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Securities Code: 2929

September 29, 2021

To our shareholders:

Mujo Kim  
Representative Director and President  
**Pharma Foods International Co., Ltd.**  
1-49, Goryo-Ohara, Nishikyo-ku, Kyoto-shi

## Notice of the 24th Annual General Meeting of Shareholders

We are pleased to announce the 24th Annual General Meeting of Shareholders of Pharma Foods International Co., Ltd. (the “Company”), which will be held as indicated below.

To prevent the spread of the novel coronavirus disease (COVID-19), we have decided to hold this General Meeting of Shareholders, implementing appropriate measures to prevent infection.

The Company is **strongly requesting that shareholders exercise their voting rights in writing or via the Internet to the best of their ability prior to the meeting, and refrain from attending on the day of this General Meeting of Shareholders.**

Please read the attached Reference Documents for the General Meeting of Shareholders, and kindly exercise your voting rights by Tuesday, October 19, 2021, at 6:00 p.m. (Japan Standard Time).

- 1. Date and Time:** Wednesday, October 20, 2021, at 11:00 a.m. (Japan Standard Time)  
(Reception opens at 10:00 a.m.)
- 2. Venue:** Yomeiden Hall, B1 Floor, Miyako Hotel Kyoto Hachijo  
17, Nishikujo-Inmachi Minami-ku, Kyoto-shi (Kyoto Station Hachijo Exit)  
[Notice] To prevent COVID-19 infections and spread, **we will not be distributing souvenirs.** Furthermore, attendees must come unaccompanied.

### 3. Purpose of the Meeting:

#### Matters to be reported:

1. The Business Report and the Consolidated Financial Statements for the 24th fiscal year (from August 1, 2020 to July 31, 2021), and the results of audits of the Consolidated Financial Statements by the Financial Auditor and the Audit & Supervisory Board
2. Non-consolidated Financial Statements for the 24th fiscal year (from August 1, 2020 to July 31, 2021)

#### Matters to be resolved:

- Proposal No. 1** Appropriation of Surplus  
**Proposal No. 2** Election of One Director  
**Proposal No. 3** Determination of Remuneration for Allotting Restricted Shares to Directors

#### **4. Regarding Internet Disclosure:**

The following items are not provided in the attached documents to this notice because they are posted on the Company's website (<https://www.pharmafoods.co.jp/>) (in Japanese only), pursuant to the provisions of laws and regulations and Article 14 of the Company's Articles of Incorporation.

- 1) Notes to Consolidated Financial Statements
- 2) Notes to Non-consolidated Financial Statements

Accordingly, the attached materials to this notice are part of the Consolidated Financial Statements and Non-consolidated Financial Statements, which have been audited by the Financial Auditor in preparing their audit reports and Audit & Supervisory Board Members and Audit & Supervisory Board in preparing their audit reports.

- ◎ When attending the meeting in person, please hand in the enclosed voting form at the reception desk at the meeting venue.
- ◎ If revisions to the contents of the Reference Documents for the General Meeting of Shareholders, the Business Reports, the Non-consolidated Financial Statements and the Consolidated Financial Statements are required, the Company shall publish a notification on the Company's website (<https://www.pharmafoods.co.jp/>) (in Japanese only).

#### **The Company's response to the risk of COVID-19 at this General Meeting of Shareholders**

- **To reduce the total time of the meeting to prevent the spread of infection, the time allotted for explanations of matters to be reported, etc. will be shorter than in normal years.**
- **To prevent the spread of infection, seats will be spaced 1.5 meters apart, meaning that we expect there to be around 80 seats. You may be refused entry if seating reaches capacity.**
- **When checking in, shareholders' temperatures will be checked with a contactless thermometer. Shareholders with coughs, fevers, or who otherwise appear unwell may either be refused entry or asked to leave the venue.**
- **The Company's officers and organizing staff members will wear masks when interacting with shareholders.**
- **We ask that shareholders attending in person confirm that they are in good health prior, wear a mask, and sanitize their hands.**

## Reference Documents for the General Meeting of Shareholders

### Proposals and Reference Information

#### Proposal No. 1 Appropriation of Surplus

The Company proposes the appropriation of surplus as follows:

#### Year-end dividends

In line with the business policy, which is to balance corporate growth and profitability, the Company maintains the basic policy is of improving dividends proactively as returns to our shareholders while expanding proactive investment in research and development, advertising, M&A, etc.

According to our above basic policy on dividends of surplus, etc., after careful consideration of our financial results in the current fiscal year and our future business development, etc., we have decided to pay ¥20 per share as year-end dividends in the current fiscal year.

#### (1) Type of dividend property

Cash

#### (2) Allotment of dividend property and their aggregate amount

¥20 per common share of the Company

Total dividends: ¥581,242,000

Furthermore, the amount of annual dividends for the current fiscal year is ¥25 per share with the inclusion of the interim dividend (¥5 per share) paid on April 2, 2021.

#### (3) Effective date of dividends of surplus

October 21, 2021

**Proposal No. 2** Election of One Director

The Company will increase the number of Directors by one to further enhance the management system and it proposes the election of the Director. In addition, as provided for in the Company's Articles of Incorporation, the term of office of the Director elected at this General Meeting will be until the terms of office of the other currently serving Directors expire.

The candidate for Director is as follows:

Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
<p>[New election] [Outside]</p> <p>Taro Ueda</p> <p>(February 18, 1960)</p>	<p>Apr. 1985      Joined KOBAYASHI PHARMACEUTICAL CO., LTD.</p> <p>Apr. 1995      Manager of Pharmaceutical and Cosmetic Products Planning and Research Group</p> <p>Apr. 2002      General Manager of Pharmaceutical and Cosmetic Products Development Department</p> <p>Apr. 2016      General Manager of Development Department of Central R&amp;D Laboratory</p> <p>Dec. 2020      Retired from KOBAYASHI PHARMACEUTICAL CO., LTD.</p>	<p>—</p>
<p>[Reasons for nomination as candidate for Director and outline of roles expected]</p> <p>Taro Ueda played a central role in product development and marketing over many years at KOBAYASHI PHARMACEUTICAL CO., LTD. Based on his abundant knowledge and experience, we believe that he will provide advice on the Company's product development, offer suggestions on the Company's management from an outside perspective, and perform management supervisory functions. Therefore, we are nominating him as a candidate for outside Director. If Taro Ueda is elected as outside Director, he will attend important meetings such as the Executive Meeting and be involved in product development and marketing from an objective and neutral position.</p>		

- Notes:
1. There is no special interest between the candidate and the Company.
  2. Taro Ueda is a candidate for outside Director.
  3. The Company has an invited candidate for outside Director on the assumption that he fulfills the independence criteria established by financial instruments exchanges.
  4. The Company plans to submit notification to the Tokyo Stock Exchange that Taro Ueda has been designated as an independent officer as provided for by the aforementioned exchange.
  5. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy covers the legally mandated amount of indemnification and litigation expenses incurred from claims for damages arising from acts (including nonfeasance) carried out by the insured at a certain position of the Company, including as Directors of the Company (however, excluding situations in which there is an exclusion of liability due to the insured person receiving profits or benefits illegally and in the event of criminal actions, malfeasance, fraud, or acts conducted with the knowledge that they violate rules or control laws and regulations). In the event that a candidate is elected and assumes as Director, he will become an insured person in the policy. Furthermore, the next time that the policy is renewed, the plan is to renew them with the same contents.

### **Proposal No. 3** Determination of Remuneration for Allotting Restricted Shares to Directors

The amount of remuneration paid to Directors of the Company was approved as ¥200 million or less per year (¥30 million or less of which to be paid to outside Directors and which excludes employee salaries of Directors concurrently serving as employees) at the 21st Annual General Meeting of Shareholders of the Company held on October 24, 2018.

Now, with the aim of sharing the benefits and risks of share price fluctuations between shareholders and Directors (excluding outside Directors) of the Company and giving them more incentives to drive share price higher and increase corporate value, the Company requests your approval to allot the Company's common shares subject to provisions including those concerning the Transfer Restriction Period (to be defined later) and those concerning justifiable reasons for the Company to acquire the shares without contribution (hereinafter "Restricted Shares") to Directors (excluding outside Directors) of the Company as discussed below.

We comprehensively considered various factors including the contribution levels of the Directors at the Company, and as a separate framework from the above amount of remuneration paid to Directors, the Company would like to set the amount of the remuneration at up to ¥150 million per year as the total amount of monetary remuneration claims provided as Restricted Share-based remuneration to Directors of the Company (excluding outside Directors). There are two types of Restricted Share allotment. The first type is "Restricted Shares I," for which decisions on the number of Restricted Shares to be allotted will be made only when the initial performance targets for net sales and operating profit for the fiscal year immediately prior to the fiscal year in which the Restricted Shares are allotted are achieved and in which the number of shares for which the Transfer Restriction is lifted is conditioned on the Directors of the Company continuously maintaining their positions for a set period. The second type is "Restricted Shares II," for which the number of Restricted Shares for which the Transfer Restriction is lifted is based on the level of achievement of performance targets and other factors in the medium-term management plan.

Additionally, the allotment of Restricted Shares has been determined based on a comprehensive consideration of the contribution levels of Directors of the Company and other matters, and the maximum number of Restricted Shares allotted in each fiscal year stipulated in 2. below makes up approximately 0.21% of total issued shares (if the above maximum number of Restricted Shares are issued over ten years, they will make up approximately 2.1% of total issued shares). Because the dilution rate is minimal, we believe that these limits are reasonable.

At a meeting of the Company's Board of Directors held on September 21, 2021, the Board of Directors established a policy to decide the details of the individual remuneration paid to Directors, a summary of which is provided in the Business Report. The allotment of Restricted Shares based on this proposal follows that policy.

Furthermore, currently the number of Directors of the Company is seven (including two outside Directors), and if Proposal No. 2 is approved, the number of Directors will be eight (including three outside Directors).

The specific details and upper limit on the number of Restricted Shares for Directors of the Company

#### 1. Allotment and payment for Restricted Shares

In accordance with a resolution of the Company's Board of Directors, the Directors (excluding outside Directors) of the Company shall receive monetary remuneration claims within the aforementioned annual amount related to Restricted Share-based remuneration, and each Director shall receive the allotment of Restricted Shares by providing all of the monetary remuneration claims in the form of property contributed in kind.

The amount to be paid in for the Restricted Shares shall be 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 of the Company's Board of Directors (if there is no closing price on such date, the closing price on the closest preceding trading day) pertaining to such issue or disposal, and shall be determined by the Company's Board of Director to the extent that the amount will not be particularly advantageous for Directors receiving the Restricted Shares.

Furthermore, the aforementioned monetary remuneration claims shall be provided to Directors (excluding outside Directors) of the Company on the condition that they have agreed to the above payment of property contributed in kind, and have concluded an agreement on the allotment of Restricted Shares which includes the provisions stipulated in 3. below.

## 2. Total number of Restricted Shares

The maximum number of Restricted Shares allotted in each fiscal year to Directors (excluding outside Directors) of the Company shall be no more than 60,000 shares.

However, after the day that this proposal is resolved, if there is a split of the Company's common shares (including an allotment without contribution of the Company's common shares) or a share merger, or another similar event which makes it necessary to adjust the total number of Restricted Shares allotted, the total number of Restricted Shares may be adjusted within reason.

## 3. Provisions of the agreement on the allotment of Restricted Shares

In accordance with a resolution by the Company's Board of Directors, the agreement on the allotment of Restricted Shares to be concluded between the Company and Directors receiving an allotment of Restricted Shares shall include the following provisions.

### (1) Definitions of Transfer Restriction

Directors who have received an allotment of Restricted Shares may not transfer to a third party, create a pledge, create a transfer security interest, an inter vivos gift, bequest, or otherwise dispose in any way (hereinafter the "Transfer Restriction") of the Restricted Shares allotted to the Directors (hereinafter the "Allotted Shares") for a period of three years or more as determined by the Company's Board of Directors (hereinafter the "Transfer Restriction Period").

### (2) Acquisition of Restricted Shares without contribution

In the event that a Director who has received an allotment of Restricted Shares retires from his or her position as Director before the expiration of the Transfer Restriction Period, the Company shall acquire the Allotted Shares without contribution, unless there is a reason recognized as legitimate by the Company's Board of Directors.

Also, if there are any Allotted Shares for which the Transfer Restrictions have not been lifted in accordance with the provisions on reasons for the lifting of the Transfer Restrictions stipulated in (3) below at the time that the Transfer Restriction Period stipulated in (1) above has ended, the Company shall acquire these Allotted Shares without contribution.

### (3) Lifting of the Transfer Restriction

#### (i) Restricted Shares I

The Company will lift the Transfer Restriction on all Allotted Shares at the point when the Transfer Restriction Period is completed and on the condition that the Director who has received an allotment of Restricted Shares has continuously maintained the position as Director of the Company during the Transfer Restriction Period.

#### (ii) Restricted Shares II

The Company will lift the Transfer Restriction on all or some of the Allotted Shares at the point when the Transfer Restriction Period is completed based on the levels of achievement of performance targets established prior at a meeting of the Company's Board of Directors, including the level of achievement of the net sales growth rate, which is a performance target in the Company's medium-term management plan, and other indicators, and on the condition that the Director who has received an allotment of Restricted Shares has continuously maintained the position as Director of the Company during the Transfer Restriction Period.

If, however, the Director has retired from the position of Director of the Company before expiration of the Restriction Period for a reason the Company's Board of Directors deems justifiable, the Company shall make reasonable adjustments to the number of the Allotted

Shares for which the Transfer Restrictions are to be lifted and the schedule to lift the Transfer Restrictions as necessary.

(4) Treatment during reorganization, etc.

If, during the Transfer Restriction Period, matters relating to a merger agreement in which the Company is the dissolving company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or some other reorganization, etc. are approved at the Company's General Meeting of Shareholders (or, in the case where the approval at the Company's General Meeting of Shareholders is not required in relation to the reorganization, etc. in question, at a meeting of the Company's Board of Directors), by resolution of the Company's Board of Directors, the Company shall lift the Transfer Restrictions for the number of Allotted Shares determined rationally based on the period from the Transfer Restriction Period start date until the date on which the reorganization, etc. are approved, prior to the date on which the reorganization, etc. becomes effective.

In this event, the Company shall acquire without contribution the Allotted Shares for which the Transfer Restrictions have not been lifted at the time immediately following the lifting of the Transfer Restrictions based on the above stipulation.

4. Performance-linked stock remuneration scheme

(1) Restricted Shares I

The number of Restricted Shares to be allotted shall be determined only upon achievement of the initial performance targets for net sales and operating profit for the fiscal year immediately prior to the fiscal year in which the Restricted Shares are to be allotted, while comprehensively taking into consideration various matters such as the degree of contribution of Directors to the Company.

(2) Restricted Shares II

Regarding the level of achievement of the Company's net sales growth rate indicator, which is a performance target of the medium-term management plan, and other targets in the fiscal year immediately prior to the fiscal year when the Transfer Restriction Period is completed, the number of shares for which the Transfer Restriction is lifted is decided based on the levels of achievement of performance targets established prior at a meeting of the Company's Board of Directors.

(Reference) Allotment of Restricted Shares to Directors of subsidiaries of the Company

After the conclusion of this General Meeting of Shareholders, the Company plans to allot the Restricted Shares similar to the above Restricted Shares to Directors of the subsidiaries.

Diagram of the process from allotment of Restricted Shares II to lifting of Transfer Restrictions

