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Securities code: 2216
March 5, 2021

To Shareholders with Voting Rights:

Kazuyasu Misu
President and CEO
Kanro Inc.
3-20-2 Nishishinjuku, Shinjuku-ku,
Tokyo, Japan

**NOTICE OF
THE 71ST ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

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

We hereby inform you that the 71st Ordinary General Meeting of Shareholders of Kanro Inc. (the “Company”) will be held as described below.

In order to prevent the spread of COVID-19, we kindly request our shareholders to refrain from coming to the venue to attend this year’s meeting and exercise voting rights in advance in writing or via the Internet, if at all possible.

Please review the Reference Documents for the General Meeting of Shareholders below and **exercise your voting rights no later than 5:45 p.m. on Thursday, March 25, 2021, Japan time**, following the guidance provided below.

- 1. Date and Time:** Friday, March 26, 2021 at 10:00 a.m. Japan time
- 2. Place:** Cosmo Room, 13th Floor, The Nakano Sunplaza,
4-1-1 Nakano, Nakano-ku, Tokyo, Japan
(Souvenirs for meeting attendees will be canceled this year.)
- 3. Meeting Agenda:**
Matters to be reported: Business Report and Non-consolidated Financial Statements for the Company’s 71st Fiscal Year (January 1, 2020 - December 31, 2020)

Proposals to be resolved:

- Proposal 1:** Election of Seven (7) Directors
- Proposal 2:** Election of One (1) Audit & Supervisory Board Member
- Proposal 3:** Revision of Remuneration Amount for Directors

- Of the documents to be provided with this Notice, the Notes to Non-consolidated Financial Statements are posted on the Company’s website on the Internet pursuant to the provisions of laws and regulations and Article 18 of the Articles of Incorporation, and therefore are not attached to this Notice. The Non-consolidated Financial Statements audited by Audit & Supervisory Board Members and the Accounting Auditor comprise the Notes to Non-consolidated Financial Statements posted on the Company’s website as well as each document attached to this Notice.
- Any revisions to the Reference Documents for the General Meeting of Shareholders, the Business Report, and the Non-Consolidated Financial Statements will be posted on the Company’s website.

Japanese: <https://www.kanro.co.jp/>

English: <https://www.kanro.co.jp/en/>

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Election of Seven (7) Directors

The terms of office for all six (6) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the Company proposes the reelection of six (6) Directors and the new election of one (1) Director.

The candidates for Director are as follows.

No.	Name (age)	Current positions at the Company	Attendance at the Board of Directors meetings	Term of office as Director (years)
1	Kazuyasu Misu (64) [Reappointment]	President and CEO	100% (15/15)	5
2	Toyoshige Mizuta (61) [Reappointment]	Director Senior Managing Executive Officer	100% (15/15)	4
3	Kazuhiro Abe (52) [Reappointment]	Director Managing Executive Officer	100% (15/15)	2
4	Hiromichi Mitsuda (69) [Reappointment] [Outside] [Independent]	Director	100% (15/15)	5
5	Takanobu Yoshida (64) [Reappointment] [Outside] [Independent]	Director	100% (15/15)	5
6	Tetsuya Murata (51) [Reappointment] [Outside]	Director	100% (15/15)	2
7	Hiromi Horie (64) [New appointment] [Outside] [Independent]	–	–	–

[Outside] Candidate for Outside Director

[Independent] Candidate for independent director: Candidate for independent director as stipulated by Tokyo Stock Exchange, Inc.

- Notes:
1. There is no special interest between each candidate for Director and the Company.
 2. Mr. Hiromichi Mitsuda, Mr. Takanobu Yoshida, Mr. Tetsuya Murata, and Ms. Hiromi Horie are candidates for Outside Director.
 3. Mr. Hiromichi Mitsuda, Mr. Takanobu Yoshida, and Ms. Hiromi Horie are registered as independent officers with the Tokyo Stock Exchange.
 4. The terms of office of Mr. Hiromichi Mitsuda and Mr. Takanobu Yoshida as Outside Director of the Company will be five years, and the term of office of Mr. Tetsuya Murata as Outside Director of the Company will be two years, at the conclusion of this Ordinary General Meeting of Shareholders.
 5. Mr. Tetsuya Murata is a business executor of Mitsubishi Corporation, a specified associated company of the Company.

6. Mitsubishi Corporation is a major shareholder of the Company and conducts sales as the exclusive agency for the sales of the Company's products.
7. The Company has entered into an agreement with Outside Directors to limit their liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the same act. The limit of liability for damages under the agreement shall be the minimum amount of liability as set forth under Article 425, Paragraph 1 of the same act. The Company intends to enter into or renew the agreement with Mr. Hiromichi Mitsuda, Mr. Takanobu Yoshida, Mr. Tetsuya Murata, and Ms. Hiromi Horie if their elections are approved and resolved.
8. The Company has entered into a directors and officers liability insurance (D&O insurance) contract designating all of its Directors as insured persons. The contract covers damage that may arise as a result of an insured Director assuming responsibilities for the execution of his/her duties or receiving claims related to the pursuit of such responsibilities. However, there are certain exemptions such as the case where any damage caused by willful misconduct or gross negligence will not be covered. If each candidate assumes office as Director, he or she will become an insured person under the insurance contract, and the Company will renew the insurance contract during their terms of office.

No.	Name	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	 <p data-bbox="225 600 416 629">Kazuyasu Misu</p> <p data-bbox="225 678 416 786">[Date of birth] February 28, 1957 (Age: 64)</p> <p data-bbox="225 824 416 853">[Reappointment]</p> <p data-bbox="225 898 416 1005">[Term of office as Director] 5 years</p> <p data-bbox="225 1043 416 1171">[Attendance at the Board of Directors meetings] 15/15 (100%)</p>	<p data-bbox="475 277 1267 913"> April 1979 Joined Mitsubishi Corporation February 1992 Seconded to Mitsubishi Corporation (UK) Limited August 1997 Food Materials Dept. of Mitsubishi Corporation April 2004 Unit Manager of Processed Foods C Unit, Foods (Products) Div. April 2006 Deputy General Manager of Living Essentials Group CEO Office April 2008 General Manager of Living Essentials Group CEO Office April 2009 Division COO of Foods (Products) Div. and Unit Manager of Dairy Foods Unit April 2011 Executive Officer and Head of Living Essentials Group for China April 2014 Executive Officer and Division COO of Global Consumer Business Div. March 2016 Retired from Mitsubishi Corporation March 2016 President and CEO of Kanro Inc. January 2019 President, CEO and Chief Compliance Officer (current position) </p>	8,000
<p data-bbox="193 1189 1460 1361"> [Reason for nomination as candidate for Director] Mr. Kazuyasu Misu held key senior positions at Mitsubishi Corporation and has been serving as CEO of the Company since March 2016, and he has a wealth of knowledge on overall business management. The Company proposes to reelect him as Director in order to have him implement the medium-term management plan and drive further growth of the Company. </p>			

No.	Name	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	 <p data-bbox="212 600 430 633">Toyoshige Mizuta</p> <p data-bbox="236 678 403 790">[Date of birth] May 29, 1959 (Age: 61)</p> <p data-bbox="225 824 414 857">[Reappointment]</p> <p data-bbox="217 902 422 1014">[Term of office as Director] 4 years</p> <p data-bbox="212 1059 427 1171">[Attendance at the Board of Directors meetings] 15/15 (100%)</p>	<p data-bbox="475 275 1275 824"> April 1983 Joined the Company April 2005 Branch Manager of Hiroshima Branch October 2007 General Manager of National Account Dept. October 2009 Branch Manager of Osaka Branch April 2013 General Manager of Sales Dept. of Sales Div. March 2014 Executive Officer, Division COO of Sales Div. and General Manager of Sales Dept. January 2016 Managing Executive Officer and Division COO of Sales Div. March 2017 Director, Managing Executive Officer and Division COO of Sales Div. January 2019 Director, Senior Managing Executive Officer and Division COO of Sales Div. January 2021 Director, Senior Managing Executive Officer and Sales Div. and Marketing Div. Officer (current position) </p>	900
<p data-bbox="196 1193 759 1227">[Reason for nomination as candidate for Director]</p> <p data-bbox="196 1234 1453 1415">Mr. Toyoshige Mizuta held the positions of General Manager of National Account Dept., Branch Manager of Osaka Branch, General Manager of Sales Dept., and Division COO of Sales Div., and currently serves as Director, Senior Managing Executive Officer and Sales Div. and Marketing Div. Officer. He has in-depth knowledge on overall management and sales and marketing operations. Accordingly, the Company proposes to reelect him as Director.</p>			

No.	Name	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
3	 <p data-bbox="236 600 405 629">Kazuhiro Abe</p> <p data-bbox="204 678 437 786">[Date of birth] November 20, 1968 (Age: 52)</p> <p data-bbox="225 824 416 853">[Reappointment]</p> <p data-bbox="217 898 424 1005">[Term of office as Director] 2 years</p> <p data-bbox="213 1043 427 1173">[Attendance at the Board of Directors meetings] 15/15 (100%)</p>	<p data-bbox="475 275 1038 304">April 1991 Joined Mitsubishi Corporation</p> <p data-bbox="475 315 1267 344">May 2001 Seconded to Mitsubishi Corporation (UK) Limited</p> <p data-bbox="475 356 1198 416">May 2006 Energy Business Group Controller Office of Mitsubishi Corporation</p> <p data-bbox="475 423 1246 483">December 2010 Seconded to Mitsubishi Corporation Financial & Management Services (Japan) Ltd.</p> <p data-bbox="475 490 1246 551">June 2013 Director of Mitsubishi Corporation (Guangzhou) Ltd.</p> <p data-bbox="475 557 1241 618">June 2016 Audit & Supervisory Board Members' Office of Mitsubishi Corporation</p> <p data-bbox="475 624 1262 685">January 2019 Managing Executive Officer, CFO, Division COO of Finance & Accounting Div. of Kanro Inc.</p> <p data-bbox="475 692 1241 770">March 2019 Director, Managing Executive Officer, CFO, Division COO of Finance & Accounting Div. of Kanro Inc. (current position)</p>	—
<p data-bbox="193 1189 759 1218">[Reason for nomination as candidate for Director]</p> <p data-bbox="193 1229 1458 1368">Mr. Kazuhiro Abe worked at Mitsubishi Corporation and currently serves as Director, Managing Executive Officer, CFO, Division COO of Finance & Accounting Div. at the Company. He has in-depth knowledge on overall management and finance and accounting operations. Accordingly, the Company proposes to reelect him as Director.</p>			

No.	Name	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
4	 <p>Hiromichi Mitsuda</p> <p>[Date of birth] March 31, 1951 (Age: 69)</p> <p>[Reappointment] [Outside] [Independent]</p> <p>[Term of office as Director] 5 years</p> <p>[Attendance at the Board of Directors meetings] 15/15 (100%)</p>	<p>April 1974 Joined Asahi Breweries, Ltd.</p> <p>April 1989 General Manager of Development Div. of Food Research Laboratory</p> <p>July 1996 Head of Drink Research Laboratory of Asahi Soft Drinks Co., Ltd.</p> <p>April 2000 General Manager of Akashi Brewery</p> <p>September 2001 Corporate Officer and Head of Research Laboratory</p> <p>March 2006 Director and General Manager of Research & Development Headquarters</p> <p>March 2009 Senior Managing Director and Senior General Manager of Research & Development Headquarters</p> <p>March 2012 Advisor</p> <p>March 2013 Retired from Asahi Soft Drinks Co., Ltd.</p> <p>April 2013 Founded Mitsuda Professional Engineer Office (current position)</p> <p>March 2016 Director of Kanro Inc. (current position)</p> <p>[Significant concurrent positions] • Mitsuda Professional Engineer Office</p>	—
<p>[Reason for nomination as candidate for Outside Director] Mr. Hiromichi Mitsuda provides useful suggestions at meetings of the Board of Directors and appropriately oversees business execution from an objective and professional standpoint, drawing on his wide range of insights through extensive experience in the research and manufacturing fields of the food industry. Accordingly, the Company proposes to reelect him as Outside Director.</p>			

No.	Name	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
5	 <p>Takanobu Yoshida</p> <p>[Date of birth] February 18, 1957 (Age: 64)</p> <p>[Reappointment] [Outside] [Independent]</p> <p>[Term of office as Director] 5 years</p> <p>[Attendance at the Board of Directors meetings] 15/15 (100%)</p>	<p>April 1979 Joined The Procter & Gamble Company of Japan Limited Served as District Manager of Tokyo, RBDM, and other positions</p> <p>July 1998 Sales Director, TAG Heuer Japan K.K., Group of LVMH</p> <p>January 2001 Vice President, Sales, Johnson & Johnson K.K.</p> <p>January 2007 Vice President, Sales, Hill's-Colgate (Japan) Co., Ltd.</p> <p>October 2012 Vice President, Sales, Danone Japan Co., Ltd.</p> <p>June 2015 Representative Director, Yoshida C&M K.K. (current position)</p> <p>March 2016 Director of Kanro Inc. (current position)</p> <p>[Significant concurrent positions] • Representative Director, Yoshida C&M K.K.</p>	—
<p>[Reason for nomination as candidate for Outside Director] Mr. Takanobu Yoshida held the positions of Vice President, Sales at Danone Japan Co., Ltd. and other companies and provides useful suggestions at meetings of the Board of Directors and appropriately oversees business execution from an objective and practical standpoint, drawing on his wealth of business experience in the sales and marketing fields. Accordingly, the Company proposes to reelect him as Outside Director.</p>			

No.	Name	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
6	 <p>Tetsuya Murata</p> <p>[Date of birth] October 11, 1969 (Age: 51)</p> <p>[Reappointment] [Outside]</p> <p>[Term of office as Director] 2 years</p> <p>[Attendance at the Board of Directors meetings] 15/15 (100%)</p>	<p>April 1992 Joined Mitsubishi Corporation</p> <p>July 2011 Seconded to Life Corporation</p> <p>March 2012 Executive Officer and General Manager of Metropolitan Area Store Support Div.</p> <p>September 2013 Executive Officer and General Manager of Metropolitan Area Store Div.</p> <p>April 2015 Senior Executive Officer, Deputy General Manager of Metropolitan Area Sales Div. and General Manager of Metropolitan Area Store Div.</p> <p>February 2016 Living Essential Resources Div. of Mitsubishi Corporation</p> <p>April 2016 General Manager of Strategy & Planning Office of Fresh Food</p> <p>April 2018 General Manager of Food Distribution Dept. of Living Essential Distribution Div.</p> <p>March 2019 Director of Kanro Inc. (current position)</p> <p>April 2019 General Manager of Food Distribution Dept. of Healthcare & Food Distribution Div., Mitsubishi Corporation</p> <p>April 2020 General Manager of Food Distribution Dept. of Logistics & Food Distribution Div., Mitsubishi Corporation (current position)</p> <p>[Significant concurrent positions] • General Manager of Food Distribution Dept. of Logistics & Food Distribution Div., Mitsubishi Corporation</p>	—
<p>[Reason for nomination as candidate for Outside Director] Mr. Tetsuya Murata has a wide range of insights through his wealth of business experience at Mitsubishi Corporation. The Company believes that he will provide useful suggestions for the Company's management and appropriately oversee business execution from an objective standpoint. Accordingly, the Company proposes to reelect him as Outside Director.</p>			

No.	Name	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
7	 <p>Hiromi Horie</p> <p>[Date of birth] June 19, 1956 (Age: 64)</p> <p>[New appointment] [Outside] [Independent]</p> <p>[Term of office as Director] -</p> <p>[Attendance at the Board of Directors meetings] -</p>	<p>May 1987 Joined Levi Strauss Japan KK</p> <p>January 1992 Public Relations Senior Manager</p> <p>December 1999 Marketing Senior Manager</p> <p>March 2005 Retired from Levi Strauss Japan KK</p> <p>March 2005 Joined Starbucks Coffee Japan, Ltd. Public Affairs Division Manager</p> <p>December 2006 Marketing Division Manager</p> <p>August 2010 Executive Officer, Marketing Officer and Member of the Executive Management Committee</p> <p>May 2016 Outside Director of Adastria Co., Ltd. (current position)</p> <p>December 2016 Retired from Starbucks Coffee Japan, Ltd.</p> <p>March 2017 Brand Consultant and Representative Director of Haruka Inc. (current position)</p> <p>[Significant concurrent positions] • Brand Consultant and Representative Director of Haruka Inc. • Outside Director of Adastria Co., Ltd.</p>	-
<p>[Reason for nomination as candidate for Outside Director] Ms. Hiromi Horie held the positions of department head and management executive at Levi Strauss Japan KK and Starbucks Coffee Japan, Ltd. and subsequently assumed office as Outside Director of Adastria Co., Ltd., while setting up her own company Haruka Inc. in 2017, at which she serves as Representative Director. As she has a wide range of insights through her wealth of business experience, the Company believes that she will provide useful suggestions for the Company's management and appropriately oversee business execution from an objective standpoint. Accordingly, the Company proposes to elect her as Outside Director.</p>			

Proposal 2: Election of One (1) Audit & Supervisory Board Member

Audit & Supervisory Board Member Mr. Hirotaka Nishiyama will resign from his position at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the Company proposes the election of one (1) Audit & Supervisory Board Member as his substitute.

The consent of the Audit & Supervisory Board has been obtained for this proposal.

The candidate for Audit & Supervisory Board Member is as follows.

Name	Career summary, positions and significant concurrent positions	Number of shares of the Company held
 <p>Ryoji Matsubara</p> <p>[Date of birth] December 20, 1965 (Age: 55)</p> <p>[New appointment] [Outside]</p> <p>[Term of office as Audit & Supervisory Board Member] -</p> <p>[Attendance at the Audit & Supervisory Board meetings] -</p>	<p>April 1989 Joined The Sumitomo Trust and Banking Co., Ltd.</p> <p>October 2001 Joined Mitsubishi Corporation</p> <p>April 2015 General Manager of Strategic Planning Office of Living Essential Resources Div., Living Essentials Group</p> <p>April 2016 Seconded to Itoham Yonekyu Holdings Inc. General Manager of PMI Implementation Office, Corporate Strategy Planning Dept.</p> <p>January 2017 General Manager of Corporate Strategy Planning Dept.</p> <p>April 2018 Executive Officer, General Manager of Corporate Strategy Planning Dept.</p> <p>April 2020 General Manager of Internal Control and Audit Unit, Consumer Industry Group CEO Office, Mitsubishi Corporation</p> <p>July 2020 General Manager of Internal Control and Audit Unit and General Manager of Corporate Strategy Unit, Consumer Industry Group CEO Office (current position)</p> <p>[Significant concurrent positions]</p> <ul style="list-style-type: none"> • General Manager of Internal Control and Audit Unit and General Manager of Corporate Strategy Unit, Consumer Industry Group CEO Office, Mitsubishi Corporation • Par-time Audit & Supervisory Board Member of Mitsubishi Corporation Fashion Co., Ltd. 	<p style="text-align: center;">-</p>
<p>[Reason for nomination as candidate for Outside Audit & Supervisory Board Member] Mr. Ryoji Matsubara has a wide range of insights through his wealth of business experience at Mitsubishi Corporation and other companies. The Company believes that he will properly perform his duties as Outside Audit & Supervisory Board Member of the Company and hence proposes to elect him as Outside Audit & Supervisory Board Member.</p>		

- Notes:
1. There is no special interest between the candidate for Audit & Supervisory Board Member and the Company.
 2. Mr. Ryoji Matsubara is a candidate for Outside Audit & Supervisory Board Member.
 3. Mr. Ryoji Matsubara is a business executor of Mitsubishi Corporation, a specified associated company of the Company.

4. Mitsubishi Corporation is a major shareholder of the Company and conducts sales as the exclusive agency for the sales of the Company's products.
5. The Company has entered into an agreement with Audit & Supervisory Board Members to limit their liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the same act. The limit of liability for damages under the agreement shall be the minimum amount of liability as set forth under Article 425, Paragraph 1 of the same act. The Company intends to enter into the agreement with Mr. Ryoji Matsubara if his election is approved and resolved.
6. The Company has entered into a directors and officers liability insurance (D&O insurance) contract designating all of its Audit & Supervisory Board Members as insured persons. The contract covers damage that may arise as a result of an insured Audit & Supervisory Board Member assuming responsibilities for the execution of his/her duties or receiving claims related to the pursuit of such responsibilities. However, there are certain exemptions such as the case where any damage caused by willful misconduct or gross negligence will not be covered. If the election of Mr. Ryoji Matsubara is approved and resolved, he will become an insured person under the insurance contract, and the Company will renew the insurance contract during his term of office.

Proposal 3: Revision of Remuneration Amount for Directors

1. Reason for the revision

At the 67th Ordinary General Meeting of Shareholders held on March 29, 2017, the amount of remuneration for Directors of the Company was approved to be no more than 200 million yen per year (of which no more than 18 million yen per year for Outside Directors). If Proposal 1 “Election of Seven (7) Directors” is approved and resolved as originally proposed, one (1) Outside Director will be added. Accordingly, the Company seeks to revise only the amount of remuneration for Outside Directors to no more than 24 million yen per year.

There will be no change to the current remuneration amount for Directors set at no more than 200 million yen per year.

The number of Directors is currently six (of which three are Outside Directors). If Proposal 1 is approved and resolved as originally proposed, the number of Directors will be seven (of which four are Outside Directors).

2. Reason why the revision of remuneration amount for Outside Directors is reasonable

The Company upholds transparency and objectivity as its fundamental policy related to directors’ remuneration. As the effectiveness of corporate governance and internal control as well as the realization of sound management through the separation of management oversight and business execution will become increasingly indispensable in the future, we recognize that the role fulfilled by Outside Directors is very important. Accordingly, the Company seeks approval for Proposal 1 in order to increase the number of Outside Directors from three to four and further strengthen the management structure.

As described above, Proposal 3 is in line with our policy related to the remuneration of directors, and the Company therefore believes that it is reasonable.

<Reference>

Matters pertaining to policies regarding the determination of remuneration amount for officers or the method of calculating the amount

(1) Policy regarding remuneration for Directors

The purpose of remuneration for Directors is to function as consideration to be paid to officers in order for them to fulfill their roles expected of them to the maximum extent possible in achieving the improvement of corporate value through sustainable and positive growth of the Company.

In addition, the director remuneration standard and payment standard are resolved by the Board of Directors based on recommendation of the Governance Committee, the majority of which are independent Outside Directors, in order to increase the transparency and objectivity of decisions on remuneration.

(2) Policies regarding the determination of remuneration amount for officers or the method of calculating the amount

(a) Remuneration for Directors excluding Outside Directors

Remuneration for Directors excluding Outside Directors consists of (i) basic remuneration (monthly remuneration), (ii) performance-linked remuneration (bonuses) according to company performance and individual performance as a short-term incentive, and (iii) share-based compensation.

(i) Basic remuneration (monthly remuneration)

In terms of basic remuneration, rank-specific monthly remuneration is stipulated in the standards for remuneration for officers with reference to the levels of other companies (manufacturing industry) learned from the surveys conducted by external institutions, and the remunerations is paid in cash once a month as fixed monthly remuneration.

(ii) Performance-linked remuneration (bonuses) as a short-term incentive

Performance-linked remuneration is linked with company performance as a short-term incentive to achieve performance targets for the fiscal year, and is paid in cash once a year according to individual performance in terms of roles, responsibilities and achievements expected of each rank. Ordinary income, which is a major indicator of annual financial results, is used as performance indicator to evaluate company performance.

An individual payout amount consists of:

- Rank-based bonus amount set for each range of ordinary income (paid based on company performance)
- Allocation amount of assessment fund set for each range of ordinary income (allocated based on the assessment of individual performance)

Of the individual payout amount, the allocation of assessment fund is decided by President and CEO based on the assessment of individual performance, after prior deliberations at the Governance Committee to ensure that the authority of President and CEO regarding the allocation of assessment fund is appropriately exercised.

The standards for payment of bonuses are set such that the ratio of performance-linked remuneration to the total amount of cash remuneration becomes higher in proportion to ordinary income. However, if ordinary income is less than 300 million yen, performance-linked remuneration (bonuses) shall not be paid out.

(iii) Share-based compensation

At the 67th Ordinary General Meeting of Shareholders held on March 29, 2017, the Company reviewed the officer remuneration system, abolished the officer retirement bonus system, and resolved to introduce a share-based compensation system for Directors (excluding Outside Directors) and Executive Officers. For share-based compensation, a trust established by way of funds contribution by the Company will acquire the Company's shares, and a certain number of the Company's shares equivalent to the number of points granted to Directors and other officers by the Company in accordance with their ranks and terms of office will be issued to Directors and other officers through the trust. In principle, the issuance of shares of the Company to Directors and other officers shall be at the time of retirement from office as Directors and other officers.

(b) Remuneration for Outside Directors and Audit & Supervisory Board Members

Remuneration for Outside Directors and Audit & Supervisory Board Members consists of basic remuneration (monthly remuneration) and bonuses. Bonuses are fixed in keeping with their role. However, if ordinary income is less than 300 million yen, bonuses shall not be paid out.

(3) Decision-making authority of policies regarding the determination of remuneration amount for officers or the method of calculating the amount

(a) Board of Directors:

- Determination of Directors' remuneration policy, standards for remuneration for officers, and standards for payment of bonuses to officers
- Receive reports that remuneration will be provided in accordance with the standards for remuneration for officers and other guidelines
- Determination of the total amount of payment of bonuses recommended by the Governance Committee

(b) Governance Committee:

- Deliberation of Directors' remuneration policy, standards for remuneration for officers, and standards for payment of bonuses to officers, and recommendation to the Board of Directors
- Confirm that remuneration will be provided in accordance with the standards for remuneration for officers and other guidelines
- Deliberation on the assessment of individual performances of Directors (excluding Outside Directors) and the allocation of assessment fund carried out by President and CEO

(c) Activities of the Board of Directors and the Governance Committee in the process of determining the remuneration amount for officers

In terms of basic remuneration (monthly remuneration), the standards for remuneration for officers established by the Board of Directors stipulates monthly remuneration amount for each rank. As such, the Governance Committee convened every March confirms that basic remuneration is provided in accordance with the standards for remuneration for officers, and a report to that effect is presented at a meeting of the Board of Directors convened in the same month. As for performance-linked remuneration (bonuses), the Governance Committee convened every February deliberates on the assessment of individual performances of Directors (excluding Outside Directors) and the allocation of assessment fund carried out by President and CEO. Details of the deliberation are reported at a meeting of the Board of Directors convened in the same month, and the payment of performance-linked remuneration (bonuses) is resolved.

(4) Determination policy on the portions of the above-mentioned items (i), (ii), and (iii) for the remuneration of each director

Item	Description	Timing of payment/delivery	Involvement of the Governance Committee
Basic remuneration	Rank-specific monthly remuneration amount stipulated in the standards for remuneration for officers is paid as fixed monthly remuneration.	Once a month	<ul style="list-style-type: none">• Screening of the Directors' remuneration policy and the standards for remuneration for officers, and recommendation to the Board of Directors• Confirmation of the payment of basic remuneration in accordance with the standards for remuneration for officers
Performance-linked remuneration (bonuses)	<ul style="list-style-type: none">• Rank-based bonus amount set for each range of ordinary income stipulated in the standards for payment of bonuses to officers is paid.• The assessment fund set for each range of ordinary income stipulated in the standards for payment of bonuses to officers is allocated by President and CEO based on the assessment of individual performance, and the allocated amount is paid.	Once a year (March)	<ul style="list-style-type: none">• Screening of the standards for payment of bonuses to officers, and recommendation to the Board of Directors• Deliberation on the assessment of Directors' individual performances and the allocation of assessment fund carried out by President and CEO

Share-based compensation	A number of the Company's shares equivalent to the number of points granted to Directors and other officers by the Company in accordance with their ranks and terms of office will be issued to Directors and other officers.	At the time of retirement from office as Directors and other officers (in principle)	Deliberation, as necessary, such as at the time of revision to the system, and recommendation to the Board of Directors
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Item	% breakdown (based on actual figures)		% breakdown (based on model)	Determination policy on proportions
	FY2018	FY2019	Ordinary income of 1 to 1.4 billion	
Basic remuneration	64.2%	69.6%	66.5%	Rank-specific monthly remuneration amount has been set as the standards for remuneration for officers, and its proportion will vary in a range of about 65% to 70% according to the proportion of performance-linked remuneration.
Performance-linked remuneration (bonuses)	23.0%	19.5%	22.2%	The proportion of performance-linked remuneration to the total amount of remuneration has been set such that it becomes higher in proportion to ordinary income, and when ordinary income hits one billion yen or more, the proportion will be over 20%.
Share-based compensation	12.8%	10.9%	11.3%	Points to be granted according to ranks have been established, and the proportion of these points will be about 10% to 13% if they are converted to monetary values.
Total	100.0%	100.0%	100.0%	