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Securities code: 3191
August 31, 2022

To Shareholders with Voting Rights:

Taketoshi Hosoya
President & CEO
JOYFUL HONDA CO., LTD.
1-16-2 Fujisaki, Tsuchiura, Ibaraki
Prefecture

NOTICE OF THE 47th ORDINARY SHAREHOLDERS' MEETING

Dear Shareholders:

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

You are hereby notified that the 47th Ordinary Shareholders' Meeting of JOYFUL HONDA CO., LTD. (the "Company") will be held as described below.

In lieu of attending the meeting, voting rights can be exercised either in writing or via electromagnetic means (the Internet, etc.). Please review the attached Reference Documents for the Shareholders' Meeting (pages 3-17) and exercise your voting rights by 6:45 p.m. on Thursday, September 15, 2022, Japan time.

Shareholders are kindly requested to take into account the epidemic of COVID-19 as of the date of the meeting as well as their own health conditions, and to carefully consider whether to attend the meeting.

- 1. Date and Time:** **Friday, September 16, 2022 at 10:00 a.m. Japan time**
(Reception will begin at 9:30 a.m.)
- 2. Place:** **Subaru, Annex 1F, Hotel Nikko Tsukuba**
1-1364-1 Azuma, Tsukuba, Ibaraki Prefecture
- 3. Meeting Agenda:**
Matters to be reported: The Business Report and Non-consolidated Financial Statements for the Company's 47th Fiscal Year (June 21, 2021 to June 20, 2022)
Proposals to be resolved:
 - Proposal 1:** Partial Amendments to the Articles of Incorporation
 - Proposal 2:** Election of Six Directors
 - Proposal 3:** Election of One Substitute Statutory Auditor
 - Proposal 4:** Determination of Restricted Stock Compensation for Directors (Excluding External Directors and Non-Executive Directors)

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- **The following matters are posted on the Company’s website (<https://www.joyfulhonda.com/>) on the Internet in accordance with laws and regulations and Article 14 of our Articles of Incorporation and are therefore not included in the attachments to this Notice of the Shareholders’ Meeting.**

- (1) **“Systems to ensure the appropriateness of operations and operational status of such systems” in the Business Report**

- (2) **“Notes to the Non-consolidated Financial Statements” in the Non-consolidated Financial Statements**

Accordingly, the “Business Report” and “Non-consolidated Financial Statements” stated in this document are a part of the “Business Report” and “Non-consolidated Financial Statements” that were audited by the Accounting Auditor and the Statutory Auditors in preparing their respective audit reports.

- **When attending the meeting, please present the enclosed Exercise of Voting Rights Form at the reception desk.**
- **If there are any revisions to the Reference Documents for the Shareholders’ Meeting, Business Report, or Non-consolidated Financial Statements, they will be posted on the Company’s website (<https://www.joyfulhonda.com/>) on the Internet.**

Souvenirs will not be provided. Thank you for your understanding.

Reference Documents for the Shareholders' Meeting

Proposals and References

Proposal 1: Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

The amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the "Act Partially Amending the Companies Act" (Act No. 70 of 2019) will be enforced on September 1, 2022. Accordingly, in order to prepare for the introduction of the system for electronic provision of materials for shareholders' meetings, the Articles of Incorporation of the Company shall be amended as follows.

- (1) The proposed Article 14, Paragraph 1 provides that information contained in the reference documents for shareholders' meetings, etc. shall be provided electronically.
- (2) The proposed Article 14, Paragraph 2 establishes a provision to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested it.
- (3) The provisions related to the Internet disclosure and deemed provision of the reference documents for shareholders' meetings, etc. (Article 14 of the current Articles of Incorporation) will become unnecessary and will therefore be deleted.
- (4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effect thereof, etc. shall be established.

2. Details of amendments

The details of the amendments are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p><u>(Internet Disclosure and Deemed Provision of Reference Documents for Shareholders' Meetings)</u> <u>Article 14 The Company may, when convening a shareholders' meeting, deem that it has provided information to shareholders pertaining to matters to be described or indicated in the reference materials for the shareholders' meeting, business report, non-consolidated financial statements, and consolidated financial statements, by disclosing such information through the Internet in accordance with the provisions provided in the Ordinance of the Ministry of Justice.</u> (Newly established)</p>	<p style="text-align: center;">(Deleted)</p> <p><u>(Measures for Electronic Provision, Etc.)</u> <u>Article 14 The Company shall, when convening a shareholders' meeting, provide information contained in the reference materials for the shareholders' meeting, etc. electronically.</u> (2) <u>Among the matters to be provided electronically, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it pursuant to Article 325-5, Paragraph 1 of the Companies Act.</u></p>

Current Articles of Incorporation	Proposed Amendments
(Newly established)	<p data-bbox="810 208 1129 241"><u>(Supplementary Provisions)</u></p> <p data-bbox="810 241 1385 526">(1) <u>Notwithstanding the provisions of Article 14 of the Articles of Incorporation (Measures for Electronic Provision, Etc.), Article 14 of the Articles of Incorporation before amendments (Internet Disclosure and Deemed Provision of Reference Documents for Shareholders' Meetings) shall remain valid for shareholders' meetings to be held on or before the last day of February 2023.</u></p> <p data-bbox="810 526 1385 689">(2) <u>These supplementary provisions shall be deleted on March 1, 2023 or after the lapse of three months from the day of the shareholders' meeting set forth in the preceding paragraph, whichever is later.</u></p>

Proposal 2: Election of Six Directors

The terms of office of all six Directors will expire at the conclusion of this meeting. Accordingly, the election of six Directors is proposed.

The candidates for Director have been selected based on the report submitted by the voluntary Nomination Committee, chaired by an External Director with the majority of the members being External Directors, in accordance with the “Standards for Election of Directors and Statutory Auditors” (listed on pages 15-16).

In addition, the candidates for External Director satisfy the “Independence Standards for External Officers” (listed on page 17).

The candidates for Director are as follows:

No.		Name		Current positions at the Company	Attendance at the Board of Directors meetings
1	<u>Reappointment</u>	Taketoshi Hosoya		President & CEO	14 out of 14 (100%)
2	<u>Reappointment</u>	Ikuo Hirayama		Director, Senior Executive Officer & COO	14 out of 14 (100%)
3	<u>Reappointment</u>	Masaru Honda		Director & Counselor	14 out of 14 (100%)
4	<u>Reappointment</u>	Hiromitsu Kugisaki	<u>External Independent</u>	External Director	14 out of 14 (100%)
5	<u>Reappointment</u>	Touko Shirakawa	<u>External Independent</u>	External Director	14 out of 14 (100%)
6	<u>Reappointment</u>	Keita Tokura	<u>External Independent</u>	External Director	14 out of 14 (100%)

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	<p>Taketoshi Hosoya (December 1, 1964) <u>Reappointment</u></p>	<p>April 1988 Joined ITOCHU Corporation May 2000 Executive Officer, ASKUL Corporation April 2009 Executive Vice President and COO, Kakuyasu, Ltd. (Currently Kakuyasu Group Co., Ltd.) March 2013 Director, Micreed January 2014 Representative Director and Chairman, Space Art10BAN Co. April 2014 Representative Director and Chairman, Office Depot Japan April 2016 Representative Director and Chairman, Daito Co., Ltd. June 2016 Representative Director and Chairman, LINK FLORIST CO., LTD. June 2016 President, SKY Group Holdings Co., Ltd. September 2016 External Director, the Company January 2018 Director January 2018 President, Honda Sangyo Co., Ltd. July 2018 Senior Representative Director, the Company September 2018 Vice President June 2019 President & Executive Officer June 2021 President & CEO (to present)</p>	<p>2,800 shares</p>
	<p>Reasons for nomination as candidate for Director</p>	<p>Mr. Taketoshi Hosoya has been involved in corporate management in the distribution industry for many years and has a wealth of experience and wide-ranging insight in fields such as store retailing and wholesale. In addition, since June 2021 he has been serving as President & CEO of the Company and is leading the Company by demonstrating outstanding management skills and strong leadership. The Company judges that he is qualified to further enhance the corporate value of the Company and renominates him as a candidate for Director.</p>	

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	Ikuo Hirayama (February 6, 1965) <u>Reappointment</u>	March 1987 Joined the Company September 2015 Director; General Manager, Merchandising Department and General Manager, Merchandise Development Office February 2016 Director Director, Honda Sangyo Co., Ltd. March 2016 Managing Director, Honda Sangyo Co., Ltd. April 2017 Managing Director; General Manager, Administration Group, General Manager, Management Planning Department, and General Manager, General Administration Department, the Company July 2017 Managing Director; General Manager, Management Planning Group July 2018 In charge of Management Planning Office, Public Relations and IR Office, and Project Promotion Office November 2018 In charge of Management Planning Office and Public Relations and IR Office November 2018 In charge of Management Planning Office, Public Relations and IR Office, and Business Coordination February 2019 In charge of Management Planning Office, Public Relations and IR Office, Project Promotion Office, New Business Development, and Business Coordination February 2019 Director, JOYFUL AK CO., LTD. (to present) June 2019 Director & Senior Executive Officer; General Manager, Administration Group, the Company March 2021 Director, MTJ FITNESS Corporation (to present) June 2021 Director, Senior Executive Officer & COO, the Company August 2022 Director, Senior Executive Officer & COO and General Manager, Reform Division (to present)	6,600 shares
	Reasons for nomination as candidate for Director	Mr. Ikuo Hirayama, at the Company, has been engaged in operations such as store management and the Merchandising Department for many years, and has successively held positions such as General Manager of the Merchandising Department, General Manager of the Administration Group, and General Manager of the Management Planning Group. He currently supervises business execution related to business operations as Senior Executive Officer & COO. With a wealth of experience in store management and the ability to execute business, as well as a wide range of knowledge about the Company's business, the Company judges that he is qualified to further enhance the corporate value of the Company, and renominates him as a candidate for Director.	

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
3	Masaru Honda (February 14, 1959) Reappointment	<p>March 1986 Joined Honda Sangyo Co., Ltd.</p> <p>October 1992 Director</p> <p>October 1998 Senior Managing Director</p> <p>January 2001 Director, Joyful Honda Co., Ltd.</p> <p>October 2003 President, Honda Sangyo Co., Ltd.</p> <p>August 2005 Director, the Company</p> <p>September 2016 Counselor</p> <p>September 2017 Director</p> <p>April 2018 Chairman, Honda Sangyo Co., Ltd.</p> <p>March 2020 Retired as Chairman</p> <p>April 2020 Director & Counselor, the Company (to present)</p>	2,040,000 shares
	Reasons for nomination as candidate for Director	Mr. Masaru Honda has held important positions at the Company and Group companies and has a wealth of experience and wide-ranging insight related to the management of the Company. As a Director of the Company, he appropriately fulfills his role such as making decisions on important management matters and supervising the business execution. The Company judges that he is qualified to further enhance the corporate value of the Company, and renominates him as a candidate for Director.	
4	Hiromitsu Kugisaki (December 3, 1955) Reappointment External Independent	<p>April 1979 Joined Japan Recruit Center, Inc. (currently Recruit Holdings Co., Ltd.)</p> <p>January 1988 General Manager, Human Resources Department</p> <p>June 1991 Director, Human Resource Research Institute, Co., Ltd. (currently Recruit Management Solutions Co., Ltd.)</p> <p>June 1997 President and Representative Director of the Board</p> <p>June 2005 Director of the Board, Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.)</p> <p>February 2014 Special Counselor, GREE, Inc. (to present)</p> <p>June 2017 Council Chairman, Ezoe Memorial Foundation (currently Ezoe Memorial Recruit Foundation) (to present)</p> <p>September 2017 External Director, the Company (to present)</p> <p>January 2018 Counselor, International Air Cargo Terminal Co., Ltd. (to present)</p>	- shares
	Reasons for nomination as candidate for External Director and expected roles	Mr. Hiromitsu Kugisaki has been engaged in the overall corporate management at the Recruit Group, and has a wealth of experience and wide-ranging insight in the fields of management, including human resources, marketing, and compliance, as well as corporate governance. We believe that by leveraging his wealth of experience and wide-ranging insight, he will make useful suggestions on overall management, supervise the Company's management decisions and business execution from an independent and objective standpoint, and play a sufficient role in the Company's business and human resource strategies. Based on such expectation, the Company renominates him as a candidate for External Director.	

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
5	<p>Touko Shirakawa (April 25, 1961) Reappointment External Independent</p>	<p>April 2002 Fully-fledged start of writing activities April 2013 Visiting Professor, Sagami Women’s University September 2015 Private Member, “Japan Conference for Promoting Dynamic Engagement of All Citizens,” Cabinet Secretariat March 2016 Committee Member, “Priority Policy Specialized Survey,” Gender Equality Bureau, Cabinet Office September 2016 Expert Member, “Working Style Reform Realization Conference,” Cabinet Secretariat March 2017 Expert Committee Member, “Conference for Gender Equality Priority Policy Specialized Survey,” Gender Equality Bureau, Cabinet Office May 2017 Follow-up Meeting Committee Member, “Japan Plan for Promoting Dynamic Engagement of All Citizens,” Cabinet Secretariat March 2018 Public Interest Commissioner, “Council for Initiatives for Promoting the SDGs in the Securities Industry,” Japan Securities Dealers Association (to present) April 2018 Visiting Professor, Center for General Education, Showa Women’s University (to present) October 2018 Follow-up Meeting Committee Member, “Working Style Reform Realization Conference,” Cabinet Secretariat June 2019 Committee Member, “Investigative Committee on the New Ways of Convenience Stores,” Ministry of Economy, Trade and Industry March 2020 Committee Member, “Investigative Committee for Promotion and Deployment of Telework,” Ministry of Internal Affairs and Communications April 2020 Specially Appointed Professor, The Graduate School of Sagami Women’s University (to present) April 2020 Outside Director, sanwacompany ltd. (to present) September 2020 External Director, the Company (to present) April 2021 Outside Director, Daiwa Asset Management Co. Ltd. (to present) July 2021 Director, People&Communities Network (to present) July 2022 Outside Director, SUMITOMO LIFE INSURANCE COMPANY (to present)</p>	-
	<p>Reasons for nomination as candidate for External Director and expected roles</p>	<p>Ms. Touko Shirakawa, although she does not have direct experience in corporate management, for many years she has worked in various fields as a journalist, writer, educator, and committee member of various public councils on themes such as work style reform, diversity, women’s empowerment, work-life balance, autonomous career development, and SDGs, and has a wealth of experience and wide-ranging insight. We believe that by leveraging her wealth of experience and wide-ranging insight, she will make useful suggestions on overall management, supervise the Company’s management decisions and business execution from an independent and objective standpoint, and play a sufficient role in improving our employees’ work styles and career development for women, among other areas. Based on such expectation, the Company renominates her as a candidate for External Director.</p>	

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
6	Keita Tokura (May 2, 1981) Reappointment External Independent	<p>April 2004 Joined the Legal Training and Research Institute of Japan, Supreme Court of Japan</p> <p>October 2005 Graduated from the Legal Training and Research Institute of Japan, Supreme Court of Japan and registered as an attorney Joined Anderson Mori & Tomotsune (currently Anderson Mori & Tomotsune Foreign Law Joint Enterprise)</p> <p>April 2008 Worked at Daiwa Securities SMBC Co. Ltd.,</p> <p>June 2012 Registered as an attorney in the state of New York, U.S.A.</p> <p>January 2014 Partner, Anderson Mori & Tomotsune (currently Anderson Mori & Tomotsune Foreign Law Joint Enterprise) (to present)</p> <p>April 2016 Part-time Lecturer, Faculty of Economics, Seikei University</p> <p>December 2019 Outside Advisor, Idein Inc. (to present)</p> <p>April 2020 Part-time Lecturer, Graduate School of Law, Hitotsubashi University (to present)</p> <p>September 2020 External Director, the Company (to present)</p>	- shares
	Reasons for nomination as candidate for External Director and expected roles	Mr. Keita Tokura, although he does not have direct experience in corporate management, has been engaged in corporate legal affairs mainly in the fields of corporate mergers and acquisitions, various financial transactions including capital markets, and corporate governance. He also has extensive experience and broad insight into corporate strategic decision-making, including legal affairs, M&A, and IT, having worked in the M&A advisory division of a securities company. We believe that by leveraging his wealth of experience and wide-ranging insight, he will make useful suggestions on overall management, supervise the Company's management decisions and business execution from an independent and objective standpoint, and play a sufficient role in the Company's future business strategies and other areas. Based on such expectation, the Company renominates him as a candidate for External Director.	

- (Notes)
1. Joyful Honda Co., Ltd., which is listed in past experience, merged with the Company in June 2011 and ceased to exist.
 2. Honda Sangyo Co., Ltd., which is listed in past experience, merged with the Company in March 2020 and ceased to exist.
 3. There are no special interests between each of the candidates for Director and the Company.
 4. The name of Director candidate Ms. Touko Shirakawa on her family register is Miki Kobayashi.
 5. Mr. Hiromitsu Kugisaki, Ms. Touko Shirakawa, and Mr. Keita Tokura are candidates for External Director.
 6. The terms of office for External Director of the Company for Mr. Hiromitsu Kugisaki, Ms. Touko Shirakawa, and Mr. Keita Tokura are five years, two years, and two years at the conclusion of this meeting, respectively.
 7. If the elections of Mr. Masaru Honda, Mr. Hiromitsu Kugisaki, Ms. Touko Shirakawa, and Mr. Keita Tokura for Director are approved, the Company plans to continue agreements with Mr. Masaru Honda, Mr. Hiromitsu Kugisaki, Ms. Touko Shirakawa, and Mr. Keita Tokura in accordance with Article 427, Paragraph 1 of the Companies Act, to limit his or her liability for damages. The maximum liability amount based on said agreements is either three million yen or the amount stipulated by laws and regulations, whichever is higher.
 8. Mr. Hiromitsu Kugisaki, Ms. Touko Shirakawa, and Mr. Keita Tokura, candidates for External Director, have been designated as independent officers based on the Company's Independence Standards for External Officers, in addition to the requirements stipulated by the Tokyo Stock Exchange, and have been reported to the Exchange as such. If they are elected as originally proposed, they will continue to be independent officers.
 9. The Company has taken out directors and officers liability insurance, as stipulated in Article 430-3, Paragraph 1 of the Companies Act. If this proposal is approved as originally proposed and the Directors are appointed, each candidate will be included as the insured under this insurance policy. In addition, we plan to renew the contract in August 2023. The officers, etc., who are included as insured in this insurance policy shall receive compensation for their liability borne from performance of their duties or for their liability arising from claims in pursuit of that liability. However, in order to ensure that the performance of duties of the insured are not compromised, there are certain exemptions, such as damages caused by actions of the insured with the knowledge that they are in violation of laws and regulations will not be covered. The insurance fee for the policy and all added special clauses is borne by the Company.

Proposal 3: Election of One Substitute Statutory Auditor

To prepare for a case in which the number of Statutory Auditors falls short of the number required by laws and regulations, the election of one substitute Statutory Auditor is proposed in advance.

If appointed as a substitute Statutory Auditor, the term of office shall be the remaining term of his predecessor.

The resolution shall remain in effect until the commencement of the next Ordinary Shareholders' Meeting.

The candidate for substitute Statutory Auditor has been selected based on the report submitted by the voluntary Nomination Committee, chaired by an External Director with the majority of the members being External Directors, in accordance with the "Standards for Election of Directors and Statutory Auditors" (listed on pages 15-16).

In addition, the Board of Statutory Auditors has given its approval to this proposal.

The candidate for substitute Statutory Auditor is as follows:

Name (Date of birth)	Past experience and significant concurrent positions	Number of shares of the Company held
Toshihiro Masubuchi (July 2, 1961)	September 2013 Director; General Manager, General Administration and Human Resources Group, Kojima Co., Ltd. January 2015 Joined the Company as Manager, Merchandising Department September 2018 Statutory Auditor, Honda Sangyo Co., Ltd. March 2020 General Manager in charge of Art & Craft Division, Internal Control Promotion Department, the Company June 2021 In charge of Internal Control Promotion, General Administration Department (to present)	100 shares

(Notes) 1. Honda Sangyo Co., Ltd., which is listed in past experience, merged with the Company in March 2020 and ceased to exist.

2. There are no special interests between the candidate for substitute Statutory Auditor and the Company.

3. Reasons for nomination as candidate for substitute Statutory Auditor

Mr. Toshihiro Masubuchi has been involved in the overall corporate management at Kojima Co., Ltd., and has served as a Statutory Auditor of a Group company as well as the person in charge of the Company's Internal Control Promotion Department. The Company nominates him as a candidate for substitute Statutory Auditor with an expectation that he will apply his wealth of experience and deep insight to the Company's audits.

4. If Mr. Toshihiro Masubuchi is appointed as Statutory Auditor, the Company plans to conclude an agreement with Mr. Toshihiro Masubuchi in accordance with Article 427, Paragraph 1 of the Companies Act, to limit his liability for damages. The maximum liability amount based on said agreement is either three million yen or the amount stipulated by laws and regulations, whichever is higher.

5. The Company has taken out directors and officers liability insurance, as stipulated in Article 430-3, Paragraph 1 of the Companies Act. If this proposal is approved as originally proposed and the Statutory Auditor is appointed, Mr. Toshihiro Masubuchi will be included as the insured under this insurance policy. In addition, we plan to renew the contract in August 2023. The officers, etc., who are included as insured in this insurance policy shall receive compensation for their liability borne from performance of their duties or for their liability arising from claims in pursuit of that liability. However, in order to ensure that the performance of duties of the insured are not compromised, there are certain exemptions, such as damages caused by actions of the insured with the knowledge that they are in violation of laws and regulations will not be covered. The insurance fee for the policy and all added special clauses is borne by the Company.

Proposal 4: Determination of Restricted Stock Compensation for Directors (Excluding External Directors and Non-Executive Directors)

At the 36th Ordinary Shareholders' Meeting held on September 20, 2011, approval was obtained for an amount of compensation, etc., for the Directors of the Company of 500 million yen or less per year (this does not include employee salaries of Directors). In addition, at the 41st Ordinary Shareholders' Meeting held on September 16, 2016, the Board Benefit Trust (BBT) was approved as a stock compensation plan for Directors (excluding External Directors) and Executive Officers and thereafter, at the 44th Ordinary Shareholders' Meeting held on September 19, 2019, approval was obtained for partial amendments to the plan for covering External Directors under the plan and changing the maximum amount of compensation, etc. Furthermore, at the 46th Ordinary Shareholders' Meeting held on September 16, 2021, in line with the enforcement of the "Act Partially Amending the Companies Act" (Act No. 70 of 2019) on March 1, 2021, re-establishment of an upper limit of stock compensation for Directors (including External Directors and Non-Executive Directors) and Executive Officers of the Company was approved. Separately from said maximum amount of compensation for the Directors, the Company obtained approval for additionally contributing up to 330 million yen of cash (230 million yen for Directors (including 30 million yen for External Directors) and 100 million yen for Executive Officers) to Directors (including External Directors and Non-Executive Directors) and Executive Officers of the Company as funds for purchasing shares for stock granting in each period of three fiscal years beginning after the period of three fiscal years from the fiscal year ended on June 20, 2017 to the fiscal year ended on June 20, 2019 (hereinafter the "Target Period") and purchasing shares up to 360,000 points (one point is converted to one share of the Company's common shares; hereinafter the same shall apply) (252,000 points for Directors and 108,000 points for Executive Officers) per each Target Period of three fiscal years within the maximum amount of cash to be additionally contributed to the trust.

On this occasion, as part of the revision of director and executive officer compensation plan, with the objectives of offering incentives to the Company's Directors (excluding External Directors and Non-Executive Directors; hereinafter the "Eligible Directors") to achieve sustained improvement of the corporate value of the Company and promoting further sharing of value with our shareholders, the Company proposes to pay compensation for newly granting restricted stock to the Eligible Directors, separately from the said existing limit of compensation.

The compensation paid in order to grant restricted stock to the Eligible Directors (based on this proposal) shall be a monetary claim, and its total amount shall be 100 million yen or less per year (this does not include employee salaries of Directors). Furthermore, the specific payment timing and allocation for each of the Eligible Directors shall be decided in a meeting of the Board of Directors after deliberation at the Compensation Committee.

Currently there are six Directors (including three External Directors), but if Proposal 2 "Election of Six Directors" is approved as originally proposed, there will be six Directors (including three External Directors).

Furthermore, based on a resolution of the Board of Directors of the Company, the Eligible Directors shall pay all the monetary claims to be provided under this Proposal in the form of property contributed in kind and shall, in return, receive the issuance or disposal of the common shares of the Company, and the total number of common shares of the Company to be issued or disposed of through this process shall be 142,000 shares or less per year. (However, in case that the Company conducts a stock split (including gratis allotment of its common shares) or a stock consolidation on or after the date of the approval of this Proposal, or in case that an adjustment of the total number of its common shares to be issued or disposed of as restricted stocks is required to be made, the total number of shares should be adjusted within a reasonable extent.)

Note that the amount paid in per share shall be the amount determined by the Board of Directors within the extent that the amount is not particularly advantageous to the Eligible Directors who receive said common shares, based on the closing price of the common shares of the Company on the Tokyo Stock Exchange on the business day immediately prior to the date of each resolution of the Board of Directors (in the case that the transaction has not been established on that day, the closing price on the most recent trading day preceding that day). In addition, when issuing or disposing of the common shares of the Company through this process and providing monetary claims as its property contributed in kind, an agreement for allotment of restricted stock (hereinafter the "Allotment Agreement") containing the following contents shall be concluded between the Company and the Eligible Directors. Furthermore, granting the Allotted Shares (as defined below) is considered appropriate as the maximum amount of compensation under this Proposal, the total number of common shares of the Company to be issued or disposed of, and other conditions for granting restricted stock to the Eligible Directors based on this Proposal have been determined in consideration of the above mentioned purposes, business conditions of the Company, the policy for determining details of compensation, etc., of individual Directors of the Company, and other various

circumstances.

In the case that the proposal regarding this plan is approved as originally proposed at this Ordinary Shareholders' Meeting, the similar restricted stock compensation plan will be introduced for Executive Officers who do not concurrently serve as a Director of the Company.

[Summary of Allotment Agreement]

(1) Transfer Restriction Period

The Eligible Directors shall not transfer, create a security interest on, or otherwise dispose of the common shares of the Company allotted under the Allotment Agreement (hereinafter the "Allotted Shares") during the period from the date on which allotment is made under the Allotment Agreement to the time immediately after they retire from their posts as an officer or employee of the Company or its subsidiaries that are specified in advance by the Board of Directors of the Company (such restrictions shall be hereinafter referred to as the "Transfer Restrictions" and the period during which the transfer is restricted shall be hereinafter referred to as the "Transfer Restriction Period"). However, in the case that the said time immediately after they retire or resign from their posts is earlier than the date after the three months from the fiscal year to which the date of allocation of the Allotted Shares belongs, the expiration date of the Transfer Restriction Period may be adjusted within a reasonable range.

(2) Treatment at the Time of Retirement

In the case that the Eligible Directors retire from their posts as an officer or employee of the Company or its subsidiaries that are specified in advance by the Board of Directors of the Company before the expiration of a period stipulated in advance by the Board of Directors of the Company (hereinafter the "Service Provision Period"), the Company shall rightfully acquire the Allotted Shares without contribution except in the case of expiration of term of office, death, or any other legitimate reason for the Eligible Directors to retire from their posts.

(3) Lifting of the Transfer Restrictions

The Company shall lift the Transfer Restrictions on all of the Allotted Shares as of the time when the Transfer Restriction Period expires, on the condition that the Eligible Directors have continuously served in the post of an officer or employee of the Company or its subsidiaries that are specified in advance by the Board of Directors of the Company during the Service Provision Period. However, in the case that (i) said Eligible Directors retire from the post of an officer or employee of the Company or its subsidiaries that are specified in advance by the Board of Directors of the Company before the Service Provision Period expires due to a legitimate reason, or (ii) said Eligible Directors leave the post of an officer or employee of the Company or its subsidiaries that are specified in advance by the Board of Directors of the Company before the expiration of Transfer Restriction Period after the Service Provision Period expires due to any reason other than a legitimate reason, the number of the Allotted Shares for which the Transfer Restrictions are lifted and the timing of the lifting of the Transfer Restrictions shall be reasonably adjusted as necessary. Furthermore, pursuant to the provisions above, the Company shall rightfully acquire without contribution the Allotted Shares for which the Transfer Restrictions have not been lifted, at the time immediately after the lifting of Transfer Restrictions.

(4) Treatment in the Event of Organizational Restructuring, etc.

Notwithstanding the provision in (1) above, in the case that matters regarding a merger agreement under which the Company becomes the non-surviving company, a share exchange agreement or a share transfer plan under which the Company becomes a wholly owned subsidiary of another company, or any other organizational restructuring, etc. are approved at the Shareholders' Meeting of the Company (or at a meeting of the Board of Directors of the Company in the case that approval by the Shareholders' Meeting of the Company is not required regarding the said organizational restructuring, etc.) during the Transfer Restriction Period, the Company shall lift, based on the resolution of the Board of Directors of the Company, the Transfer Restrictions before the effective date of the said organizational restructuring, etc. with regard to the number of Allotted Shares to be reasonably determined in consideration of a period from the beginning of the Transfer Restriction Period to the date of approval of the said organizational restructuring, etc. Furthermore, in the case provided for above, the Company shall rightfully acquire without contribution the Allotted Shares for which the Transfer Restrictions have not been lifted, at the time immediately after the lifting of Transfer Restrictions.

(5) Other Matters

Other matters regarding the Allotment Agreement shall be determined at a meeting of the Board of Directors of the Company.

(Reference)

Areas of expertise particularly expected of Director candidates and Statutory Auditors

The areas (up to three) in which the Company has particular expectations of the candidates for Director, proposed in Proposal 2, and Statutory Auditors, are as follows.

	No.	Name	Corporate Management	Industry Experience	Legal Affairs / Governance	Financial Accounting / M&A	HR / Diversity	IT / Digital	Environment / Society	Global
Directors	1	Taketoshi Hosoya	•	•						•
	2	Ikuo Hirayama	•	•			•			
	3	Masaru Honda	•	•					•	
	4	Hiromitsu Kugisaki	•		•		•			
	5	Touko Shirakawa			•		•		•	
	6	Keita Tokura			•	•		•		
Statutory Auditors		Shugo Okada			•	•	•			
		Shino Hirose			•		•			•
		Yumiko Otagiri			•	•				

- (Notes) 1. The above matrix does not cover all the expertise, experience, and knowledge possessed by candidates for Director and Statutory Auditors.
2. Industry experience refers to experience in the distribution or retail industry.

(Reference)

<Standards for Election of Directors and Statutory Auditors>

1. Directors

(1) Election policy for candidates for Director

The Board of Directors shall be of an appropriate size for deliberations. From the perspective of ensuring diversity in order to realize appropriate decision-making and management supervision, multiple persons who possess excellent insight and a high degree of expertise from both inside and outside the company will be appointed.

(2) Election standards for candidates for Director

(i) Possess excellent management insight

(ii) Have a law-abiding spirit, ethics, and social responsibility

(iii) Have an ability to see things from a high vantage point with a broad perspective, as well as excellent foresight and insight

(iv) Have the ability to make the best decisions for the Company in accordance with the “Principles of Business Judgment”

(v) External Directors must have a total tenure of less than eight years, and be able to not only supervise management but also provide useful advice and recommendations to management

(vi) Directors must be able to secure enough time to faithfully perform their duties

(3) Election procedures for candidates for Director

The President and the External Director who is the chair of the Nominating Committee will prepare proposals for appointing candidates for Director, and after deliberation by the Nomination Committee, the Board of Directors will make a resolution and submit it to the shareholders’ meeting.

2. Statutory Auditors

(1) Election policy for candidates for Statutory Auditor

In order to appropriately audit the execution of duties by Directors with neutrality and independence, persons with excellent management insight are appointed.

(2) Election standards for candidates for Statutory Auditor

- (i) Statutory Auditors must have a total tenure of less than eight years, and have excellent character and insight, with expertise in either law, financial accounting, or corporate management
- (ii) Have a law-abiding spirit, ethics, and social responsibility
- (iii) Be able to ensure a fair and unbiased attitude from the perspective of independence
- (iv) Be able to have smooth dialogue with management for the purpose of ensuring the soundness and transparency of management
- (v) Statutory Auditors must be able to secure enough time to faithfully perform their duties

(3) Election procedures for candidates for Statutory Auditor

The President and the External Director who is the chair of the Nominating Committee will prepare proposals for appointing candidates for Statutory Auditor. The Nominating Committee deliberates on the proposals by giving due respect to the opinions of the Statutory Auditors (Board). After obtaining the consent of the Board of Statutory Auditors, the Board of Directors will make a resolution and submit it to the shareholders' meeting.

(Reference)

<Independence Standards for External Officers>

The Company determines that its external officers (External Directors and External Statutory Auditors) are not independent if, in addition to the requirements for independent officers stipulated by the Tokyo Stock Exchange, any of the following items (1) through (3) applies.

- (1) A person who is currently, or has been in the past ten years, an executive (Note 2) of the Group (Note 1)
- (2) A person who has fallen under any of the following a. to g. in the past three years
 - a. A business partner whose annual transaction amount with the Group exceeds 10 million yen in a single fiscal year and which exceeds 2% of the net sales of either the Company or such business partner, or an executive thereof
 - b. A major shareholder holding voting rights exceeding 5% of the total voting rights of the Company, or an executive thereof
 - c. Lenders of the Group that have loaned to the Group an amount exceeding 2% of the total assets of the Company in the most recent fiscal year (if the lender is a corporation or other organization, an executive thereof)
 - d. A person who receives donations or subsidies exceeding 10 million yen annually from the Group (if the person having such relationship is a corporation or other organization, an executive thereof)
 - e. A person who provides professional services such as a consultant, lawyer, certified public accountant, etc., who receives monetary or other financial benefits exceeding 10 million yen annually from the Company, other than remuneration for their service as Directors or Statutory Auditors; or a person who belongs to an organization that provides professional services, such as a consulting firm, a law firm, or an auditing firm which receives remuneration exceeding 10 million yen annually and exceeding 2% of its net sales or total annual revenue
 - f. In the event that an executive of the Company is appointed as an external officer of another company, an executive for such other company
 - g. A certified public accountant who belongs to the auditing firm that is the Company's Accounting Auditor
- (3) Spouse or relative within the second degree of kinship of a person listed in (1) and (2) above

(Note 1) The Group means the Company and its subsidiaries. The same applies within the Independent Standards.

(Note 2) An executive is defined in Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act, and includes not only executive Directors but also employees. The same applies within the Independent Standards.