

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

(Securities Code: 8227)

April 30, 2025

To our shareholders:

Ichiro Takahashi
Representative Director, President and
Executive Officer
Shimamura Co., Ltd.
1-602-1 Kitabukuro-cho, Omiya-ku,
Saitama-city, Saitama

Notice of the 72nd Annual General Meeting of Shareholders

We are pleased to announce the 72nd Annual General Meeting of Shareholders of Shimamura Co., Ltd. (the “Company”), which will be held as indicated below.

When convening this general meeting of shareholders, the Company takes measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. (matters for which measures for providing information in electronic format are to be taken) in electronic format, and posts this information on the following Company’s website, etc. Please access the website by using the internet address shown below to review the information.

The Company’s IR website

Website for informational materials for the general meeting of shareholders

<https://www.shimamura.gr.jp/ir/stock/> (in Japanese) <https://d.sokai.jp/8227/teiji/> (in Japanese)

In addition to posting matters for which measures for providing information in electronic format are to be taken on the Company’s website, etc., we also post this information on the website of Tokyo Stock Exchange, Inc. (TSE) shown below.

Tokyo Stock Exchange, Inc.’s website (Listed Company Search):

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

(Access the TSE website by using the internet address shown above, enter “Shimamura Co., Ltd.” in “Issue name (company name)” or the Company’s securities code “8227” in “Code,” and click “Search.” Then, click “Basic information” and select “Documents for public inspection/PR information.” Under “Filed information available for public inspection,” click “Click here for access” under “[Notice of General Shareholders Meeting/Informational Materials for a General Shareholders Meeting].”)

If you are unable to attend the Meeting in person, you can exercise your voting rights via the Internet or in writing (mail), etc. Please review the Reference Documents for the General Meeting of Shareholders, and follow the Instructions given below to exercise your voting rights no later than Thursday, May 15, 2025, at 5:45 p.m. (JST).

- 1. Date and Time:** Friday, May 16, 2025, at 10:00 a.m. (JST)
- 2. Venue:** “ROSE ROOM,” 4F, PALACE HOTEL OMIYA, SONIC CITY
1-7-5, Sakuragi-cho, Omiya-ku, Saitama-city, Saitama

3. Purpose of the Meeting:

Matters to be reported

1. The Business Report and the Consolidated Financial Statements for the 72nd fiscal year (from February 21, 2024, to February 20, 2025), and the results of audits of the Consolidated Financial Statements by the Financial Auditor and the Audit & Supervisory Board
2. The Non-consolidated Financial Statements for the 72nd fiscal year (from February 21, 2024, to February 20, 2025)

Matters to be resolved

<Proposals from the Company (Proposal No. 1 to Proposal No. 2)>

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of Eight Directors

<Proposals from our shareholders (Proposal No. 3 to Proposal No. 4)>

Proposal No. 3: Appropriation of Surplus

Proposal No. 4: Acquisition of Own Shares

Proposal No. 3 and Proposal No. 4 are shareholder proposals. The contents of each proposal are as set forth in the “Reference Documents for the General Meeting of Shareholders” below, however, **the Board of Directors of the Company is against the shareholder proposals (Proposal No. 3 and Proposal No. 4).**

4. Matters Decided in Connection with the Convocation (Guidance Notes on Exercise of Voting Rights)

- (1) If you indicate neither your approval nor disapproval of each proposal on the returned voting form, your answer will be deemed to be an approval for the Company proposals and a disapproval for the shareholder proposal.
- (2) If you exercise your voting rights via the Internet multiple times, only your last vote will be treated as valid.
- (3) If you exercise your voting rights via the Internet and also by writing (mail), regardless of the arrival date and time, your vote placed via the Internet will be treated as valid.

For shareholders who requested the delivery of paper-based documents, we send documents including matters for which measures for providing information in electronic format are to be taken, however, please note that the following matters are excluded based on the provisions of laws and regulations and Article 16 of the Company's Articles of Incorporation.

- Tables of explanatory notes on Consolidated Financial Statements
- Tables of explanatory notes on Non-consolidated Financial Statements

Therefore, the business report, the consolidated financial statements and the non-consolidated financial statements described in this document are part of the documents audited by the financial auditor for the purpose of preparing their audit report and by the members of the Audit & Supervisory Board for the purpose of preparing their audit report.

When you attend the Meeting, you are kindly requested to present the voting form at the reception. If revisions to the matters for which measures for providing information in electronic format are to be taken arise, a notice of the revisions and the details of the matters for which measures for providing information in electronic format are to be taken before and after the revisions will be posted on the Company's aforementioned websites and the TSE website. If any significant changes are made to the operation of the general meeting of shareholders, such changes will be posted on the Company's website (<https://www.shimamura.gr.jp/>) (in Japanese).

Video footage of the reporting at the meeting such as those mentioned above in "Matters to be reported" will be available for viewing from the following website (<https://www.shimamura.gr.jp/ir/stock/>) (in Japanese).

Reference Documents for the General Meeting of Shareholders

Proposals for the 72nd Annual General Meeting of Shareholders

Proposals from the Company (Proposal No. 1 to Proposal No. 2)

<Proposals from the Company>

Proposal No. 1: Appropriation of Surplus

The Company proposes the appropriation of surplus as follows.

1. Year-end dividends

The Company has given consideration to matters including the business performance of the fiscal year and future business development, and it proposes to pay year-end dividends for the 72nd fiscal year as follows.

(1) Type of dividend property

To be paid in cash.

(2) Allotment of dividend property and their aggregate amount

The Company proposes to pay a dividend of ¥105 per common share of the Company.

In this event, the total dividends will be ¥7,717,884,615.

(3) Effective date of dividends of surplus

The effective date of dividends will be May 19, 2025.

2. Other appropriation of surplus

As for internal reserves, the Company proposes the following to strengthen the management foundation in preparation for the aggressive development of operations in the future.

(1) Item of surplus to be decreased and amount of decrease:

Retained earnings brought forward: ¥27,000,000,000

(2) Item of surplus to be increased and amount of increase:

General reserve: ¥27,000,000,000

<Proposals from the Company>**Proposal No. 2: Election of Eight Directors**

The terms of office of all nine Directors will expire at the conclusion of this Meeting. The Company proposes the election of eight Directors, including three outside Directors.

The candidates for Directors are as follows:

Candidate No.	Name	Attribute of candidate	Current position in the Company	Years in office as Director	Number of Board of Directors meetings attended (FY2024)
1	Makoto Suzuki	Reappointment	Representative Director	Six years	17/17
2	Ichiro Takahashi	Reappointment	Representative Director	Six years	17/17
3	Takashi Nakahira	Reappointment	Director	Three years	17/17
4	Yoshiteru Tsujiguchi	Reappointment	Director	Two years	17/17
5	Hajime Ueda	Reappointment	Director	Two years	17/17
6	Tamae Matsui	Reappointment Outside Director Independent Officer	Outside Director	Ten years	17/17
7	Yutaka Suzuki	Reappointment Outside Director Independent Officer	Outside Director	Seven years	17/17
8	Teiichi Murokubo	Reappointment Outside Director Independent Officer	Outside Director	Three years	17/17

Candidate No.	Name (Date of birth)	[Career summary, positions and responsibility in the Company]		Number of the Company's shares owned
1	Makoto Suzuki (June 22, 1965) Reappointment	Mar. 1989	Joined the Company	6,200 Shares
		Nov. 2004	General Manager of Logistics Department	
		May 2011	Director Supervising Import Department, Logistics Department, Merchandise Management Department, and Store Management Department	
		Feb. 2014	Supervising Logistics Department, Systems Development Department, and Import Department	
		Mar. 2015	Supervising Logistics Department and Systems Development Department	
		May 2015	Executive Officer	
		Feb. 2018	Executive Officer and General Manager of the Planning Office	
		May 2019	Director and Executive Officer	
		Feb. 2020	Representative Director, President and Executive Officer	
		May 2020	Director of Shimamura (Taiwan) (current position)	
		Feb. 2025	Representative Director, Chairman and Executive Officer (current position)	
		■Significant concurrent positions outside the Company Director of Shimamura (Taiwan)		
	■Reasons for nomination as a candidate for Director Since assuming the position of Representative Director, President and Executive Officer of the Company in February 2020, Makoto Suzuki has appropriately fulfilled his roles and responsibilities, including making decisions on important management matters and supervising business execution, and has served as Representative Director, Chairman and Executive Officer since February 2025. We have determined that he is qualified for the achievement of the Company's further improvement of sustainable corporate value and re-nominated him as a Director candidate.			

Candidate No.	Name (Date of birth)	[Career summary, positions and responsibility in the Company]		Number of the Company's shares owned
2	Ichiro Takahashi (August 25, 1974) Reappointment	Mar. 1999	Joined the Company	1,700 Shares
		Mar. 2013	General Manager of Shimamura Store Operation Department 8	
		Feb. 2014	General Manager of Shimamura Merchandise Department 3	
		Feb. 2018	General Manager of Shimamura Sales Planning Department	
		Feb. 2019	Executive Officer Supervising Logistics Department, Import Department, and Systems Development Department	
		May 2019	Director and Executive Officer	
		Feb. 2020	Supervising Shimamura Merchandise Department, Sales Planning Department, Advertising Department, and Market Research Department	
		Feb. 2021	Director of Shimamura (Taiwan) (current position)	
		Feb. 2022	Director and Senior Executive Officer	
		Feb. 2025	Representative Director, President and Executive Officer (current position)	
■Significant concurrent positions outside the Company Director of Shimamura (Taiwan)				
■Reasons for nomination as a candidate for Director Since assuming the position of Director of the Company in May 2019, Ichiro Takahashi has appropriately fulfilled his roles and responsibilities, including making decisions on important management matters and supervising business execution, and has served as chairman of the Board of Directors as Representative Director, President and Executive Officer since February 2025. We have determined that he is qualified for the achievement of the Company's further improvement of sustainable corporate value and re-nominated him as a Director candidate.				

Candidate No.	Name (Date of birth)	[Career summary, positions and responsibility in the Company]		Number of the Company's shares owned
3	Takashi Nakahira (December 1, 1970) Reappointment	Mar. 1994	Joined the Company	2,000 Shares
		Feb. 2014	General Manager of Shimamura Merchandise Department 2	
		Aug. 2017	General Manager of Store Development Department 1	
		Aug. 2018	General Manager of Shimamura Merchandise Department 1	
		Feb. 2021	Executive Officer In charge of Avail Business	
		May 2022	Director and Executive Officer In charge of Avail Business	
		Feb. 2025	Director and Senior Executive Officer Supervising Shimamura Merchandise Department, Sales Planning Department, Advertising Department, and Market Research Department (current position)	
	■Significant concurrent positions outside the Company —			
■Reasons for nomination as a candidate for Director Since assuming the position of Director in May 2022, Takashi Nakahira has been responsible for the management of the Company by utilizing his many years of experience and knowledge and being in charge of the Shimamura Merchandise Department, Sales Planning Department, Advertising Department, and Market Research Department. We have determined that he is qualified for the achievement of the Company's further improvement of sustainable corporate value and re-nominated him as a Director candidate.				

Candidate No.	Name (Date of birth)	[Career summary, positions and responsibility in the Company]		Number of the Company's shares owned
4	Yoshiteru Tsujiguchi (July 17, 1970) Reappointment	Mar. 1994	Joined the Company	2,080 Shares
		Mar. 2009	General Manager of Birthday Merchandise Department 1	
		Feb. 2016	General Manager of Chambre Administration Department	
		Aug. 2016	General Manager of Chambre Merchandise Department	
		Feb. 2021	Executive Officer In charge of Chambre Business	
		May 2023	Director and Executive Officer In charge of Chambre Business	
		Feb. 2024	Director and Executive Officer General Manager of the Planning Office	
		Feb. 2025	Director and Executive Officer Supervising Public Relations Office and Corporate Planning Office (current position)	
	■Significant concurrent positions outside the Company —			
	■Reasons for nomination as a candidate for Director Since assuming the position of Director in May 2023, Yoshiteru Tsujiguchi has been responsible for the management of the Company by utilizing his many years of experience and knowledge and in charge of Public Relations Office and Corporate Planning Office. We have determined that he is qualified for the achievement of the Company's further improvement of sustainable corporate value and re-nominated him as a Director candidate.			

Candidate No.	Name (Date of birth)	[Career summary, positions and responsibility in the Company]		Number of the Company's shares owned
5	Hajime Ueda (October 19, 1971) Reappointment	Mar. 1995	Joined the Company	2,280 Shares
		Sep. 2011	General Manager of Birthday Merchandise Department 2	
		Feb. 2017	General Manager of Shimamura Store Operation Department 7	
		Aug. 2018	General Manager of Shimamura Merchandise Department 6	
		Feb. 2021	Executive Officer In charge of Birthday Business	
		May 2023	Director and Executive Officer In charge of Birthday Business	
		Feb. 2025	Director and Executive Officer In charge of Avail Business (current position)	
■Significant concurrent positions outside the Company				
—				
■Reasons for nomination as a candidate for Director Since assuming the position of Director in May 2023, Hajime Ueda has been responsible for the management of the Company by utilizing his many years of experience and knowledge and being in charge of Avail Business. We have determined that he is qualified for the achievement of the Company's further improvement of sustainable corporate value and re-nominated him as a Director candidate.				

Candidate No.	Name (Date of birth)	[Career summary, positions and responsibility in the Company]		Number of the Company's shares owned
6	Tamae Matsui (August 14, 1946) <u>Reappointment</u> <u>Outside Director</u> <u>Independent Officer</u>	Sep. 1983	Joined Seiyu Shoes, Ltd.	200 Shares
		Mar. 1986	Transferred to Seiyu, Ltd.	
		May 2001	Executive Officer, General Manager of Environment Promotion Office	
		Mar. 2003	Corporate Executive Officer, SVP of Human Asset Department	
		May 2008	Retired from Seiyu, Ltd.	
		Oct. 2010	Director and Vice President of Matsui Office Corporation (current position)	
		May 2015	Outside Director of the Company (current position)	
	■Significant concurrent positions outside the Company Director and Vice President of Matsui Office Corporation			
	■Reasons for nomination and overview of expected roles as a candidate for outside Director Tamae Matsui has extensive experience and broad insight gained from her long-term involvement in the fields of retail personnel policies, welfare, and social and environmental sustainability. The Company proposes the reelection of Tamae Matsui as outside Director so that this experience may be utilized to enhance the management and corporate governance of the Company through advice about the Company's personnel policies, based on her experience. The Company expects her to participate, as a member of the Nomination & Remuneration Committee and the Management Plan Formulation Committee, in deciding proposals such as those regarding candidates for officer and officer remuneration, and in formulating the long-term and medium-term management plan and annual management plan, from an objective and neutral standpoint.			

Candidate No.	Name (Date of birth)	[Career summary, positions and responsibility in the Company]		Number of the Company's shares owned
7	Yutaka Suzuki (December 6, 1949) Reappointment Outside Director Independent Officer	Mar. 1973	Joined Kewpie Corporation	200 Shares
		Feb. 2001	Director	
		Feb. 2003	Managing Director	
		Feb. 2004	President and Representative Director	
		Mar. 2011	Consultant	
		Mar. 2013	Retired from Consultant, Kewpie Corporation	
		Nov. 2013	President and Representative Director, Yamashiro Management R&D Institute LTD.	
		May 2018	Outside Director of the Company (current position)	
		Nov. 2019	Advisor, Yamashiro Management R&D Institute LTD.	
		Sep. 2020	Retired from Yamashiro Management R&D Institute LTD.	
■Significant concurrent positions outside the Company				
—				
■Reasons for nomination and overview of expected roles as a candidate for outside Director				
The Company proposes the reelection of Yutaka Suzuki as outside Director so that his extensive experience and broad insight, which he cultivated as a corporate manager, may be utilized to enhance the management and corporate governance of the Company.				
The Company expects him to participate, as a member of the Nomination & Remuneration Committee and the Management Plan Formulation Committee, in deciding proposals such as those regarding candidates for officer and officer remuneration, and in formulating the long-term and medium-term management plan and annual management plan, from an objective and neutral standpoint.				

Candidate No.	Name (Date of birth)	[Career summary, positions and responsibility in the Company]		Number of the Company's shares owned
8	Teiichi Murokubo (December 2, 1954) Reappointment Outside Director Independent Officer	Apr. 1978	Joined The Saitama Bank, Ltd. (currently Saitama Resona Bank, Limited)	—
		Jul. 2001	General Manager of Saitama Banking Department of The Asahi Bank, Ltd. (currently Saitama Resona Bank, Limited)	
		Oct. 2003	General Manager of Public Institutions Division of Saitama Resona Bank, Limited	
		Oct. 2004	General Manager of Kumagaya Branch	
		Jun. 2007	Retired from Saitama Resona Bank, Limited Executive Director of Saitama Association of Corporate Executives	
		Jun. 2021	Senior Adviser (part-time) (current position)	
		Jul. 2021	Advisor of Daiei Real Estate & Development Co., Ltd. (current position)	
		May 2022	Outside Director of the Company (current position)	
		Jun. 2023	Auditor (Outside) of PORITE CORPORATION (current position)	
		■Significant concurrent positions outside the Company Senior Adviser (part-time) of the Saitama Association of Corporate Executives Advisor of Daiei Real Estate & Development Co., Ltd. Auditor (Outside) of PORITE CORPORATION		
■Reasons for nomination and overview of expected roles as a candidate for outside Director Teiichi Murokubo served in positions such as Executive Director of the Saitama Association of Corporate Executives and has deep insight regarding corporate management in addition to deep knowledge related to finance and accounting based on his many years of experience at financial institutions. The Company proposes his reelection as it has judged that he can be utilized to strengthen the management of the Company and improve corporate governance by providing advice and proposals based on his experience from an independent and outside viewpoint. The Company expects him to participate, as a member of the Nomination & Remuneration Committee and the Management Plan Formulation Committee, in deciding proposals such as those regarding candidates for officer and officer remuneration, and in formulating the long-term and medium-term management plan and annual management plan, from an objective and neutral standpoint.				

- Notes:
1. There is no special interest between any candidates and the Company.
 2. Tamae Matsui, Yutaka Suzuki, and Teiichi Murokubo are candidates for outside Directors.
 3. The Company has submitted a notification to Tokyo Stock Exchange, Inc. concerning the designation of candidates for outside Directors Tamae Matsui, Yutaka Suzuki, and Teiichi Murokubo as independent officers. If their reelections are approved, the Company plans for their designation as independent officers to continue.
 4. Tamae Matsui, Yutaka Suzuki, and Teiichi Murokubo are currently outside Directors of the Company. At the conclusion of this Meeting, their tenures since assuming office as outside Directors will have been ten years for Tamae Matsui, seven years for Yutaka Suzuki, and three years for Teiichi Murokubo.
 5. The Company has entered into limited liability agreements with Tamae Matsui, Yutaka Suzuki, and Teiichi Murokubo to limit their liability for damages under Article 423, paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, paragraph 1 of the Companies Act. The maximum amount of the liability for damages based on said agreement shall be the minimum liability amount set forth in Article 425, paragraph 1 of the said act. If their reelections are approved, the Company intends to extend these agreements.

Proposals from Our Shareholders (Proposal No. 3 to Proposal No. 4)

Proposal No. 3 and Proposal No. 4 were made by a single shareholder. The outline of the proposals and the reasons for the proposals are presented as they appear in the original text. **The Board of Directors of the Company is against these proposals.** For reasons of opposition, please refer to page 14.

<Proposal from our shareholder>

Proposal No. 3: Appropriation of Surplus

1. The outline of the proposal

The following surplus will be appropriated so that the total amount of annual dividends will be equivalent to a payout ratio of 60%.

This proposal is intended to be submitted as an additional proposal, independent of the proposal for the appropriation of surplus to be submitted by the Board of Directors of the Company at this Annual General Meeting of Shareholders.

A. Type of dividend property

Cash

B. Dividends per share

The amount obtained by deducting the amount of the distribution of surplus per common share of the Company proposed by the Board of Directors of the Company and approved at this Annual General Meeting of Shareholders from ¥233.

If the amount obtained by multiplying the profit per share for the 72nd fiscal year by 0.6 and then rounding down the fractional part, and then subtracting ¥95 (hereinafter referred to as the “payout ratio equivalent to 60%”) is different from ¥233, the amount of ¥233 at the beginning of the sentence shall be read as the payout ratio equivalent to 60%.

C. Allotment of dividend property and their aggregate amount

The dividend amount per common share of the Company as mentioned in (B) above (the total amount of dividends is calculated by multiplying the dividend amount per share by the total number of common shares issued by the Company as of February 20, 2025 (excluding own shares)).

D. Effective date of dividends of surplus

The date of this Annual General Meeting of Shareholders

E. Starting date of dividend payments

The date three weeks after the next business day following this Annual General Meeting of Shareholders

2. Reason for proposal

This proposal aims to pay a dividend of ¥24 billion per year, equivalent to a payout ratio of 60%. In addition, the proposal aims to carry out shareholder returns with a total return ratio of 100%, in conjunction with the proposer’s “Acquisition of Own Shares.”

The Company has set the level of cash and deposits required for business operations as four months of net sales, but cash and deposits reached five months of net sales as of the end of the third quarter of the fiscal year ending February 2025, resulting in a surplus of ¥56 billion.

In addition, in the medium-term management plan 2027, we are expecting operating cash flow of ¥150 billion over the three years to the fiscal year ending February 2027, and we are planning to invest ¥80 billion in growth. If the Company maintains its current shareholder return policy under the plan, the Company expects to increase its cash and deposits further.

Based on the Company’s outstanding ability to generate cash flow, it is not necessary to accumulate more cash, and a payout ratio of 60% is considered appropriate as a minimum return level.

<Proposal from our shareholder>

Proposal No. 4: Acquisition of Own Shares

1. The outline of the proposal

Pursuant to the provisions of Article 156, paragraph 1 of the Companies Act, the Company shall acquire its common share within one year from the conclusion of this Annual General Meeting of Shareholders, up to a total of 2.5 million shares and a total acquisition cost of ¥16 billion, by delivering cash.

2. Reason for proposal

This proposal is aimed at acquiring own shares worth ¥16 billion per year, which is equivalent to 40% of profit attributable to parent company shareholders. In addition, the proposal aims to carry out shareholder returns with a total return ratio of 100%, in conjunction with the proposer's "Appropriation of Surplus."

The Company has set the level of cash and deposits required for business operations as four months of net sales, but cash and deposits reached five months of net sales as of the end of the third quarter of the fiscal year ending February 2025, resulting in a surplus of ¥56 billion.

Based on the Company's outstanding ability to generate cash flow, it is not necessary to accumulate more cash, and in addition to a payout ratio of 60%, acquisition of own shares equivalent to 40% of profit is considered appropriate.

In order to correct the Company's excessive level of cash and deposits, what is essentially required is total return ratio of 100% or more.

(Note from the Company) The above is a verbatim outline of the proposal and the reasons for the proposal as listed in the shareholder's proposal submitted by the shareholder.

<Opinion of the Board of Directors on Proposal No. 3 and Proposal No. 4>

The Board of Directors is “against” these proposals.

◆ Reasons for opposition

The reasons for Proposal No. 3 and Proposal No. 4 in these shareholder proposals are that the Company aims to implement shareholder returns with a 100% total return ratio, so here are the reasons for opposing both proposals collectively.

Based on our management philosophy, the management vision of the Company is to “build a ‘good company’ for employees, customers, business partners, society, and shareholders.” By doing so, the Company aims to realize a sustainable society by creating value for all stakeholders through our initiatives to solve ESG issues.

The Company aims to provide our employees with a stable living and working environment, to improve the environment at our stores so that customers can enjoy a comfortable shopping experience and to provide products with high quality, high sensitivity, and low price, and to achieve fair transactions and long-term growth with our business partners.

The Company’s basic policy is to reward shareholders with a continuous increase in dividends and a stable return to shareholders by ensuring a stable financial base and by improving performance on a sustained basis through proactive investment in growth.

On this basis, when formulating the medium-term management plan 2027 (hereinafter referred to as the “current medium-term management plan”), with fiscal year 2024 as its first year, the Board of Directors fully considered the balance between the relevant three-year business plan and growth investments aimed at increasing corporate value, and internal reserves for risk preparedness and mobility. As a result, the Board of Directors of the Company has resolved to stabilize the financial base for sustainable growth and consider growth investment for business expansion as the most important issue, to strengthen the ratio of growth investment to management resources to be around 50%, to increase the shareholder return policy to a payout ratio of around 35.0%, and to increase Dividend on Equity (DOE) to approximately 3.0%.

In addition, when the financial results for the third quarter of the fiscal year ending February 2025 were announced, the Company disclosed a breakdown of growth investment in existing businesses that allocate approximately 50% of management resources. At the same time, we explained our policy that the allocation for new investments in M&A, new businesses, and overseas businesses, etc. under consideration would come from the internal reserves during current medium-term management plan period. If the amount of new investment exceeds the internal reserve, shareholder returns are not reduced and are allocated from the existing internal reserve.

Therefore, the capital policy of current medium-term management plan is not intended to “further build up cash and deposits,” which is the concern of the proposer in this shareholder proposal. However, please understand that although there is a possibility of an increase in cash and deposits on an annual basis as the plan progresses, the Company intends to implement this plan based on careful investment decisions.

For the reasons stated above, Proposal No. 3 and Proposal No. 4 which aim for a total return ratio of 100%, could hinder the achievement of medium- and long-term management priorities and create concern in regard to difficulty in providing stable shareholder returns to shareholders in the future.

For these reasons, the Board of Directors of the Company has determined that these shareholder proposals will hinder the Company’s medium- and long-term sustainable growth and will express its opposition to them.

However, the Board of Directors will deliberate the capital policy set forth in the current medium-term management plan as needed, and will be subject to change if necessary in response to changes in the Company’s business conditions and stock market.

(Reference)

Nomination Criteria of Officers

<Nomination criteria for candidates for Directors>

Candidates for Directors of the Company are those who satisfy the following criteria and who are deemed to have the knowledge, skills, and experience that can contribute to the realization of the management philosophy as members of the Board of Directors. The Board of Directors shall appoint a nominee by its resolution, after deliberation by the Nomination & Remuneration Committee.

Candidates for outside Directors are those who satisfy the requirements for outside Directors stipulated in the Companies Act. The Company shall appoint at least three persons from among those who satisfy the criteria in 5. below in lieu of 4. below.

1. The candidate must have strong determination and the high level of ability necessary to perform the duties of a Director.
2. The candidate must have the character and insight appropriate for a Director of the Company.
3. The candidate must be able to secure the time and effort necessary to appropriately fulfill the roles and responsibilities required of the Company's Directors.
4. The candidate must have the knowledge, ability, and broad experience to contribute to the formulation and execution of the Company's management strategy based on a deep understanding of the Group's business and business environment.
5. The candidate must have advanced professional knowledge or abundant experience in corporate management, academics, finance and accounting, legal affairs, or other fields, and can be expected to perform duties from an independent and objective perspective.

<Independence criteria for outside Directors and outside Audit & Supervisory Board Members>

The Company determines that a person who does not fall under any of the following items is deemed to have independence.

1. A person who currently serves as an executive of the Company or a subsidiary thereof or has served in the past ten years (executive as defined in Article 2, paragraph 3, item vi of the Regulation for Enforcement of the Companies Act; hereinafter the same in these criteria).
2. A person to whom the Company is a major business partner or an executive for such a party. (Note)
3. A person who is a major business partner of the Company or an executive for such a party. (Note)
4. Consultant, accounting professional or legal professional who receives cash at an amount of ¥10 million or more or any other assets in the most recent fiscal year, other than officer remuneration, from the Company (if the party who receives such cash or assets is a corporation or organization, a person who belongs to an organization that receives more than 2% of the net sales or gross income of the said organization from the Company).
5. A person who has fallen under items 2. to 4. above within the past three years.
6. A person who substantively holds 10% or more of the voting rights of the Company or an executive for such a party.
7. A spouse or a relative within the second degree of kinship of a person who falls under 1. to 6. above.

Note: "Major business partner" refers to a person whose transaction amount in the most recent fiscal year accounts for 2% or more of the Company or such business partner's annual net sales.

(Reference)**Expected skills as a member of the Board of Directors**

Directors (tentative) after this Annual General Meeting of Shareholders

Name	Corporate management	Merchandise and marketing	DX and IT	Finance and Accounting	Legal Compliance Risk management	Organization and Human resources	ESG
Makoto Suzuki	○		○	○	○	○	○
Iichiro Takahashi	○	○	○				○
Takashi Nakahira	○	○					○
Yoshiteru Tsujiguchi	○	○					○
Hajime Ueda	○	○					○
Tamae Matsui	○	○			○	○	○
Yutaka Suzuki	○	○			○	○	○
Teiichi Murokubo	○			○	○	○	○