



May 15, 2023

To whom it may concern

Company: Japan Securities Finance Co., Ltd.
Representative Executive Officer & President: Shigeki Kushida
(Code No. 8511, TSE Prime)
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Notice Regarding Board of Directors' Opinion on Shareholder Proposal

Japan Securities Finance Co., Ltd. (hereinafter, "JSF") received a document (hereinafter, the "Shareholder Proposal Document ") stating that its shareholders would engage in a shareholder proposal (hereinafter, "Shareholder Proposal") for a resolution at the 113th Ordinary General Meeting of Shareholders scheduled to be convened on June 22, 2023 (hereinafter, the "Ordinary General Meeting of Shareholders"), however at its Board of Directors resolved to oppose the Shareholder Proposal at a meeting convened today, and as such JSF provides notice as follows.

Matters Resolved

- I . Proposing Shareholder
 - INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP
 - Strategic Capital, Inc.

- II . Content for Shareholder Proposal
 1. Agenda Items
 - (1) Amendment to the Articles of Incorporation to abolish the position of Chairperson of the Executive Officers
 - (2) Amendment to the Articles of Incorporation concerning disclosure of individual remuneration for the Representative Executive Officer & President
 - (3) Amendment to the Articles of Incorporation concerning the prohibition of reemployment, etc. of persons who have served as President
 - (4) Amendment to the Articles of Incorporation concerning disclosure of remuneration for officers who have served as President after their retirement from office
 - (5) Amendment to the Articles of Incorporation concerning disclosure of material proposed actions taken by major shareholders

 2. Summary of Proposal and Reason for Proposing
As set forth in the Exhibit.
Attachment shows the original text of the relevant statement of the Shareholder Proposal Form submitted by the Proposing Shareholder.

3. Opinion of JSF Board of Directors Regarding Individual Agenda Items in Shareholder Proposal

Agenda Item 1. Amendment to the Articles of Incorporation to abolish the position of Chairperson of the Executive Officers

(1) Content of Proposal

Amend Article 32 of the current Articles of Incorporation as follows:

Current Articles of Incorporation

Article 32 (Executive Officers with Specific Titles)

1. The President and Executive Officer shall be appointed by a resolution of the Board of Directors.
2. In addition to the preceding paragraph, the Company may appoint other Executive Officers with specific titles by a resolution of the Board of Directors.

Proposed amendment

Article 32 (Executive Officers with Specific Titles)

1. The President and Executive Officer shall be appointed by a resolution of the Board of Directors.
2. In addition to the preceding paragraph, the Company may appoint other Vice President Executive Officers, Senior Managing Executive Officers and Managing Executive Officers by a resolution of the Board of Directors.

(2) Opinion of the Board of Directors

The Board of Directors opposes this Proposal.

The Company's business execution is directed and led by the Executive Officer & President, who is the chief management executive. On the other hand, the basic role of the Chairperson of the Executive Officers is to support the activities of the Executive Officer & President in determining the overall direction of JSF's business operations over the long term, as a person who is familiar with the past history of JSF.

To give a specific example, while further maintaining and developing the network outside the company that he built during his career, including his activities in the business world as Chairperson, he is also responsible for supporting the overall measures related to the organizational structure as a company with a Nomination Committee, etc., including the search for outside talent that could be candidates for Outside Directors, Executive Officers and Corporate Officers. In addition, he also oversees internal controls in general.

Also, in order to enhance the medium- to long-term corporate value of JSF, leadership is important not only at JSF but also at the group companies that make up our business portfolio. On this point, organizationally, effectiveness is ensured by having senior executives of JSF serve as directors of subsidiaries, with the Executive Officer & President concurrently serving as a director of JSF Trust and Banking Co., Ltd., while the Chairperson of the Executive Officers concurrently serves as a director of Nihon Building Co., Ltd.. A general overview of management refers to these activities.

In this way, at JSF, as a company with a Nomination Committee, etc., supervision and execution are separated. The Chairperson is on the executive side and is in a position to oversee business execution jointly with the President, but the President ultimately has the authority to direct and lead management, and is not restricted by the Chairperson's wishes. This

point is documented by internal rules that were adopted by resolutions of the Nomination Committee and the Board of Directors.

Please note that the “Corporate Governance System (CGS) Study Group Report” (hereinafter, “CGS Study Group Report”) published by the Ministry of Economy, Trade and Industry on March 10, 2017, states that, “there are companies where it is appropriate for the Chairperson of the Board of Directors and the President & CEO to work together as the top management team to jointly execute business operations, from the perspective of strengthening the leadership of management.”

As an enterprise that supports the infrastructure of the securities and financial markets, it is important for JSF to have high creditworthiness based on financial soundness, fairness, and neutrality. We believe that, as a top executive structure to support such corporate creditworthiness, it is necessary for the President and the Chairperson to share roles as described above, while ensuring the President’s direction and leadership, to enhance corporate value over the medium to long term.

Also, as this Proposal is related to the appointment and role of the Chairperson of the Executive Officers, the Nomination Committee has deliberated on this Proposal and concluded that the role of the Chairperson is important to JSF's operations, and that is no need to establish a provision such as that of this Proposal in the Articles of Incorporation.

In light of the foregoing, the Board of Directors has determined that there is no need to establish a provision such as that of the Proposal in the Articles of Incorporation.

Agenda Item 2. Amendment to the Articles of Incorporation concerning disclosure of individual remuneration for the Representative Executive Officer & President

(1) Content of Proposal

The following new Chapter and Articles shall be added to the current Articles of Incorporation.

Chapter 9 Disclosure of Compensation of Officers

Article 38 (Disclosure of Compensation of Representative Executive Officer & President)

The Company shall individually disclose the amount of compensation (including non-monetary compensation) paid to the Executive Officers with representation authority in the previous fiscal year in the Corporate Governance Report that the Company submits to the Tokyo Stock Exchange.

(2) Opinion of the Board of Directors

The Board of Directors opposes this Proposal.

JSF is continuing its efforts to achieve its medium-term management policy and a 5% ROE and other targets in its Seventh Medium-term Management Plan (through FY2025), which is the embodiment of its Medium-term Management Policy. Although JSF is still in the process of achieving this target, we have achieved our target of 4% ROE for FY2022 (actual ROE of 4.36% for FY2022), which was set as an interim milestone for the above target, and our total shareholder return has also significantly exceeded TOPIX in recent years under our shareholder return policy aiming for a total payout ratio of 100%.

Based on JSF's corporate philosophy and management policy, the remuneration, etc. for JSF's Officers is provided under a system and at a level that meets the roles and expected functions of the Directors and Executive Officers, from the perspective of achieving sustainable

growth and enhancing corporate value over the medium to long term. With the start of the Seventh Medium-term Management Plan, we formulated and announced a remuneration system for officers after repeated consideration by the Remuneration Committee to ensure that the incentives are consistent with our management policy, starting from FY2023 under the Seventh Medium-term Management Plan. The total amount of remuneration for Officers is also disclosed for each category of officers in accordance with applicable laws and regulations.

Furthermore, although the Proposing Shareholders claim that the Representative Executive Officer & President lacks the qualifications required of executive officers, but with regard to JSF's Directors & Representative Executive Officer & President, the skills matrix for Directors, the qualifications for Executive Officers, and the qualifications for President and Representative Executive Officer as their leader, respectively, have been established by resolutions of the Nomination Committee and Board of Directors. Based on this, he has been appropriately appointed through resolutions of Nomination Committee, the Board of Directors, and the General Meeting of Shareholders.

As this Proposal relates to the remuneration of the Representative Executive Officer & President, the Remuneration Committee deliberated this Proposal, and concluded that the governance related to the remuneration of JSF's Executive Officers was properly managed by the Remuneration Committee, that the remuneration was properly disclosed, and that there is no need to establish a provision such as that of this Proposal in the Articles of Incorporation.

In light of the foregoing, the Board of Directors has determined that there is no need to establish a provision such as that of the Proposal in the Articles of Incorporation.

Agenda Item 3. Amendment to the Articles of Incorporation concerning the prohibition of reemployment, etc. of persons who have served as President

(1) Content of Proposal

The following Chapter and Articles shall be newly added to the current Articles of Incorporation.
Chapter 10 Remuneration for Persons who have Served as President

Article 39 (Prohibition of Reemployment of Persons who have Served as President)

1. The Company shall not allow any person who has retired as President of the Company to become a Corporate Officer or employee ("Corporate Officer, etc.") of the Company that utilizes the title of officer, advisor, consultant, etc., nor shall it allow any person who has retired as President of the Company to become a Corporate Officer, etc. of any wholly owned subsidiary of the Company.
2. The Company shall not enter into any mandate agreement, outsourcing agreement or other continuing agreement ("Continuing Agreement") with any person who has served as President of the Company, nor shall it allow any of its wholly owned subsidiaries to enter into a Continuing Agreement with any such person.

(2) Opinion of the Board of Directors

The Board of Directors opposes this Proposal.

JSF may appoint a person who has retired as President to the positions of Chairperson of the Executive Officers, Special Advisor, and Honorary Advisor.

As stated in the opinion of the Board of Directors regarding Agenda Item 1, we do not believe that it is appropriate to establish in the Articles of Incorporation matters prohibiting the

appointment of the Chairperson of the Executive Officers.

JSF may also appoint special advisors for the purpose of engaging in business community activities and social contribution activities. We believe it is meaningful for JSF, which is supported by a wide range of stakeholders, that the roles of maintaining JSF's network in the economic and financial industry in general, raising JSF's recognition, and contributing to society be shared by the current President and Chairperson, who are in charge of corporate affairs, as well as other individuals who have past experience as President or Chairperson, in order to enhance the corporate value of JSF. A Special Advisor is not involved in any management decision-making.

The CGS Study Group Report also states, "Enhancement of corporate value is generated by the contributions of various stakeholders, such as employees, customers, business partners, and local communities. When a former president or CEO takes on roles such as advisor or consultant in social activities or public duties, it can be considered significant from the perspective of corporate governance."

JSF does not currently have a Special Advisor, but the appointment of a Special Advisor is determined by the Nomination Committee, a majority of which is made up of Outside Directors, adopting a framework that ensures transparency in the appointment, and this is also disclosed in the Corporate Governance Report.

Also, Honorary Advisors are only granted permission to use the title, without remuneration and with no fixed term of office. Honorary Advisor are not involved in any management decision-making, and are also disclosed in the Corporate Governance Report.

As this Proposal relates to the appointment of a Chairperson of the Executive Officers, Special Advisor and Honorary Advisor who has served as President, the Nomination Committee has deliberated this Proposal, and has reached the conclusion that the appointment was made appropriately through a transparent process, that the appointment of the person as Chairperson of the Executive Officers, Special Advisor and Honorary Advisor will contribute to enhancing the corporate value of JSF, and that there is no need to establish a provision as that of this Proposal in the Articles of Incorporation.

In light of the foregoing, the Board of Directors has determined that there is no need to establish a provision such as that of the Proposal in the Articles of Incorporation.

Agenda Item 4. Amendment to the Articles of Incorporation concerning disclosure of treatment of officers who have served as President after their retirement from office

(1) Content of Proposal

The following new Article shall be added to the current Articles of Incorporation.

Article 40 (Disclosure of Remuneration)

When the Company has provided benefits or favors during the previous fiscal year to a person who has served as president of the Company and who is not a full-time officer or employee of the Company ("retired President"), it shall individually disclose the details of such benefits or favors (here and hereinafter in this paragraph, including, but not limited to, acts allowing the use of golf memberships, company cars, or facilities, at no cost or significantly discounted prices) in the Corporate Governance Report that the Company submits to the Tokyo Stock Exchange. The same shall apply when a wholly owned subsidiary of the Company provides benefits or favors to the retired President.

(2) Opinion of the Board of Directors

The Board of Directors opposes this Proposal.

As described in the opinion of the Board of Directors with respect to Agenda Item 3, JSF may commission a Special Advisor for the purpose of engaging in business community activities and social contribution activities. JSF does not currently have a Special Advisor, but the remuneration of Special Advisors is determined by the Remuneration Committee, a majority of which is made up of outside directors, adopting a framework that ensures transparency in the determination of remuneration, and this is disclosed in the Corporate Governance Report.

Also, a person with past experience as Special Advisor may continue to serve as Honorary Advisor, without remuneration and with no fixed term of office.

JSF believes that it is meaningful for the Special Advisor or Honorary Advisor to engage in business community activities and social contribution activities to enhance the corporate value of JSF, which is supported by an extensive range of stakeholders. In line with such activities, expenses, office space, transportation, etc. are required, but these are necessary and incidental to business community and social contribution activities and are not benefits or favors as alleged by the Proposing Shareholders. Also, with regard to the two Honorary Advisors who are currently with JSF, although they do not represent JSF, they continue to contribute to JSF in the areas of business community and social contribution activities that they have been engaged in since their tenure as Special Advisors, etc. Therefore, JSF pays only the actual cost and provides office space but does not bear any additional burden for the Honorary Advisors. The appropriateness of these expenses and amounts has been confirmed by the Remuneration Committee. Furthermore, none of the Honorary Advisors have received golf memberships from JSF, nor are they advisors to any of JSF's consolidated subsidiaries.

In light of the foregoing, the Board of Directors has determined that there is no need to establish a provision such as that of the Proposal in the Articles of Incorporation.

Agenda Item 5. Amendments to the Articles of Incorporation concerning disclosure of material proposed actions taken by major shareholders

(1) Content of Proposal

The following Chapter and Articles shall be newly added to the current Articles of Incorporation.

Chapter 11 Disclosure of Material Proposal Information

Article 41 (Disclosure of Material Proposal Information)

1. When the Company receives a proposal that falls under the category of a material proposed action, etc. (those provided for in Article 27-26, Paragraph 1 of the Financial Instruments and Exchange Act and each item of Article 14-8-2, Paragraph 1 of the Order for Enforcement of the Financial Instruments and Exchange Act; hereinafter, a "Material Proposal"), from a material shareholder (a shareholder with a shareholding ratio of more than 20% as stated in the most recently filed substantial shareholding report or its amendment report.), the Company shall disclose at least the following matters in the first Corporate Governance Report (the "CG Report") that the Company submits to the Tokyo Stock Exchange after the Material Proposal is made. However, this shall not apply if such Material Shareholder opposes such disclosure.

(1) Date on which the Material Proposal was made

(2) Name or title of the material shareholder

- (3) Details of the Material Proposal
- (4) The Company's response policy

2. The Material Proposals subject to disclosure in the preceding paragraph shall be Material Proposals made within one year prior to the date on which the Company submits the CG Report.

(2) Opinion of the Board of Directors

The Board of Directors opposes this Proposal.

JSF is committed to constructive dialogue with shareholders within reasonable limits based on the Corporate Governance Code. During such dialogue, we ensure that our responses are fully in compliance with laws, regulations and disclosure regulations.

JSF's policy and status of its shareholder dialogue efforts have been promptly disclosed, as set out in the Attachment, and will continue to be updated in response to the Tokyo Stock Exchange's request on March 31, 2023.

The Attachment discloses our dialogue with shareholders in general, including domestic and foreign institutional investors, and is more comprehensive and exhaustive than the disclosure of dialogue with individual shareholders as required by the Proposing Shareholders. Through such disclosure, JSF aims to promote mutual understanding through dialogue with various shareholders with differing interests and attributes, to conduct a balanced dialogue with these various shareholders, and to provide them with fair information. JSF considers this method to be the most conducive method for the purpose of the Corporate Governance Code, which advocates a balanced understanding of stakeholders' positions through dialogue between listed companies and their shareholders, as well as for the purpose of the disclosure required by the Tokyo Stock Exchange.

On the other hand, the content of the proposal from the Proposing Shareholders is not only unnecessary but also does not contribute to the provision of balanced information to JSF's shareholders and those who are considering investing in JSF, as it further targets only dialogues with specific shareholders, from among JSF's disclosure as described above.

In light of the foregoing, the Board of Directors has determined that there is no need to establish a provision such as that of the Proposal in the Articles of Incorporation.

End

(Attachment) Disclosure of the status of dialogue between JSF and its shareholders as requested by the Tokyo Stock Exchange

○ Status of Dialogue with Shareholders (FY2022)

As a prime market listed company, JSF, based on the Corporate Governance Code, responds to dialogues with its shareholders in a positive manner, within reasonable limits, in order to contribute to the sustainable growth and the enhancement of corporate value over the medium to long term.

The status of the dialogues with shareholders conducted by JSF's management and others during FY2022 is as follows.

[Main persons to providing responses]

- The Representative Executive Officer & President and the Senior Managing Executive Officer in charge of Corporate Planning are providing responses.
- Depending on the substance of the dialogue, outside Directors may also respond.

[Overview of shareholders with whom dialogue was held]

Total: 41 times

- Individual interviews: 39 times
(Domestic investors: 9; Foreign investors: 4; Total: 13 companies)
- Information sessions: 2 times (total of 23 companies participated).

[Main themes, matters of interest to shareholders, etc.]

- The three main themes and matters of interest in dialogues with shareholders are as follows.
 - (1) Initiatives and achievements to enhance corporate value and capital efficiency
 - (2) Officer nomination process and initiatives in governance
 - (3) Information disclosure

Below, we introduce specific examples of dialogues, including shareholder opinions, matters that were brought to our attention by shareholders and our response to them, and matters that were explained to and understood by shareholders.

(1) Initiatives and achievements to enhance corporate value and capital efficiency

The Company explained that it has been striving to improve profitability and capital efficiency by setting a management goal for achieving a ROE of 5% in excess of the cost of equity (mid 4% range), during the period of the Seventh Medium-term Management Plan in our Medium-term Management Policy, and also that JSF's ROE has been steadily increasing in recent years as a result of the initiatives under the Sixth Medium-term Management Plan, and JSF is making steady progress toward achieving its ROE target of 4% for FY2022.

Many shareholders understand our cost of equity and management goal, given our nature as a securities finance company, and have positively assessed our efforts and accomplishments over the past several years. However, there were differences in perception among a portion of the shareholders regarding the level of the ROE target and the time frame for achieving it.

In addition, we received feedback from shareholders that they would like to see continued efforts to enhance corporate value after the Seventh Medium-term Management Plan period is over. In light of this, we have indicated that we will further promote our efforts to enhance corporate value, and will continue our management efforts to achieve a higher ROE level in FY2026 and beyond.

(2) Officer nomination process and governance initiatives

The Company transitioned to a company with a Nomination Committee, etc. in 2019 and is

working to further enhance and strengthen its corporate governance. The Company published its policy regarding the composition of the Board of Directors and the appointment of Executive Officers in FY2021. In our dialogues with shareholders, we provided explanations regarding governance at JSF, focusing on the details of the nomination process for these Officers.

Many of our shareholders have appreciated JSF's governance initiatives.

We also received feedback that, from now on, they expect the disclosure of information to focus on the evolution of governance efforts to date, the specific status of the nomination process, the roles played by outside directors, and human capital initiatives. In light of these comments, in March 2023, we disclosed on our website our approach to the appointment of JSF's management and our internal human resources development policy in anticipation of these appointments.

<https://www.jsf.co.jp/about/corporate-governance/senninkangaekata/>

On this webpage, we disclosed the following cases that were proposed as issues raised by outside Directors regarding the actual operational aspects of Nomination and Remuneration Committees and the Board of Directors led by outside Directors.

- Succession planning for the current Representative Executive Officer & President
- Internal human resource development initiatives in response to the business portfolio
- More proactive disclosure of our approach to human capital

(3) Information disclosure

Although many shareholders have stated that the dialogue has made it possible for them to understand JSF's management policies and the special characteristics of JSF on which they are based, and our various governance initiatives, they also commented that such information should be widely disseminated to the general public. In response to this, in FY2022, JSF formulated and published its first Integrated Report incorporating such information. Also, as mentioned above, in March 2023, we disclosed on our website in March 2023 our approach to the appointment of JSF's management and our internal human resource development in anticipation of these appointments. Specifically, the website sets out JSF's approach to the appointment of management based on the business development JSF aims to achieve and the qualities considered important for each of its business portfolios, and explains its approach to the composition of the management executive team and succession planning for the Representative Executive Officer & President. Also, from the perspective that the development of internal human resources is important for ensuring the effectiveness of management succession planning, the report explains the direction of human resource development and specific initiatives. Together, it also describes the specific commitments of the Nomination Committee and the Board of Directors in the above mentioned initiatives.

We recognize through discussions at the Board of Directors that we need to develop tools and systems to enhance information disclosure, and JSF will continue to proactively disseminate information with regard to this as well.

[Feedback from shareholders to the Board of Directors]

- JSF reports the status of dialogues with shareholders to the Board of Directors promptly after each dialogue.
- Through these initiatives, we strive to ensure that the Board of Directors and the various committees hold discussions that also take into account the feedback of shareholders.

End

No. 1 Proposed Agenda

1. Amendment to the Articles of Incorporation to abolish the position of Chairperson of the Executive Officers
2. Amendment to the Articles of Incorporation concerning disclosure of individual remuneration for the Representative Executive Officer & President
3. Amendment to the Articles of Incorporation concerning the prohibition of reemployment, etc. of persons who have served as President
4. Amendment to the Articles of Incorporation concerning disclosure of remuneration for officers who have served as President after their retirement from office
5. Amendment to the Articles of Incorporation concerning disclosure of material proposed actions taken by major shareholders

No. 2 Details of the Proposals

With respect to Proposals 1 through 5 below (the "Proposed Amendments to the Articles of Incorporation"), when formal adjustments are required to the chapters or articles listed as Proposed Amendments to the Articles of Incorporation due to the approval or rejection of the Proposed Amendments to the Articles of Incorporation and other proposals (including proposals related to Company proposals) at this Annual General Meeting of Shareholders, the relevant articles for the Proposed Amendments to the Articles of Incorporation shall be read as the articles after such necessary adjustments (including, but not limited to, the correction of any misalignment of article numbers) are made. A detailed description of each shareholder proposal below can be found at <https://stracap.jp/8511-JSF/> or via the special website link in the upper right of the Strategic Capital Co., Ltd. homepage at <https://stracap.jp/>. Please note that all Company figures presented in each shareholder proposal are based on the Consolidated Financial Statements unless otherwise stated (non-consolidated).

1. Amendment to the Articles of Incorporation to abolish the position of Chairperson of the Executive Officers
Amend Article 32 of the current Articles of Incorporation as follows:

Current Articles of Incorporation

Article 32 (Executive Officers with Specific Titles)

1. The President and Executive Officer shall be appointed by a resolution of the Board of Directors.
2. In addition to the preceding paragraph, the Company may appoint other Executive Officers with specific titles by a resolution of the Board of Directors.

Proposed amendment

Article 32 (Executive Officers with Specific Titles)

1. The President and Executive Officer shall be appointed by a resolution of the Board of Directors.
2. In addition to the preceding paragraph, the Company may appoint other Vice President Executive Officers, Senior Managing Executive Officers and Managing Executive Officers by a resolution of the Board of Directors.

2. Amendment to the Articles of Incorporation concerning disclosure of individual compensation

for the Representative Executive Officer & President

The following new Chapter and Articles shall be added to the current Articles of Incorporation.

Chapter 9 Disclosure of Compensation of Officers

Article 38 (Disclosure of Compensation of Representative Executive Officer & President)

The Company shall individually disclose the amount of compensation (including non-monetary compensation) paid to the Executive Officers with representation authority in the previous fiscal year in the Corporate Governance Report that the Company submits to the Tokyo Stock Exchange.

3. Amendment to the Articles of Incorporation concerning the prohibition of reemployment, etc. of persons who have served as President

The following Chapter and Articles shall be newly added to the current Articles of Incorporation.

Chapter 10 Remuneration for Persons who have Served as President

Article 39 (Prohibition of Reemployment of Persons who have Served as President)

1. The Company shall not allow any person who has retired as President of the Company to become a Corporate Officer or employee ("Corporate Officer, etc.") of the Company that utilizes the title of officer, advisor, consultant, etc., nor shall it allow any person who has retired as President of the Company to become a Corporate Officer, etc. of any wholly owned subsidiary of the Company.

2. The Company shall not enter into any mandate agreement, outsourcing agreement or other continuing agreement ("Continuing Agreement") with any person who has served as President of the Company, nor shall it allow any of its wholly owned subsidiaries to enter into a Continuing Agreement with any such person.

4. Amendment to the Articles of Incorporation concerning disclosure of treatment of officers who have served as President after their retirement from office

The following new Article shall be added to the current Articles of Incorporation.

Article 40 (Disclosure of Remuneration)

When the Company has provided benefits or favors during the previous fiscal year to a person who has served as president of the Company and who is not a full-time officer or employee of the Company ("retired President"), it shall individually disclose the details of such benefits or favors (here and hereinafter in this paragraph, including, but not limited to, acts allowing the use of golf memberships, company cars, or facilities, at no cost or significantly discounted prices) in the Corporate Governance Report that the Company submits to the Tokyo Stock Exchange. The same shall apply when a wholly owned subsidiary of the Company provides benefits or favors to the retired President.

5. Amendments to the Articles of Incorporation concerning disclosure of material proposed actions taken by major shareholders

The following Chapter and Articles shall be newly added to the current Articles of Incorporation.

Chapter 11 Disclosure of Material Proposal Information

Article 41 (Disclosure of Material Proposal Information)

1. When the Company receives a proposal that falls under the category of a material proposed action, etc. (those provided for in Article 27-26, Paragraph 1 of the Financial Instruments and Exchange Act and each item of Article 14-8-2, Paragraph 1 of the Order for Enforcement of the Financial Instruments and Exchange Act; hereinafter, a "Material Proposal"), from a material shareholder (a shareholder with a shareholding ratio of more than 20% as stated in the most recently filed substantial shareholding report or its amendment report.), the Company shall

disclose at least the following matters in the first Corporate Governance Report (the “CG Report”) that the Company submits to the Tokyo Stock Exchange after the Material Proposal is made. However, this shall not apply if such Material Shareholder opposes such disclosure.

- (1) Date on which the Material Proposal was made
- (2) Name or title of the material shareholder
- (3) Details of the Material Proposal
- (4) The Company's response policy

2. The Material Proposals subject to disclosure in the preceding paragraph shall be Material Proposals made within one year prior to the date on which the Company submits the CG Report.

No. 3 Reason for Proposal

1. Amendment to the Articles of Incorporation to abolish the position of Chairperson of the Executive Officers

It is a well-known fact that for more than 70 years since the Company was listed on the stock exchange, that the position of president of the Company has been used as an “*amakudari* (golden parachute)” destination for former directors of the Bank of Japan (“Former Directors”).

In addition to this, since the 1980s, the Former Directors who were appointed to the position of President have continued on to be appointed as Chairperson of the Company after retiring as President.

Essentially, the Company is a company with a Nomination Committee, etc., and its roles are clearly divided between Executive Officers, who are responsible for business execution, and Directors, who are responsible for the supervisory function of the Company's management. Within this context, the Company has not provided a sufficient explanation as to what role Mr. Eizo Kobayashi, who assumed the position of Chairperson of the Executive Officers after retiring from the position of President of the Company, should play, as well as the significance of Mr. Kobayashi's position as the Company's Chairperson.

Therefore, in order to improve the governance of the Company, the position of Chairperson, which is a designated seat for *amakudari* and its significance is further questionable, should be abolished.

2. Amendment to the Articles of Incorporation concerning disclosure of individual compensation for the Representative Executive Officer & President

The Company appoints Mr. Shigeki Kushida (“Mr. Kushida”) as its Representative Executive Officer & President because of his “extensive experience and knowledge in the field of finance and securities” as the reason for his appointment. However, Mr. Kushida has repeatedly stated in meetings with proposing shareholders and at briefings on financial results that “the stock price is calculated by discounting future cash flows by the cost of capital, and has nothing to do with ROE or net assets,” and that “if we use market capitalization as the E of ROE, as WACC is also calculated using market value, the Company's ROE is high.”

Mr. Kushida is a former director of the Bank of Japan and a current director of the Securities Analysts Association of Japan, but contrary to his background, he lacks basic knowledge related to stock valuations.

Although the Company announced this year its policy “not to include anyone from the public sector (for Mr. Kushida's future successor),” if Mr. Kushida, who has no knowledge of stock valuations and allows the stock price to remain below its dissolution value, will continue to serve as president, the Company should at least disclose Mr. Kushida's compensation in order to improve the governance of the Company.

3. Amendment to the Articles of Incorporation concerning the prohibition of reemployment, etc. of persons who have served as President

It is a well-known fact that governance issues have been raised regarding the existence of advisors and consultants. Although there is currently no Special Advisor at the Company, the Company states that "persons who have served as President may be appointed as Special Advisors." In addition, following the tradition of the Company that has continued since 1990, it is presumed that Eizo Kobayashi, the current Chairperson, will naturally be appointed as a Special Advisor in the near future.

Last year, the proposing shareholders sought to abolish Special Advisors through a shareholder proposal, but the Company's Board of Directors opposed the shareholder proposal, arguing that the existence of Special Advisors is significant because "they are expected to maintain relationships in the business world, etc., and have a PR effect, and thus enhance the Company's corporate value."

However, the then Special Advisor, Mr. Minoru Masubuchi, resigned after last year's Annual General Meeting of Shareholders, and it became clear that the Special Advisor was not particularly necessary for the Company.

As it has become apparent that the claimed significance of the existence of the board of directors is unnecessary, the system of reemployment, etc., after the retirement of the president, including Special Advisors, should be abolished.

4. Amendment to the Articles of Incorporation concerning disclosure of treatment of officers who have served as President after their retirement from office

The Company has a position of Honorary Advisor in addition to the position of Special Advisor. The names of the Honorary Advisors are not disclosed, but at least Mr. Kunio Kojima ("Mr. Kojima"), a former director of the Bank of Japan and a former president of the Company, continues to serve as an Honorary Advisor to the Company.

The Company discloses that Honorary Advisors "only have permission to use their title and receive no compensation." However, it is possible that the Company may have provided some form of non-monetary benefits or favors to Mr. Kojima and other Honorary Advisors, who are *amakudari* from the Bank of Japan, such as holding golf memberships, allowing them to use company cars, and providing them with office space, in order to avoid disclosure.

Furthermore, there is a concern that to evade disclosure, the Company may be treating persons who have served as President of the Company, who are *amakudari* from the Bank of Japan, as advisors to its wholly owned subsidiaries, etc.

Note, since these suspicions are nothing more than possibilities, if the Company declares that it has not provided any benefits or favors as described above, the proposing shareholder will withdraw this Proposal.

5. Amendments to the Articles of Incorporation concerning disclosure of material proposed actions taken by major shareholders

Symphony Financial Partners ("SFP") is a major shareholder of the Company, holding more than 20% of the total issued and outstanding shares of the Company (the "Over 20% Shareholder"). If the Over 20% Shareholder is a corporation, it is easy to imagine the magnitude of the impact that SFP will have on the Company, given that the Company will be accounted for by the equity method of accounting.

In other words, we believe that any Material Proposal made by SFP to the Company is highly feasible beyond the scope of a typical engagement and could have a significant impact on the

Company's management and shareholder value, as well as on the interests of our general shareholders.

Therefore, to protect the interests of general shareholders, we seek disclosure of the details of the Material Proposals received from the Over 20% Shareholder. Furthermore, we would like to add that the proposing shareholder agrees with the intent of the " Disclosure on Dialogue with Shareholders" published by the Tokyo Stock Exchange on March 31, 2023, and has no objection to the disclosure of the details of the proposal made by the proposing shareholder to the Company.

End