KOBAYASHI PHARMACEUTICAL CO., LTD.

[**Disclaimer**: Please note that the following purports to be an accurate translation from the original Notice of Convocation of the 104th Ordinary General Meeting of Shareholders of KOBAYASHI PHARMACEUTICAL CO., LTD. and is prepared solely for the convenience of shareholders outside Japan with voting rights. In case of any discrepancy between the translation and the Japanese original, the latter will prevail. Certain omissions and modifications have been made from the original Japanese notice.]

(TSE Code 4967)
March 8, 2022

To our Shareholders:

NOTICE OF CONVOCATION OF THE 104TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 104th Ordinary General Meeting of Shareholders of KOBAYASHI PHARMACEUTICAL CO., LTD. (the "Company"), which will be held as described below.

If you attend the meeting, please submit the enclosed Voting Right Exercise Form[1] *to the receptionist of the meeting. If you are unable to attend the meeting, please note that you may exercise your voting rights in writing or by electronic means (i.e., through the Internet)* [2]*. In such a case, please review the attached "Reference Documents for the General Meeting of Shareholders" and exercise your voting rights in writing or by electronic means no later than noon, March 29, 2022 (Tuesday).*

Very truly yours,

KOBAYASHI PHARMACEUTICAL CO., LTD.

By: /s/ KOBAYASHI AKIHIRO
Akihiro Kobayashi
President and Chief Operating Officer
4-10, Doshomachi 4-chome, Chuo-ku, Osaka

1 Please note that the *Voting Right Exercise Form* is not enclosed in this translation material.

2 For institutional investors: "Electronic Voting Platform" may be available for your exercise of voting rights.

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PARTICULARS

1. Date and Time of the Meeting:

Wednesday, March 30, 2022 at 10:00 a.m. (doors open at 9:00 a.m.)

2. Place of the Meeting:

"Sanraku" at RIHGA Royal Hotel Osaka (2nd Floor)
5-3-68, Nakanoshima, Kita-ku, Osaka

Please see the map for the place of the meeting which is printed on the back cover of the Japanese original convocation notice.

3. Matters to be dealt with at the Meeting:

Matters for Report:

1. Report on the Business Report, the Consolidated Accounting Documents, and the Non-Consolidated Accounting Documents for the 104th Business Year (January 1, 2021 to December 31, 2021)

2. Report on the Audits of Consolidated Accounting Documents by the Independent Accounting Auditor and the Audit & Supervisory Board for the 104th Business Year (January 1, 2021 to December 31, 2021)

Matters for Resolution:

Proposal No. 1:	Partial Amendment to the Articles of Incorporation
Proposal No. 2:	Election of Eight (8) Directors
Proposal No. 3:	Election of One (1) Substitute Audit & Supervisory Board Member

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REFERENCE DOCUMENTS FOR
THE GENERAL MEETING OF SHAREHOLDERS

Proposal No. 1: Partial Amendment to the Articles of Incorporation

1. Reasons for Amendments

(1) Introduction of a General Meeting of Shareholders with no physical location

With the enactment of the "Act for Partial Amendment to the Industrial Competitiveness Enhancement Act, etc." (Act No. 70 of 2021) on June 16, 2021, publicly listed companies are now permitted to hold general meetings of shareholders with no physical location (so-called virtual-only general meetings of shareholders) under certain conditions and if stipulated in their articles of incorporation. By making it easier for many shareholders, including those in remote areas, to attend the meetings, we believe that this will lead to the revitalization, efficiency, and facilitation of general meetings of shareholders, and will also allow us to respond flexibly to future changes in social conditions due to the new coronavirus infection and other emergencies. In order to allow the Company to hold a general meeting of shareholders with no physical location if the Board of Directors determines that it is not in the best interest of the shareholders to hold a general meeting of shareholders at a physical location as in the past, the Company proposes that Article 15 of the present Articles of Incorporation be amended.

(2) Change to the Convener and Chairperson of the General Meeting of Shareholders

In order to enable a more flexible handling of the General Meeting of Shareholders, the Company proposes to revise the provisions of Article 16 of the present Articles of Incorporation with respect to the convener and chairperson of the General Meeting of Shareholders.

(3) Introduction of electronic provision of materials for General Meetings of Shareholders

In light of the amended provisions stipulated in the proviso of Article 1 of the Supplementary Provisions of the "Act for Partial Amendment to the Companies Act" (Act No. 70 of 2019) that will come into effect on September 1, 2022, the Company will introduce a system of electronically providing materials for General Meetings of Shareholders. In order to enable such introduction, the Company proposes that the Articles of Incorporation be amended as follows:

① As the Company will be required to stipulate in its Articles of Incorporation that it will take measures to electronically provide the information that is the content of the reference documents for the General Meeting of Shareholders and other materials, the Company proposes that Paragraph 1 of Article 17 (Electronic Provision Measures, etc.) of the Proposed Amendment be newly added.

② As to the matters for which electronic provision measures are to be taken among the information which is the content of reference documents for the General Meetings of Shareholders and other materials, the Company shall be permitted to limit the scope of matters to be set forth in the documents to be delivered to shareholders who have requested such delivery to the scope of matters provided for in a Ministry of Justice Ordinance. Thus the Company proposes that Paragraph 2 of Article 17 (Electronic Provision Measures, etc.) of the Proposed Amendment be newly added.

③ As the provisions of Article 17 (Internet Disclosure and Deemed Provision of Reference Documents for General Meeting of Shareholders and Other Materials) of the present Articles of Incorporation will become unnecessary when the electronic provision system of reference documents for the General Meeting of Shareholders is introduced, the Company proposes to delete such provisions.

④ The Company proposes that supplementary provisions regarding the effectiveness of the newly added provisions and the deleted provisions above be added. These supplementary provisions shall be removed after the expiration of the stipulated deadline.

(4) Change in the number of directors

In order to further enhance corporate value through optimization and activation of the Board of Directors and speedy decision-making, the Company proposes that the number of directors be changed to "no more than twelve (12)" from "no more than ten (10)" with respect to Article 20 of the present Articles of Incorporation.

2. Details of Amendments

The details of the amendments are as described below.

(Amendments are underlined.)

Present Articles of Incorporation	Proposed Amendments
Articles 1. – 14. (Text omitted)	Articles 1. – 14. (Unchanged)
(General Meeting of Shareholders Venue) Article 15.	(General Meeting of Shareholders Venue) Article 15.
A General Meeting of Shareholders of the Company shall be held in Osaka Prefecture.	1. A General Meeting of Shareholders of the Company shall be held in Osaka Prefecture; provided, however, that this provision shall not apply in cases where the General Meeting of Shareholders shall be a General Meeting of

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	Shareholders with no physical location pursuant to the provisions of the immediately subsequent paragraph. 2. The Company may hold a General Meeting of Shareholders as a General Meeting of Shareholders with no physical location.
(Convener and Chairperson) Article 16. 1. Unless otherwise provided for in laws and regulations, either the Chairperson of the Board or the President of the Company shall convene a General Meeting of Shareholders and shall become the Chairperson for such meeting based on a resolution of the Board of Directors. 2. If the Chairperson of the Board and the President of the Company are unable to act, one of the other Directors shall act instead in accordance with the order determined beforehand by the Board of Directors.	(Convener and Chairperson) Article 16. 1. Unless otherwise provided for in laws and regulations, the President of the Company shall convene a General Meeting of Shareholders and shall become the Chairperson for such meeting based on a resolution of the Board of Directors. 2. If the President of the Company is unable to act, one of the other Directors shall act instead in accordance with the order determined beforehand by the Board of Directors.
(Internet Disclosure and Deemed Provision of Reference Documents for General Meeting of Shareholders and Other Materials) Article 17. With respect to the convocation of a General Meeting of Shareholders, the Company may deem that information concerning matters which shall be mentioned or indicated in the reference documents for the General Meeting of Shareholders, business reports, financial statements and consolidated financial statements has been provided to the shareholders if such disclosure is made through the internet pursuant to a Ministry of Justice Ordinance.	(Deleted)
(Newly added)	(Electronic Provision Measures, etc.) Article 17.

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	1. With respect to the convocation of a General Meeting of Shareholders, the Company shall take measures to electronically provide the information that is the content of the reference documents for the General Meeting of Shareholders and other materials. 2. The Company may choose not to include all or part of the matters for which electronic provision measures are to be taken, and which are provided for in a Ministry of Justice Ordinance, in the documents to be delivered to shareholders who have made a written request by the record date of the voting rights.
Articles 18. – 19. (Text omitted)	Articles 18. – 19. (Unchanged)
(Number of Directors) Article 20.	(Number of Directors) Article 20.
The number of Directors of the Company shall be no more than twelve (12) persons.	The number of Directors of the Company shall be no more than ten (10) persons.
Articles 21. – 44. (Text omitted)	Articles 21. – 44. (Unchanged)
(Newly added)	(Supplementary Provisions) (Transitional Measures for Electronic Provision of Reference Documents for General Meetings of Shareholders) 1. The amendment to Article 17 of Articles of Incorporation shall become effective as of September 1, 2022 (the "Effective Date"), which is the effective date of the amended provisions stipulated in the proviso of Article 1 of the Supplementary Provisions of the Act for Partial Amendment to the Companies Act (Act No. 70 of 2019). 2. Notwithstanding the provisions of the immediately preceding paragraph, Article 17 of Articles of Incorporation (Internet Disclosure and Deemed Provision of Reference Documents for

	General Meeting of Shareholders and Other Materials) shall remain in effect with respect to the General Meetings of Shareholders that is held on a date within six months of the Effective Date. 3. These Supplementary Provisions shall be deleted after the passage of six (6) months from the Effective Date or three (3) months from the date of the General Meeting of Shareholders set forth in the immediately preceding paragraph, whichever is later.

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Proposal No. 2: Election of Eight (8) Directors

The term of office of all seven (7) Directors to the present will expire at the close of this General Meeting of Shareholders. Thus, it is proposed that the number of Directors be increased by one (1) in order to strengthen the Company's management structure and that eight (8) Directors be elected. The candidates for Directors are nominated through the Nomination Committee chaired by an Independent Outside Director. The candidates for Directors are as follows:

Candidate Number	Name			Position and Duty at the Company	Attendance Rate of Board of Directors (Attendance / Held)
1	Re-Election	Kazumasa Kobayashi		Representative Director, Chairman of the Board and Chief Executive Officer	100% (13 times /13 times)
2	Re-Election	Akihiro Kobayashi		Representative Director, President and Chief Operating Officer	100% (13 times /13 times)
3	Re-Election	Satoshi Yamane		Senior Executive Director and Senior General Manager of Corporate Headquarters	100% (13 times /13 times)
4	Re-Election	Kazuhito Miyanishi		Director and Senior General Manager of International Business Division	80% (8 times /10 times)
5	Re-Election	Kunio Ito	Outside Director Independent Director	Outside Director	100% (13 times /13 times)
6	Re-Election	Kaori Sasaki	Outside Director Independent Director	Outside Director	100% (13 times /13 times)
7	New-Election	Chiaki Ariizumi	Outside Director Independent Director	Outside Director	100% (13 times /13 times)
8	New-Election	Yoshiro Katae	Outside Director Independent Director	-	-

Note: 1. There are no special interests between each candidate and the Company.

2. Mr. Kazuhito Miyanishi, a Director, was approved at the 103rd Ordinary General Meeting of Shareholders of the Company held on March 26, 2021. Thus, the number of times he could attend meetings of the Board of Directors is different from the other Directors.

3. Ms. Chiaki Ariizumi is currently an Outside Audit & Supervisory Board Member. She will resign as Audit & Supervisory Board Member at the conclusion of this General Meeting of Shareholders and will assume the position of an Outside Director if her election is approved at this General Meeting of Shareholders. The number of times she attended meetings of the Board of Directors represents the number of times she attended meetings as an Outside Audit & Supervisory Board Member (her current position).

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1. Kazumasa Kobayashi (September 19, 1939)

Number of Shares of the Company Owned
224,336 Shares

< Brief Career Summary, Position and Duty at the Company >

Mar. 1962	Joined the Company
Nov. 1966	Director
Nov. 1970	Executive Director
Dec. 1976	Representative Director and President
Jun. 2004	Representative Director, Chairman of the Board and Chief Executive Officer (to the present)

<Assumption of Important Positions>
President of Kobayashi Foundation



Re-Election

Reasons for Nominating as a Candidate for Director

Mr. Kazumasa Kobayashi assumed his office as a Director in 1966, and thereafter served as the Representative Director and President for twenty-eight (28) years since 1976. Further, serving as the Representative Director, Chairman of the Board and Chief Executive Officer since 2004, he has performed his duties as Chairperson at meetings of the Board of Directors. As such, he has directed and supervised the management of the Company and has led the overall management of the Company over the years. Based on such experiences and achievements, it is appropriate for him to continue serving as a Director and we have nominated him for such office.

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2. Akihiro Kobayashi (May 13, 1971)

Number of Shares of the Company Owned
9,264,704 Shares

< Brief Career Summary, Position and Duty at the Company >

Mar. 1998	Joined the Company
Jun. 2001	Executive Officer President of Manufacturing Company
Jun. 2004	Director President of International Sales Company and Marketing Officer
Jun. 2007	Executive Director
Mar. 2009	Senior Executive Director Senior General Manager of Manufacturing and Sales Operations Department
Jun. 2013	Representative Director, President and Chief Operating Officer (to the present)



Re-Election

<Assumption of Important Positions>
President of Kobayashi Aoitori Foundation

Reasons for Nominating as a Candidate for Director

Since the assumption of the office as the Representative Director, President and Chief Operating Officer in 2013, Mr. Akihiro Kobayashi has strengthened the Company's product development strategy and overseas businesses, increased employee engagement, and further enhanced the overall corporate values of the Company and other group companies. He has further sought the continuous growth of the group companies and actively promoted measures to strengthen their international business activities and measure implementing ESG, as well as DX (digital transformation). Based on such achievements and dealings, it is appropriate for him to continue serving as a Director and we have nominated him for such office.

3. Satoshi Yamane (April 16, 1960)

Number of Shares of the Company Owned
7,957 Shares

< Brief Career Summary, Position and Duty at the Company >

Mar. 1983	Joined the Company
Mar. 2004	Executive Officer General Manager of Board of Directors Office and Business Development Office
Jun. 2006	Director Senior General Manager of Corporate Headquarters (to the present)
Jun. 2011	Executive Director
Jun. 2016	Senior Executive Director (to the present)



Re-Election

Reasons for Nominating as a Candidate for Director

Mr. Yamane has been in charge of all administrative divisions at the headquarters (including management planning, finance, corporate communication and IR). Based on the knowledge he has gained through performing such functions, he has fulfilled the roles of participating in important decision-making and supervising business operations. Further, he has strengthened the corporate governance of the Company and properly and promptly responded to changes in the management environment, in addition to the planning and implementation of capital policy as the chief financial officer. Based on such experiences and achievements, it is appropriate for him to continue serving as a Director and we have nominated him for such office.

4. Kazuhito Miyanishi (June 9, 1962)

Number of Shares of the Company Owned
2,843 Shares

< Brief Career Summary, Position and Duty at the Company >

Apr. 1986	Joined the Company
Mar. 2007	General Manager of Household Marketing Department, Marketing Office
Mar. 2011	General Manager of International Sales Department, International Business Division
Jun. 2012	Executive Officer Senior General Manager of International Business Division (to the present)
Mar. 2021	Director (to the present)



Re-Election

Reasons for Nominating as a Candidate for Director

Mr. Miyanishi has held key sales and marketing positions, both domestic and overseas, in the Marketing Division and International Business Division. Further, serving as the Senior General Manager of the International Business Division and Executive Officer, and as a Director since 2021, he has contributed greatly to the expansion of the Company's international business, especially in recent years. Based on such experiences and achievements, as well as the fact that he has developed a large number of excellent human resources who can play an active role on a global scale, it is appropriate for him to continue serving as a Director and we have nominated him for such office.

5. Kunio Ito (December 13, 1951)

Number of Shares of the Company Owned
0 Shares

< Brief Career Summary, Position and Duty at the Company >

Apr. 1992	Professor of the Faculty of Commerce and Management of Hitotsubashi University
Aug. 2002	Dean of the Graduate School of Commerce and Management and Dean of the Faculty of Commerce And Management of Hitotsubashi University
Dec. 2004	Vice President and Director of Hitotsubashi University
Dec. 2006	Professor of the Graduate School of Commerce and Management of Hitotsubashi University
Jun. 2007	Member of Independent Committee of the Company
Jun. 2013	Outside Director of the Company (to the present)
Jan. 2015	Head of CFO Training Course of Hitotsubashi University (to the present)
Apr. 2015	Adjunct Professor of the Graduate School of Commerce and Management of Hitotsubashi University
Apr. 2018	Adjunct Professor of the Graduate School of Business Administration of Hitotsubashi University
Apr. 2020	Professor Emeritus of the Department of Business Administration of the Graduate School of Business Administration of Hitotsubashi University (to the present)



Re-Election

Outside Director

Independent Director

<Assumption of Important Positions>

Professor Emeritus of the Department of Business Administration of the Graduate School of Business Administration of Hitotsubashi University / Outside Director of Toray Industries, Inc. / Outside Director of Seven & i Holdings Co., Ltd.

<Term of Office>

Eight (8) years and nine (9) months (at the close of this shareholders' meeting)

Reasons for Nominating as a Candidate for Outside Director and Summary of Expected Roles

Mr. Ito has researched and studied accounting and business management as a university professor for many years, has extensive experience in corporate management through serving as an outside director of other companies, and fulfilled a central role in a governmental study group concerning the continuous growth of companies. Based on the knowledge he has gained through such activities, he has served in a supervisory role at the Company exercising oversight over corporate management and focusing on the enhancement of corporate value (including the improvement of capital efficiency, realization of human capital management, and DX (digital transformation)). Based on such experiences and achievements, we expect him to continue to fulfill his supervisory role to contribute to the enhancement of corporate value of the Company and we have nominated him for such office. Although he has no experience of being involved in the management of a company other than as an outside director in the past, we believe that he will be able to appropriately perform his duties as an Outside Director for the reasons stated above.

Notes: 1. Mr. Kunio Ito is a candidate for Outside Director. He has been designated as an Independent Director and reported as such to the Tokyo Stock Exchange. If his re-election is approved, he will continue to serve as such Independent Director.

2. After Mr. Kunio Ito was elected as Outside Director, the Company concluded an agreement with him pursuant to Article 427, Paragraph 1 of the Companies Act of Japan to limit the amount of his liability to the Company to the extent allowed by laws and regulations. If his

re-election is approved, the Company will extend such agreement. A summary of the agreement is as follows:

> If, after the conclusion of this agreement, the Outside Director causes damage to the Company because of his failure to perform his duties as Outside Director, his liability to the Company for such damage shall be limited to the minimum amount of liability provided for under Article 425, Paragraph 1 of the Companies Act of Japan, provided that such failure is not caused by his intentional act or gross negligence.

3. Mr. Kunio Ito serves as an Outside Director of Seven & i Holdings Co., Ltd., the parent company of Seven Pay Co., Ltd. ("Seven Pay"). Some of the settlement service accounts operated by Seven Pay were subject to unauthorized access in July 2019. Mr. Ito was not aware of such incident prior to the public announcement. He has regularly expressed his view on the importance of proper business activities of Seven Pay and other related group companies and, following the public announcement, has expressed his views on preventing the recurrence of such type of incident and has been duly performing his duties as an Outside Director.

4. Mr. Kunio Ito served as an Outside Director of Akebono Brake Industry Co., Ltd. ("Akebono Brake"), until June 2019. It was discovered that some inappropriate actions were taken in connection with the periodic inspection reports of certain products manufactured by the domestic manufacturing subsidiary of Akebono Brake. Mr. Ito was not aware of such incident during his tenure as an Outside Director of Akebono Brake. He had regularly expressed his view on the importance of proper business practices at Akebono Brake and its group companies and duly performed his duties as an Outside Director of Akebono Brake.

6. Kaori Sasaki (May 12, 1959)

Number of Shares of the Company Owned
0 Shares

< Brief Career Summary, Position and Duty at the Company >

Jul. 1987	President and Representative Director of UNICUL International, Inc. (to the present)
Mar. 2000	President and Representative Director of ewoman, Inc. (to the present)
Jun. 2016	Outside Director of the Company (to the present)



<Assumption of Important Positions>

President and Representative Director of UNICUL International, Inc. / President and Representative Director of ewoman, Inc. / Outside Director of AGP Corporation / Outside Director of Japan Post Co., Ltd. / Outside Director of Premier Wellness Science Co., Ltd.

Re-Election

Outside Director

Independent Director

<Term of Office>

Five (5) years and nine (9) months (at the close of this shareholders' meeting)

Reasons for Nominating as a Candidate for Outside Director and Summary of Expected Roles

In addition to her achievements and insight in managing companies, Ms. Sasaki has extensive experiences in corporate management as an outside director or auditor in other companies. Also, she has held the International Conferences for Women in Business for many years and has been a pioneer of diversity management. She has contributed to the enhancement of the corporate value of the Company by providing advice and supervision in areas such as product development from consumers' viewpoints and DX (digital transformation), in addition to supporting the success of women and reform of work styles which are important in promoting diversity management at the Company. Based on such experiences and achievements, we expect her to continue to provide advice and supervision that will contribute to the enhancement of the corporate value of the Company, and we have nominated her for such office.

Notes:

1. Ms. Kaori Sasaki is a candidate for Outside Director. She has been designated as an Independent Director and reported as such to the Tokyo Stock Exchange. If her re-election is approved, she will continue to serve as an Independent Director.

2. After Ms. Kaori Sasaki was elected as Outside Director, the Company concluded an agreement with her pursuant to Article 427, Paragraph 1 of the Companies Act of Japan to limit the amount of her liability to the Company to the extent allowed by laws and regulations. If her re-election is approved, the Company will extend such agreement. A summary of the agreement is as follows:

   If, after the conclusion of this agreement, the Outside Director causes damage to the Company because of her failure to perform her duties as Outside Director, her liability to the Company for such damage shall be limited to the minimum amount of liability provided for under Article 425, Paragraph 1 of the Companies Act of Japan, provided that such failure is not caused by her intentional act or gross negligence.

3. ewoman, Inc., for which Ms. Kaori Sasaki serves as the President and Representative Director, tenders services to measure the understanding of diversity, and the Company is being provided with such services. We also endorse and sponsor the idea of diversity at the "International Conferences for Women in Business" hosted by ewoman, Inc. The total amount of these costs is no more than 10 million Japanese Yen per year and the Company's standards regarding the election of an Outside Director are satisfied.

4. Ms. Kaori Sasaki serves as Outside Director of Japan Post Co., Ltd. ("Japan Post"). As of December 27, 2019, Japan Post was ordered, by the Ministry of Internal Affairs and Communications and the Financial Services Agency, to suspend certain of its business activities due to its improper sales of insurance products. In addition, in November 2020, Japan Post announced that it had lost the "Financial Instruments Brokerage Auxiliary Book" and other related documents containing customer information and their transactions about financial instruments. Ms. Sasaki was not aware of such impropriety prior to the public announcement. She has regularly expressed her view on the importance of "user-friendly" business practices and strict legal compliance, and has made remarks on appropriate business execution. Following the public announcement of these incidents, she has focused on making proposals for business improvement and supervising the progress of measures to prevent the recurrence of such type of impropriety and has been duly performing her duties as an Outside Director.

7. Chiaki Ariizumi (October 14, 1964)

Number of Shares of the Company Owned
0 Shares



New-Election

Outside Director

Independent Director

< Brief Career Summary, Position and Duty at the Company >

Apr. 1987	Joined The Bank of Japan
May 1998	Deputy Director, Head of Europe & America Group, Global Economic Research Division, International Department, The Bank of Japan
Jul. 2009	Director, Head of Business Liaison Group, Secretariat of the Policy Board, The Bank of Japan
Jun. 2019	Director, Public Relations Department, The Bank of Japan
Jan. 2020	Personnel and Corporate Affairs Department, The Bank of Japan
Mar. 2020	Outside Audit & Supervisory Board Member, of the Company (to the present)

<Assumption of Important Positions>
Outside Statutory Auditor of IDEA Consultants, Inc. / Outside Statutory Auditor of Kiraboshi Bank, Ltd.

<Term of Office>
Two (2) years (at the close of this shareholders' meeting, as Outside Audit & Supervisory Board Member)

Reasons for Nominating as a Candidate for Outside Director and Summary of Expected Roles

Ms. Ariizumi had been actively involved at The Bank of Japan, not only in analyzing the economic circumstances and financial markets of Japan and overseas countries, but also in discussions with management of various companies regarding such economic circumstances and The Bank of Japan's related policies and decision-making. As an Outside Audit & Supervisory Board Member, she is currently applying her extensive knowledge and experiences gained through such involvement at The Bank of Japan, as well as her attitude of constant consideration of how to promote the sound development of the Japanese economy as a whole, to the auditing of the Company's business activities. In addition, she has provided accurate proposals and advice on the Company's management from an objective standpoint. Based on these achievements, we have judged that she is a person who can be expected to supervise the execution of duties by Directors as an Outside Director, and have newly nominated her as a candidate for a Director. Although she has no experience of being involved in the management of a company other than as an outside auditor in the past, we believe that she will be able to appropriately perform her duties as an Outside Director for the reasons stated above.

Notes: 1. Ms. Chiaki Ariizumi is a candidate for Outside Director. She has been designated as an Independent Auditor and reported as such to the Tokyo Stock Exchange. If her election is approved, she will continue to serve as an Independent Director.

2. After Ms. Ariizumi's assumption of office as Outside Audit & Supervisory Board Member, the Company concluded an agreement with her pursuant to Article 427, Paragraph 1 of the Companies Act of Japan, to limit the amount of her liability to the Company to the extent allowed by laws and regulations. If her election as a Director is approved, the Company will conclude a new agreement with her as an Outside Director pursuant to Article 427, Paragraph 1 of the Companies Act of Japan, to limit the amount of her liability to the Company to the extent allowed by laws and regulations. A summary of the agreement is as follows:

If, after the conclusion of this agreement, the Outside Director causes damage to the Company because of her failure to perform her duties as Outside Director, her liability to

the Company for such damage shall be limited to the minimum amount of liability provided for under Article 425, Paragraph 1 of the Companies Act of Japan, provided that such failure is not caused by her intentional act or gross negligence.

8. Yoshiro Katae (October 28, 1956)

Number of Shares of the Company Owned
0 Shares

< Brief Career Summary, Position and Duty at the Company >

Apr. 1981	Joined Komatsu Ltd.
Jan. 2003	Osaka Plant GM, General Affairs Department, Production Division of Komatsu Ltd.
Jul. 2007	GM, General Affairs Department of Komatsu Ltd.
Apr. 2013	Executive Officer, GM, General Affairs Department (in Charge of Risk Management) of Komatsu Ltd.
Jul. 2013	Secretary General (in Charge of Risk Management) of Komatsu Ltd.
Oct. 2015	Secretary General (in Charge of Risk Management) of Komatsu Ltd. and GM, Komatsu Economic Strategy Research Center
Apr. 2017	Secretary General (Supervising General Affairs & Compliance and Risk Management of Komatsu Ltd.
Apr. 2018	Senior Executive Officer (Jomu) of Komatsu Ltd.
Jul. 2019	Advisor of Komatsu Ltd. (to the present)



New-Election

Outside Director

Independent Director

<Assumption of Important Positions>
Advisor of Komatsu Ltd. / Adviser of Group Development Division of Green Food Management Systems Co., Ltd.

Reasons for Nominating as a Candidate for Outside Director and Summary of Expected Roles

As the Executive Officer of Komatsu Ltd., Mr. Katae has a high level of insight and extensive experiences especially in risk management and compliance at global companies. Based on such experiences and achievements, by making proposals on the Company's overall management, we expect that he will contribute to the appropriate monitoring of the management strategy of the Company which promotes the strengthening of its international business, and the enhancement of its corporate value over the medium to long term, and we have newly nominated him as a candidate for a Director. Although he has no experience of being involved in the management of a company other than as an outside officer in the past, we believe that he will be able to appropriately perform his duties as an Outside Director for the reasons stated above.

Notes: 1. Mr. Yoshiro Katae is a candidate for Outside Director. He satisfies the requirements to serve as an Independent Director as set forth by the Tokyo Stock Exchange. If his election is approved, the Company will notify the Tokyo Stock Exchange that he will serve as an Independent Director.

2. After Mr. Katae's assumption of office as Outside Director, the Company will conclude an agreement with him pursuant to Article 427, Paragraph 1 of the Companies Act of Japan to limit the amount of his liability to the Company to the extent allowed by laws and regulations. A summary of the agreement is as follows:

If, after the conclusion of this agreement, the Outside Director causes damage to the Company because of his failure to perform his duties as Outside Director, his liability to the Company for such damage shall be limited to the minimum amount of liability provided for under Article 425, Paragraph 1 of the Companies Act of Japan, provided that such failure is not caused by his intentional act or gross negligence.

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Policy and Procedures for Appointment and Nomination of Directors

While the Board of Directors has two functions: “decision-making on implementation of business activities” and “supervision of business operations”, we value knowledge and experience in business activities for the former function and the managerial perspectives and experience for the latter function. We also believe that not only the perspectives of women or foreigners but also the values held by such persons are part of diversity and we believe it is important to understand the value that the Company does not have.

Based on the above, the Company has established the following policies and procedures for the appointment and nomination of Directors, which has been discussed by the Nomination Committee and decided by the Board of Directors.

① Criteria for Appointment of Internal Directors

As individuals who will ensure the effectiveness of corporate governance at the Board of Directors and contribute to the enhancement of the Company’s corporate value over the medium to long term, candidates for Directors and management (including Chairman and President) shall be appointed based on the following criteria:

- A person who is well versed in the Company’s business, and has extensive experiences and a high level of insight.
- A person who embodies the Company’s management philosophy and code of conduct.
- A person with a high level of compliance awareness and an outstanding character
- The composition of the Board of Directors should take diversity into consideration, taking into account the balance of expertise, without relying on individual attributes such as gender and nationality.

② Criteria for Appointment of Outside Directors

For the purpose of strengthening the supervisory function of business execution from an independent standpoint outside the Company and at the same time providing appropriate advice on the Company’s management strategies and business execution, multiple candidates for Outside Directors shall be selected in principle based on the following criteria:

- A person with the ability to provide appropriate supervision and advice on business execution and management strategies, such as having extensive experiences and a high level of insight in specialized fields which are valuable to the Company.
- A person who is not likely to cause a conflict of interest with general shareholders.
- In principle, one of the Outside Directors must have corporate management experience.

③ Appointment Procedure

The Nomination Committee shall deliberate on the proposed candidates for the appointment as Directors, confirm the appropriateness of the candidates based on their experience and knowledge and past performance, and then nominate the candidates for appointment at the Board of Directors meeting for approval at the General Meeting of Shareholders.

④ Dismissal Criteria and Procedure of Directors (Internal and Outside)

The dismissal of a Director shall be resolved by the Board of Directors and submitted to the General Meeting of Shareholders, after receiving a report from the Nomination Committee, in cases where it is recognized that the Director is not fulfilling his or her functions based on an evaluation of business performance, etc., or where it is recognized that it will be difficult for the Director to properly perform his or her duties in the future, or where it is recognized that the Director has acted improperly or in violation of laws, regulations or Articles of Incorporation.

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Points of Focus on Appointment of Independent Outside Directors

In appointing independent outside directors, we believe it is most important for such directors to be able to clearly state his or her opinion to the non-outside Directors and the management. Also, we have established the objective standards that no Independent Outside Director shall fall into any of the following categories:

1. A person who implements the business activities at the parent company or any sister company of the Company;

2. A person with whom the Company and/or its group companies is a major business partner (see Note 1) and a person who implements the business activities at a company with which the Company and/or its group companies is a major business partner, or major business partners of the Company and/or its group companies (see Note 2) and a person who implements the business activities at such major business partners of the Company and/or its group companies;

3. A consultant, accounting expert or legal expert who receives a large sum of money or other payment (see Note 3) from the Company and/or its group companies (excluding the compensation as a director or auditor of the Company) (If the person who receives such property is a corporation, partnership, or other organization, the person who belongs to the organization.);

4. A person who receives a large sum of donation (see Note 4) from the Company and/or its group companies or a person who implements the business activities of such person;

5. A major shareholder (a person who directly or indirectly holds 10% or more of the total voting rights) of the Company or a person who implements the business activities of such major shareholder;

6. A person who implements the business activities of a company in which the Company and/or its group companies is a major investor (a person who directly or indirectly holds 10% or more of the total voting rights)

7. Any person who falls into any of the items 1 through 6 above within the past two (2) years; or

8. Any person who is a relative to any of the following persons (other than those who are determined not to be important by the Company):

   (a) A person who falls into any of the items 1 through 7 above;

   (b) A person who implements business activities at the Company or any of its subsidiaries (and, in the case of designating an Outside Audit & Supervisory Board Member as an Independent Auditor, a Director or Accounting Advisor who does not implement the business activities to be included as such); or

   (c) A person who fell into item (b) above until recently.

   (Note 1) A person with whom the Company and/or its group companies is a major business partner means a person with whom the total amount of transactions between the Company and/or its group companies and the relevant business partner in each fiscal year exceeds 10 million yen per fiscal year or 2% of the consolidated net sales of the relevant business partner in the consolidated fiscal year ending in the relevant fiscal year, whichever is higher.

   (Note 2) A major business partner of the Company and/or its group companies means a person with whom the total amount of the Company and/or its group companies' transactions with the relevant business partner in each applicable fiscal year exceeds

10 million yen per fiscal year or 2% of the Company's consolidated net sales for the relevant fiscal year, whichever is higher.

(Note 3) A large sum of money or other payment means that the total amount of money or other payment exceeds 10 million yen in the case of an individual, or 10 million yen or 2% of consolidated sales or total revenue in the case of an organization, whichever is higher, per fiscal year.

(Note 4) A large sum of donation is a donation whose total amount exceeds 5 million yen in the case of an individual, or 5 million yen or 1% of consolidated sales or total revenue in the case of an organization, whichever is higher, per fiscal year.

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The following chart shows the expertise in knowledge, experience and capability possessed by each of the candidates for Directors of the Company:

	Corporate Management	Global Business	Organizational Management & HR Development	ESG & Sustainability	Marketing & Sales	Finance & Accounting	Legal Affairs & Risk Management	DX & IT-Digital
Directors								
Mr. Kazumasa Kobayashi	•	•	•	•	•			
Mr. Akihiro Kobayashi	•	•	•	•	•			
Mr. Satoshi Yamane			•	•		•	•	•
Mr. Kazuhito Miyanishi		•	•		•			
Mr. Kunio Ito			•	•		•	•	•
Ms. Kaori Sasaki	•		•	•	•			•
Ms. Chiaki Ariizumi			•			•	•	•
Mr. Yoshiro Katae			•	•			•	

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Proposal No. 3: Election of One (1) Substitute Audit & Supervisory Board Member

As preparation for the situation where the number of Audit & Supervisory Board Members becomes smaller than that required by the laws and regulations, it is proposed that one (1) Substitute Audit & Supervisory Board Member be elected.

The Company has obtained approval from the members of the Audit & Supervisory Board with respect to this proposal.

The candidate for Substitute Audit & Supervisory Board Member is as follows:

Shintaro Takai (January 24, 1973)

Number of Shares of the Company Owned
0 Shares

< Brief Career Summary, Position at the Company >

Apr. 1997	Joined Nagashima & Ohno (currently, Nagashima Ohno & Tsunematsu)
Jun. 2004	Earned LL.M. at the University of Chicago Law School
Jan. 2007	Partner, Nagashima Ohno & Tsunematsu
Jun. 2016	Managing Partner, Takai & Partners (to the present)



Substitute Outside Audit & Supervisory Board Member

Independent Auditor

<Assumption of Important Positions>
Managing Partner, Takai & Partners / Outside Audit & Supervisory Board Member, Miki Shoko Co., Ltd. / Outside Director, Seino Holdings Co., Ltd.

Reasons for Nominating as a Candidate for Substitute Outside Audit & Supervisory Board Member

Mr. Shintaro Takai has extensive experience and highly specialized knowledge, particularly in the area of corporate governance as a lawyer. In addition, he has a deep knowledge of legal affairs in the international area, which we believe will not only promote the Company's focus on internationalization but also strengthen our governance system. From this perspective, we expect that he will be able to appropriately perform his duties as Outside Audit & Supervisory Board Member, and have nominated him as a candidate for the Substitute Outside Audit & Supervisory Board Member. Although he has no experience of being involved in the management of a company other than as an outside director/auditor in the past, we believe that he will be able to appropriately perform his duties as Outside Audit & Supervisory Board Member for the reasons stated above.

Notes: 1. There are no special interests between Mr. Shintaro Takai and the Company.

2. Mr. Takai is a candidate for Substitute Outside Audit & Supervisory Board Member. If Mr. Takai assumes his office as Outside Audit & Supervisory Board Member, he satisfies the requirements to serve as an Independent Auditor as set forth by the Tokyo Stock Exchange, and the Company will notify the Tokyo Stock Exchange that he will serve as an Independent Auditor.

3. After Mr. Takai's assumption of office as Outside Audit & Supervisory Board Member, the Company will conclude an agreement with him pursuant to Article 427, Paragraph 1 of the Companies Act of Japan, to limit the amount of his liability to the Company to the extent allowed by laws and regulations. A summary of the agreement is as follows:

If, after the conclusion of this agreement, the Outside Audit & Supervisory Board Member causes damage to the Company because of his failure to perform his duties as Outside Audit & Supervisory Board Member, his liability to the Company for such damage shall be limited to the minimum amount of liability provided for under Article 425, Paragraph 1 of the Companies Act of Japan, provided that such failure is not caused by his intentional act or gross negligence.

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(Reference)

Audit & Supervisory Board Members

Name		Current Position and Duty at the Company	Attendance Rate of Board of Directors (Attendance / Held)	Attendance Rate of Audit & Supervisory Board (Attendance / Held)
Re-Election	Akitoshi Yamawaki	Full-time Audit & Supervisory Board Member	100% (13 times /13 times)	100% (13 times /13 times)
Re-Election	Takashi Kawanishi	Full-time Audit & Supervisory Board Member	100% (10 times /10 times)	100% (10 times /10 times)
Re-Election	Ryuji Sakai Outside Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member	100% (13 times /13 times)	100% (13 times /13 times)
Re-Election	Yoko Hatta Outside Audit & Supervisory Board Member Independent Auditor	Outside Audit & Supervisory Board Member	100% (13 times /13 times)	100% (13 times /13 times)
Re-Election	Chiaki Ariizumi Outside Audit & Supervisory Board Member Independent Auditor	Outside Audit & Supervisory Board Member	100% (10 times /10 times)	100% (10 times /10 times)

Notes: 1. Mr. Takashi Kawanishi, an Audit & Supervisory Board Member, was approved at the 103rd Ordinary General Meeting of Shareholders of the Company held on March 26, 2021. Thus, the number of times he could attend meetings of the Board of Directors and the Audit & Supervisory Board is different from the other Audit & Supervisory Board Members.

2. Ms. Chiaki Ariizumi, an Outside Audit & Supervisory Board Member, is a candidate for Director at this General Meeting of Shareholders, and will resign as Audit & Supervisory Board Member at the conclusion of this General Meeting of Shareholders. She will become an Outside Director if her election is approved at this General Meeting of Shareholders.

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CONSOLIDATED BALANCE SHEETS

(As of December 31, 2021)

(Unit: millions of yen)

Item	104th	103rd (reference)	Item	104th	103rd (reference)
Assets			**Liabilities**		
Current Assets	**181,889**	**164,225**	**Current Liabilities**	**50,703**	**50,107**
Cash and Time Deposits	95,024	78,253	Trade Notes and Accounts Payable	9,293	7,558
Trade Notes and Accounts Receivable	55,169	52,850	Electronically Recorded Obligations-Operating	8,151	8,368
Securities	14,022	16,085	Short-Term Loans	1	13
Inventories	15,108	14,140	Other Accounts Payable	21,187	20,968
Other	2,587	2,917	Lease Obligations	169	170
Allowance for Doubtful Accounts	(22)	(21)	Income Taxes Payable	3,836	4,371
			Consumption Taxes Payable	639	1,417
			Accrued Bonuses	2,486	2,797
			Other	4,936	4,441
Fixed Assets	**70,664**	**74,141**	**Fixed Liabilities**	**6,250**	**5,675**
Tangible Fixed Assets	**22,524**	**20,821**	Lease Obligations	460	505
Buildings and Structures	8,158	7,961	Deferred Tax Liabilities	1,564	1,357
Machinery, Equipment and Vehicles	5,055	4,729	Defined Benefit Liabilities for Employees	1,978	1,920
Land	4,695	4,739			
Leased Assets	608	656	Accrued Retirement Benefits for Directors and Audit & Supervisory Board Members	41	40
Other	4,006	2,734			
Intangible Fixed Assets	**12,658**	**12,794**	Other	2,206	1,852
Goodwill	7,189	7,284	**Total Liabilities**	**56,954**	**55,783**
Trademarks	3,721	4,030	**Net Assets**		
Other	1,746	1,478	**Shareholders' Equity**	**184,461**	**174,941**
Investments and Other Assets	**35,482**	**40,525**	**Common Stock**	**3,450**	**3,450**
Investments in Securities	29,466	34,474	**Capital Surplus**	**4,183**	**4,183**
Long-Term Loans Receivable	816	700	**Retained Earnings**	**200,534**	**187,071**
Deferred Tax Assets	1,489	1,443	**Treasury Stock**	**(23,706)**	**(19,763)**
Investment Properties	2,735	2,765	**Accumulated Other Comprehensive Income**	**11,085**	**7,641**
Other	1,840	1,908			
Allowance for Doubtful Accounts	(866)	(766)	**Net Unrealized Holding Gain (Loss) on Securities**	**10,953**	**10,449**
			Translation Adjustments	**1,166**	**(1,517)**
			Retirement Benefit Liability Adjustments	**(1,034)**	**(1,290)**
			Stock Acquisition Right	**53**	—
			Total Net Assets	**195,600**	**182,583**
TOTAL ASSETS	**252,554**	**238,366**	**TOTAL LIABILITIES AND NET ASSETS**	**252,554**	**238,366**

Note: Any amount less than ¥1 million is rounded down.

CONSOLIDATED STATEMENTS OF INCOME

(From January 1, 2021 to December 31, 2021)

(Unit: millions of yen)

Item	104th	103rd (reference)
Net Sales	**155,252**	**150,514**
Cost of Sales	**66,478**	**65,248**
Gross Profit	**88,773**	**85,265**
Selling, General and Administrative Expenses	**62,707**	**59,322**
Operating Income	**26,065**	**25,943**
Other Income	**2,390**	**2,346**
Interest Income	131	279
Dividend Income	457	468
Income from Lease of Real Estate	300	302
Foreign Currency Exchange Gain	481	—
Compensation Income	600	600
Other	419	696
Other Expenses	**441**	**563**
Interest Expense	18	21
Real Estate Lease Cost	128	96
Foreign Currency Exchange Loss	—	216
Provision for Allowance for Doubtful Accounts	116	135
Non-deductible Consumption Tax	105	—
Other	71	94
Ordinary Income	**28,015**	**27,726**
Extraordinary Income	**153**	**265**
Gain on Sales of Property, Plant and Equipment	1	4
Gain on Sales of Investments in Securities	1	261
Gain on Sales of Shares in Affiliates	150	—
Extraordinary Loss	**531**	**1,356**
Loss on Disposal or Sales of Property, Plant and Equipment	71	68
Loss on Impairment of Fixes Assets	309	1,122
Loss on Revaluation of Investment in Securities	67	9
Other	82	155
Income Before Income Taxes and Minority Interests	**27,636**	**26,635**
Income Taxes Current	7,923	7,818
Income Taxes Deferred	(2)	(388)
Total Income Taxes	7,920	7,430
Net Income	**19,715**	**19,205**
Net Income Attributable to Parent Shareholder	**19,715**	**19,205**

Note: Any amount less than ¥1 million is rounded down.

BALANCE SHEETS

(As of December 31, 2021)

(Unit: millions of yen)

Item	104th	103rd (reference)	Item	104th	103rd (reference)
Assets			**Liabilities**		
Current Assets	**162,061**	**147,371**	**Current Liabilities**	**47,618**	**48,173**
Cash and Time Deposits	85,499	69,560	Trade Notes Payable	873	701
Trade Notes Receivable	20	20	Trade Accounts Payable	14,500	13,562
Trade Accounts Receivable	48,362	47,721	Electronically Recorded Obligations-operating	3,694	4,082
Securities	14,022	16,085			
Commodities and Finished Goods	5,827	5,788	Short-Term Loans Payable to Affiliates	2,337	1,690
Work in Process	562	718			
Raw Materials and Supplies	1,462	881	Lease Obligations	49	49
Prepaid Expenses	630	798	Other Accounts Payable	18,531	19,188
Short-Term Loans Receivable from Affiliates	4,626	4,598	Accrued Expenses	810	885
Other	1,124	1,280	Income Taxes Payable	3,085	3,549
Allowance for Doubtful Accounts	(77)	(82)	Consumption Taxes Payable	278	926
			Deposits Received	52	50
Fixed Assets	**60,188**	**67,769**	Accrued Bonuses	1,790	1,993
Tangible Fixed Assets	**7,362**	**7,415**	Other	1,615	1,491
Buildings	2,590	2,593			
Structures	87	101	**Fixed Liabilities**	**3,845**	**3,513**
Machinery and Equipment	189	189	Security Deposits	464	470
Tools and Equipment	879	893	Lease Obligations	319	368
Land	2,942	2,991	Deferred Tax Liabilities	1,434	1,390
Leased Assets	352	402	Other Long-Term Liabilities	1,116	1,119
Other	319	243	Accrued Retirement Benefits for Employees	108	99
Intangible Fixed Assets	**1,316**	**1,088**			
Software	1,278	1,044	Other	403	65
Other	37	43	**Total Liabilities**	**51,464**	**51,686**
			Net Assets		
Investments and Other Assets	**51,509**	**59,266**	**Shareholders' Equity**	**159,931**	**153,091**
Investments in Securities	29,116	34,171	**Common Stock**	**3,450**	**3,450**
Investments in Shares of Affiliates	13,119	13,380	**Capital Surplus**	**4,183**	**4,183**
Contribution of Capital to Affiliates	3,580	3,580	Capital Reserve	522	4,183
			Other Capital Surplus	**3,661**	—
			Retained Earnings	**176,004**	**165,221**
			Retained Reserve	340	340
Long-Term Loans Receivable from Affiliates	2,816	4,823	Other Retained Earnings	175,664	164,881
			Development Reserve	330	330
Long-Term Prepaid Expenses	436	769	General Reserve	161,092	149,692
Investment Properties	2,183	2,194	Retained Earnings Brought Forward	14,242	14,858
Other	1,620	1,695			
Allowance for Doubtful Accounts	(1,363)	(1,349)	**Treasury Stock**	**(23,706)**	**(19,763)**
			Valuation and Translation Adjustments	**10,800**	**10,363**
			Unrealized Holding Gain (Loss) on Securities	**10,800**	**10,363**
			Share Acquisition Right	**53**	—
			Total Net Assets	**170,785**	**163,454**
TOTAL ASSETS	**222,250**	**215,141**	**TOTAL LIABILITIES AND NET ASSETS**	**222,250**	**215,141**

Note: Any amount less than ¥1 million is rounded down.

STATEMENTS OF INCOME

(From January 1, 2021 to December 31, 2021)

(Unit: millions of yen)

Item	104th	103rd (reference)
Net Sales	**129,585**	**129,733**
Cost of Sales	**59,221**	**57,727**
Gross Profit	**70,363**	**72,005**
Selling, General and Administrative Expenses	**50,056**	**49,493**
Operating Income	**20,307**	**22,512**
Other Income	**3,446**	**3,370**
Interest Income	169	222
Dividend Income	1,435	1,443
Income from Lease of Real Estate	529	537
Income from Lease of Other Assets	10	11
Foreign Currency Exchange Gain	448	—
Compensation Income	600	600
Other	253	555
Other Expenses	**241**	**568**
Interest Expense	8	8
Real Estate Lease Cost	158	288
Other Lease Cost	10	11
Foreign Currency Exchange Loss	—	217
Provision for Allowance for Doubtful Accounts	29	—
Other	33	41
Ordinary Income	**23,512**	**25,314**
Extraordinary Income	**151**	**252**
Gain on Sales of Property, Plant and Equipment	0	0
Gain on Sales of Investment Securities	1	241
Gain on Sales of Shares in Affiliates	150	—
Other	—	10
Extraordinary Loss	**424**	**1,876**
Loss on Disposal or Sales of Property, Plant and Equipment	23	18
Loss on Impairment of Fixed Assets	57	—
Loss on Revaluation of Investments in Securities	67	9
Loss on Revaluation of Shares in Affiliates	211	867
Other	64	980
Income Before Income Taxes	**23,239**	**23,691**
Income Taxes Current	6,190	6,169
Income Taxes Deferred	12	27
Total Income Taxes	**6,202**	**6,196**
Net Income	**17,036**	**17,494**

Note: Any amount less than ¥1 million is rounded down.