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Securities Code: 3763

June 5, 2024

To Our Shareholders

Motoshi Suzuki, President, CEO

**Pro-Ship Incorporated**

3-8-5 Iidabashi, Chiyoda-ku, Tokyo

Sumitomo Fudosan Iidabashi ekimae Bldg.

## **Notice of Convocation of the 55th Annual General Meeting of Shareholders**

We are pleased to announce the 55th Annual General Meeting of Shareholders of Pro-Ship Incorporated (the “Company”), which will be held as indicated below.

**When convening this general meeting of shareholders, 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 Company’s website. Please access the website by using the internet address shown below to review the information.**

**The Company’s website**      <https://www.proship.co.jp/> (in Japanese)

**(From the above website, select “English,” “Investor Relation,” and then “IR Information.”)**

**In addition to posting items subject to measures for electronic provision on the Company’s website, the Company also posts this information on the website of the Tokyo Stock Exchange (TSE).**

**TSE website (Listed Company Search):**

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese)

**(Access the TSE website above, enter “Pro-Ship” in “Issue name (company name)” or the Company’s securities code “3763” in “Code,” and click “Search.” Then, click “Basic information” and select**

**“Documents for public inspection/PR information.” Under “Filed information available for public inspection,” click “Click here for access” under “[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting].”)**

You may exercise your voting rights via the Internet or in writing. Please review the Reference Materials for the General Meeting of Shareholders and refer to the “Guide on Exercising Voting Rights” (in Japanese only), and exercise your voting rights by no later than Wednesday, June 19, 2024 at 6:00 p.m.

**1. Date and time**      Thursday, June 20, 2024 at 10:00 a.m.  
(Reception starts at 9:00 a.m.)

**2. Venue**              “Asuka” B1F Hyatt Regency Tokyo  
2-7-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo

### **3. Purpose of meeting**

#### **Matters to be reported**

1. Business Report, Consolidated Financial Statements for the 55th term (April 1, 2023 to March 31, 2024), and audit results of the Consolidated Financial Statements by the Financial Auditor and the Audit and Supervisory Committee
2. Non-consolidated Financial Statements for the 55th term (April 1, 2023 to March 31, 2024)

## **Matters to be resolved**

- |                       |  |
|-----------------------|--|
| <b>Proposal No. 1</b> | Appropriation of Surplus   |
| <b>Proposal No. 2</b> | Election of Four Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)   |
| <b>Proposal No. 3</b> | Election of One Director Who Is an Audit and Supervisory Committee Member  |
| <b>Proposal No. 4</b> | Determination of Compensation for the Allocation of Restricted Shares to Directors (Excluding Directors Who Are Audit and Supervisory Committee Members and Outside Directors) |
| <b>Proposal No. 5</b> | Determination of Compensation for the Allocation of Restricted Shares to Directors Who Are Audit and Supervisory Committee Members   |
| <b>Proposal No. 6</b> | Payment of Officer Bonuses   |

## **4. Matters prescribed for convocation**

Please refer to the [Guide on Exercising Voting Rights] (in Japanese only).

- ◎ Pursuant to laws and regulations and the provisions of Article 18 of the Articles of Incorporation, among the items subject to measures for electronic provision, the following items are not included in the paper-based documents delivered to shareholders who have requested delivery of such documents. Accordingly, the documents that are delivered to shareholders who have requested the delivery of documents are part of the documents subject to auditing by the Audit and Supervisory Committee and the Financial Auditor when preparing their respective audit reports.
  - “Systems for Ensuring Proper Business Operations” and “Status of Operation of Systems for Ensuring Proper Business Operations” in the Business Report
  - “Consolidated Statement of Changes in Equity” and “Notes to Consolidated Financial Statements” in the Consolidated Financial Statements
  - “Non-consolidated Statement of Changes in Equity” and “Notes to Non-consolidated Financial Statements” in the Non-consolidated Financial Statements
- ◎ If you are attending the Meeting in person, please submit the voting form to the reception desk upon arrival.
- ◎ If revisions to the items subject to measures for electronic provision arise, a notice of the revisions and the details of the items before and after the revisions will be posted on the Company’s website and the TSE website.
- ◎ Please note that gifts are not provided to shareholders attending the Meeting in person.
- ◎ Please note that an informal gathering for shareholders will not be held.

## Reference Materials for the General Meeting of Shareholders

### Proposal No. 1 Appropriation of Surplus

The Company views the return of profits to shareholders as one of the key issues. Our basic policy is to actively return profits to shareholders while improving capital adequacy and profitability. In line with this policy, the Company proposes to pay a year-end dividend for the current term as follows.

Matters concerning the proposed year-end dividend

- (1) Type of assets to be distributed to shareholders  
Cash
- (2) Matters concerning the allocation of assets to be distributed to shareholders and the total amount thereof  
The Company proposes to pay a cash dividend of ¥50 per common share.  
The total amount of dividends to be paid will be ¥615,729,300.
- (3) Effective date of dividend of surplus  
June 21, 2024

**Proposal No. 2** Election of Four Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

The terms of office of all five Directors (excluding Directors who are Audit and Supervisory Committee Members) will expire at the conclusion of this meeting. In addition, Directors Norihiro Yamaguchi, Nansei Watanabe, and Koji Oka will retire from office at the conclusion of this meeting.

Therefore, the Company proposes the election of four Directors (excluding Directors who are Audit and Supervisory Committee Members). In addition, the Company has confirmed that the Audit and Supervisory Committee has no particular opinion on this proposal.

Candidates for Director (excluding Directors who are Audit and Supervisory Committee Members) are as follows.

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
1	<div style="border: 1px solid black; display: inline-block; padding: 2px;">Reelection</div> Motoshi Suzuki (January 5, 1974)	Apr. 1998      Joined the Company Apr. 2007      Department Manager, 2nd Application Development Department Apr. 2009      Deputy General Manager, System Development Division June 2012      Director Apr. 2014      General Manager, Solution Development Division Apr. 2017      General Manager, 3rd Development Division Apr. 2018      General Manager, Solution Development Division June 2021      Representative Director and Senior Vice President CEO, Pro-Ship Frontier Incorporated (current position) June 2022      Representative Director and Executive Vice President Apr. 2023      Representative Director and Executive Vice President, General Manager, 3rd Solution Development Division, and General Manager, Administration Division(current position) Apr. 2024      President, CEO, General Manager, 2nd Solution Development Division, and General Manager, Administration Division	48,800 shares
[Reasons for nomination as candidate for Director] Motoshi Suzuki has a track record, broad experience, etc. in making significant contributions, such as in strengthening the development structure for the Company's package system as General Manager of Solution Development Division of the Company. Accordingly, the Company again judges that he is well qualified to serve as a Director.			

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
2	<div style="border: 1px solid black; display: inline-block; padding: 2px;">Reelection</div> Shunsuke Tatsumi (October 3, 1981)	Apr. 2006    Joined the Company Apr. 2013    Department Manager, 1st Sales Department and Department Manager, IFRS Promotion Department Apr. 2015    Deputy General Manager, FS Sales Division Apr. 2018    Executive Officer, and Deputy General Manager, System Sales Division Apr. 2020    Department Manager, Rule Response Promotion Department Apr. 2021    General Manager, System Sales Division June 2022    Director (current position) Apr. 2023    Department Manager, Revised Lease Accounting Solutions Promotion Department Apr. 2024    Deputy General Manager, System Sales Division (current position)	19,000 shares
		[Reasons for nomination as candidate for Director] Shunsuke Tatsumi has a track record, broad experience, etc. in making significant contributions in strengthening the sales structure for the Company's package system and promoting solutions following the application of system reforms. Accordingly, the Company again judges that he is well qualified to serve as a Director.	
3	<div style="border: 1px solid black; display: inline-block; padding: 2px;">New election</div> Kyohei Mizuno (April 20, 1981)	July 2006    Joined the Company Apr. 2017    Department Manager, 3rd FS Department, System Sales Division Apr. 2018    Deputy General Manager, System Sales Division Apr. 2022    Executive Officer, and Deputy General Manager, System Sales Division Apr. 2024    General Manager, System Sales Division (current position)	6,000 shares
		[Reasons for nomination as candidate for Director] Kyohei Mizuno has a track record, broad experience, etc. in making significant contributions in strengthening the sales structure for the Company's social infrastructure package systems and expanding net sales. Accordingly, the Company judges that he is well qualified to serve as a Director.	
4	<div style="border: 1px solid black; display: inline-block; padding: 2px;">New election</div> Hiroyuki Ogino (January 29, 1979)	May 2007    Joined the Company Apr. 2012    Department Manager, 3rd FS Development Department, System Development Division Apr. 2023    Deputy General Manager, 1st Solution Development Division Apr. 2024    General Manager, 1st Solution Development Division (current position)	7,000 shares
		[Reasons for nomination as candidate for Director] Hiroyuki Ogino has a track record, broad experience, etc. in making significant contributions, such as in strengthening the development structure for the Company's social infrastructure package systems as Department Manager of Solution Development Department of the Company. Accordingly, the Company judges that he is well qualified to serve as a Director.	

(Note) There is no special interest between any of the candidates and the Company.

**Proposal No. 3** Election of One Director Who Is an Audit and Supervisory Committee Member

Hiromasa Shimada, a Director who is an Audit and Supervisory Committee Member, will resign as Audit and Supervisory Committee Member at the conclusion of this meeting. Therefore, the Company proposes the election of one Audit and Supervisory Committee Member.

In addition, the consent of the Audit and Supervisory Committee has been obtained for the submission of this proposal. The candidate for Audit and Supervisory Committee Member is as follows.

Name (Date of birth)	Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
<div style="border: 1px solid black; padding: 2px; display: inline-block;">New election</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Outside</div> Masamichi Nagakura (January 1, 1949)	Apr. 1971      Joined KIMOTO Co., Ltd. June 1974      Joined Yama Draft Co., Ltd. Jan. 1976      Joined LOTTERIA Co., Ltd. Oct. 1976      Founded Music Shop Voice Apr. 1998      Founded Mobile Shop e-Mobile June 2019      Outside Director, Standing Audit and Supervisory Committee Member, the Company	8,000 shares
[Reasons for nomination as candidate for Outside Director and outline of expected roles] Although Masamichi Nagakura has not been directly involved in corporate management in a capacity other than as an outside officer, he has extensive experience in business management, having founded his own businesses, and possesses sufficient insight into supervising corporate management. Based on this, in addition to his experience as Outside Director of the Company, the Company judges that he is well qualified to serve as an Outside Director.		

- (Notes)
1. There is no special interest between Masamichi Nagakura and the Company.
  2. Masamichi Nagakura is a candidate for Outside Director.
  3. Should the election of Masamichi Nagakura be approved, pursuant to Article 427, paragraph (1) of the Companies Act, the Company plans to enter into an agreement with him to limit his liability for damages under Article 423, paragraph (1) of the same Act. The maximum amount of liability for damages under this agreement will be the minimum liability amount provided for under Article 425, paragraph (1) of the same Act.
  4. Masamichi Nagakura satisfies the requirements for an independent officer as provided for by Tokyo Stock Exchange, and the Company plans to designate him as an independent officer if his election is approved.

**Proposal No. 4** Determination of Compensation for the Allocation of Restricted Shares to Directors (Excluding Directors Who Are Audit and Supervisory Committee Members and Outside Directors)

With regard to the amount of remuneration, etc. for the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members), it was approved at the 46th Annual General Meeting of Shareholders held on June 25, 2015, that the annual remuneration, etc. shall be not more than ¥120 million (excluding employee salaries of Directors who concurrently serve as employees).

Following consultation with the Nomination and Compensation Advisory Committee which primarily consists of Outside Directors, the Company proposes the provision of common shares to Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors; hereafter, "Target Directors"), subject to certain transfer restriction periods and reasons for the acquisition without consideration thereof (hereafter, "Restricted Shares"), to increase the morale of the Target Directors of the Company and their willingness to contribute to improvements in the share price and the enhancement of corporate value by sharing with shareholders not only the benefits of rising share prices but also the risks associated with falling share prices.

Therefore, in comprehensive consideration of contributions made by the Target Directors and other matters, the Company proposes to set the total for monetary remuneration claims to be paid to the Target Directors as remuneration related to Restricted Shares, separate to the amount of Director remuneration described above, at an annual amount of no more than ¥36 million. The allocation of Restricted Shares is determined by comprehensively taking into consideration various matters, including the contribution level of the Target Director, and the ratio of the maximum number of Restricted Shares to be allocated in each fiscal year as set forth in 2. below, in which the total number of Restricted Shares issued is approximately 0.13% (the ratio of the maximum number of shares with a restriction on transfer to be issued over a 10-year period would be approximately 1.3%).

The number of current Target Directors is five. Should Proposal No. 2 be approved, the number of Target Directors will be four.

Specific details on Restricted Shares for Target Directors and the maximum amount of Restricted Shares

1. Allocation of and payment for Restricted Shares

Pursuant to the resolution of the Board of Directors of the Company, the Company will pay monetary compensation claims up to the aforesaid annual amount for Restricted Shares to Target Directors. In turn, Target Directors will transfer all monetary remuneration claims provided by the Company as in-kind contributions and will receive an allotment of Restricted Shares.

The amount to be paid in per Restricted Share shall be determined by the Board of Directors based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day immediately before each date of resolution by the Board of Directors regarding the issuance or disposal of such (if there is no closing price on such date, the closing price on the closest preceding trading day) or any other amount within the extent that the amount will not be particularly advantageous to Target Directors who subscribe the Company's Restricted Shares.

The above monetary remuneration claims are provided on the condition that the Target Director consents to the abovementioned contribution in kind, and that the Target Director has entered into an agreement on allotment of Restricted Shares including the content as prescribed in 3. below.

2. Total number of Restricted Shares

The total number of Restricted Shares allocated to Target Directors shall be to 20,000 shares, which shall be the maximum amount of Restricted Shares allocated each fiscal year.

However, the total number of Restricted Shares will be adjusted to a reasonable extent in the event of a stock split (including gratis allocation of common shares of the Company) or share consolidation of the Company's common shares, or under any other circumstances that arise on or after the resolution date of this proposal.

3. Contents of the agreement on allotment of Restricted Shares

The agreement on allotment of Restricted Shares entered into by the Target Director receiving the allotment of Restricted Shares and the Company, pursuant to resolution by the Board of Directors, shall include the following:

(1) Nature of restrictions on transfer

Target Directors who have received an allotment of Restricted Shares (hereafter the “Allotted Shares”) shall not transfer, pledge, grant security interests, gift during their lifetime, or bequeath, to any third party, or otherwise dispose of (hereafter “Transfer Restrictions”) Restricted Shares during the period from the date of allotment to the date on which they resign or retire from their position as either a Director, Executive Officer, or employee of the Company (hereafter the “Transfer Restriction Period”).

(2) Gratis acquisition of Restricted Shares

If a Target Director who received an allotment of Restricted Shares resigns or retires from his or her position as a Director, Executive Officer, or employee of the Company during the period starting on the day the Transfer Restriction Period begins and ending on the day prior to day of the first annual general meeting of shareholders of the Company thereafter, the Company will rightfully acquire the Allotted Shares without compensation, unless there are extenuating circumstances that the Company’s Board of Directors deem reasonable.

If there are Allotted Shares for which the Transfer Restrictions have not been lifted pursuant to the provision set forth in (3) below regarding grounds for lifting Transfer Restrictions at the time the Transfer Restriction Period set forth in (1) above expires, the Company will rightfully acquire the stock without compensation.

(3) Lifting of Transfer Restrictions

The Company shall lift the Transfer Restrictions on all of the Allotted Shares upon expiration of the Transfer Restriction Period, on the condition that the Target Director who has received an allotment of Restricted Shares has remained in the position of Director, Executive Officer or employee of the Company continuously from the date the Transfer Restriction Period starts to the date of the first annual general meeting of shareholders thereafter.

However, if the Target Director retires or resigns from the position of Director, Executive Officer or employee of the Company at any time from the date the Transfer Restriction Period starts to the day before the date of the first annual general meeting of shareholders thereafter due to the reason the Board of Directors of the Company deems justifiable, 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 needed.

(4) Treatment during reorganization, etc.

If, during the Transfer Restriction Period, matters concerning a merger agreement in which the Company becomes the disappearing company, a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, or any other matter concerning organizational restructuring, etc., are approved at a general meeting of shareholders (or by the Board of Directors in cases where approval at a general meeting of shareholders is not required for the reorganization, etc.), the Company will, by resolution of the Board of Directors, lift the Transfer Restrictions prior to the effective date of the organizational restructuring, etc., for the number of Allotted Stock that is reasonably determined based on the period from the date the Transfer Restriction Period starts to the date the organizational restructuring, etc., is approved.

In such cases, the Company will rightfully acquire the Allotted Shares without compensation to which Transfer Restrictions still apply immediately preceding the effective date of the organizational restructuring following the approval of said restructuring.

(Reference)

After the conclusion of this General Meeting of Shareholders, the Company plans to also allocate Restricted Shares unlike the Restricted Shares described above to employees of the Company.



**Proposal No. 5** Determination of Compensation for the Allocation of Restricted Shares to Directors Who Are Audit and Supervisory Committee Members

With regard to the amount of remuneration, etc. for the Company's Directors who are Audit and Supervisory Committee Members, it was approved at the 46th Annual General Meeting of Shareholders held on June 25, 2015, that the annual remuneration, etc. shall be not more than ¥20 million.

Following consultation with the Nomination and Compensation Advisory Committee which primarily consists of Outside Directors, the Company proposes the provision of common shares to Directors who are Audit and Supervisory Committee Members, (hereafter, "Target Directors"), subject to certain transfer restriction periods and reasons for the acquisition without consideration thereof (hereafter, "Restricted Shares"), to provide incentives to continually increase the corporate value of the Company in a sustainable manner while promoting further value sharing with shareholders.

Therefore, in comprehensive consideration of contributions made by the Target Directors and other matters, the Company proposes to set the total for monetary remuneration claims to be paid to the Target Directors as remuneration related to Restricted Shares, separate to the amount of Director remuneration described above, at an annual amount of no more than ¥6 million. The allocation of Restricted Shares is determined by comprehensively taking into consideration various matters, including the contribution level of the Target Director, and the ratio of the maximum number of Restricted Shares to be allocated in each fiscal year as set forth in 2. below, in which the total number of Restricted Shares issued is approximately 0.02% (the ratio of the maximum number of shares with a restriction on transfer to be issued over a 10-year period would be approximately 0.2%).

There are currently three Target Directors (of which, three are Outside Directors).

Specific details on Restricted Shares for Target Directors and the maximum amount of Restricted Shares

1. Allocation of and payment for Restricted Shares

Pursuant to the discussion among Directors who are Audit and Supervisory Committee Members, the Company will pay monetary compensation claims up to the aforesaid annual amount for Restricted Shares. In turn, Eligible Directors will transfer all monetary remuneration claims provided by the Company as in-kind contributions and will receive an allotment of restricted stock.

The amount to be paid in per Restricted Share shall be determined by the Board of Directors based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day immediately before each date of resolution by the Board of Directors regarding the issuance or disposal of such (if there is no closing price on such date, the closing price on the closest preceding trading day) or any other amount within the extent that the amount will not be particularly advantageous to Target Directors who subscribe the Company's Restricted Shares.

The above monetary remuneration claims are provided on the condition that the Target Director consents to the abovementioned contribution in kind, and that the Target Director has entered into an agreement on allotment of Restricted Shares including the content as prescribed in 3. below.

2. Total number of Restricted Shares

The total number of Restricted Shares allocated to Target Directors shall be to 3,000 shares, which shall be the maximum amount of Restricted Shares allocated each fiscal year.

However, the total number of Restricted Shares will be adjusted to a reasonable extent in the event of a stock split (including gratis allocation of common shares of the Company) or share consolidation of the Company's common shares, or under any other circumstances that arise on or after the resolution date of this proposal.

3. Contents of the agreement on allotment of Restricted Shares

The agreement on allotment of Restricted Shares entered into by the Target Director receiving the allotment of Restricted Shares and the Company, pursuant to resolution by the Board of Directors, shall include the following:

(1) Nature of restrictions on transfer

Target Directors who have received an allotment of Restricted Shares (hereafter the "Allotted Shares") shall not transfer, pledge, grant security interests, gift during their lifetime, or bequeath, to any third party, or otherwise dispose of (hereafter "Transfer Restrictions") Restricted Shares during the period from the date of allotment to

the date on which they resign or retire from their position as either a Director, Executive Officer, or employee of the Company (hereafter the “Transfer Restriction Period”).

(2) Gratis acquisition of Restricted Shares

If a Target Director who received an allotment of Restricted Shares resigns or retires from his or her position as a Director, Executive Officer, or employee of the Company during the period starting on the day the Transfer Restriction Period begins and ending on the day prior to day of the first annual general meeting of shareholders of the Company thereafter, the Company will rightfully acquire the Allotted Shares without compensation, unless there are extenuating circumstances that the Company’s Board of Directors deem reasonable.

If there are Allotted Shares for which the Transfer Restrictions have not been lifted pursuant to the provision set forth in (3) below regarding grounds for lifting Transfer Restrictions at the time the Transfer Restriction Period set forth in (1) above expires, the Company will rightfully acquire the stock without compensation.

(3) Lifting of Transfer Restrictions

The Company shall lift the Transfer Restrictions on all of the Allotted Shares upon expiration of the Transfer Restriction Period, on the condition that the Target Director who has received an allotment of Restricted Shares has remained in the position of Director, Executive Officer or employee of the Company continuously from the date the Transfer Restriction Period starts to the date of the first annual general meeting of shareholders thereafter.

However, if the Target Director retires or resigns from the position of Director, Executive Officer or employee of the Company at any time from the date the Transfer Restriction Period starts to the day before the date of the first annual general meeting of shareholders thereafter due to the reason the Board of Directors of the Company deems justifiable, 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 needed.

(4) Treatment during reorganization, etc.

If, during the Transfer Restriction Period, matters concerning a merger agreement in which the Company becomes the disappearing company, a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, or any other matter concerning organizational restructuring, etc., are approved at a general meeting of shareholders (or by the Board of Directors in cases where approval at a general meeting of shareholders is not required for the reorganization, etc.), the Company will, by resolution of the Board of Directors, lift the Transfer Restrictions prior to the effective date of the organizational restructuring, etc., for the number of Allotted Stock that is reasonably determined based on the period from the date the Transfer Restriction Period starts to the date the organizational restructuring, etc., is approved.

In such cases, the Company will rightfully acquire the Allotted Shares without compensation to which Transfer Restrictions still apply immediately preceding the effective date of the organizational restructuring following the approval of said restructuring.

**Proposal No. 6**      Payment of Officer Bonuses

As of the end of the current fiscal year, the Company plans to distribute a total of ¥35,450,000 in officer bonuses, considering the traditional payment amounts and the performance of the current fiscal year. This total includes ¥33,500,000 for five Directors (excluding those who are Audit and Supervisory Committee Members) and ¥1,950,000 for three Directors who are Audit and Supervisory Committee Members (including ¥1,950,000 for Outside Directors).

This proposal has been determined by the Board of Directors following comprehensive consideration of the Company's performance and the achievements of each Director, and deliberation by the Nomination and Compensation Advisory Committee. Accordingly, the Company considers this proposal justifiable.