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Securities Code: 6905

Date of sending by postal mail: July 18, 2023

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To Our Shareholders:

Morio Saito
President and Representative Director
COSEL CO., LTD.
1-6-43 Kamiakae-machi, Toyama City,
Toyama

Notice of the 54th Annual General Meeting of Shareholders

We are pleased to announce the 54th Annual General Meeting of Shareholders of COSEL CO., LTD. (the “Company”), which will be held as indicated below.

In convening this General Meeting of Shareholders, the Company has taken measures to provide information that constitutes the content of reference documents for the general meeting of shareholders, etc. (items for which measures to provide information in electronic format will be taken) in electronic format, and has posted the information on each of the following websites. Please access either of the websites to view the information.

The Company’s website:

<https://www.cosel.co.jp/corporate/ir/library/shareholders/index.html> (in Japanese)

Website for posted informational materials for the general meeting of shareholders:

<https://d.sokai.jp/6905/teiji/> (in Japanese)

Tokyo Stock Exchange (TSE) website (Listed Company Search):

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

(Access the TSE website by using the Internet address shown above, enter “COSEL” in “Issue name (company name)” or the Company’s securities code “6905” in “Code,” and click “Search.” Then, click “Basic information” and select “Documents for public inspection/PR information.” Under “Filed information available for public inspection,” click “Click here for access” under “[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting].”)

Instead of attending the Meeting in person, you may exercise your voting rights by mail or via the Internet, etc. Please examine the Reference Documents for General Meeting of Shareholders and exercise your voting rights in accordance with the “Guidance on Exercising Voting Rights” (in Japanese only) no later than 5:15 p.m. on Tuesday, August 8, 2023 (JST).

- 1. Date and Time:** Wednesday, August 9, 2023, at 10:00 a.m.
- 2. Venue:** Hall 10F, The Toyama Chamber of Commerce and Industry
2-1-3 Sogawa, Toyama City, Toyama
- 3. Purpose of the Meeting**
Matters to be reported

1. The Business Report and Consolidated Financial Statements for the 54th Fiscal Year (from May 21, 2022 to May 20, 2023), as well as the audit reports of the Financial Auditors and the Audit and Supervisory Committee for Consolidated Financial Statements

2. Financial Statements for the 54th Fiscal Year (from May 21, 2022 to May 20, 2023)

Matters to be resolved

Proposal No. 1 Election of Eight Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

Proposal No. 2 Determination of Remuneration Under the Performance-Linked and Restricted Share-Based Remuneration Plan for Directors (Excluding Director Who Are Audit and Supervisory Committee Members and Outside Directors)

4. Matter prescribed for convocation

- (1) If you diversely exercise your voting rights, you are requested to notify the Company in writing or by electromagnetic means, such as e-mail, of your intention to do so and state the reason for this no later than three days before the date of the Meeting.
- (2) If no indication of approval or disapproval is made on the exercise voting rights form for each proposal item, it will be treated as your voting rights were exercised in favor of the proposal item.
- (3) If you exercise your voting rights in duplicate both in writing and via the Internet, only the vote cast via the Internet will be treated as valid.
- (4) When exercising voting rights via the Internet, it is possible to exercise (redo) your vote multiple times on the voting website, but in this case, the last vote (regardless of whether it was made using a PC or a smartphone) will be treated as the effective exercise of voting rights.

- When you attend the Meeting, you are kindly requested to present the voting card, which was sent together with this Notice of Convocation, at the reception.
- For this General Meeting of Shareholders, we have delivered paper-based documents stating the items subject to measures for electronic provision to all shareholders, regardless of whether or not they have requested them. However, in accordance with laws and regulations and Article 17 of the Company's Articles of Incorporation, the following items are not included in the attached document of this Notice.
 - (i) Notes to Consolidated Financial Statements
 - (ii) Notes to Non-consolidated Financial StatementsThe Consolidated Financial Statements and Non-consolidated Financial Statements audited by the Financial Auditors in preparing the Accounting Audit Report and by the Audit and Supervisory Committee in preparing its Audit Report include each of the documents listed above as well as the matters listed above.
- If circumstances arise that require modifications to items subject to measures for electronic provision, the modifications will be posted on the respective websites where they are posted.

Reference Documents for General Meeting of Shareholders

Proposal No. 1 Election of Eight Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

The terms of office of all seven Directors (excluding Directors who are Audit and Supervisory Committee Members; the same applies throughout Proposal No. 1) will expire at the conclusion of this meeting.

Accordingly, the Company proposes to increase the number of Directors by one in order to strengthen the management structure, and requests the election of eight Directors.

Each of the candidates is decided by the Board of Directors, based on the report by the Nomination and Remuneration Committee.

There is nothing special to be pointed out by the Audit and Supervisory Committee with respect to this proposal.

The candidates for Director are as follows.

No.	Name (Date of birth)	Career Summary, Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)	Number of the Company's shares held
1	Morio Saito (July 14, 1959) Re-election	Mar. 1982 Joined the Company Feb. 2003 General Manager, On-Board Production Department May 2006 General Manager, Eastern Japan Sales Department Aug. 2008 General Manager, Unit Production Department Aug. 2011 Project Leader, Wuxi Cosel Development Project Dec. 2011 Legal Representative, Wuxi Cosel Electronics Co., Ltd. Aug. 2013 Director (incumbent) Aug. 2013 In charge of Global Procurement and Production May 2014 In charge of Middle-range Global Power Supply Aug. 2015 In charge of Production in China Aug. 2016 Supervisor of Production Aug. 2017 Managing Director and Supervisor of Production Aug. 2020 Managing Director, in charge of SCM Aug. 2021 Managing Executive Officer, SCM Supervisor Aug. 2022 President and Representative Director Chief Executive Officer (CEO) (incumbent)	40,270 shares
		(Significant Concurrent Positions outside the Company) -	
Reasons for nomination as candidate for Director Mr. Morio Saito appropriately supervises the management of the Company as President and Representative Director. He appropriately manages the Board of Directors as a chair, enhancing the decision-making function of the Board based on reports from executive directors concerning important business matters. He also leads the management of the Company and strives to pursue sustainable growth and increase of corporate value through the dissemination and practice of its corporate philosophy within the Group. Taking into account the above facts, the Company determines that he is suitable for the leader of the Company to realize its medium- and long-term vision; therefore, the Company appoints him as a candidate for Director for re-election.			

No.	Name (Date of birth)	Career Summary, Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)	Number of the Company's shares held
2	<p style="text-align: center;">Masato Tanikawa (August 8, 1956) Re-election</p>	<p>Mar. 1979 Joined the Company Jul. 1998 General Manager, Application Design Department Aug. 2003 Director (incumbent) Jun. 2004 General Manager, Quality Management Department May 2008 Supervisor of Production, Materials and Information Systems Jun. 2008 Managing Director and Supervisor of Production and Materials Aug. 2013 Managing Director and Supervisor of Sales, Production and Materials Nov. 2013 President and Representative Director Aug. 2021 President and Representative Director Chief Executive Officer (CEO) Aug. 2022 Director and Chairman (incumbent)</p> <hr/> <p>(Significant Concurrent Positions outside the Company) • Vice Chairman, Toyama Prefectural Machinery and Electronic Industries Association</p>	101,861 shares
<p>Reasons for nomination as candidate for Director Mr. Masato Tanikawa enhances the decision-making function of the Board based on reports from executive directors concerning important business matters, leveraging his experience in management and business operations. He also strives to pursue sustainable growth and increase of corporate value through the dissemination and practice of its corporate philosophy within the Group. Taking into account the above facts, the Company determines that he is essential for realizing its medium- and long-term vision; therefore, the Company appoints him as a candidate for Director for re-election.</p>			

No.	Name (Date of birth)	Career Summary, Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)	Number of the Company's shares held
3	<p style="text-align: center;">Satoshi Kiyosawa (September 28, 1960)</p> <p style="text-align: center;">Re-election</p>	<p>Apr. 1983 Joined the Company</p> <p>May 2002 General Manager, General Affairs Department</p> <p>Aug. 2010 General Manager, Eastern Japan Sales Department</p> <p>Aug. 2011 Director (incumbent)</p> <p>Aug. 2011 Supervisor of Domestic Sales and General Manager, Domestic Sales Department</p> <p>Dec. 2012 Supervisor of Sales</p> <p>Aug. 2013 In charge of Personnel and Labor and General Manager, Human Resources Development Department</p> <p>Nov. 2013 Supervisor of Sales, in charge of Personnel and Labor, and General Manager, Human Resources Development Department</p> <p>May 2014 Supervisor of Sales and in charge of Personnel and Labor</p> <p>Aug. 2016 In charge of Quality Management and Quality Assurance System Innovation and in charge of Personnel and Labor</p> <p>May 2020 In charge of General Affairs, Personnel and Labor, and General Manager, TQM Promotion Office</p> <p>May 2021 In charge of General Affairs, Personnel and Labor, and General Manager, General Affairs Department, and General Manager, TQM Promotion Office</p> <p>Aug. 2021 Executive Officer, in charge of General Affairs, Personnel and Labor, and General Manager, General Affairs Department, and General Manager, TQM Promotion Office</p> <p>May 2022 Executive Officer, in charge of General Affairs, Personnel and Labor, and General Manager, TQM Promotion Office</p> <p>Aug. 2022 Managing Executive Officer, in charge of General Affairs, Personnel and Labor, and General Manager, TQM Promotion Office</p> <p>May 2022 Managing Executive Officer, in charge of TQM Promotion, and General Affairs, Personnel and Labor (incumbent)</p>	34,069 shares
<p>Reasons for nomination as candidate for Director</p> <p>Mr. Satoshi Kiyosawa appropriately supervises the management of the Company by using his experience in personnel and human resources development amid a company-wide effort to promote total quality management (TQM), which is a pillar of management. He also strives to improve the quality of decision-making on the overall business operations as well as the effectiveness of governance systems of the entire Group by focusing on dialogue with on-site employees while providing advice on human resources development initiatives such as small-group activities at a company-wide level and career support activities. Taking into account the above facts, the Company determines that he is suitable for achieving sustainable growth and enhanced corporate value; therefore, the Company appoints him as a candidate for Director for re-election.</p>			

No.	Name (Date of birth)	Career Summary, Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)	Number of the Company's shares held
4	<p style="text-align: center;">Isao Yasuda (January 11, 1963)</p> <p style="text-align: center;">Re-election</p>	<p>Apr. 1985 Joined the Company</p> <p>May 2007 General Manager, Application Standard Design Department</p> <p>May 2013 General Manager in charge of Intelligent Power System Business Promotion</p> <p>Aug. 2013 Director (incumbent)</p> <p>Aug. 2013 Supervisor of Development</p> <p>Dec. 2013 Supervisor of Development and General Manager, On-Board Standard Design Department</p> <p>May 2015 Supervisor of Development</p> <p>Aug. 2016 Supervisor of Sales and in charge of Sales and International R&D</p> <p>May 2018 Supervisor of Sales</p> <p>May 2020 In charge of Global Sales</p> <p>Aug. 2021 Executive Officer, in charge of Global Sales</p> <p>Nov. 2022 Executive Officer, in charge of Global Sales, and Supervisor of Europe/USA Area Business (incumbent)</p>	30,744 shares
<p>Reasons for nomination as candidate for Director</p> <p>Mr. Isao Yasuda appropriately supervises the management of the Company as the Director in charge of Sales. At the Board of Directors, he provides appropriate explanations on matters regarding progress and results on management plans in light of market and customer trends, thereby enhancing the decision-making function of the Board in corporate management.</p> <p>Taking into account the above facts, the Company determines that he is suitable for achieving sustainable growth and enhanced corporate value; therefore, the Company appoints him as a candidate for Director for re-election.</p>			

No.	Name (Date of birth)	Career Summary, Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)	Number of the Company's shares held
5	<p style="text-align: center;">Tatsuya Mano (September 7, 1969)</p> <p style="text-align: center;">Re-election</p>	<p>Mar. 1995 Joined the Company</p> <p>May 2011 General Manager, New-market Standard Design Department</p> <p>May 2013 General Manager, R&D Department</p> <p>Dec. 2013 General Manager, Intelligent Power System Design Department</p> <p>Aug. 2016 Director (incumbent)</p> <p>Aug. 2016 Supervisor of R&D, in charge of New Business Promotion, and General Manager, Intelligent Power System Design Department</p> <p>Nov. 2018 Supervisor of R&D and in charge of New Business Promotion</p> <p>May 2020 In charge of Quality Assurance and of New Business Promotion</p> <p>Aug. 2020 In charge of Quality Assurance, IT Strategy and of New Business Promotion</p> <p>Aug. 2021 Executive Officer, in charge of Quality Assurance, IT Strategy and of New Business Promotion</p> <p>Sept. 2022 Executive Officer, in charge of Quality Assurance and of New Business Promotion</p> <p>Apr. 2023 Executive Officer, in charge of Quality Assurance and of New Business Promotion, and Legal Representative, Wuxi Cosel Electronics Co., Ltd. (incumbent)</p>	14,265 shares
<p>Reasons for nomination as candidate for Director</p> <p>Mr. Tatsuya Mano has advanced technological expertise and knowledge as the Director in charge of Quality Assurance and of New Business Promotion, thereby enhancing the decision-making function of the Board of Directors. Regarding the execution of business, based on advanced technology, he promotes the improvement of products' quality and the improvement of productivity based on IT technology. Also, by stimulating inter-personal exchanges through professional connections, he is promoting planning and examination that leads to new business in the fields in which the Company's current technologies can be practically applied.</p> <p>Taking into account the above facts, the Company determines that he is suitable for achieving sustainable growth and enhanced corporate value; therefore, the Company appoints him as a candidate for Director for re-election.</p>			

No.	Name (Date of birth)	Career Summary, Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)	Number of the Company's shares held
6	<p style="text-align: center;">Norihiro Honoki (January 13, 1975)</p> <p style="text-align: center;">New election</p>	<p>Apr. 2003 Joined the Company</p> <p>May 2019 General Manager, Production Design Department</p> <p>May 2022 Executive Officer, Supervisor of Production Design, and General Manager, Production Design Department</p> <p>Sept. 2022 Executive Officer, Supervisor of Production Design, In charge of IT Strategy, and General Manager, Production Design Department (incumbent)</p>	3,848 shares
<p>Reasons for nomination as candidate for Director</p> <p>Mr. Norihiro Honoki has advanced technological expertise and knowledge as the Executive Officer in charge of promoting production technology and IT strategy, and based on this expertise and knowledge, he is engaged in promoting manufacturing innovation and digitalization throughout the Company, including partner companies. He is also involved in the management of overseas manufacturing subsidiaries to improve productivity from a global perspective as well as to strengthen the production system. Taking into account the above facts, the Company determines that he is suitable for achieving sustainable growth and enhanced corporate value; therefore, the Company appoints him as a new candidate for Director for election.</p>			

No.	Name (Date of birth)	Career Summary, Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)	Number of the Company's shares held
7	<p style="text-align: center;">Yasuro Uchida (May 2, 1966)</p> <p style="text-align: center;">Re-election</p>	<p>Apr. 1998 Full-time Lecturer, Faculty of Economics, University of Toyama</p> <p>Apr. 2000 Assistant Professor, Faculty of Economics, University of Toyama</p> <p>Apr. 2007 Associate Professor, Faculty of Economics, University of Toyama</p> <p>Apr. 2008 Professor, Faculty of Economics, University of Toyama</p> <p>Oct. 2010 Director, Japan Academy of International Business Studies (incumbent)</p> <p>Apr. 2013 Head, Faculty of Economics, Department of Business Administration, University of Toyama</p> <p>Aug. 2014 Director, Transcultural Management Society (incumbent)</p> <p>Apr. 2015 Deputy Dean, Faculty of Economics, University of Toyama</p> <p>Jul. 2015 Director, Academy of Multinational Enterprises (incumbent)</p> <p>Aug. 2015 Outside Director, the Company (incumbent)</p> <p>Apr. 2018 Professor, Graduate School of Business, University of Hyogo (currently Graduate School of Social Sciences, University of Hyogo) Professor Emeritus, University of Toyama (incumbent)</p> <p>(Significant Concurrent Positions outside the Company)</p> <ul style="list-style-type: none"> • Professor, Graduate School of Social Sciences, University of Hyogo • Professor Emeritus, University of Toyama • Director, Japan Academy of International Business Studies • Director, Transcultural Management Society • Director, Academy of Multinational Enterprises 	—
<p>Reasons for nomination as candidate for Outside Director and outline of expected roles</p> <p>Mr. Yasuro Uchida has never been involved in the management of a company. However, he supervises and provides appropriate advice for the management of the Company based on his professional knowledge and experience as a university professor gained from his research activities on business management strategies (global competition strategies) as well as practical business instructions through the case study of other companies. In addition, Mr. Uchida is currently serving as the chairperson of the Nomination and Remuneration Committee, and if he is elected, the Company intends for him to continue to hold discussions and provide suggestions from an independent standpoint in relation to the nomination of candidates for officers of the Company and the determination of officer remuneration, etc.</p> <p>Taking into account the above facts, the Company desires that he supervises the management of the Company for continually enhancing its corporate value; therefore, the Company appoints him as a candidate for Outside Director for re-election.</p>			

No.	Name (Date of birth)	Career Summary, Position and Responsibility in the Company (Significant Concurrent Positions outside the Company)	Number of the Company's shares held
8	Akio Misuta (October 6, 1954)	<p>Apr. 1977 Joined Pokka Lemon Co., Ltd.</p> <p>May 1981 Joined Tombow Beverage Co. Ltd.</p> <p>Jun. 1987 Director and Senior Managing Officer, Tombow Beverage Co. Ltd.</p> <p>Jun. 1998 President and CEO, Tombow Beverage Co. Ltd. (incumbent)</p> <p>Aug. 2017 Outside Director, the Company (incumbent)</p>	-
	Re-election	<p>(Significant Concurrent Positions outside the Company)</p> <ul style="list-style-type: none"> • President and CEO, Tombow Beverage Co. Ltd. • Chairman, Hokuriku Soft Drink Industry Cooperative Association • Chairman, Toyama Prefectural Traffic Safety Association • Executive Secretary, Toyama Association of Corporate Executives • Chairman, Toyama Food Hygiene Association • Part-Time Auditor of URAYAMA GAKUEN 	
<p>Reasons for nomination as candidate for Outside Director and outline of expected roles</p> <p>Mr. Akio Misuta has expert knowledge of management from his many years of involvement in management in the senior management of a long-established soft drink manufacturer. Furthermore, in an environment dominated by overseas companies and major domestic players, he leveraged proprietary technologies and expertise to promote product development and continues to achieve steady growth.</p> <p>If he is elected, the Company intends for him to be involved from an independent standpoint in the nomination of candidates for officers of the Company and the determination of officer remuneration, etc. as a member of the Nomination and Remuneration Committee.</p> <p>Taking into account the above facts, the Company desires that he supervises the management of the Company for continually enhancing its corporate value; therefore, the Company appoints him as a candidate for Outside Director for re-election.</p>			

- Notes: 1. There is no special interest between any of the candidates and the Company.
2. The number of the Company's shares held by each candidate is the number of shares held as of the end of the fiscal year under review (May 20, 2023) including the number of shares held by each candidate under the name of the COSEL Directors' and Officers' Shareholding Association.
3. Both Mr. Yasuro Uchida and Mr. Akio Misuta are candidates for Outside Director.
4. Mr. Yasuro Uchida and Mr. Akio Misuta are currently serving as Outside Directors of the Company, and at the conclusion of this meeting, their tenure as Outside Directors will have been eight years for Mr. Yasuro Uchida and six years for Mr. Akio Misuta.
5. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into an agreement with Mr. Yasuro Uchida and Mr. Akio Misuta to limit their liability for damages under Article 423, paragraph (1) of the Companies Act. The maximum amount of liability for damages under this agreement is the minimum liability amount provided for by Article 425, paragraph (1) of the same Act, and if the reelection of Mr. Yasuro Uchida and Mr. Akio Misuta is approved, the Company plans to renew the aforementioned agreement with them.
6. The Company has submitted notification to Tokyo Stock Exchange, Inc. that Mr. Yasuro Uchida and Mr. Akio Misuta have been designated as independent officers as provided for by the aforementioned exchange. If the reelection of Mr. Yasuro Uchida and Mr. Akio Misuta is approved, the Company plans to maintain their positions as independent officers.

(Reference) Skills Matrix for Directors (excluding Audit and Supervisory Committee Members)

If Proposal No. 1 is approved as originally proposed, a skills matrix for Directors (excluding Audit and Supervisory Committee Members) is as follows.

Name	Position in the Company after the General Meeting of Shareholders	Committee of appointment	Expertise and experience possessed by the Directors								
		Nomination and Remuneration ★ indicates the chairperson	Management strategy	Financial accounting	Sales / Marketing	R&D Production / Technology	Manufacturing	IT / Digital	Personnel and labor / Human resources development	Environment	Legal affairs
Morio Saito	President and Representative Director	○	○	○	○	○	○		○		
Masato Tanikawa	Director and Chairman		○	○					○		
Satoshi Kiyosawa	Director		○	○					○	○	○
Isao Yasuda	Director		○		○	○		○			
Tatsuya Mano	Director		○		○	○		○			
Norihiro Honoki	Director		○	○		○	○	○			
Yasuro Uchida	Outside Director (Independent)	★	○		○						
Akio Misuta	Outside Director (Independent)	○	○	○					○	○	

Note: The Company has established the Nomination and Remuneration Committee as a voluntary advisory body to further enhance the corporate governance system since the Board of Directors' meeting held on June 16, 2021.

Proposal No. 2 Determination of Remuneration Under the Performance-Linked and Restricted Share-Based Remuneration Plan for Directors (Excluding Director Who Are Audit and Supervisory Committee Members and Outside Directors)

Regarding the amount of monetary remuneration, etc. for the Company's Directors, it was resolved at the 53rd Annual General Meeting of Shareholders held on August 10, 2022, that the maximum amount of remuneration for (1) Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be a fixed amount of 200 million yen or less per year (including remuneration for Outside Directors 20 million yen or less per year) (however, excluding the amount of employee salary for employees serving concurrently as Director), and a variable amount of 1% or less of profit for the previous fiscal year (the "Monetary Remuneration Amount"). Regarding the amount of the performance-linked share-based remuneration for (2) Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors, in this proposal, "Eligible Directors"), the introduction of the performance-linked share-based remuneration plan for the Company's Directors (the "Plan") was approved at the 48th Annual General Meeting of Shareholders held on August 9, 2017, and in accordance with the Company's transition to a company with an Audit and Supervisory Committee, the maximum amount of remuneration under the Plan was approved at the 53rd Annual General Meeting of Shareholders held on August 10, 2022, within the monetary remuneration amount, at 30 million yen or less per year (90 million yen or less in total for three fiscal years), and the maximum number of shares to be delivered under the Plan is 30,000 shares or less per year (90,000 shares or less in total over three fiscal years).

The performance evaluation period under the Plan is three fiscal years, and the new performance evaluation period (from the fiscal year ending May 20, 2024 to the fiscal year ending May 20, 2026) will begin at the end of the period for the fiscal year ended May 20, 2023. Therefore, the Company intends to further clarify the linkage between the remuneration of Eligible Directors and the Company's performance, and to further increase their motivation to contribute to improving the medium- to long-term performance and increasing the corporate value of the Group as a whole, as well as raise their awareness of shareholder-oriented management, and in light of the Companies Act (Act No. 86 of 2005), as amended by the Act Partially Amending the Companies Act (Act No. 70 of 2019), stipulates the allotment of restricted shares to Eligible Directors as a matter to be resolved at the General Meeting of Shareholders, we again request your approval for the matters related to the Plan in order to continue delivering restricted shares to Eligible Directors based on the Plan.

For the performance evaluation period ended May 20, 2023, the Company will use performance indicators (consolidated operating profit) other than consolidated net sales, consolidated ordinary profit, and consolidated ROE in order to make the Group's performance targets in the 9th medium-term management plan numerical targets that are not affected by foreign exchange and other non-business factors. Therefore, the Company requests approval to use consolidated operating profit as a performance indicator retroactively from the beginning of the relevant performance evaluation period.

There are currently five Eligible Directors, and if Proposal No. 1 is approved and adopted as originally proposed, the number of Eligible Directors will become six.

1. Overview of the Plan

Under the Plan, the Company's Board of Directors shall determine the base number of shares, the performance evaluation period (the "Evaluation Period"), and performance indicators during the Evaluation Period, and the Plan is a performance-linked share-based remuneration plan using performance share units, under which the Company's common shares are granted by the number calculated according to the degree of achievement of the performance indicators after the Evaluation Period. The Plan places certain restrictions on the transfer of shares of the Company's common shares to be granted. The Company's Board of Directors will set performance indicators (such as the Company's consolidated net sales, consolidated operating profit, and consolidated ROE, etc.) based on indicators of profit status and other management policies of the Company.

Upon the grant of restricted shares, Eligible Directors shall receive monetary remuneration claims based on a resolution of the Board of Directors of the Company, and all such monetary remuneration claims shall be delivered as assets contributed in kind to the Eligible Director, to be issued or disposed of with respect to the Company's common shares. The amount to be paid per share shall be determined by the Board of Directors

based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day immediately preceding the date of each Board of Directors resolution (or the closing price of the trading day immediately preceding that if no trading was conducted on that date), to the extent not especially favorable to the Directors.

Since the Plan entails the grant of restricted shares and cash payment depending on the degree of achievement of performance targets during the Evaluation Period, at the beginning of the Evaluation Period, it has not been determined whether or not these will be granted or paid to each Eligible Director, nor has the number of shares to be granted or the amount of cash to be paid been determined.

2. Maximum amount and maximum number of shares to be granted to Eligible Directors

The total amount of remuneration for granting restricted shares to Eligible Directors under the Plan shall be 30 million yen or less per year (total of 90 million yen for the three fiscal years) within the monetary remuneration amount, as an amount considered reasonable based on the aforementioned purposes, and the total number of the Company's common shares to be issued or disposed of under the Plan shall be 30,000 shares or less per year (total of 90,000 shares for the three fiscal years) (however, in the event of a stock split of common shares of the Company (including allotment of the Company's common shares without contribution) or consolidation of shares is conducted after the date of approval and adoption of this proposal, the number of shares shall be adjusted in accordance with the split ratio or consolidation ratio).

The Board of Directors shall determine the specific timing and allocation of payments to each Eligible Director.

3. Conditions for delivery of shares, etc.

Under the Plan, upon completion of the Evaluation Period and fulfillment of the following requirements, the Company shall deliver common shares of the Company to the Eligible Directors (including Eligible Directors who were newly appointed after the start of the Evaluation Period).

- (1) Certain acts of misconduct as determined by the Board of Directors of the Company have not occurred
- (2) Other requirements determined by the Board of Directors of the Company as necessary to achieve the purpose of the Plan have been satisfied

In the event that, prior to the delivery of shares after the start of the Evaluation Period, (1) an Eligible Director of the Company resigns or retires from his or her position as a Director or other position determined by the Board of Directors of the Company due to death or other reasons deemed justifiable by the Board of Directors of the Company, or (2) a merger agreement under which the Company becomes the disappearing company, share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary, or other matters related to reorganization, etc. are approved at a General Meeting of Shareholders of the Company, (or the Board of Directors of the Company in cases where approval by the General Meeting of Shareholders of the Company is not required with respect to such reorganization, etc.), or if the Board of Directors of the Company recognizes a justifiable reason, the Company may, if necessary, deliver the number of common shares of the Company reasonably determined by the Board of Directors, or pay an amount of money reasonably determined by the Board of Directors, at a time reasonably determined by the Board of Directors.

4. Overview of transfer restrictions, etc.

In delivering common shares of the Company under the Plan, the Company and Eligible Directors shall enter into a share allotment agreement with restrictions on transfer (the "Allotment Agreement") that includes the following details (however, the Company may omit the conclusion of the Allotment Agreement by entering into an agreement with the Eligible Director at the time of commencement of adopting the Plan that includes the following details in advance).

- (1) With respect to the common shares of the Company allotted under the Allotment Agreement (the "Allotted Shares"), Eligible Directors may not transfer, set a collateral interest in, or otherwise dispose of ("Transfer Restriction") the common shares of the Company allotted under the Allotment Agreement (the "Allotted Shares") during the period from the date of delivery of the Allotted Shares to the date of

resignation or retirement from office as a Director of the Company or other position determined by the Board of Directors of the Company (the “Restricted Period”).

- (2) The Company shall lift the Transfer Restriction on all of the Allotted Shares upon the expiration of the Restriction Period.
- (3) The Company shall automatically acquire the Allotted Shares without contribution in the event that, during the Restriction Period, an Eligible Director violates laws and regulations, internal rules, or the Allotment Agreement, or falls under any other grounds determined by the Board of Directors of the Company as a cause for which it is reasonable to acquire the Allotted Shares without contribution.
- (4) Notwithstanding (1) above, in the event that a merger agreement under which the Company becomes the disappearing company, a share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary, or other matters related to organizational restructuring, etc. are approved at a General Meeting of Shareholders of the Company (however, if such organizational restructuring, etc. does not require approval at a General Meeting of Shareholders, the Board of Directors of the Company) during the Restriction Period, the Transfer Restriction on all the Allotted Shares shall be cancelled prior to the effective date of such organizational restructuring, etc.

[Reasons why the remuneration based on this proposal is appropriate]

The purpose of remuneration based on this proposal is to further clarify the linkage between the remuneration of Eligible Directors and the Company’s business performance, and to further increase their motivation to contribute to improving the medium- to long-term performance and increasing the corporate value of the Group as a whole, as well as to raise their awareness of shareholder-oriented management, which is consistent with the Company’s policy for determining the details of individual remuneration, etc. for Directors, as outlined on page 24 of the Business Report (in Japanese only). In addition, the total number of restricted shares to be granted under this proposal for one year accounts for only 0.09% of the total number of shares issued and outstanding (excluding treasury stock) as of May 20, 2023, and the Company has determined that the content of this proposal is appropriate because the dilution ratio is negligible.