as of June 30, 2019.

**Proposal 4:** Election of One (1) Substitute Director Who Is an Audit and Supervisory Committee Member

The validity of the election of Mr. Tsuyoshi Yamamoto, who was elected as Substitute Director who is an Audit and Supervisory Committee Member at the 35th Annual General Meeting of Shareholders held on September 27, 2017, shall expire at the commencement of this General Meeting of Shareholders.

Accordingly, in order to prepare for the case where the number of Directors who are Audit and Supervisory Committee Members falls below the number specified by laws and regulations, the Company proposes to elect one (1) Substitute Director who is an Audit and Supervisory Committee Member in advance, as a substitute for all Directors who are Audit and Supervisory Committee Members.

The Audit and Supervisory Committee has given its consent to this proposal.

The candidate for Substitute Director who is an Audit and Supervisory Committee Member is as follows:

Name (Date of birth)	Past experience, positions and significant concurrent positions		
Tsuyoshi Yamamoto (December 16, 1953)	April 1978	Joined Fujitsu Limited	Number of shares of the Company held 10,000
	April 1982	Instructor of School of Engineering, Hokkaido University	
	June 1986	Doctor of Engineering from Hokkaido University	
	December 1986	Assistant Professor of Hokkaido University	
	July 1989	Assistant Professor of High Performance Computing Center, Hokkaido University	
	April 1996	Professor of High Performance Computing Center, Hokkaido University	
	April 1999	Professor of Faculty of Engineering, Hokkaido University	
	April 2004	Professor of Graduate School of Information Science and Technology, Hokkaido University	
	April 2017	Specially Appointed Professor and Emeritus Professor of Graduate School of Information Science and Technology, Hokkaido University	
	April 2019	Specially Appointed Professor of Institute for the Promotion of Business-Regional Collaboration, Hokkaido University (to present)	
[Reason for nomination as a candidate for Substitute Outside Director]			
Although Mr. Tsuyoshi Yamamoto has no experience of direct involvement in corporate management, he has extensive experience and broad insight regarding information technology, which is the base of the Company's business. The Company has appointed Mr. Yamamoto as a candidate for Substitute Outside Director as it is believed that his experience and insight will be reflected in the Company's audits. In addition, Mr. Yamamoto is involved in joint research with the Company in the commercialization of platforms that utilize blockchain technology.			

(Notes)

1. There are no special interests between the candidate and the Company.
2. Mr. Tsuyoshi Yamamoto is a candidate for Substitute Outside Director who is an Audit and Supervisory Committee Member.
3. Subject to his election and assumption of office as Substitute Director who is an Audit and Supervisory Committee Member, based on provisions of its Articles of Incorporation, the Company intends to enter into a limited liability agreement with Mr. Tsuyoshi Yamamoto to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the same Act; provided, however, that the limit of liability for damages under the agreement shall be the amount stipulated by laws and regulations.
4. "Number of shares of the Company held" refers to the number of shares held as of June 30, 2019.