Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Securities Code: 4922
June 8, 2020

To Our Shareholders:

3-6-2 Nihonbashi, Chuo-ku, Tokyo
KOSÉ Corporation
Kazutoshi Kobayashi
Representative Director and President

Notice of the 78th Annual General Meeting of Shareholders

We are pleased to announce the 78th Annual General Meeting of Shareholders of KOSÉ Corporation (the "Company"), which will be held as indicated below.

Recently, we have reached the situation where the national government and prefectural governors have been requesting that the public refrain from going outside to prevent the spread of the novel coronavirus disease (COVID-19). Amid this situation, having carefully considered the options for preventing the spread of COVID-19, the Company has decided to hold this meeting, taking appropriate measures beforehand to avoid infection.

In light of the requests for the public to refrain from going outside, etc., the Company strongly requests that shareholders exercise their voting rights prior to the meeting by postal mail (in writing) or via the Internet, etc. to the best of their ability and refrain from attending on the day of the General Meeting of Shareholders regardless of physical condition from the perspective of continuously preventing the spread of COVID-19.

Please review the attached Reference Documents for the General Meeting of Shareholders, and exercise your voting rights no later than 5:30 p.m. on Thursday, June 25, 2020 (JST).

[Exercise of voting rights by postal mail (in writing)]

Please indicate your approval or disapproval to each proposal on the enclosed voting card, and return it so that it will be received by us no later than the above date and time.

[Exercise of voting rights via the Internet, etc.]

Please access the website designated by the Company, follow the instructions on the screen, and indicate your approval or disapproval no later than the above date and time.

If you exercise your voting rights both by postal mail (in writing) and via the Internet, etc., only the vote placed via the Internet, etc. will be treated as valid.

If you exercise your voting rights more than once via the Internet, etc., the last exercise shall be deemed to be valid.

Meeting Details

1. Date and Time: Friday, June 26, 2020, at 10:00 a.m. (Reception starts at 9:00 a.m.)

2. Venue: "Daigo," B2 floor, Sheraton Miyako Hotel Tokyo

1-1-50 Shirokanedai, Minato-ku, Tokyo

We will have significantly fewer chairs than normal at this year's meeting because we will need to space them out to help prevent the spread of COVID-19. As a result, it is possible that not everyone who comes to the meeting will be able to enter the venue. We appreciate your understanding.

3. Purpose of the Meeting

Matters to be reported

1. The Business Report and the Consolidated Financial Statements for the 78th fiscal year (from April 1, 2019 to March 31, 2020), and the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
2. The Non-consolidated Financial Statements for the 78th fiscal year (from April 1, 2019 to March 31, 2020)

Matters to be resolved

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of Five (5) Directors

Proposal No. 3: Election of Two (2) Audit & Supervisory Board Members

Proposal No. 4: Final Payment of Retirement Benefits in Conjunction with Abolition of Retirement Benefit Plan for Directors

Proposal No. 5: Granting of Retirement Benefits to Retiring Audit & Supervisory Board Member and Final Payment of Retirement Benefits in Conjunction with Abolition of Retirement Benefit Plan for Audit & Supervisory Board Members

Proposal No. 6: Determination of Remuneration for Directors (Excluding Outside Directors) to Grant Restricted Shares Thereto

- Any corrections in the Reference Documents for General Meeting of Shareholders, Business Report, Consolidated Financial Statements and Non-consolidated Financial Statements will be posted on the Company's website on the Internet.

Company's website: https://www.kose.co.jp/company/ja/ir/stock/meeting/ (in Japanese only)

Reference Documents for General Meeting of Shareholders

Proposal No. 1: Appropriation of Surplus

Concerning profit distribution, the Company has made it a basic policy to pay stable dividend. The Company's policy is to work on the return of profit to its shareholders while giving considerations to securing sufficient internal reserves for future business expansion, the financial position, the progress of business performance, dividend payout ratio, and other factors. Based on this policy, the Company proposes the appropriation of surplus as follows:

Year-end dividends

(1) Type of dividend property

Cash

(2) Allotment of dividend property and their aggregate amount

¥95 per common stock of the Company

The total dividends will be ¥5,419,129,270.

As the Company has already paid an interim dividend of ¥95 per share on December 10, 2019, the annual dividend will be ¥190 per share.

(3) Effective date of dividends of surplus

June 29, 2020

Proposal No. 2: Election of Five (5) Directors

The terms of office of Directors Kazutoshi Kobayashi, Takao Kobayashi, Yusuke Kobayashi, Iwao Toigawa and Yukino Kikuma will expire at the conclusion of this meeting. Therefore, the Company proposes to elect five (5) Directors.

The candidates for Director are as follows:

Provided that this proposal is approved, the number of Directors will be ten (10), of which Outside Director will be three (3) at the conclusion of this meeting.

No.	Name	Current Position in the Company			
1	Kazutoshi Kobayashi	Representative Director and President of the Company	Reelection		
2	Takao Kobayashi	Senior Executive Director of the Company	Reelection		
3	Yusuke Kobayashi	Director of the Company	Reelection		
4	Yukino Kikuma	Director of the Company	Reelection	Outside	Independent Director
5	Yuko Maeda	–	New election	Outside	Independent Director

Reelection Candidate for reelection as Director

New election Candidate for new election as Director

Outside Candidate for Outside Director

Independent Director Independent director as provided for by Tokyo Stock Exchange, Inc.

<table>
<tr><th>Candidate No.</th><th>Name
(Date of Birth)</th><th>Career Summary and Position in the Company</th><th>Number of the Company's Shares Owned</th></tr>
<tr><td rowspan="4">1</td><td rowspan="4">Kazutoshi Kobayashi
(August 8, 1962)
Reelection</td><td>Apr. 1986 Joined the Company
Mar. 1991 Director of the Company
Mar. 1995 Executive Director of the Company
Jun. 2004 Representative Director and Vice President of the Company
Jun. 2007 Representative Director and President of the Company (present)</td><td rowspan="3">6,511,974</td></tr>
<tr><td>(Responsibilities)
–</td></tr>
<tr><td>(Significant Concurrent Positions Outside the Company)
Director of ALBION Co., Ltd.</td></tr>
<tr><td colspan="2">(Reasons for Nomination as Candidate for Director)
Mr. Kazutoshi Kobayashi has been engaged in management as a Director of the Company for many years. Since having assumed the role of Representative Director and President in 2007, he has been taking on various initiatives such as those that involve spearheading management reforms and accelerating global development, thereby enabling the Company to achieve new record highs in terms of both net sales and ordinary profit over the six consecutive fiscal years beginning in fiscal 2013. He has furthermore shown strong leadership under the VISION 2026 medium- to long-term vision which aims for even greater heights. Thus, the Company recommends his reappointment as a Director.</td></tr>
<tr><td rowspan="4">2</td><td rowspan="4">Takao Kobayashi
(April 6, 1965)
Reelection</td><td>Apr. 1993 Joined the Company
Jun. 1998 Director of the Company
Jun. 2013 Executive Director of the Company
Jun. 2014 Senior Executive Director of the Company (present)</td><td rowspan="3">6,457,510</td></tr>
<tr><td>(Responsibilities)
–</td></tr>
<tr><td>(Significant Concurrent Positions Outside the Company)
Representative Director and President of KOSÉ COSMEPORT CORP.</td></tr>
<tr><td colspan="2">(Reasons for Nomination as Candidate for Director)
Mr. Takao Kobayashi has been engaged in management as a Director of the Company for many years. Since assuming the role of Representative Director and President of KOSÉ COSMEPORT CORP. in 2006, he has been substantially helping it achieve rapid growth in its share of the cosmetaries market. He has also contributed to management throughout the Group as Senior Executive Director of the Company since 2014. Thus, the Company recommends his reappointment as a Director.</td></tr>
<tr><td rowspan="4">3</td><td rowspan="4">Yusuke Kobayashi
(December 24, 1970)
Reelection</td><td>Apr. 2000 Joined ALBION Co., Ltd.
Sep. 2005 Executive Officer of ALBION Co., Ltd.
Sep. 2006 Director of ALBION Co., Ltd.
Jun. 2014 Director of the Company (present)
Apr. 2017 Executive Director of ALBION Co., Ltd. (present)</td><td rowspan="3">413,537</td></tr>
<tr><td>(Responsibilities)
–</td></tr>
<tr><td>(Significant Concurrent Positions Outside the Company)
Executive Director, General Manager of Global Business Div. and Administrative Div. of ALBION Co., Ltd.</td></tr>
<tr><td colspan="2">(Reasons for Nomination as Candidate for Director)
Mr. Yusuke Kobayashi has contributed to business expansion of Group company ALBION Co., Ltd. as its Executive Director. He has amassed many years of overseas experience, particularly as the General Manager of the Global Business Division, and accordingly possesses a proven track record in that regard. Meanwhile, he wields substantial influence across the entire Group, underpinned by his abundance of global insight and knowledge. Thus, the Company recommends his reappointment as a Director.</td></tr>
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<table>
<tr><th>Candidate No.</th><th>Name
(Date of Birth)</th><th>Career Summary and Position in the Company</th><th>Number of the Company's Shares Owned</th></tr>
<tr><td rowspan="4">4</td><td rowspan="4">Yukino Kikuma
(March 5, 1972)
Reelection
Outside
Independent Director</td><td>Apr. 1995 Joined Fuji Television Network, Inc.
Dec. 2011 Registered as an attorney at law
Joined Law Office of Matsuo & Kosugi (present)
Jun. 2018 Director of the Company (present)</td><td rowspan="3">–</td></tr>
<tr><td>(Responsibilities)
–</td></tr>
<tr><td>(Significant Concurrent Positions Outside the Company)
Attorney at law of Law Office of Matsuo & Kosugi</td></tr>
<tr><td colspan="2">(Reasons for Nomination as Candidate for Outside Director)
Ms. Yukino Kikuma has advanced expertise as an attorney at law and extensive knowledge regarding corporate legal affairs in particular. Meanwhile, she appropriately furnishes guidance and advice regarding management of the Company from a broad-based perspective, drawing on her abundance of experience in relation to mass media. Although she has never been involved in the management of a company except as an Outside Director or Outside Audit & Supervisory Board Member, the Company recommends her reappointment as an Outside Director based on the above reasons.</td></tr>
<tr><td rowspan="4">5</td><td rowspan="4">Yuko Maeda
(July 26, 1960)
New election
Outside
Independent Director</td><td>Apr. 1984 Joined Bridgestone Corporation
Sep. 2003 Director of Technology Transfer Center and Intellectual Property Manager of Intellectual Property Right Department of Tokyo Medical and Dental University
Oct. 2009 (Concurrent) Visiting Professor of Tokyo Medical and Dental University
Oct. 2011 (Concurrent) Specially Appointed Professor of Kyoto Prefectural University of Medicine
May 2013 Vice President and Officer of Bridgestone Corporation
Apr. 2014 (Concurrent) Auditor of Japan Agency for Marine-Earth Science and Technology (present)
Jan. 2017 Director of CellBank Corp. (present)
Mar. 2019 (Concurrent) Outside Audit & Supervisory Board Member of Chugai Pharmaceutical Co., Ltd. (present)</td><td rowspan="3">–</td></tr>
<tr><td>(Responsibilities)
–</td></tr>
<tr><td>(Significant Concurrent Positions Outside the Company)
Outside Audit & Supervisory Board Member of Chugai Pharmaceutical Co., Ltd.
Auditor of Japan Agency for Marine-Earth Science and Technology
Director of CellBank Corp.</td></tr>
<tr><td colspan="2">(Reasons for Nomination as Candidate for Outside Director)
Ms. Yuko Maeda has a high level of expertise in the realm of applications for corporate intellectual property combined with abundant experience and knowledge particularly when it comes to industry-academia partnerships. Moreover, she also has abundant insight from a managerial perspective underpinned by her experience as a corporate Director and Outside Audit & Supervisory Board Member, combined with her experience serving as a committee member and auditor of an incorporated administrative agency. Thus, the Company recommends her appointment as an Outside Director.</td></tr>
</table>

[Special notes regarding candidates for Director]

1. There is no special interest between each candidate for Director and the Company.
2. Ms. Yukino Kikuma is a candidate for Outside Director and special note regarding the candidate for Outside Director is as follows.
   (i) Tenure as Outside Director of the Company
   Her tenure as Outside Director will have been two years at the conclusion of this meeting.

(ii) Limited liability agreement with candidate for Outside Director

Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company has entered into an agreement with Ms. Yukino Kikuma to limit her liability for damages under Article 423, paragraph 1 of the Companies Act. Pursuant to this agreement, the defined maximum amount of liability for damages is the amount stipulated by laws and regulations. If the reelection of Ms. Yukino Kikuma is approved, the Company plans to renew this agreement with her.

3. The Company has submitted notification to the Tokyo Stock Exchange, Inc. that Ms. Yukino Kikuma satisfies the requirements for an independent director as provided for by the aforementioned exchange. If the reelection of Ms. Yukino Kikuma is approved, the Company plans to submit notification concerning her appointment as an independent director to continue.
4. Ms. Yukino Kikuma's name on her family register is Yukino Yoshida.
5. Ms. Yuko Maeda is a candidate for Outside Director and special note regarding the candidate for Outside Director is as follows.

   Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company plans to enter into an agreement with Ms. Yuko Maeda to limit her liability for damages under Article 423, paragraph 1 of the Companies Act. Pursuant to this agreement, the defined maximum amount of liability for damages is the amount stipulated by laws and regulations.
6. Ms. Yuko Maeda satisfies the requirements for an independent director as provided for by Tokyo Stock Exchange, Inc., and the Company plans to submit notification to the aforementioned exchange concerning her appointment as an independent director if her election is approved.

Proposal No. 3: Election of Two (2) Audit & Supervisory Board Members

The term of office of Audit & Supervisory Board Member Nobuo Iwafuchi will expire at the conclusion of this meeting. In addition, Audit & Supervisory Board Member Kazuhiro Suzuki will resign from the position at the conclusion of this meeting. Therefore, the Company proposes to elect two (2) Audit & Supervisory Board Members. The consent of the Audit & Supervisory Board has been obtained for the submission of this proposal.

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

Provided that this proposal is approved, the number of Audit & Supervisory Board Members will be four (4), of which Outside Audit & Supervisory Board Members will be two (2) at the conclusion of this meeting.

No.	Name	Current Position in the Company	
1	Shinji Tanabe	Senior Chief Manager of Quality Assurance Dept. of the Company	New election
2	Kumi Kobayashi	–	New election Outside Independent Auditor

New election Candidate for new election as Audit & Supervisory Board Member

Outside Candidate for Outside Audit & Supervisory Board Member

Independent Auditor Independent auditor as provided for by Tokyo Stock Exchange, Inc.

<table>
<tr><th>Candidate No.</th><th>Name
(Date of Birth)</th><th colspan="2">Career Summary and Position in the Company</th><th>Number of the Company's Shares Owned</th></tr>
<tr><td rowspan="3">1</td><td rowspan="3">Shinji Tanabe
(November 24, 1961)
New election</td><td>Apr. 1984</td><td>Joined the Company</td><td rowspan="2">–</td></tr>
<tr><td>Mar. 2015
Mar. 2017
Mar. 2019</td><td>General Manager of Technical Research Management Dept. of R&D Laboratories of the Company
General Manager of Quality Assurance Dept. of the Company
Senior Chief Manager of Quality Assurance Dept. of the Company (present)</td></tr>
<tr><td colspan="3">(Significant Concurrent Positions Outside the Company)
–</td></tr>
<tr><td colspan="5">(Reasons for Nomination as Candidate for Audit & Supervisory Board Member)
Mr. Shinji Tanabe has been engaging in the field of research for many years since having joined the Company, and has contributed to the overall management of all technological information pertaining to research serving as General Manager of Technical Research Management Dept. since 2015. Serving as the General Manager of Quality Assurance Department since 2017, he has achieved results, while gaining experience and knowledge, particularly with respect to improving levels of product quality assurance and creating mechanisms that make it possible to appropriately incorporate feedback provided by consumers to the Customer Service Center. Thus, the Company recommends his appointment as an Audit & Supervisory Board Member.</td></tr>
<tr><td rowspan="3">2</td><td rowspan="3">Kumi Kobayashi
(November 2, 1979)
New election
Outside
Independent Auditor</td><td>Mar. 2006
Sep. 2006
Mar. 2016
Apr. 2017
Jun. 2019</td><td>Registered as a certified public accountant
Joined GCA Corporation
Partner | Certified public accountant of Sakurai & Co. (present)
Representative Director of Tokyo Athletes Office, Inc. (present)
Director of SPOKACHI, Inc. (present)</td><td rowspan="2">–</td></tr>
<tr><td colspan="2">(Significant Concurrent Positions Outside the Company)
Partner | Certified public accountant of Sakurai & Co.
Representative Director of Tokyo Athletes Office, Inc.
Director of SPOKACHI, Inc.</td></tr>
<tr><td colspan="4">(Reasons for Nomination as Candidate for Outside Audit & Supervisory Board Member)
Ms. Kumi Kobayashi has advanced expertise in accounting and finance as a certified public accountant and has amassed extensive professional experience both in Japan and abroad. Also, she has advanced knowledge of the operation of M&A and corporate governance, and the Company judges that she will provide appropriate guidance and advice to increase the effectiveness of audits based on this broad experience and abundant knowledge. Thus, the Company recommends her appointment as an Outside Audit & Supervisory Board Member.</td></tr>
</table>

[Special notes regarding candidates for Audit & Supervisory Board Member]

1. There is no special interest between each candidate for Audit & Supervisory Board Member and the Company.
2. Ms. Kumi Kobayashi is a candidate for Outside Audit & Supervisory Board Member and special note regarding the candidate for Outside Audit & Supervisory Board Member is as follows.

   Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company plans to enter into an agreement with Ms. Kumi Kobayashi to limit her liability for damages under Article 423, paragraph 1 of the Companies Act. Pursuant to this agreement, the defined maximum amount of liability for damages is the amount stipulated by laws and regulations.
3. Ms. Kumi Kobayashi satisfies the requirements for an independent auditor as provided for by Tokyo Stock Exchange, Inc., and the Company plans to submit notification to the aforementioned exchange concerning her appointment as an independent auditor.
4. Ms. Kumi Kobayashi's name on her family register is Kumi Nojiri.

Proposal No. 4: Final Payment of Retirement Benefits in Conjunction with Abolition of Retirement Benefit Plan for Directors

At its Board of Directors meeting held on May 25, 2020, the Company resolved to abolish its retirement benefit plan for Company officers at the conclusion of this meeting.

Accordingly, the Company proposes to pay six (6) currently serving Directors a reasonable amount of retirement benefits corresponding to their respective terms of office extending through to the conclusion of this meeting in order to reward their services during their terms in accordance with the Company's internal rules.

The Company also proposes to set the timing of payment to be made upon retirement of the Directors. It is also proposed that the determination as to the specific amount, timing and method of payment be left to the decision of the Board of Directors.

Career summaries of the Directors eligible for final payment are as follows.

Name	Career Summary
Kazutoshi Kobayashi	March 1991 Director of the Company June 2007 Representative Director and President of the Company (present)
Takao Kobayashi	June 1998 Director of the Company June 2014 Senior Executive Director of the Company (present)
Atsuo Kumada	June 2013 Director of the Company June 2019 Senior Executive Director of the Company (present)
Masanori Kobayashi	June 2013 Director of the Company June 2017 Executive Director of the Company (present)
Koichi Shibusawa	June 2013 Director of the Company June 2018 Executive Director of the Company (present)
Michihito Yanai	June 2017 Director of the Company (present)

Proposal No. 5: Granting of Retirement Benefits to Retiring Audit & Supervisory Board Member and Final Payment of Retirement Benefits in Conjunction with Abolition of Retirement Benefit Plan for Audit & Supervisory Board Members

Audit & Supervisory Board Member Kazuhiro Suzuki will retire at the conclusion of this meeting. The Company would like to pay him a reasonable amount of retirement benefits corresponding to his term of office extending through to the conclusion of this meeting in order to reward his services during his term in accordance with the Company's internal rules. It is also proposed that the determination as to the specific amount, timing and method of payment be left to the consultation of the Audit & Supervisory Board Members.

A career summary of the retiring Audit & Supervisory Board Member is as follows.

Name	Career Summary	
Kazuhiro Suzuki	June 2015	Full-time Audit & Supervisory Board Member of the Company (present)

At its Board of Directors meeting held on May 25, 2020, the Company resolved to abolish its retirement benefit plan for Company officers at the conclusion of this meeting.

Accordingly, the Company proposes to pay one (1) currently serving Audit & Supervisory Board Member a reasonable amount of retirement benefits corresponding to his term of office extending through to the conclusion of this meeting in order to reward his services during his term in accordance with the Company's internal rules.

The Company also proposes to set the timing of payment to be made upon retirement of the Audit & Supervisory Board Member. It is also proposed that the determination as to the specific amount, timing and method of payment be left to the consultation of the Audit & Supervisory Board Members.

A Career summary of the Audit & Supervisory Board Member eligible for final payment is as follows.

Name	Career Summary	
Noboru Matsumoto	June 2019	Full-time Audit & Supervisory Board Member of the Company (present)

Proposal No. 6: Determination of Remuneration for Directors (Excluding Outside Directors) to Grant Restricted Shares Thereto

At the 65th Annual General Meeting of Shareholders held on June 28, 2007, it was approved that the total amount of remuneration, etc. for Directors of the Company shall be not more than 1.8 billion yen per year, excluding the amount of employee salaries for Directors who concurrently serve as employees and bonuses.

The Company aims to provide its Directors (excluding Outside Directors) with incentive to sustainably increase the Company's corporate value, and also aims to furthermore promote the notion of shared value between its Directors and shareholders. To such ends, the Company proposes allotting to its Directors (excluding Outside Directors) the Company's common stock subject to stipulations such as a certain Restricted Period (to be defined later) and grounds for acquisition by the Company without consideration (the "Restricted Shares") as follows.

Accordingly, the Company proposes to set the total amount of monetary remuneration claims to be granted as remuneration, etc. in relation to the Restricted Shares for its Directors (excluding Outside Directors), within the aforementioned limits on the total amount of remuneration, etc. for Directors, upon having comprehensively taken into account various factors such as the extent to which the Directors have contributed to the Company. The Company deems that details pertaining to its allotment of the Restricted Shares are suitable given that decisions thereof are to be made upon having comprehensively taken into account various factors such as the extent to which the Directors have contributed to the Company.

The Company currently has ten (10) Directors (including three (3) Outside Directors). Those numbers will remain the same upon the Company having gained approval for Proposal No. 2.

Specific details pertaining to the Restricted Shares for Directors of the Company (excluding Outside Directors), and maximum number of such shares

1. Allotment of Restricted Shares, and payment thereof

Based on resolutions of the Company's Board of Directors, the Company shall grant its Directors (excluding Outside Directors) monetary remuneration claims within the aforementioned annual amount, as remuneration, etc. in relation to the Restricted Shares. Each of the Directors shall then take receipt of allotments of the Restricted Shares upon making payment of such monetary remuneration claims in their entirety through contribution in kind.

The Company's Board of Directors shall determine the amount to be paid in for the Restricted Shares, within a scope deemed not particularly advantageous to the Directors who are to receive the Restricted Shares. Accordingly, the amount is to be based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Company's Board of Directors pertaining to the issuance or disposal of such shares (if there is no closing price on such date, the closing price on the closest preceding trading day).

The aforementioned monetary remuneration claims shall be granted to the Company's Directors (excluding Outside Directors), on the condition that the Director has consented to the aforementioned contribution in kind and has concluded a restricted share allotment agreement encompassing the details specified in 3. below.

2. Total number of Restricted Shares

The maximum number of Restricted Shares to be allotted in each fiscal year shall amount to a total of 100,000 shares with respect to the Restricted Shares allotted to the Company's Directors (excluding Outside Directors).

However, on or after the date on which this proposal has been resolved, the Company may reasonably adjust the total number of such Restricted Shares if it becomes necessary to adjust the total number of Restricted Shares to be allotted in the event of circumstances such as a stock split (including allotment of the Company's common stock without contribution) or a reverse stock split with respect to common stock of the Company.

3. Details on the restricted share allotment agreement

The following details pertain to the restricted share allotment agreement to be concluded between the Company and Directors who are to take receipt of allotments of the Restricted Shares, based on resolutions of the Company's Board of Directors concerning allotment of the Restricted Shares.

(1) Details on transfer restrictions

A Director who has taken receipt of allotments of the Restricted Shares may not dispose of such Restricted Shares allotted to such Director (the "Allotted Shares") in any manner whatsoever, including their transfer to a third party, establishment of right of pledge, establishment of security interests, *inter vivos* gifts or bequest, during the period extending from the date on which the allotment of the Restricted Shares was received, through to the date on which the Director of the Company retires (the "Restricted Period"). The restrictions described in the preceding sentence will hereinafter be collectively referred to as the "Transfer Restrictions."

(2) Acquisition of the Restricted Shares without consideration

The Company shall automatically acquire the Allotted Shares without consideration in the event that a Director who has taken receipt of allotments of the Restricted Shares retires prior to the date immediately preceding the day on which the Company holds the first Annual General Meeting of Shareholders to take place subsequent to the start date of the Restricted Period, unless there are grounds otherwise deemed justifiable by the Company's Board of Directors.

In addition, the Company shall automatically acquire without consideration those Allotted Shares for which the Transfer Restrictions have not been lifted pursuant to the grounds for lifting of the Transfer Restrictions cited in (3) below, upon expiration of the Restricted Period cited in (1) above.

(3) Lifting of the Transfer Restrictions

The Company shall lift the Transfer Restrictions with respect to all of the Allotted Shares upon expiration of the Restricted Period, on the condition that a Director who has taken receipt of allotments of the Restricted Shares has remained in his or her post as a Director of the Company up until the day on which the Company holds the first Annual General Meeting of Shareholders to take place subsequent to the start date of the Restricted Period.

However, the Company shall reasonably adjust, as necessary, the number of Allotted Shares for which the Transfer Restrictions are to be lifted and the timing for lifting of the Transfer Restrictions, in the event that such Director retires as the Company's Director prior to the date immediately preceding the day on which the Company holds the first Annual General Meeting of Shareholders to take place subsequent to the start date of the Restricted Period, due to grounds deemed justifiable by the Company's Board of Directors.

(4) Treatment during reorganization, etc.

If, during the Restricted Period, proposals relating to a merger agreement in which the Company is the disappearing company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or other reorganization, etc. are approved at the Company's General Meeting of Shareholders (or at its Board of Directors meeting in cases where approval at the Company's General Meeting of Shareholders is not required in relation to the reorganization, etc.), the Company shall lift the Transfer Restrictions on the Allotted Shares with the number of shares that is reasonably determined considering the period from the start date of the Restricted Period to the date of approval of the reorganization, etc. prior to the date on which the reorganization, etc. becomes effective, by resolution of the Board of Directors of the Company.

In such cases, the Company shall automatically acquire without consideration any Allotted Shares for which the Transfer Restrictions have not been lifted immediately after the Transfer Restriction has been lifted pursuant to the aforementioned provision.

[Reference]

Overview of the Company's officer remuneration plan

1. Fundamental policy on officer remuneration

The Company's remuneration for its Directors and Audit & Supervisory Board Members (the "Officer Remuneration") is designed and operated with the aim of increasing corporate value over the medium to long term, in a manner embodying the fundamental policy from the viewpoints of:

- Maintaining a remuneration plan that enables the Group to achieve global and borderless growth;
- Ensuring remuneration levels that give rise to appropriate competitive strengths and the ability to recruit and secure outstanding professional talent; and,
- Facilitating a remuneration plan that ensures high levels of independence, objectivity and transparency, and ensuring that plan content gives rise to accountability toward the Company's business partners, customers, shareholders, employees and other stakeholders.

2. Remuneration levels

The Company has determined that its levels of Officer Remuneration are appropriate upon having taken the Company's business environment into account, while also having surveyed and analyzed remuneration levels of peer companies and major corporations of similar size with reference to external databases, etc.

3. Composition of remuneration

(1) Directors (excluding Outside Directors)

Remuneration of the Company's Directors (excluding Outside Directors) consists of "basic remuneration," which is contingent on a Director's role, and "performance-linked remuneration," which is contingent on factors such as corporate business performance and the stock price. These forms of remuneration are provided with the aims of motivating the Directors in terms of achieving performance indicators over the short, medium and long term, and sustainably increasing corporate value.

The "performance-linked remuneration" furthermore consists of "bonus" and "stock compensation."

The "stock compensation" involves a plan whereby the Company delivers its common stock to those eligible, using a specified restricted shares mechanism, newly introduced in 2020. Specifically, the Company makes annual delivery of its common stock subject to stipulations such as those of the Restricted Period to those eligible, and subsequently lifts the Transfer Restrictions upon their retirement.

Moreover, the remuneration, etc. for Directors does not include employee salaries for Directors who concurrently serve as employees, nor does it include bonuses.

(i) Overview of remuneration components

<u>Basic remuneration</u>

The basic remuneration is paid in the form of fixed remuneration on a monthly basis, the amount of which is determined per respective position contingent on the extent of professional responsibilities and roles thereof.

<u>Bonus</u>

Bonuses are paid as incentive to improve corporate business performance in a single fiscal year.

The evaluation indicators for the bonus include net sales and operating profit, etc. per business domain, in addition to net sales and operating profit on a consolidated basis. The Company has selected such evaluation indicators because they are cited as key performance indicators under its medium- to long-term business plans. The bonus varies from 0% to 200% of the standard amount, contingent on the extent to which target amounts for the single fiscal year have been achieved with respect to each indicator.

Evaluation ratios with respect to net sales and operating profit indicators are largely as follows.

Indicators	Evaluation ratio
Net sales	50%
Operating profit	50%

Under the remuneration framework, the Company sets high evaluation weightings with respect to the individual business domain that is under direct control of an individual Director, thereby ensuring that each Director fulfills his or her responsibilities in the business domains under his or her respective control.

Stock compensation

The Company makes annual delivery of a fixed number of shares of its common stock subject to stipulations such as those of the Restricted Period, and subsequently lifts the Transfer Restrictions upon retirement of the recipient.

The Company's stock price acts as the evaluation indicator with respect to stock compensation. The Company has selected that evaluation indicator with the aims of further heightening motivation to help increase corporate value over the medium to long term, and further promoting the shared interests of stock compensation recipients and the Company's shareholders.

Because the Company's stock price acts as the indicator for calculating stock compensation, the Company does not set performance targets in that regard.

(ii) Remuneration mix

Remuneration mix in relation to the Representative Director and President's remuneration package are as follows.

Remuneration component	Remuneration mix
Basic remuneration	65%
Bonus	25%
Stock compensation	10%

The Company's policy when it comes to remuneration mix for positions other than that of President is such that the higher one's position the lower his or her proportion of basic remuneration, and the higher his or her proportion of bonus and stock compensation.

Going forward, the Company intends to periodically reassess the remuneration mix with a focus on stock compensation with the aim of achieving sustainable growth over the medium to long term.

(2) Outside Directors

Because the Outside Directors are expected to engage in the function of managerial oversight from an independent standpoint, their remuneration consists solely of a fixed amount of "basic remuneration." They accordingly do not receive payment of bonuses linked to business performance or stock compensation.

(3) Audit & Supervisory Board Members

Remuneration for Audit & Supervisory Board Members consists solely of a fixed amount of "basic remuneration" which takes into account their professional duties and other such factors. They accordingly do not receive payment of bonuses or stock compensation. The Company determines amounts of basic remuneration for respective Audit & Supervisory Board Members through consultation of the Audit &

Supervisory Board Members, comprehensively taking into account factors encompassing content, workloads and difficulty of their professional duties, as well as the extent of their responsibilities.

4. Decision-making process

For Officer Remuneration, the Company has established separate Director and Audit & Supervisory Board Member classifications for such remuneration through a General Meeting of Shareholders. Accordingly, the Company is to allocate to each officer amounts of Officer Remuneration that do not exceed the total amounts set for the respective classifications.

For the sake of ensuring objectivity and transparency with respect to the officer remuneration plan, the Board of Directors resolves to reassign the Representative Director and President with the task of making decisions on allocations of Officer Remuneration, following deliberations regarding the appropriateness thereof carried out by the Nomination & Remuneration Committee primarily centered on Outside Officers. Moreover, The Company makes decisions on remuneration for Audit & Supervisory Board Members through consultation of the Audit & Supervisory Board Members.

(Reference)

Organizational Structure of Officers after Proposal No. 2 and Proposal No. 3 are Approved

Ten (10) Directors (including three (3) Outside Directors)

Four (4) Audit & Supervisory Board Members (including two (2) Outside Audit & Supervisory Board Members)

Name	Position	Attribute			Remarks
Kazutoshi Kobayashi	Representative Director and President	Reelection			Member of Nomination & Remuneration Committee
Takao Kobayashi	Senior Executive Director	Reelection			
Atsuo Kumada	Senior Executive Director				
Masanori Kobayashi	Executive Director				
Koichi Shibusawa	Executive Director				Member of Nomination & Remuneration Committee
Yusuke Kobayashi	Director	Reelection			
Michihito Yanai	Director				
Yukino Kikuma	Director	Reelection	Outside	Independent Director	Member of Nomination & Remuneration Committee
Norika Yuasa	Director		Outside	Independent Director	Member of Nomination & Remuneration Committee
Yuko Maeda	Director	New election	Outside	Independent Director	Member of Nomination & Remuneration Committee
Noboru Matsumoto	Full-time Audit & Supervisory Board Member				
Shinji Tanabe	Full-time Audit & Supervisory Board Member	New election			
Toru Miyama	Audit & Supervisory Board Member		Outside	Independent Auditor	Member of Nomination & Remuneration Committee
Kumi Kobayashi	Audit & Supervisory Board Member	New election	Outside	Independent Auditor	Member of Nomination & Remuneration Committee

Notes:

1. Directors with Special Titles will be determined at the Board of Directors meeting after this General Meeting of Shareholders, and Full-time Audit & Supervisory Board Members, at the following Audit & Supervisory Board meeting.
2. The Nomination & Remuneration Committee examines proposals concerning nominations, remuneration and other matters that are submitted by the President to the Board of Directors. This committee exists for the purposes of reinforcing the autonomy and objectivity of activities by the Board of Directors concerning nominations, remuneration and other matters involving the Directors, Audit & Supervisory Board Members and executive officers and of better fulfilling the obligation to provide explanations for decisions concerning these matters.