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Securities code: 8182
June 2, 2021

To Shareholders with Voting Rights:

Yoshikazu Motosugi
Representative Director and
President
Inageya Co., Ltd.
6-1-1 Sakae-cho, Tachikawa City,
Tokyo, Japan

**NOTICE OF CONVOCATION OF
THE 73rd ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

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

We hereby inform you that the 73rd Annual General Meeting of Shareholders of Inageya Co., Ltd. (the “Company”) will be held as described below.

In view of the continuing risk of COVID-19 infection, we strongly encourage shareholders to refrain from attending the venue on the day of the meeting regardless of their health conditions, and instead exercise their voting rights in writing or via the Internet in advance, in order to avoid the risk of infection. Please review the attached Reference Documents for the General Meeting of Shareholders, and exercise your voting rights.

- 1. Date and Time:** Thursday, June 24, 2021 at 10:00 a.m. Japan time
Reception will start at 9:00 a.m.
- 2. Place:** Carlo, 4th floor, HOTEL emisia TOKYO TACHIKAWA
2-14-16 Akebono-cho, Tachikawa City, Tokyo, Japan
- 3. Meeting Agenda:**
- Matters to be reported:**
1. The Business Report and Consolidated Financial Statements for the Company’s 73rd Fiscal Year (April 1, 2020 - March 31, 2021) and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company’s 73rd Fiscal Year (April 1, 2020 - March 31, 2021)
- Proposals to be resolved:**
- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Election of Nine (9) Directors
- Proposal 3:** Election of Two (2) Audit & Supervisory Board Members
- Proposal 4:** Appointment of an Accounting Auditor
- Proposal 5:** Partial Amendments to the Amount of Compensation, etc. Pursuant to the Continuation of the Stock Compensation Plan for Directors
- Proposal 6:** Payment of Bonuses to Directors

- When attending the meeting, please submit the enclosed voting rights exercise form at the reception desk.
- The following documents are posted on the Company’s website in accordance with provisions of laws and regulations as well as Article 16 of the Company’s Articles of Incorporation and therefore are not

provided in the documents attached to this Convocation Notice. The Consolidated Financial Statements and Non-consolidated Financial Statements that were audited by the Audit & Supervisory Board Members and the Accounting Auditor in preparing the Auditor's Report include the documents attached to this Convocation Notice as well as the following:

1) "Consolidated Statement of Changes in Shareholders' Equity" and "Notes to Consolidated Financial Statements"

2) "Non-consolidated Statement of Changes in Shareholders' Equity" and "Notes to Non-consolidated Financial Statements"

- Any revisions to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements or the Non-consolidated Financial Statements will be posted on the Company's website.

Measures to prevent COVID-19 infection

<Request to shareholders>

- In order to prevent the risk of infection, we strongly encourage shareholders to refrain from attending the venue on the day of the meeting, and instead exercise their voting rights in writing or via the Internet.
- Please wear a mask, and give due consideration to preventing the spread of infection when attending the meeting.
- Please cooperate with temperature checks and alcohol-based hand sanitization at the reception desk.
- Depending on the status of the spread of infection, we may be required to change the venue, the starting time, the operation method, etc. Please see our website as necessary for any updates.

<Our response>

- We may ask those with symptoms of fever or cough or those who appear to be unwell to refrain from attending the venue.
- There will be a significantly fewer number of seats at the venue than in previous years, as seats will be arranged with wider spaces. Please note that we may restrict entrance to the venue.
- In order to prevent infection, we will work to reduce the overall time of the meeting as much as possible.
- Our operation staff will make sure that they are in good health conditions, including by measuring their temperature, and wear a mask at the venue.

We appreciate your understanding and cooperation in these difficult times.

The Company's website

<https://www.inageya.co.jp/ir/holder/notice.html>

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Appropriation of Surplus

We would like to appropriate our surplus as follows.

Matters concerning year-end dividend

We regard the return of profits to our shareholders to be an important management policy. While upholding a basic policy of paying out stable dividends on an ongoing basis, we comprehensively considered our consolidated business performance and future business development as well as internal reserves for increasing our earning power and strengthening our financial strength, and decided that we would like to pay a year-end dividend as follows.

(1) Type of dividend property

Cash

(2) Matters concerning the allotment of dividend property and the total amount thereof

15.00 yen per share of common stock of the Company for a total amount of 696,525,450 yen

The annual dividend for the fiscal year under review, including interim dividends, will be 22.50 yen per share.

(3) Effective date of distribution of surplus

June 25, 2021

Proposal 2: Election of Nine (9) Directors

The terms of office of all eight (8) Directors will expire at the conclusion of this General Meeting of Shareholders.

Accordingly, the election of nine (9) Directors is proposed, increasing the number of Directors by one (1) in order to strengthen the management structure.

The candidates for Director are as follows:

| No. | Name | Current positions and responsibilities at the Company | Attendance at the Board of Directors meetings |
|-----|---|--|---|
| 1 | Yoshikazu Motosugi [Reappointment] | Representative Director and President | 18/18 (100%) |
| 2 | Kazushige Hamura [Reappointment] | Director General Manager of Administrative Headquarters In charge of IR, Finance and Compliance; and General Manager of Inageya Group Life Service Center | 14/14 (100%) |
| 3 | Shintaro Kakui [New appointment] | - | - |
| 4 | Makoto Sugaya [New appointment] | - | - |
| 5 | Mikio Uehara [New appointment] | - | - |
| 6 | Shinya Watanabe [Reappointment] [Outside] [Independent] | Outside Director | 18/18 (100%) |
| 7 | Shuichi Otani [Reappointment] [Outside] [Independent] | Outside Director | 14/14 (100%) |
| 8 | Yoshitomo Suzuki [New appointment] [Outside] | - | - |
| 9 | Yaeko Ishida [New appointment] [Outside] [Independent] | - | - |

[Reappointment]: Candidate for reappointment as Director

[New appointment]: New candidate for Director

[Outside]: Candidate for Outside Director

[Independent]: Independent director stipulated by the rules of stock exchanges, etc.

Note: The results of attendance of Mr. Kazushige Hamura and Mr. Shuichi Otani at the Board of Directors meetings include only those meetings held after their assumption of office on June 25, 2020.

Distribution of Knowledge and Experience of Members of the Board of Directors

| Name | Corporate management | Industry experience & insight | Finance & accounting | Legal & risk management | HR & personnel development | Information systems |
|--------------------|----------------------|-------------------------------|----------------------|-------------------------|----------------------------|---------------------|
| Yoshikazu Motosugi | ○ | ○ | | | ○ | |
| Kazushige Hamura | | | ○ | ○ | ○ | |
| Shintaro Kakui | | ○ | | | | |
| Makoto Sugaya | | ○ | | | ○ | |
| Mikio Uehara | | ○ | | | | |
| Shinya Watanabe | ○ | | ○ | | | |
| Shuichi Otani | ○ | | | | | ○ |
| Yoshitomo Suzuki | ○ | ○ | | | | |
| Yaeko Ishida | | | | ○ | | |

| No. | Name (Date of birth) | Career summary, positions, responsibilities, and significant concurrent positions | Number of shares of the Company held |
|---|---|---|--|
| 1 |  Yoshikazu Motosugi (March 20, 1964) [Reappointment] [Internal] [Attendance at the Board of Directors meetings] 18/18 (100%) | April 1986 Joined the Company June 2011 Executive Officer October 2012 General Manager of Sales & Marketing Planning Headquarters September 2014 General Manager of Group Human Resources Headquarters June 2016 Director General Manager of Sales Headquarters July 2018 General Manager of Merchandise Headquarters October 2019 General Manager of Sales & Marketing Headquarters April 2020 Representative Director and President (to present) [Significant concurrent positions] None | 3,700 |
| [Reason for nomination as a candidate for Director] Mr. Yoshikazu Motosugi served in positions responsible for sales, sales & marketing planning, merchandise, and human resources divisions of the Company, and is well versed in the areas of sales & marketing and administration with extensive operational experience. From April 2020, he assumed the position of Representative Director and President, taking charge of management with an aim to become a company that always serves the community with its services. He is committed to rebuilding the foundation for growth. The Company has renominated him as a Director candidate based on such experience and achievements, as well as because he has appropriately fulfilled his duties, including decision-making on important matters of management and the supervision of business execution. | | | |

Note: There is no special interest between Mr. Yoshikazu Motosugi and the Company.

| No. | Name (Date of birth) | Career summary, positions, responsibilities, and significant concurrent positions | Number of shares of the Company held |
|---|--|--|--|
| 2 |  <p>Kazushige Hamura (January 16, 1964)</p> <p>[Reappointment] [Internal]</p> <p>[Attendance at the Board of Directors meetings] 14/14 (100%)</p> | <p>April 1988 Joined the Kyowa Bank, Ltd. (currently Resona Bank, Limited)</p> <p>April 2008 General Manager of Customer Service Division, Akishima Branch</p> <p>January 2011 Senior Auditor of Internal Audit Division</p> <p>October 2011 General Manager of Sales Division III, Shinjuku Branch</p> <p>January 2015 Compliance Officer of Compliance Division and Advisor of Sales Support Division</p> <p>August 2017 Seconded to the Company</p> <p>June 2018 General Manager of General Affairs Division</p> <p>June 2019 Executive Officer In charge of IR; in charge of Group Finance; General Manager of Administrative Headquarters; General Manager of General Affairs Division; and General Manager of Finance Division</p> <p>August 2019 Joined the Company</p> <p>October 2019 Executive Officer; in charge of IR; in charge of Finance; and General Manager of Finance Division</p> <p>June 2020 Director (to present) General Manager of Administrative Headquarters; in charge of IR; in charge of Finance; and General Manager of Finance Division</p> <p>December 2020 General Manager of Administrative Headquarters; in charge of IR; in charge of Finance; in charge of Compliance; and General Manager of Finance Division</p> <p>February 2021 General Manager of Administrative Headquarters; in charge of IR; in charge of Finance; and in charge of Compliance</p> <p>April 2021 General Manager of Administrative Headquarters; in charge of IR; in charge of Finance; in charge of Compliance; and General Manager of Inageya Group Life Service Center (to present)</p> <p>[Significant concurrent positions] None</p> | 480 |
| <p>[Reason for nomination as a candidate for Director] Mr. Kazushige Hamura has extensive experience at a financial institution and the Company's Administrative Headquarters, and possesses a high level of insight. He assumed the position of Director in June 2020, and since then has remained in charge of investor relations and held the position as the General Manager of the Administrative Headquarters, which oversees finance, general affairs and human resources divisions, while also striving to reform corporate culture as the officer in charge of Compliance. The Company has renominated him as a Director candidate based on such experience, as well as because he has appropriately fulfilled his duties, including decision-making on important matters of management and the supervision of business execution.</p> | | | |


Note: There is no special interest between Mr. Kazushige Hamura and the Company.

| No. | Name (Date of birth) | Career summary, positions, responsibilities, and significant concurrent positions | Number of shares of the Company held |
|--|--|---|--|
| 3 |  <p data-bbox="236 595 403 658">Shintaro Kakui (July 2, 1962)</p> <p data-bbox="220 696 419 759">[New appointment] [Internal]</p> | <p data-bbox="475 266 1251 815"> April 1987 Joined the Company January 1997 Buyer of General Foods Division February 2003 General Manager of Musashimurayama Store October 2007 Seconded to Aeon Global Merchandising Co., Ltd. November 2010 General Manager, Bakery Division of the Company October 2012 General Manager of Sales Promotion Division; and Team Leader of Events and Flower Plan April 2014 Manager of General Foods Group June 2017 General Manager of No.3 Merchandise Division; and General Manager of General Foods Division June 2018 Executive Officer (to present) November 2018 General Manager of No.2 Merchandise Division; General Manager of General Foods Division; and General Manager of Bakery Division March 2019 Deputy General Manager of Merchandise Headquarters; and General Manager of General Foods Division July 2020 In charge of Logistics Operations and Merchandise Planning; General Manager of Logistics Operations Division (to present) </p> <p data-bbox="475 831 818 893">[Significant concurrent positions] None</p> | 1,000 |
| <p data-bbox="193 907 1465 1050"> [Reason for nomination as a candidate for Director] Mr. Shintaro Kakui has extensive operational experience in merchandise and other divisions at the Company. He was appointed Executive Officer in June 2018, and is currently in charge of Logistics Operations and Merchandise Planning, striving to rebuild commercial and logistics flows. The Company has newly nominated him as a Director candidate because it considers his experience and insight necessary for the future promotion of merchandise strategy. </p> | | | |


Note: There is no special interest between Mr. Shintaro Kakui and the Company.

| No. | Name (Date of birth) | Career summary, positions, responsibilities, and significant concurrent positions | Number of shares of the Company held |
|--|---|---|--|
| 4 |  <p data-bbox="217 528 422 589">Makoto Sugaya (December 6, 1969)</p> <p data-bbox="217 622 422 683">[New appointment] [Internal]</p> | <p data-bbox="475 264 1251 499"> March 1993 Joined the Company February 2008 Leader of Grocery Division July 2011 General Manager of Ageo-shonan Store October 2012 General Manager of Noda-mizuki Store August 2013 Manager of Grocery SV Group September 2014 Manager of No.7 Sales Group March 2016 General Manager of No.6 Sales Group March 2019 General Manager in charge of Model Stores and Division PL </p> <p data-bbox="475 528 1251 645"> June 2019 Executive Officer (to present) October 2019 In charge of Human Resources and Division PL June 2020 In charge of Human Resources and General Affairs; and General Manager of General Affairs Division (to present) </p> <p data-bbox="475 656 818 714"> [Significant concurrent positions] None </p> | 2,000 |
| <p data-bbox="193 730 722 757">[Reason for nomination as a candidate for Director]</p> <p data-bbox="193 763 1465 875">Mr. Makoto Sugaya has extensive operational experience in merchandise and sales divisions at the Company. He was appointed Executive Officer in June 2019, and is currently in charge of Human Resources and General Affairs, striving to rebuild systems for human resources development and risk management. The Company has newly nominated him as a Director candidate because it considers his experience and insight necessary for the future promotion of management strategy.</p> | | | |


Note: There is no special interest between Mr. Makoto Sugaya and the Company.

| No. | Name (Date of birth) | Career summary, positions, responsibilities, and significant concurrent positions | Number of shares of the Company held |
|---|---|--|--|
| 5 |  Mikio Uehara (December 13, 1961) [New appointment] [Internal] | March 1984 Joined the Company March 1996 Buyer of Processed Foods Group January 1997 Buyer of Home Merchandise Division August 2005 General Manager of Shiki-nakamuneoka Store July 2008 Leader of Store Planning Division August 2013 Group Manager of Store Planning; and Team Leader of MR June 2017 General Manager of Sales Strategy Office May 2019 General Manager of President's Office (to present) [Significant concurrent positions] None | 0 |
| [Reason for nomination as a candidate for Director] Mr. Mikio Uehara has broad operational experience in merchandise, store planning and sales strategy divisions, and the President's Office at the Company, among others. He is well versed in all aspects of the Company's sales and administration. The Company has newly nominated him as a Director candidate because it considers his experience and insight necessary for the future promotion of management strategy. | | | |

Note: There is no special interest between Mr. Mikio Uehara and the Company.

| No. | Name (Date of birth) | Career summary, positions, responsibilities, and significant concurrent positions | Number of shares of the Company held |
|---|---|---|--|
| 6 |  <p>Shinya Watanabe (September 8, 1951)</p> <p>[Reappointment] [Outside] [Independent]</p> <p>[Term of Office as Director] 2 years at the conclusion of this General Meeting</p> <p>[Attendance at the Board of Directors meetings] 18/18 (100%)</p> | <p>April 1975 Joined the Kyowa Bank, Ltd. (currently Resona Bank, Limited)</p> <p>October 2003 Executive Officer and General Manager of Nagoya Branch, Resona Bank, Limited</p> <p>April 2004 Executive Officer; CEO of Tokai Area; and General Manager of Nagoya Branch</p> <p>June 2006 Managing Executive Officer and in charge of Solution Support Division, Public Corporation Division, Tokyo Public Institutions Division and Osaka Public Institutions Division</p> <p>August 2006 Representative Director and President, Resona Research Institute Co., Ltd.</p> <p>August 2006 Executive Officer and in charge of Group Strategy Division (Corporate Administration, Resona Research Institute Co., Ltd.), Resona Holdings, Inc.</p> <p>June 2007 Representative Director and President, J and S INSURANCE SERVICE Co., Ltd.</p> <p>June 2008 President & CEO, Showa Leasing Co., Ltd.</p> <p>June 2019 Outside Director of the Company (to present)</p> <p>[Significant concurrent positions] None</p> | 0 |
| <p>[Reason for nomination as a candidate for Outside Director and summary of expected roles] Mr. Shinya Watanabe has been engaged in the management of financial institutions for many years. He has extensive knowledge regarding finance and abundant experience and a high level of insight as a corporate manager. He has actively voiced his opinion at Board of Directors meetings, provided appropriate advice and supervision of management, and fulfilled an appropriate role of supervising the execution of business as Outside Director of the Company. He has also contributed to more transparent and fair management as Chairman of the Nomination and Compensation Committee. If reelected as an Outside Director, his expected role will be to utilize his insight to provide supervision and advice. The Company has therefore renominated him as an Outside Director candidate.</p> <p>[Matters concerning independence] The Company has designated him as an independent director, who does not violate the independence standards stipulated by the Tokyo Stock Exchange nor represent risks of conflicts of interest with general shareholders. Although Mr. Shinya Watanabe had previously worked at Resona Bank, Limited, which is the main bank of the Company, more than ten years have passed since he retired from the said bank.</p> | | | |


Note: There is no special interest between Mr. Shinya Watanabe and the Company.

| No. | Name (Date of birth) | Career summary, positions, responsibilities, and significant concurrent positions | Number of shares of the Company held |
|--|--|--|--|
| 7 |  <p>Shuichi Otani (April 9, 1954)</p> <p>[Reappointment] [Outside] [Independent]</p> <p>[Term of Office as Director] 1 year at the conclusion of this General Meeting</p> <p>[Attendance at the Board of Directors meetings] 14/14 (100%)</p> | <p>April 1977 Joined Nissan Motor Co., Ltd. April 2002 General Manager of Materials Division April 2004 Corporate Vice President April 2009 Senior Vice President, NISSAN SHATAI CO., LTD. June 2009 Director and Senior Vice President June 2011 Representative Director and President, NISSAN SHATAI COMPUTER SERVICE Co., Ltd. April 2018 Advisor June 2020 Outside Director of the Company (to present)</p> <p>[Significant concurrent positions] None</p> | 100 |
| <p>[Reason for nomination as a candidate for Outside Director and summary of expected roles] Mr. Shuichi Otani has been engaged in corporate management for many years and has abundant experience and a high level of insight as a corporate manager. He has actively voiced his opinion at Board of Directors meetings, provided appropriate advice and supervision of management, and fulfilled an appropriate role of supervising the execution of business as Outside Director of the Company. He has also contributed to more transparent and fair management as Nomination and Compensation Committee Member. If reelected as an Outside Director, his expected role will be to utilize his insight to provide supervision and advice. The Company has therefore renominated him as an Outside Director candidate.</p> <p>[Matters concerning independence] The Company has designated him as an independent director, who does not violate the independence standards stipulated by the Tokyo Stock Exchange nor represent risks of conflicts of interest with general shareholders.</p> | | | |

Note: There is no special interest between Mr. Shuichi Otani and the Company.

| No. | Name (Date of birth) | Career summary, positions, responsibilities, and significant concurrent positions | Number of shares of the Company held |
|--|--|---|--|
| 8 |  <p data-bbox="209 808 432 943">Yoshitomo Suzuki (September 14, 1957) [New appointment] [Outside]</p> | <p data-bbox="470 271 1262 1111"> April 1988 Joined Jusco Co., Ltd. (currently AEON Co., Ltd.) March 1999 General Manager of Grocery Merchandise Division, SSM Merchandise Headquarters September 2004 General Manager of H&BC Merchandise Headquarters; and General Manager of Non-food and Health Merchandise Division May 2005 Executive Officer May 2006 Managing Executive Officer May 2007 Representative Director and President, Aeon Global Merchandising Co., Ltd. April 2010 Executive Officer; General Manager of Food and Delicatessen Merchandise Headquarters, Aeon Retail Co., Ltd. April 2011 Executive Officer, General Manager of Food Merchandise Planning Headquarters November 2011 Senior Executive Director of SANYO MARUNAKA CO., LTD. May 2013 President, Representative Director of Maxvalu Chubu Co., Ltd. September 2019 Chairman, Representative Director of Maxvalu Tokai Co., Ltd. May 2020 President, Representative Director of Aeon Global Merchandising Co., Ltd. (to present) May 2020 Chairman, Representative Director of Cordon Vert Co., LTD. (to present) June 2020 In charge of Merchandise Procurement, AEON Co., Ltd. (to present) May 2021 Chairman, Director of Aeon Sports Global Merchandising Co., Ltd. (to present) </p> <p data-bbox="470 1122 1262 1256"> [Significant concurrent positions] President, Representative Director of Aeon Global Merchandising Co., Ltd. In charge of Merchandise Procurement, AEON Co., Ltd. Chairman, Representative Director of Cordon Vert CO., LTD. </p> | 0 |
| <p data-bbox="193 1270 1463 1413"> [Reason for nomination as a candidate for Outside Director and summary of expected roles] Mr. Yoshitomo Suzuki has been engaged in corporate management in the retail sector for many years and has abundant experience and a high level of insight into merchandise and other matters. The Company highly values his experience and ability. If elected as an Outside Director, his expected role will be to utilize his insight to provide supervision and advice. The Company has therefore nominated him as a new candidate for Outside Director. </p> | | | |

Note: Mr. Yoshitomo Suzuki is concurrently in charge of Merchandise Procurement of AEON Co., Ltd., which is a major shareholder of the Company and a business alliance partner.

| No. | Name (Date of birth) | Career summary, positions, responsibilities, and significant concurrent positions | Number of shares of the Company held |
|--|--|--|--|
| 9 |  <p data-bbox="225 533 414 595">Yaeko Ishida (August 18, 1970)</p> <p data-bbox="220 631 419 725">[New appointment] [Outside] [Independent]</p> | <p data-bbox="475 271 1270 528">October 2000 Registered as an attorney-at-law October 2000 Joined Yamazaki General Law Office October 2005 Partner, Yamazaki General Law Office January 2007 Judicial Commissioner of Tokyo Summary Court April 2016 Conciliation Commissioner of Tachikawa Branch of Tokyo Family Court (to present) June 2019 Outside Audit & Supervisory Board Member of Citizen Watch Co., Ltd. (to present) November 2019 Partner of Midorikawa-Kitadai Law Office (to present)</p> <p data-bbox="475 539 1238 640">[Significant concurrent positions] Partner of Midorikawa-Kitadai Law Office Outside Audit & Supervisory Board Member of Citizen Watch Co., Ltd.</p> | 0 |
| <p data-bbox="193 745 1134 770">[Reason for nomination as a candidate for Outside Director and summary of expected roles]</p> <p data-bbox="193 775 1465 916">Ms. Yaeko Ishida has abundant experience and a high level of insight as an attorney-at-law. The Company considers her insight into corporate legal affairs to be necessary in order to enhance the transparency of the Company's management and strengthen the supervisory function of the Board of Directors. If elected as an Outside Director, her expected role will be to provide supervision and advice from an objective and legal standpoint, based on this insight. The Company has therefore nominated her as a new candidate for Outside Director.</p> <p data-bbox="193 920 1465 974">Although she has never been involved in corporate management other than as an outside officer, the Company believes that she will appropriately fulfill her duties as Outside Director based on the reasons above.</p> <p data-bbox="193 978 557 1003">[Matters concerning independence]</p> <p data-bbox="193 1008 1465 1088">If Ms. Ishida is appointed and assumes office, then the Company will designate her as an independent director, who does not violate the independence standards stipulated by the Tokyo Stock Exchange nor represent risks of conflicts of interest with general shareholders.</p> | | | |

Notes:

1. Ms. Yaeko Ishida's name in her capacity as an attorney-at-law is Yaeko Kitadai.
2. There is no special interest between Ms. Yaeko Ishida and the Company.

Liability Limitation Agreement

- Pursuant to Article 427, Paragraph 1 of the Companies Act and the provisions of the Company's Articles of Incorporation, the Company has concluded liability limitation agreements with Mr. Shinya Watanabe and Mr. Shuichi Otani, which limit their liability for damages stipulated in Article 423, Paragraph 1 of the said Act.
- These agreements will be continued if Mr. Shinya Watanabe and Mr. Shuichi Otani are reappointed and assume office. If Mr. Yoshitomo Suzuki and Ms. Yaeko Ishida are appointed and assume office, then the Company intends to conclude similar liability limitation agreements with them.
- The maximum amount of liability for damages under these agreements is the minimum amount of liability set forth in Article 425, Paragraph 1 of the Companies Act.

Directors and Officers Liability Insurance Contract


- Pursuant to Article 430-3 of the Companies Act, the Company has concluded a directors and officers liability insurance (D&O insurance) contract with an insurance company, to cover losses arising from damages claims related to the execution of duties by the insured parties (except in cases corresponding to exemptions under the insurance contract). The insurance premium is fully paid by the Company.
- Each Director candidate who is appointed and assumes office as Director will be included among the insured parties under this insurance contract.
- The term of the insurance contract is one year, and the Company intends to renew the contract before this term expires, by resolution of the Board of Directors.

Proposal 3: Election of Two (2) Audit & Supervisory Board Members


The terms of office of Audit & Supervisory Board Members Masami Shinozaki and Koji Makino will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of two (2) Audit & Supervisory Board Members is proposed.

The consent of the Audit & Supervisory Board has been obtained with regard to the submission of this Proposal.

The candidates for Audit & Supervisory Board Member are as follows:

| No. | Name (Date of birth) | Career summary, positions and significant concurrent positions | Number of shares of the Company held |
|--|---|--|--|
| 1 |  <p>Masami Shinozaki (September 29, 1953)</p> <p>[Reappointment] [Outside] [Independent]</p> <p>[Term of Office as Audit & Supervisory Board Member] 12 years at the conclusion of this General Meeting</p> <p>[Attendance at the Board of Directors meetings] 18/18 (100%)</p> <p>[Attendance at the Audit & Supervisory Board meetings] 22/22 (100%)</p> | <p>April 1987 Registered as an attorney-at-law April 1987 Joined Hirai Law Office (currently Shinozaki & Partners) February 1990 Partner April 2002 Conciliation Commissioner of Tokyo Family Court January 2004 Representative of Shibata & Shinozaki Law Office (former Hirai Law Office, currently Shinozaki & Partners) (to present) April 2004 Director of Conciliation Committee, Tokyo Family Court February 2005 Registered as a certified public tax accountant April 2006 Auditor, Kanto Federation of Bar Associations April 2008 Vice-president, Dai-Ichi Tokyo Bar Association April 2009 Civil Conciliation Commissioner, Tokyo District Court (to present) June 2009 Outside Audit & Supervisory Board Member, the Company (to present) June 2011 Mediation Commissioner, Alternative Dispute Resolution Center, Ministry of Education, Culture, Sports, Science and Technology (to present) April 2013 Deputy Chairperson of Disciplinary Committee, Japan Federation of Bar Associations March 2018 Outside Audit & Supervisory Board Member of MarkLines Co., Ltd. (to present)</p> <p>[Significant concurrent positions] Representative of Shinozaki & Partners Outside Audit & Supervisory Board Member of MarkLines Co., Ltd.</p> | 1,000 |
| <p>[Reason for nomination as a candidate for Outside Audit & Supervisory Board Member] Mr. Masami Shinozaki has abundant experience and a high level of insight as an attorney-at-law, as well as insight as a certified public tax accountant. The Company considers these insights necessary for the effective audit of the Company, and has therefore renominated him as a candidate for Outside Audit & Supervisory Board Member. Although he has never been involved in the management of a company other than as an outside officer, the Company believes that he will be able to appropriately fulfill his duties as Outside Audit & Supervisory Board Member based on the reasons above.</p> <p>[Matters concerning independence] The Company has designated him as an independent auditor, who does not violate the independence standards stipulated by the Tokyo Stock Exchange nor represent risks of conflicts of interest with general shareholders.</p> | | | |

Note: There is no special interest between Mr. Masami Shinozaki and the Company.

| No. | Name (Date of birth) | Career summary, positions and significant concurrent positions | Number of shares of the Company held |
|---|--|--|--|
| 2 |  <p>Koji Makino (October 7, 1966)</p> <p>[Reappointment] [Outside] [Independent]</p> <p>[Term of Office as Audit & Supervisory Board Member] 8 years at the conclusion of this General Meeting</p> <p>[Attendance at the Board of Directors meetings] 18/18 (100%)</p> <p>[Attendance at the Audit & Supervisory Board meetings] 22/22 (100%)</p> | <p>October 1988 Registered as a junior certified public accountant October 1988 Joined Tokyo Office of KPMG Minato Audit Corporation (currently KPMG AZSA LLC) August 1992 Registered as a certified public accountant August 1997 Manager of Melbourne Office, KPMG September 2001 Joined DAN CONSULTING CO., LTD. October 2001 Registered as a certified public tax accountant July 2003 Director of DAN CONSULTING CO., LTD. January 2006 Representative of Makino Koji Certified Public Accountant Office February 2009 Representative Director of BE1 & Co. (to present) September 2012 Outside Auditor of Digital Garage, Inc. June 2013 Outside Audit & Supervisory Board Member of the Company (to present) March 2014 Outside Auditor of UMANITY, Inc. (to present) December 2015 Outside Auditor of Obara Group Inc. September 2016 Outside Director, Audit and Supervisory Committee Member of Digital Garage, Inc. (to present) December 2017 Outside Director of Obara Group Inc. (to present)</p> <p>[Significant concurrent positions] Representative Director, BE1 & Co. Outside Director, Audit and Supervisory Committee Member of Digital Garage, Inc. Outside Director of Obara Group Inc.</p> | 100 |
| <p>[Reason for nomination as a candidate for Outside Audit & Supervisory Board Member] Mr. Koji Makino has abundant experience and a high level of insight as a certified public accountant and a tax accountant. The Company considers these insights necessary for the effective audit of the Company, and has therefore renominated him as a candidate for Outside Audit & Supervisory Board Member.</p> <p>[Matters concerning independence] The Company has designated him as an independent auditor, who does not violate the independence standards stipulated by the Tokyo Stock Exchange nor represent risks of conflicts of interest with general shareholders.</p> | | | |

Note: There is no special interest between Mr. Koji Makino and the Company.

Liability Limitation Agreement

- Pursuant to Article 427, Paragraph 1 of the Companies Act and the provisions of the Company's Articles of Incorporation, the Company has concluded liability limitation agreements with Mr. Masami Shinozaki and Mr. Koji Makino, which limit their liability for damages stipulated in Article 423, Paragraph 1 of the said Act.
- These agreements will be continued if Mr. Masami Shinozaki and Mr. Koji Makino are reappointed and assume office.
- The maximum amount of liability for damages under these agreements is the minimum amount of liability set forth in Article 425, Paragraph 1 of the Companies Act.

Directors and Officers Liability Insurance

- Pursuant to Article 430-3 of the Companies Act, the Company has concluded a directors and officers liability insurance (D&O insurance) contract with an insurance company, to cover losses arising from damages claims related to the execution of duties by the insured parties (except in cases corresponding to exemptions under the insurance contract). The insurance premium is fully paid by the Company.
- Each candidate who is appointed and assumes office as Audit & Supervisory Board Member will be included among the insured parties under this insurance contract.
- The term of the insurance contract is one year, and the Company intends to renew the contract before this term expires, by resolution of the Board of Directors.

[Decision Policy on Nominations]

Prerequisites for all officers:

- Strongly empathize with the Group Management Philosophy of realizing *Sukoyakeku* (to contribute to realizing our customers' healthy, prosperous, warm daily lives and a healthier society) and practicing a customer-first approach to business
- Possess the ability to contribute to the Group's sustainable growth and the enhancement of corporate value
- Possess an abundant awareness of compliance with laws, regulations, social and other rules
- Possess outstanding character, dignity, knowledge and insight, and a high standard of ethics
- Be capable of constructing optimal management systems and structures, and engaging in appropriate and proper corporate management
- Be able to engage in constructive dialogue with shareholders, and reflecting in management the insights obtained through this dialogue

Policy on the selection of internal Directors

- Deeply comprehend the Group Code of Conduct, and are able to serve as a model for employees
- Possess outstanding management sense, management and leadership qualities, etc.
- Possess abundant knowledge, ability, expertise, experience and achievements related to business operations
- Possess the ability to take a high-level, comprehensive view of company-wide business operations, execute business and supervise business execution accordingly
- Be able to promote achievement of the Sustainable Development Goals (SDGs), to continue to be a company that enjoys the support of its customers

Policy on the nomination of Outside Directors

- Possess the ability to supervise the execution of business, and provide advice and recommendations regarding the Company's sustainable growth from an independent and objective perspective
- Possess a high degree of specialized knowledge and abundant experience in fields such as corporate management, industry knowledge, financial accounting, legal affairs, finance, DX, etc.
- Can be expected to voice opinions and act from a stance independent to the execution of business, and contribute to constructive deliberation at Board of Directors meetings
- Are able to engage in effective supervision of management, through important decision-making regarding Directors, including their appointment and dismissal

Policy and process for the appointment of Audit & Supervisory Board Members

- Audit & Supervisory Board Members candidates are nominated after consideration whether they possess sufficient knowledge and insight in fields such as finance, accounting and legal affairs, and after obtaining the consent of the Audit & Supervisory Board

• **Proposal 4:** Appointment of an Accounting Auditor

The term of appointment of the current Accounting Auditor, Nihombashi Corporation Certified Public Accountants, will expire at the conclusion of this General Meeting of Shareholders. Accordingly, based on the decision of the Audit & Supervisory Board, it is proposed to appoint GYOSEI & CO. as Accounting Auditor.

The Audit & Supervisory Board selected GYOSEI & CO. as candidate to replace Nihombashi Corporation Certified Public Accountants because, in view of the long term of service by the current Accounting Auditor, the appointment of GYOSEI & CO. can be expected to provide a new perspective on the Company's audits. In addition, the Audit & Supervisory Board believes that GYOSEI & CO. is an appropriate candidate for Accounting Auditor, as a result of comprehensive consideration of its expertise, independence, quality control systems and level of audit fees.

The candidate for Accounting Auditor is as follows:

| | |
|--------------------------|--|
| Name | GYOSEI & CO. |
| Office | [Principal office] Tokyu Bancho Bldg. 11F, 6 Yonbancho, Chiyoda-ku, Tokyo [Secondary offices] Osaka Kokusai Building, 2-3-13, Azuchimachi, Chuo-ku, Osaka Nagoya Crosscourt Tower, 4-10, Meieki 4-chome, Nakamura-ku, Nagoya, Aichi Nakaya Mitsui Building, 5-20, Minami-cho, Kanazawa-shi, Ishikawa |
| History | Sep. 1990 Hokuto Audit Office is established Oct. 1999 Merged with Tokyo Akasaka Audit Office and changed name to Tokyo Hokuto Audit Office Oct. 2006 Merged with Serizawa Accounting Office and changed name to GYOSEI & CO. Jul. 2011 Merged with Meicho Audit Office Jul. 2014 Merged with Meiwa Audit Office (to present) |
| Overview | As of March 31, 2021 Capital: 154,000,000 yen Members Employees (Certified Public Accountants): 44 (including 10 representative employees) Staff (Certified Public Accountants): 191 (Staff who have passed the CPA exam): 80 (Other): 37 Total: 352 |
| International operations | Allied as a member firm with Nexia International |

Proposal 5: Partial Amendments to the Amount of Compensation, etc. Pursuant to the Continuation of the Stock Compensation Plan for Directors

1. Continuation of the Plan

We propose limits for the amount of compensation, etc., and the number of shares to be delivered, to Directors of the Company (excluding Outside Directors; the same applies hereinafter) and Executive Officers who have concluded delegation agreements (hereinafter referred to collectively as “Directors, etc.”), as well as Directors, etc. of subsidiaries and affiliates (hereinafter, the Company and its subsidiaries and affiliates are referred to collectively as the “Eligible Companies,” and the Directors, etc. of the Eligible Companies are referred to as “Eligible Directors, etc.”), pursuant to the continuation of the stock compensation plan approved and passed by the 70th Annual General Meeting of Shareholders, and subsequently introduced (hereinafter referred to as the “Plan”). The Company wishes to delegate decisions on details of the Plan to resolutions of the Board of Directors, within the scope indicated in 3. below.

Justification

These amendments are deemed suitable in view of their purpose to clarify the linkage between the compensation of Eligible Directors, etc. and the Company’s performance and share value, and for Eligible Directors, etc. not only to enjoy the benefits of rising share prices but also bear the risks of falling share prices. By sharing the same profits and risks from share price fluctuations as shareholders, the Plan also aims to heighten the awareness of Eligible Directors, etc. in contributing to the improvement of business performance and corporate value over the medium to long term, by awarding points to Eligible Directors, etc. in accordance with the degree to which performance targets have been met in each fiscal year during the period of the Plan.

The Company’s policy on the determination of officers’ compensation is presented on pages 28 to 29 of the Reference Documents for the General Meeting of Shareholders.

If Proposal 2: Election of Nine (9) Directors is approved as originally proposed, the number of Directors of the Company eligible for the Plan, excluding Outside Directors, will be five (5) at the conclusion of this General Meeting of Shareholders.

2. Details of amendments to the Plan

The Plan will be partially amended, as shown below.

The amended sections have been underlined.

| Item | Current | After amendment |
|---|--|---|
| (1) Applicable period | The three fiscal year period from the fiscal year ending <u>March 31, 2019</u> to the fiscal year ending <u>March 31, 2021</u> , and each three fiscal year period thereafter. | The three fiscal year period from the fiscal year ending <u>March 31, 2022</u> to the fiscal year ending <u>March 31, 2024</u> , and each three fiscal year period thereafter. |
| (2) Maximum amount of money to be contributed by the Company | The Company shall contribute a <u>maximum total of 75 million yen</u> (including up to <u>48 million yen</u> for Directors of the Company) during the Applicable period | The Company shall contribute a <u>maximum total of 198 million yen</u> (including up to <u>60 million yen</u> for Directors of the Company) during the Applicable period |
| (3) Method for calculating the number of shares of the Company to be delivered to Eligible Directors, etc. | Points shall be awarded according to rank each fiscal year during the Applicable Period | Points shall be awarded according to rank <u>and the degree of achievement of performance targets*</u> each fiscal year during the Applicable Period <u>*Performance targets for the Applicable Period shall be (Group) consolidated net sales and the reduction in (Group) consolidated inventory loss ratio, based on the medium-term business plan, with a coefficient varying from 0% to 200% depending on the degree to which these targets are achieved each fiscal year</u> |
| (4) Maximum number of the Company's shares, etc. to be delivered to Eligible Directors, etc. (maximum number of points) | Up to <u>44,000 points</u> each Plan period (including up to <u>28,000 points</u> for Directors of the Company) | Up to <u>90,000 points</u> each Plan period (including up to <u>27,000 points</u> for Directors of the Company) |

3. Amount and details, etc. of compensation, etc. under the Plan

(1) Overview of the Plan

The Plan is a stock compensation plan in which the Company's shares are acquired through a trust (hereinafter the "Trust") using money contributed by the Company, and the Company's shares and money are granted to Directors, etc. of the Eligible Companies through the Trust according to the position of Eligible Directors, etc. and the degree of achievement of performance targets, in accordance with the stock benefit rules established by the Company. In principle, Eligible Directors, etc. will receive the Company's shares and money at the time of their retirement.

(2) Persons eligible for the Plan

Eligible Directors, etc.

(3) Applicable period

The initial period of the Plan was originally established to comprise the three fiscal years from the fiscal year ended March 31, 2019 to the fiscal year ended March 31, 2021, but this will be amended as set forth under 2. Details of amendments to the Plan, subject to the approval of this proposal. The Applicable period after amendment will comprise the three fiscal years from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024 (hereinafter “this Applicable Period”), and will be continued for each three fiscal year period thereafter (hereinafter each three fiscal year period is referred to as an “Applicable Period”).

(4) Establishment of trust associated with the operation of the Plan

In operating the Plan, the Company will establish and operate a trust upon agreement with the trustee.

(5) Maximum amount of money contributed by the Company

During this Applicable Period, the Company will contribute a maximum total of 198 million yen (including up to 60 million yen for Directors of the Company) as funds for the acquisition of shares to deliver to Eligible Directors, etc. under the Plan, and establish the Trust. The beneficiaries of the Trust will be Eligible Directors, etc. who satisfy the requirements for beneficiaries. During this Applicable Period, the Company may make additional contributions to fund the acquisition of shares, within the maximum total of 198 million yen (including up to 60 million yen for Directors of the Company). After the expiration of this Applicable Period, the Company will continue to make additional contributions of a maximum total of 198 million yen (including up to 60 million yen for Directors of the Company) per Applicable Period thereafter, until the Plan ceases operation. However, where an additional contribution is made by the Company, and where shares of the Company (excluding shares awaiting delivery to an Eligible Director, etc. who holds a corresponding number of points; see (7) below regarding points) or cash (hereinafter “residual shares, etc.”) remain among the trust assets as of the final day of the Applicable Period immediately before the current Applicable Period, the maximum amount of the additional contribution will be equal to 198 million yen (including up to 60 million yen for Directors of the Company) minus the value of these residual shares, etc. (In the case of shares, the value of residual shares, etc. will be the fair value of the shares as of the final day of the previous Applicable Period.)

(Note) The amount of money to be contributed by the Company to the Trust is the sum of the funds for the acquisition of the Company’s shares as described above, as well as the estimated amount of necessary expenses such as trust fees and trust administrator fees.

(6) Method and timing of acquisition of the Company's shares by the trust

The Trust is scheduled to acquire the Company's shares from the stock market, etc., within the maximum amount of money to be contributed to the Trust as described in (5) above, and no new shares will be issued. Therefore, the total number of issued shares of the Company will not increase, and no dilution will occur.

For this Applicable Period, the Trust will acquire up to 90,000 shares of the Company promptly after it is established.

(7) Calculation method of the number of the Company's shares to be granted to the eligible persons under the Plan

Points will be awarded to Eligible Directors, etc. during each Applicable Period, according to rank and the degree of achievement of performance targets* each fiscal year. The points granted will be converted into one Company's share per one point when granting shares. (However, if, after the approval of this proposal, the Company conducts a share split, gratis allotment of shares, share consolidation, etc. of the Company's shares, the conversion ratio shall be reasonably adjusted in accordance with the ratio thereof.)

The maximum total number of points to be awarded to Eligible Directors, etc. for each Applicable Period will be 90,000 points (including up to 27,000 points for Directors of the Company).

*Performance targets for the Applicable period will be (Group) consolidated net sales and the reduction in (Group) consolidated inventory loss ratio, based on the medium-term business plan, with a coefficient varying from 0% to 200% depending on the degree to which these targets are achieved each fiscal year.

(8) Delivery of the Company's shares, etc. to eligible persons under the Plan

In principle, the number of shares, etc. corresponding to the number of points granted up to the time of retirement will be delivered to Eligible Directors, etc. upon their retirement, by conducting the beneficiary determination procedures stipulated in the stock benefit rules. However, a portion of the Company's shares will be paid in money equivalent to the fair value of such shares primarily for withholding tax purposes.

(9) Exercise of voting rights pertaining to the Company's shares in the trust

Voting rights pertaining to the Company's shares in the Trust will not be exercised, without exception, in order to ensure neutrality with respect to the Company's management.

(10) Handling of dividends on the Company's shares in the trust

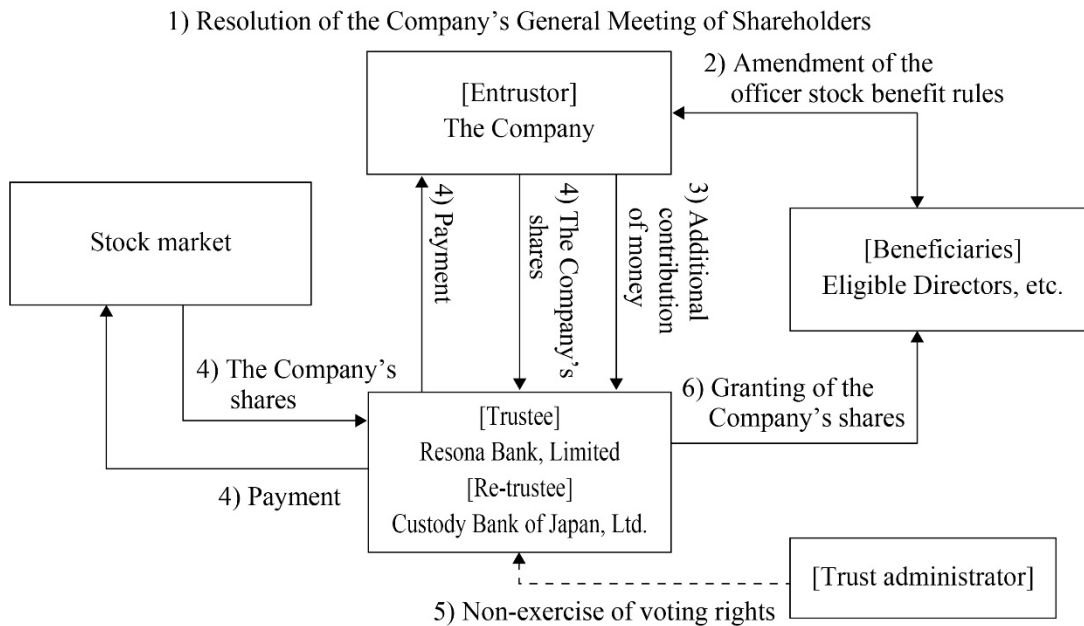
Dividends on the Company's shares in the Trust will be received by the trust and will be appropriated as funds to acquire the Company's shares and trust expenses for trust fees. Furthermore, when the Trust is terminated, dividends remaining in the Trust will be distributed to the Eligible Directors, etc. under the Plan who are in office at that time in proportion to the number of their accumulated points, or donated to public interest corporations, etc.

(11) Treatment upon termination of the trust

The Trust shall be terminated upon the occurrence of events such as the abolition of the stock benefit rules pertaining to officer compensation.

Of the residual assets in the Trust at the termination of the Trust, the Company plans to acquire all of its shares for no consideration and retire them by resolution of the Board of Directors of the Company, or donate them to public interest corporations. Of the residual assets of the Trust at the termination of the Trust, money will be distributed to Eligible Directors, etc. under the Plan who are in office at that time in proportion to their accumulated points, or donated to public interest corporations.

[Overview of the structure of the Trust]



- 1) The Company shall obtain a resolution to approve partial amendments to the Plan pursuant to its continuation at the General Meeting of Shareholder.
- 2) The Company shall amend the officer stock benefit rules within the scope of the framework approved by this General Meeting of Shareholders.
- 3) The Company shall entrust additional money within the scope approved by this General Meeting of Shareholders.
- 4) The Trust shall acquire the Company's shares from the stock market, etc. or through acceptance of disposal of the Company's treasury stock, using the funds contributed in accordance with the provisions of 3) above.
- 5) Voting rights pertaining to the Company's shares in the Trust shall not be exercised throughout the trust period.
- 6) During the trust period, points shall be awarded to Directors, etc. according to the positions of Eligible Directors, etc. under the Plan and the degree to which performance targets have been achieved, in accordance with the provisions of the officer stock benefit rules described in 2) above. The Company's shares corresponding to the accumulated number of points awarded shall be delivered to Eligible Directors, etc. who meet certain beneficiary requirements set forth in the stock benefit rules, such as at the time of retirement.

Proposal 6: Payment of a Directors' Bonus

Based on a consideration of the financial results for the year ended March 31, 2021, we propose to pay a total Directors' bonus of 20 million yen to the five (5) Directors, excluding Outside Directors, incumbent as of March 31, 2021.

We further propose that determination of the amount of the bonus to be paid to each Director shall be delegated to the Representative Director and President, based on a resolution of the Board of Directors, in accordance with the decision policy on the details of compensation, etc. for individual Directors for the fiscal year (presented on pages 51 through 52 of the Business Report).

The Nomination and Compensation Committee considers this Directors' bonus appropriate based on an evaluation of the status of business execution and financial results, etc. for the fiscal year ended March 31, 2021.

[Policy on the determination of officers' compensation]

Compensation shall be designed to emphasize links with financial results and long-term corporate value, and value sharing with shareholders, in order to aim for profitable growth and appropriate shareholder returns through sound business activities. Compensation shall be designed to maintain accountability and management transparency.

1. Decision process and details of officers' compensation

The Company has established the Nomination and Compensation Committee as an advisory organ to the Board of Directors, in order to ensure the transparency and fairness of the decision process for officers' compensation. The Nomination and Compensation Committee is composed of three (3) members, with a majority of Outside Directors. It is also chaired by an Outside Director, to ensure the objectivity of its deliberations. It deliberates and makes recommendations on the policy, structure, calculation method, and individual amounts of officers' compensation. Compensation for individual Directors is determined by the Board of Directors within the limits approved by the General Meeting of Shareholders, based on the content of deliberation and recommendations by the Nomination and Compensation Committee. Compensation for Audit & Supervisory Board Members is determined through discussion by the Audit & Supervisory Board.

2. Composition and calculation method of officers' compensation

Compensation for the Company's officers is composed of a basic salary and short-term performance-linked compensation, which are paid in cash, and medium- to long-term performance-linked compensation, which is non-cash compensation.

(1) Basic salary

A basic salary is paid monthly to all the Company's Directors in a fixed amount, according to role.

(2) Short-term performance-linked compensation

Short-term performance-linked compensation is paid to Directors who are not Outside Directors. It is calculated by multiplying the basic salary by a scaling factor depending on the financial results for a single fiscal year. A portion is paid monthly, and the rest as a lump sum. The portion paid monthly is calculated by multiplying the amount of the basic salary by a factor (from 0% to 70%) depending on the degree to which consolidated operating profit targets have been achieved. The portion paid as a lump sum is paid conditional upon increases in each of consolidated operating profit, consolidated ordinary profit, and consolidated profit exceeding the previous fiscal year's levels. It is calculated by multiplying the amount of monthly basic salary by a factor (from 25% to 400%) depending on the amount by which consolidated operating profit targets have been exceeded.

(3) Medium- to long-term performance-linked compensation

Medium- to long-term performance-linked compensation for Directors excluding Outside Directors is based on the annual vesting of beneficiary rights in a trust that is not a money trust (a share delivery trust)

and is paid at retirement, in the form of shares and money. Directors who fulfill the requirements on retirement and other matters receive shares of the Company and money in accordance with the number of points received. Points are awarded based on the position of each Director and the degree to which performance targets have been achieved. Stock compensation is based on consolidated results, including subsidiaries from the perspective of “Group management,” and varies in a range from 0% to 200% according to the degree to which the consolidated net sales targets in the medium-term management plan have been achieved, and the degree to which the inventory loss ratio has been reduced, as a sustainability assessment. The Company has established a system whereby vested rights pertaining to shares for which delivery is planned based on points can be confiscated (malus) from eligible Directors who commit serious acts of dishonesty or infraction, etc.

3. Proportion of each form of compensation

The relative proportion of the amounts of each form of compensation varies according to the degree to which performance targets have been achieved, but if targets are met, then the proportion of basic salary to short-term performance-linked compensation to medium- to long-term performance-linked compensation is designed to be approximately 5 to 4 to 1. Compensation for Outside Directors and Audit & Supervisory Board Members consists only of a fixed salary, in view of their roles and independence.

4. Compensation limits

Cash compensation for Directors not exceeding 350 million yen per annum was approved at the Company’s 43rd Annual General Meeting of Shareholders. This does not include compensation paid to Directors concurrently serving as employees in their capacity as employees. At the 73rd Annual General Meeting of Shareholders, it is planned to obtain approval for a compensation limit for Directors of 198 million yen (including up to 60 million yen for the Company’s Directors) over three fiscal years as funds to acquire shares, in addition to the cash compensation limit above.