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(Stock Exchange Code 9989)

June 5, 2023

(Start date of measures for electronic provision: June 2, 2023)

To Shareholders with Voting Rights:

Hiroshi Sadakata
CEO and Representative Director
SUNDRUG CO., LTD.
1-38-1 Wakamatsucho, Fuchu, Tokyo

NOTICE OF THE 60TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

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

We are pleased to inform you that the 60th Annual General Meeting of Shareholders of SUNDRUG CO., LTD. (the “Company”) will be held for the purposes as described below.

The Company has taken measures for electronic provision for the convocation of this General Meeting of Shareholders and has posted the matters to be provided electronically on the website below as “NOTICE OF THE 60TH ANNUAL GENERAL MEETING OF SHAREHOLDERS.”

The Company’s website (<https://www.sundrug.co.jp/ir/irdata/stockmeeting>)

They are also posted on the websites below.

“*Net de Shoshu* (online convocation)” service (<https://s.srdb.jp/9989/>) (Japanese only)

The Tokyo Stock Exchange, Inc.’s website (Listed Company Search)

(<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>)

Please access The Tokyo Stock Exchange, Inc.’s website above, enter the Company’s name or stock exchange code in the search box and click “Search,” and select “Basic information” and then “Documents for public inspection/PR information” to view the information.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. In either case, you are kindly requested to examine the Reference Documents for the General Meeting of Shareholders listed in the matters to be provided electronically and exercise your voting rights so that it is received by 5:30 p.m. on Thursday, June 22, 2023, Japan time.

- 1. Date and Time:** Friday, June 23, 2023, at 10:00 a.m. Japan time
(Reception commences at 9:00 a.m.)
- 2. Place:** Conference room, 2nd floor, Seminar Center of the Company, located at
1-16-4 Midoricho, Fuchu, Tokyo, Japan
(The venue is different from that of last year's meeting, so please refer to the
Guide Map to the venue of Annual General Meeting of Shareholders at the end
of this document.)
- 3. Meeting Agenda:**
- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company's
60th Fiscal Year (April 1, 2022 - March 31, 2023) 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 60th Fiscal Year
(April 1, 2022 - March 31, 2023)
- Proposal to be resolved:**
- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Election of seven (7) Directors
- Proposal 3:** Election of one (1) Corporate Auditor
- Proposal 4:** Determination of Compensation for Granting Restricted Stock to Directors
(Excluding External Directors)

When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
The following items are not included in the paper copy to be sent to shareholders who have requested it,
pursuant to the provisions of laws and regulations and Article 14 of the Company's Articles of Incorporation.
Therefore, the paper copy is part of the documents audited by the Corporate Auditors and the Accounting
Auditor when preparing the audit reports.

- 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
- Changes, if any, to the matters to be provided electronically will be posted on the websites that list them.

Reference Documents for the General Meeting of Shareholders

Proposal 1: Appropriation of Surplus

The Company would like to appropriate the surplus as follows:

Matters concerning year-end dividends:

The Company proposes that year-end dividends of the 60th fiscal year as follows in view of performance of the fiscal year under review and future business development, etc.

(1) Type of dividend assets:

Cash

(2) Matters concerning the allotment of dividend assets to the shareholders and the amount thereof:

50 yen per share of common stock of the Company

Total amount will be 5,846,163,400 yen.

The total dividend for the fiscal year under review is 100 yen per share, increased by 29 yen per share over the previous year, including the interim dividend of 50 yen per share.

(3) Date when dividends of surplus take effect:

Monday, June 26, 2023

Proposal 2: Election of seven (7) Directors

The terms of office of seven (7) Directors will expire at the conclusion of this General Meeting of Shareholders. The Company would like to propose the election of seven (7) Directors.

The candidates are as follows:

No.	Name	Current positions at the Company	Attributes	Board of Directors/ Attendance
1	Hiroshi Sadakata	CEO and Representative Director	Reelection	100% (14/14)
2	Naoki Tada	Chairman and Director	Reelection	100% (14/14)
3	Yoshimitsu Sakai	Director and General Manager, Store Development Department	Reelection	100% (11/11)
4	Takashi Tada	Director	Reelection	100% (14/14)
5	Nobuhiko Sugiura	External Director	Reelection External Independent	100% (14/14)
6	Masato Matsumoto	External Director	Reelection External Independent	92% (13/14)
7	Tomoko Tsuji	External Director	Reelection External Independent	100% (14/14)

Reelection Candidate to be reelected

External Candidate for External Director

Independent

Independent officer in accordance with the rules of the Tokyo Stock Exchange, Inc.

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held, etc.
1	Hiroshi Sadakata (September 27, 1970) Reelection	<p>March 1989 Joined the Company</p> <p>April 2001 Section Manager, Corporate Planning Office</p> <p>January 2003 Deputy Manager, the Second Sales Division</p> <p>April 2004 Manager, the Second Sales Division</p> <p>April 2005 Executive Officer and Manager of the Second Sales Division</p> <p>June 2008 Director and Manager of the Second Sales Division</p> <p>December 2009 Director</p> <p>May 2019 President and Representative Director</p> <p>April 2022 CEO and Representative Director (to present)</p> <p>[Significant concurrent positions] Chairman and Representative Director of DIREX CORPORATION Chairman and Representative Director of Daiya Group Inc.</p>	<p><u>Term of Service on the Board of Directors:</u> 15 years</p> <p><u>Attendance at Board Meetings:</u> 100% (14/14)</p> <p><u>Number of shares of the Company held, etc.</u> 14,000 shares</p>
<p>[Reasons to be selected as a candidate for Director] Mr. Hiroshi Sadakata has served as Vice President and Representative Director of DIREX CORPORATION, an important subsidiary of the Company from December 2009, as President and Representative Director of DIREX CORPORATION from June 2014, and as President and Representative Director of the Company from May 2019 and demonstrated his ability as top management. He has extensive business experience and a wide range of knowledge in management and supervision in general. Accordingly, the Company proposes that he continues his position as a Director as he is deemed to be an appropriate person for the Group to sustainably enhance its corporate value.</p>			

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held, etc.
2	Naoki Tada (November 13, 1962) <u>Reelection</u>	<p>May 1990 Joined the Company April 1995 Section Manager, Corporate Planning Office March 2001 Retired from the Company June 2001 Director of the Company April 2019 Director and General Manager of Administrative Division April 2022 Chairman and Director (to present)</p> <p>[Special Interests with the Company] Mr. Naoki Tada serves as Chairman and Representative Director of IRYUSHOJI CO., LTD. and Forest Mall Co., Ltd. IRYUSHOJI CO., LTD. is the largest shareholder of the Company. The Company has real estate lease transactions with Forest Mall Co., Ltd., commodity transactions with C'S One, Co., Ltd., a subsidiary of IRYUSHOJI CO., LTD., and real estate lease transactions with IRYU INVESTMENT, LLC.</p> <p>[Significant concurrent positions] Chairman and Representative Director of IRYUSHOJI CO., LTD. Chairman and Representative Director of Forest Mall Co., Ltd.</p>	<p><u>Term of Service on the Board of Directors:</u> 22 years</p> <p><u>Attendance at Board Meetings:</u> 100% (14/14)</p> <p><u>Number of shares of the Company held, etc.</u> 3,112,000 shares</p>
<p>[Reasons to be selected as a candidate for Director] Mr. Naoki Tada has been involved in business management as Non-Executive Director from June 2001, as Director and General Manager of Administrative Division from April 2019, and as Chairman and Director from April 2022, fulfilling his roles and responsibilities. He has a wide range of knowledge in management in general as a top manager, based on his extensive business experience with the Company and experience as Chairman, President and Representative Director at other companies. Accordingly, the Company proposes that he continues his position as a Director as he is deemed to be an appropriate person for the Group to sustainably enhance its corporate value.</p>			

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held, etc.
3	Yoshimitsu Sakai (December 15, 1964) <u>Reelection</u>	November 1983 Joined the Company April 1998 Section Manager, Sales Department April 2001 Deputy Manager, Store Development Department April 2005 Executive Officer and Manager, Store Development Department June 2010 Director and Manager, Store Development Department March 2019 Executive Officer and Manager, Store Development Department June 2022 Director and Manager, Store Development Department July 2022 Director and General Manager, Store Development Department (to present) [Significant concurrent positions] None	<u>Term of Service on the Board of Directors:</u> 1 year <u>Attendance at Board Meetings:</u> 100% (11/11) <u>Number of shares of the Company held, etc.</u> 23,100 shares
[Reasons to be selected as a candidate for Director] Mr. Yoshimitsu Sakai has been engaged in corporate management at the Company in the sales, product and store development departments, and as an Executive Officer and Director since April 2005, and has performed his roles and responsibilities. He also has extensive business experience and prominent level of knowledge in management and store development. Accordingly, the Company has determined that he is qualified to realize sustainable enhancement of the Group's corporate value and has thus nominated him as a candidate for Director.			

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held, etc.
4	<p>Takashi Tada (March 10, 1969)</p> <p><u>Reelection</u></p>	<p>April 1992 Joined Ito-Yokado Co., Ltd. October 1996 Joined the Company March 2001 Director of IRYUSHOJI CO., LTD. (Non-Executive Director to present) April 2001 Section Manager, Information Section, Merchandise Division January 2003 Section Manager, Supplier Section, Merchandise Division May 2005 Section Manager, Corporate Planning Office December 2006 Retired from the Company January 2007 Senior Managing Director of Yamaki SC Kaihatsu Co., Ltd. (currently Forest Mall Co., Ltd.) June 2009 President and Representative Director of Forest Co., Ltd. (currently Forest Mall Co., Ltd.) April 2014 Representative Director and President of C'sRetail Co., Ltd. (currently C's One Co., Ltd.) March 2017 Retired from the position June 2017 Director of the Company (to present)</p> <p>[Special Interests with the Company] Mr. Takashi Tada is a Non-Executive Director of IRYUSHOJI CO., LTD, which is the Company's largest shareholder. The Company has commodity transactions with C'S One, Co., Ltd., a subsidiary of IRYUSHOJI CO., LTD., and real estate lease transactions with IRYU INVESTMENT, LLC.</p> <p>[Significant concurrent positions] Director of IRYUSHOJI CO., LTD. (Non-Executive Director) President and Representative Director of DIREX CORPORATION</p>	<p><u>Term of Service on the Board of Directors:</u> 6 years</p> <p><u>Attendance at Board Meetings:</u> 100% (14/14)</p> <p><u>Number of shares of the Company held, etc.</u> 2,200,000 shares</p>
<p>[Reasons to be selected as a candidate for Director] Since joining the Company in October 1996, Mr. Takashi Tada has taken on a wide range of assignments, and after retiring from the Company, he has been engaged in corporate management. Since May 2019, he has served as President and Representative Director of DIREX CORPORATION, a significant subsidiary, and has proven his skills as a top manager. He has abundant business experience and a prominent level of knowledge in general management and administrative supervision. Accordingly, the Company proposes that he continues his position as a Director as he is deemed to be an appropriate person for the Group to sustainably enhance its corporate value.</p>			

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held, etc.
5	Nobuhiko Sugiura (February 7, 1966) <div style="border: 1px solid black; padding: 2px; display: inline-block; margin: 2px;">Reelection</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin: 2px;">External</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin: 2px;">Independent</div>	<p>April 1989 Joined The Hongkong and Shanghai Banking Corporation Limited</p> <p>August 2001 Research Officer at Financial Research Center of Policy and Legal Division, Planning and Coordination Bureau, Financial Services Agency</p> <p>March 2004 Completed the Doctorate Course, Civil Legislation Major at the Graduate School of Law of the Chuo University (Doctor of Laws)</p> <p>April 2006 Senior Legal Advisor at JP Morgan Securities Japan Co., Ltd.</p> <p>April 2008 Professor at the Chuo Graduate School of Strategic Management (to present)</p> <p>June 2014 External Director of the Company (to present)</p> <p>[Significant concurrent positions] Professor at the Chuo Graduate School of Strategic Management Member of the Council for issues on multiple debts and consumer loans, Financial Services Agency</p>	<p><u>Term of Service on the Board of Directors:</u> 9 years</p> <p><u>Attendance at Board Meetings:</u> 100% (14/14)</p> <p><u>Number of shares of the Company held, etc.</u> 0 shares</p>
<p>[Reasons to be selected as a candidate for External Director and summary of expected roles]</p> <p>Mr. Nobuhiko Sugiura has extensive research experience in corporate strategy and compliance as a graduate school professor and Doctor of Jurisprudence. He is fulfilling his role to help the Company's business in general by giving advice and making proposals so as to enhance the decision making and supervisory function of the Board of Directors from a neutral and objective perspective. He is also expected to perform his duties appropriately from an independent viewpoint as an External Director. Accordingly, the Company proposes that he continues his position as an External Director.</p>			

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held, etc.
6	<p data-bbox="229 624 368 745">Masato Matsumoto (January 11, 1957)</p> <p data-bbox="229 775 368 869"><u>Reelection</u> <u>External</u> <u>Independent</u></p>	<p data-bbox="421 333 1166 389">April 1979 Joined The Nomura Securities Investment Trust Sales Co., Ltd.</p> <p data-bbox="421 394 1158 479">September 2002 Executive Officer of Mitsubishi Securities Co., Ltd. (currently, Mitsubishi UFJ Securities Holdings Co., Ltd.)</p> <p data-bbox="421 483 1203 568">May 2010 Managing Executive Officer, Manager of Osaka Branch, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.</p> <p data-bbox="421 573 1134 629">June 2012 Senior Managing Director of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.</p> <p data-bbox="421 633 1123 689">June 2013 Executive Vice President of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.</p> <p data-bbox="421 694 1158 801">June 2015 Executive Vice President of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Managing Executive Officer of Mitsubishi UFJ Financial Group, Inc.</p> <p data-bbox="421 806 1158 862">June 2016 Chairman and Representative Director of MUS Business Service Co., Ltd.</p> <p data-bbox="421 866 970 900">July 2017 Advisor of SBS Holdings, Inc.</p> <p data-bbox="421 904 1150 938">June 2018 External Director of the Company (to present)</p> <p data-bbox="421 943 1166 999">March 2019 Outside Audit & Supervisory Board Member of SBS Holdings, Inc.</p> <p data-bbox="421 1003 1198 1088">March 2021 Outside Director (Member of the Audit and Supervisory Committee) of SBS Holdings, Inc. (to present)</p> <p data-bbox="421 1093 1190 1160">[Significant concurrent position] Outside Director (Member of the Audit and Supervisory Committee) of SBS Holdings, Inc.</p>	<p data-bbox="1238 546 1430 667"><u>Term of Service on the Board of Directors:</u> 5 years</p> <p data-bbox="1238 707 1430 792"><u>Attendance at Board Meetings:</u> 92% (13/14)</p> <p data-bbox="1238 833 1430 954"><u>Number of shares of the Company held, etc.</u> 0 shares</p>
<p data-bbox="209 1167 1310 1200">[Reasons to be selected as a candidate for External Director and summary of expected roles]</p> <p data-bbox="209 1205 1437 1346">Mr. Masato Matsumoto has extensive business experience and a wide range of knowledge, and he is fulfilling his role to help the Company's business in general by giving advice and making proposals so as to enhance the decision making and supervisory function of the Board of Directors from a neutral and objective perspective. He is also expected to perform his duties appropriately from an independent viewpoint as an External Director. Accordingly, the Company proposes that he continues his position as an External Director.</p>			

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held, etc.
7	<p>Tomoko Tsuji (August 16, 1956)</p> <p><u>Reelection</u> <u>External</u> <u>Independent</u></p>	<p>April 1979 Joined Ajinomoto Co., Inc.</p> <p>February 1987 Received a doctorate in Agriculture (former Laboratory of Applied Microbial Chemistry, the University of Tokyo)</p> <p>March 1988 Postdoctoral Fellow at The Rockefeller University</p> <p>November 1988 Postdoctoral Fellow at the Pennsylvania State University</p> <p>December 1989 Joined Sagami Chuo Chemical Research Institute</p> <p>May 1999 Joined FANCL CORPORATION</p> <p>April 2004 Executive Officer, Director of Central Research Institute, FANCL CORPORATION</p> <p>June 2007 Executive Director, General Manager of FANCL Research Institute, FANCL CORPORATION</p> <p>May 2008 Advisor of Nippon Suisan Kaisha, Ltd.</p> <p>April 2009 General Manager of Human Life Science R&D Center, Nippon Suisan Kaisha, Ltd.</p> <p>May 2015 Executive Officer; General Manager of Ingredients Development Department, Group Merchandising Division, YOSHINOYA HOLDINGS CO., LTD. (to present)</p> <p>June 2020 External Director of the Company (to present)</p> <p>June 2022 Outside Director of FUJI OIL HOLDINGS INC. (to present)</p> <p>[Significant concurrent positions] Executive Officer; General Manager of Ingredients Development Department, Group Merchandising Division, YOSHINOYA HOLDINGS CO., LTD. Outside Director of FUJI OIL HOLDINGS INC.</p>	<p><u>Term of Service on the Board of Directors:</u> 3 years</p> <p><u>Attendance at Board Meetings:</u> 100% (14/14)</p> <p><u>Number of shares of the Company held, etc.</u> 0 shares</p>
<p>[Reasons to be selected as a candidate for External Director and summary of expected roles]</p> <p>Ms. Tomoko Tsuji has been engaged in research and development of product materials and management of retail business as a Doctor in Agriculture. She has knowledge of overall management and provides useful advice and suggestions regarding the Company's overall management from a neutral and objective standpoint, and also plays a role in strengthening the decision-making and supervisory functions of the Board of Directors. She is also expected to perform her duties appropriately from an independent viewpoint as an External Director. Accordingly, the Company proposes that she continues her position as an External Director.</p>			

(Notes)

1. Mr. Naoki Tada, a candidate for Director, concurrently serves as Chairman and Representative Director of IRYUSHOJI CO., LTD. and Forest Mall Co., Ltd. Mr. Takashi Tada, a candidate for Director, serves as a Non-Executive Director of IRYUSHOJI CO., LTD., which is the largest shareholder of the Company. The Company has real estate lease transactions with Forest Mall Co., Ltd. and commodity transactions with C's One Co., Ltd., a subsidiary of IRYUSHOJI CO., LTD. and real estate lease transactions with IRYU Investment, LLC. Mr. Naoki Tada and Mr. Takashi Tada are siblings.
2. There are no special interests between the other candidates for Director and the Company.
3. Mr. Nobuhiko Sugiura, Mr. Masato Matsumoto and Ms. Tomoko Tsuji are candidates for External Directors.
4. The terms of office of candidates for External Directors
 - Mr. Nobuhiko Sugiura, a current External Director of the Company, will have been in office for 9 years at the close of this annual meeting of shareholders.
 - Mr. Masato Matsumoto, a current External Director of the Company, will have been in office for 5 years at the close of this annual meeting of shareholders.
 - Ms. Tomoko Tsuji, a current External Director of the Company, will have been in office for 3 years at the close of this annual meeting of shareholders.
5. If the appointment of Mr. Nobuhiko Sugiura, Mr. Masato Matsumoto and Ms. Tomoko Tsuji as External Directors is approved, the Company plans to continue the agreement with each of Mr. Nobuhiko Sugiura, Mr. Masato Matsumoto and Ms. Tomoko Tsuji to limit their liabilities as provided in Article 427, Paragraph 1 of the Companies Act, pursuant to the Articles of Incorporation of the Company. The limit of liability in the said agreement under Article 423, Paragraph 1 of the same Act is equal to the minimum liability limit stipulated by laws and regulations.
6. The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The said insurance agreement shall compensate for damages including compensation for damages and legal expenses to be borne by the insureds. Each candidate will be included in the insured persons under this insurance agreement. The Company plans to renew this insurance agreement with the same content at the next renewal.
7. If the appointment of Mr. Nobuhiko Sugiura, Mr. Masato Matsumoto and Ms. Tomoko Tsuji as External Directors is approved, Mr. Nobuhiko Sugiura, Mr. Masato Matsumoto and Ms. Tomoko Tsuji will continue to be independent officers as defined by the Tokyo Stock Exchange Inc.

Proposal 3: Election of one (1) Corporate Auditor

As the term of office of Mr. Kazutoshi Yamashita, Corporate Auditor, will expire at the conclusion of this General Meeting of Shareholders, the Company proposes the election of one (1) Corporate Auditor.

This Proposal has been approved by the Audit & Supervisory Board.

The candidate is as follows:

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held, etc.
1	Kazutoshi Yamashita (June 7, 1959) [Reelection External Independent]	<p>April 1983 Joined KOKUSAI Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)</p> <p>April 1997 General Manager, Hachioji Branch, KOKUSAI Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)</p> <p>September 2002 General Manager, Hiroshima Branch, Mitsubishi Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)</p> <p>October 2005 Deputy General Manager, Institutional Marketing Second Division, Nagoya Branch, Mitsubishi UFJ Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)</p> <p>April 2010 General Manager, Kochi Branch, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.</p> <p>June 2014 Director and General Manager, Kobe Branch, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.</p> <p>June 2017 Full-time Corporate Auditor, MUS Business Service Co., Ltd.</p> <p>June 2019 External Corporate Auditor of the Company (to present)</p> <p>[Significant concurrent positions] None</p>	<p>Term of Service on Audit & Supervisory Board 4 years</p> <p>Attendance at Board Meetings: 100% (14/14)</p> <p><u>Number of shares of the Company held.</u> <u>etc.</u> 0 shares</p>
<p>[Reasons to be selected as a candidate for External Corporate Auditor] Mr. Kazutoshi Yamashita has taken various responsibilities at financial institutions and has considerable knowledge on and broad insight into finance and accounting. In addition, he has served as a full-time corporate auditor and is well versed in corporate governance and corporate auditor duties. He has served as full-time External Corporate Auditor of the Company since June 2019 and is expected to continue to perform independent, objective and neutral auditing functions. Accordingly, the Company nominates him as a candidate for External Corporate Auditor.</p>			

(Notes)

- There are no special interests between the candidate for Corporate Auditor and the Company.
- Mr. Kazutoshi Yamashita is a candidate for External Corporate Auditor.
- If the appointment of Mr. Kazutoshi Yamashita as External Corporate Auditor is approved, the Company plans to continue the agreement with Mr. Kazutoshi Yamashita to limit his liability as provided in Article 427, Paragraph 1 of the Companies Act, pursuant to the Articles of Incorporation of the Company.
The limit of liability in the said agreement under Article 423, Paragraph 1 of the same Act is equal to the minimum liability limit stipulated by laws and regulations.
- The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, paragraph 1 of the Companies Act with an insurance company. The said insurance agreement shall compensate for damages including compensation for damages and legal expenses to be borne by the insureds. The candidate will be included in the insured persons under this insurance agreement. The Company plans to renew this insurance agreement with the same content at the next renewal.
- If Mr. Kazutoshi Yamashita is elected as External Corporate Auditor, he will continue to be an independent officer as defined by the Tokyo Stock Exchange, Inc.

(Reference)

Major Expertise, Knowledge, Experience, etc. of Directors and Corporate Auditors after the Meeting

If Proposals 2 and 3 of the Meeting are approved as proposed, main expertise, knowledge and experience of the Directors and Corporate Auditors after the Meeting are as follows.

	Name	Current positions at the Company	Corporate Management	Industrial Experience	Global	ESG	Finance Accounting M&A	Risk Management / Legal Affairs
Director	Hiroshi Sadakata	CEO and Representative Director	●	●		●		●
	Naoki Tada	Chairman and Director	●	●	●	●	●	
	Yoshimitsu Sakai	Director		●		●		
	Takashi Tada	Director	●	●		●		
	Nobuhiko Sugiura	External Director			●	●	●	●
	Masato Matsumoto	External Director	●			●	●	
	Tomoko Tsuji	External Director	●	●	●	●		
Corporate Auditor	Kazutoshi Yamashita	External Corporate Auditor				●	●	
	Tetsuro Ozawa	External Corporate Auditor			●	●	●	●
	Kazuma Shinohara	External Corporate Auditor				●	●	
	Kishiko Wada	External Corporate Auditor				●		●

(The Company's policy and process for the selection of Directors and Corporate Auditors)

The appointment of senior management and nomination of candidates for Directors are subject to deliberation and report by the voluntary "Nomination and Compensation Advisory Committee" under the "Criteria for Selection and Dismissal of Directors and Corporate Auditors," including the candidates' past business experience, performance, knowledge, management and risk judgment, excellent management and supervisory skills, insight, ethics, and foresight, and their contribution to enhancing corporate value. After careful consideration of the criteria, the Board of Directors then decides, including ensuring diversity and overall balance. Nomination of candidates for Corporate Auditors is based on their abundant knowledge and experience, multifaceted vision, high ethical standards, and ability to audit from a neutral and objective standpoint. In accordance with the "Standards for Selection and Dismissal of Directors and Corporate Auditors," the final decision is made by the Board of Directors after deliberation by the voluntary "Nomination and Compensation Advisory Committee" and consideration and consent by the Audit & Supervisory Board.

For the nomination of candidates for External Directors and External Auditors, the Company selects candidates based on the "Criteria for Independence of External Directors and External Auditors," which are separately established, candidates who have extensive experience in corporate management or academic knowledge, or candidates who have a high level of specialized knowledge and experience in legal, financial, accounting, etc. and who can perform their respective duties from a neutral and objective viewpoint.

If the members of the Board of Directors determine that a relevant subject Director is not fully performing the expected functions in light of the "Criteria for Selection and Dismissal of Directors and Corporate Auditors," a formal request shall be made to the External Directors who are members of the voluntary "Nomination and Compensation Advisory Committee." The Committee, excluding the Director in question, meets to discuss the dismissal or removal of the Director. Depending on the results of the discussion, the Committee will exchange opinions with the Director in question and submit the matter to the Board of Directors, followed by a resolution to dismiss the Director after sufficient deliberation, or to submit the dismissal to the General Meeting for resolution.

Proposal 4: Determination of Compensation for Granting Restricted Stock to Directors (excluding External Directors)

At the 45th Annual General Meeting of Shareholders held on June 21, 2008, the amount of compensation, etc. for Directors of the Company was set at 400 million yen or less per year (excluding salaries and bonuses for employees paid to Directors concurrently serving as employees). The Company also resolved at the 49th Annual General Meeting of Shareholders held on June 23, 2012, that the amount of compensation, etc. in the form of stock acquisition rights as stock compensation-type stock options for Directors of the Company (excluding External Directors) shall be 30 million yen or less per year, which is separate from the amount of compensation, etc. for Directors mentioned above.

As part of a review of its officer compensation system, the Company proposes at this time that a new plan for its Directors (excluding External Directors, hereinafter referred to as “Eligible Directors”) to pay compensation for granting restricted stock be established, in place of the current stock compensation-type stock options plan, for the purpose of giving Eligible Directors incentives to continuously improve the corporate value of the Company and of further promoting value sharing with the shareholders.

Accordingly, the provision on the compensation, etc. in the form of stock acquisition rights as stock compensation-type stock options mentioned above shall be abolished, and in its place, the total amount of monetary claims to be paid to the Eligible Directors as restricted stock-related compensation, etc. shall be 100 million yen or less per year (excluding salaries and bonuses for employees paid to Directors concurrently serving as employees). The Board of Directors will determine the specific timing and allocation of payments to each Eligible Director.

The current number of Directors is seven (7) (including three (3) External Directors). If Proposal 2, “Election of seven (7) Directors,” is approved and adopted as originally proposed, the number of Directors will be seven (7) (including three (3) External Directors).

In accordance with the resolution of the Board of Directors of the Company, the Eligible Directors shall pay all of the monetary claims to be paid under this Proposal as property contributed in kind and receive the issuance or disposal of common stock of the Company, and the total number of shares of common stock of the Company to be issued or disposed of thereby shall be 25,000 shares or less per year. Provided, however, that in the event of a stock split of the Company’s common stock (including gratis allotment of shares of the Company’s common stock) or reverse stock split thereof on or after the date of approval and adoption of this Proposal, or any other event requiring adjustment of the total number of shares of the Company’s common stock to be issued or disposed of as the restricted stock, the total number shall be adjusted within a reasonable range).

The amount to be paid per share shall be determined by the Board of Directors in accordance with the closing price of the Company’s common stock on the Tokyo Stock Exchange, Inc. on the business day immediately preceding the date of resolution by the Board of Directors (or the closing price of the immediately preceding trading day if no trading is effected on that date) to the extent that the amount is not particularly advantageous to the Eligible Directors who subscribe to the common stock. The issuance or disposal of shares of the Company’s common stock and the payment of monetary claims as property contributed in kind through this arrangement shall be subject to the execution of a restricted stock allotment agreement (hereinafter referred to as the “Allotment Agreement”) between the Company and the Eligible Director, which shall include the following content.

The maximum amount of compensation, the total number of shares of the Company’s common stock to be issued or disposed of, and other terms and conditions for granting restricted stock to the Eligible Directors under this Proposal have been decided in accordance with the above purposes, the Company’s business conditions, and the policy regarding the determination of the content of compensation, etc. for individual Directors of the Company (if this Proposal is approved and adopted, the Company plans to change this policy to the one described in the [Reference] column below to be consistent with the contents to be approved by shareholders). The Company believes that this decision was made in consideration of various other circumstances and that it is appropriate.

Subject to the approval and adoption of this Proposal, no further issuance of stock acquisition rights in accordance with the provisions of the amount of the compensation, etc. in the form of stock acquisition rights as stock compensation-type stock options mentioned above shall be made. The stock acquisition rights as stock compensation-type stock options already granted to the Eligible Directors that have not been exercised are planned to be waived by the Eligible Directors, subject to the approval and adoption of this Proposal.

Accordingly, the Company shall adopt, though limited to the fiscal year ending March 31, 2024, a transitional measure from stock compensation-type stock options to allow for granting the same number of shares of restricted stock as the number of shares underlying the waived stock acquisition rights, within the

amount of 100 million yen per year and 25,000 shares per year as mentioned above.

If this Proposal is approved and adopted as originally proposed, the Company plans to introduce a similar restricted stock compensation plan for Executive Officers who do not concurrently serve as Directors of the Company and for employees of the Company.

[Outline of the Content of the Allotment Agreement]

(1) Transfer Restriction Period

The Eligible Director who receives an allotment under the Allotment Agreement shall not transfer, create a security interest in, or otherwise dispose of (hereinafter referred to as the “Transfer Restriction”) the shares of the Company’s common stock allotted under the Allotment Agreement (hereinafter referred to as the “Allotted Shares”) during the period from the date of receiving the allotment under the Allotment Agreement until the time immediately after resignation or retirement from a position of an officer or employee of the Company or its subsidiary that is predetermined by the Board of Directors of the Company (hereinafter referred to as the “Transfer Restriction Period”).

(2) Handling in Case of Resignation or Retirement

In the case that the Eligible Director resigns or retires from his/her position as an officer or employee of the Company or its subsidiary that is predetermined by the Board of Directors of the Company before the expiration of the period predetermined by the Board of Directors of the Company (hereinafter referred to as the “Service Period”), the Company shall naturally acquire the Allotted Shares without consideration, unless there is a justifiable reason for the resignation or retirement, such as the expiration of his/her term of office or death.

(3) Lifting of the Transfer Restriction

The Company shall lift the Transfer Restriction on all the Allotted Shares upon the expiration of the Transfer Restriction Period, provided that the Eligible Director has continuously held a position of an officer or employee of the Company or its subsidiary that is predetermined by the Board of Directors of the Company during the Service Period. Provided, however, that if (i) the Eligible Director resigns or retires from a position of an officer or employee of the Company or its subsidiary that is predetermined by the Board of Directors of the Company for a justifiable reason before the expiration of the Service Period, or (ii) the Eligible Director resigns or retires from a position of an officer or employee of the Company or its subsidiary that is predetermined by the Board of Directors of the Company before the expiration of the Transfer Restriction Period for a reason other than a justifiable reason, even if after the expiration of the Service Period, the number of the Allotted Shares subjected to the lifting of the Transfer Restriction and the timing of the lifting of the Transfer Restriction shall be reasonably adjusted, as necessary. In addition, the Company shall naturally acquire, without consideration, the Allotted Shares for which the Transfer Restriction have not been lifted immediately after the Transfer Restriction is lifted in accordance with the above provisions.

(4) Handling in case of organizational restructuring, etc.

Notwithstanding the provisions of (1) above, if, during the Transfer Restriction Period, the General Meeting of Shareholders of the Company approves a merger agreement under which the Company becomes a dissolving company, a share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary, or any other matters related to organizational restructuring, etc. (if the organizational restructuring, etc. do not require approval by the General Meeting of Shareholders of the Company, the Board of Directors of the Company shall approve such matters), the Company shall lift the Transfer Restriction by a resolution of the Board of Directors of the Company, prior to the effective date of the organizational restructuring, etc., on a number of the Allotted Shares that is reasonably determined in accordance with the length of the period from the commencement date of the Transfer Restriction Period to the date of approval of the organizational restructuring, etc. In the cases set forth above, the Company shall naturally acquire, without consideration, the Allotted Shares for which the Transfer Restriction have not been lifted, immediately after the Transfer Restriction is lifted.

(5) Other matters

Other matters concerning the Allotment Agreement shall be determined by the Board of Directors of the Company.

[Reference] Policy for Determining Individual Director's Compensation, etc.

The compensation system for Internal Director consists of fixed compensation based on position and variable compensation in the forms of incentive bonuses linked to business performance and achievement ratio of individual target and of restricted stock compensation aiming to improve business performance over the medium to long term. External Directors and Corporate Auditors are paid only fixed compensation.

Regarding compensation for officers, etc., the compensation for Directors is determined by the Board of Directors and that for Corporate Auditors is determined by the Audit & Supervisory Board within the limit of compensation approved by resolution of the General Meeting of Shareholders in accordance with internal regulations, after gaining advice and reports based on the results of deliberations by the voluntary "Nomination and Compensation Advisory Committee" consisting of all External Directors (3 persons), the CEO and Representative Director, and the Chairman and Director.

The Nomination and Compensation Advisory Committee met two times during the fiscal year under review, and its themes included a proposal for officer compensation (including bonuses for Internal Directors), a proposal for the design of the compensation system, and a proposal for the selection of candidates for Directors and Corporate Auditors, and the committee reported the results of its review to the Board of Directors.