

Corporate Philosophy of the Earth Group

We act to live in harmony with the Earth.

The use of the word “Earth” in our corporate name is based on the vision of our founders, who sought to provide the world with products that are beneficial to people.

For more than a century since our founding in 1892, we have been devoted to helping people live happy, healthy lives and have continued to provide high-quality products, thus growing steadily together alongside society in the process.

Moving forward, as an essential part of diverse lifestyles for even more people around the world, Earth Group will advance together with our customers, society, and shareholders as we contribute to even greater prosperity and enjoyment in daily living through harmony with the essence of life.

地球を、キモチいい家に。



Featuring a motif of the Earth, the blue part of our logo represents “life” that is both safe and enjoyable, while the red part of the design protruding to the right expresses the passionate, sincere and energetic corporate spirit of the Earth Group: “Act.”

To express the Earth Group’s stance of aiming for the best and continuously taking on new challenges, we adopted the design of having the letter “A” in “EARTH” shaped like an upward pointing arrow.

“Act For Life” expresses Earth Group’s promise to our customers; namely, that we will exist in harmony with the lives and lifestyles of all people (Life) and will contribute (Act) to ensure safe and enjoyable lifestyles.

The Japanese tagline “地球を、キモチいい家に。” is our way of expressing our “Act For Life” commitment to customers in a friendly and memorable way.

“キモチいい (*kimochi-ii*)” signifies safety and enjoyment in Japanese.

To Our Shareholders

I would like to express my deepest appreciation for your continued patronage.

The threat posed by the COVID-19 continues, and the environment surrounding our company has drastically changed. Despite this situation, our long-term efforts to improve our profit structure, including the reduction of seasonal product returns and the appropriate control of expenses, have been successful. As a result, we have achieved the best performance in the history of our company. I wish to express my heartfelt gratitude to our shareholders, as we could not have accomplished this without your support.

We have set up a new medium-term management plan, “Act For SMILE -COMPASS 2023-” for our future growth. We have decided the name of this plan by internal competition. It is filled with the desire of all employees for our further development. In addition to the “earning power” that we have cultivated so far, we will use the funds raised last year with your cooperation to invest in the development of new businesses such as expansion in Asia and MA-T, as well as in strengthening our IT infrastructure with an eye on DX, in order to achieve further growth.

Despite the unpredictable social and economic situation, we will respond to daily changes and promptly meet your needs, so please look forward to it.

I sincerely request all shareholders to provide us with your continued support and cooperation.

March 2021

Katsunori Kawabata
President & Representative Director
Earth Corporation
Earth Group CEO



(NOTE) This document has been translated from Japanese original for reference purpose only. In the event of any discrepancy between this translated document and the Japanese original, the Japanese original shall prevail.

Stock Code: 4985
March 8, 2021

To Our Shareholders

Katsunori Kawabata
President & Representative Director
Earth Corporation
Earth Group CEO
12-1, Kanda Tsukasamachi 2 chome,
Chiyoda-ku, Tokyo

Convocation Notice of the 97th Annual General Meeting of Shareholders

We would like to express our sincere gratitude for your extraordinary support.

Please be advised that the 97th Annual General Meeting of Shareholders will be held as set below.

In order to prevent the spread of COVID-19 infection, you may exercise your voting rights in writing or via the Internet instead of attending the meeting in person. Please review the accompanying “Reference Documents for the Annual General Meeting of Shareholders” and exercise your voting rights by 5:20 p.m., March 25, 2021(Thursday) (JST).

Details of the Meeting

- 1. Date and time** March 26, 2021, (Friday) at 10:00 a.m. (JST)
Receptions opens at 9:00 a.m.
- 2. Place** 2F Hall, Bellesalle Kanda, Sumitomo Fudosan Kanda Building,
7 Kanda-Mitoshirocho, Chiyoda-ku, Tokyo, Japan
*In order to prevent the spread of infection the number of seats available in the 2nd-floor hall will be significantly reduced compared to previous years for the increased space between seats. Therefore, please be aware that we may guide you to the second venue on the 3rd floor.
- 3. Agenda**
Matters to be reported: (1) Report on the business report, the consolidated financial statements, and the results of the audit of the consolidated financial statements by the Accounting Auditor and Audit & Supervisory Board for the 97th fiscal year (January 1, 2020 to December 31, 2020)
(2) Report on the financial statements for the 97th fiscal year (January 1, 2020 to December 31, 2020)
Matters to be voted on:
Proposal (1) Election of nine (9) Board Directors
Proposal (2) Election of one (1) Audit & Supervisory Board Member
Proposal (3) Revision of Remuneration Amount for Board Directors

-END-

Reference Documents for the Annual General Meeting of Shareholders

[Proposals and Reference]

Proposal (1): Election of nine (9) Board Directors

Upon the close of the Annual General Meeting of Shareholders, the term of office of all eight (8) Board Directors will expire. In order to further strengthen the management system, the Company proposes to increase the number of Board Directors by one (1), and elect nine (9) Board Directors.

The candidates for Board Directors are as follows:



Candidate No.		Name (Age)	Current title at the Company	Number of years served as a Director (at the close of this Meeting)
1	Reappointment	Tatsuya Otsuka (62 years old)	Chairman of the Board	31 years
2	Reappointment	Katsunori Kawabata (49 years old)	President & Representative Director	8 years
3	Reappointment	Yoshinori Kawamura (69 years old)	Board Director & Managing Executive Officer	20 years
4	Reappointment	Shuji Kimura (70 years old)	Board Director & Managing Executive Officer	16 years
5	Reappointment	Yoshiyuki Furuya (58 years old)	Board Director & Managing Executive Officer	7 years
6	Reappointment	Hisaaki Karataki (64 years old)	Board Director & Senior Executive Officer	10 years
7	New Appointment	Takeshi Shakata (55 years old)	Assistant to the President	-
8	Reappointment	Hideyuki Tamura (70 years old)	Outside Independent Outside Board Director	5 years
9	Reappointment	Harold George Meij (57 years old)	Outside Independent Outside Board Director	2 years

Reappointment: Reappointed Director candidate


Outside: Outside Director candidate


Independent: Independent Director candidate who meets the criteria prescribed by the stock exchange


(NOTE) The age is as of the conclusion of this Meeting.

Candidate No.	Name (Date of birth)	Brief profile, title and significant positions concurrently held at other companies and organizations	Number of the Company's shares held
1	 Tatsuya Otsuka Date of birth: May 6, 1958 (62 years old) Number of years served as a Director: 31 years Reappointment	April 1986 Joined Otsuka Pharmaceutical Co., Ltd. January 1990 Joined the Company March 1990 Board Director of the Company March 1992 Managing Board Director of the Company March 1994 President & Executive Managing Board Director of the Company March 1998 President & Representative Director of the Company March 2014 Chairman of Board of Directors of the Company (present)	143,500 shares
	Reasons for nomination as a candidate for Board Director Mr. Tatsuya Otsuka has led the management of the Earth Group for many years as Representative Director of the Company, and has profound knowledge of business management. Since March 2014, as Chairman, in addition to having constructive discussions and exchanging opinions with other Board Directors, he strived to strengthen the supervisory function of the Board of Directors by providing accurate advice on the Company's business. Accordingly, to realize the strategy of the Earth Group, which aims for the continuous enhancement of corporate value, by capitalizing on his abundant experience, we have renominated him as a candidate for Board Director.		
2	 Katsunori Kawabata Date of birth: September 15, 1971 (49 years old) Number of Years Served as a Director: 8 years Reappointment	March 1994 Joined the Company March 2011 Board Director Status, General Manager of Sales Headquarters Osaka Office of the Company March 2013 Board Director, Director General of Gardening Strategy Headquarters of the Company March 2014 President & Representative Director, Director General of Gardening Strategy Headquarters of the Company August 2015 President & Representative Director, Director General of Marketing General Strategy Headquarters of the Company January 2017 President & Representative Director of the Company, Earth Group CEO (present) March 2019 Chairman of the Board of Directors of Bathclin Corp. (present), President & Representative Director of Earth Pet Co., Ltd. (present)	49,600 shares
	Reasons for nomination as a candidate for Board Director Since assuming office as Representative Director in March 2014, Mr. Katsunori Kawabata has actively promoted maximization of the Earth Group synergies and overseas business expansion constantly with customer-oriented perspective, and steadily advanced our group with strong leadership and decisiveness. As President & Representative Director, he has also promoted structural reforms in order to strengthen the Board of Directors' decision-making and supervisory functions. Accordingly, to realize the strategy of the Earth Group, which aims for the continuous enhancement of corporate value, we have renominated him as a candidate for Board Director.		

Candidate No.	Name (Date of birth)	Brief profile, title and significant positions concurrently held at other companies and organizations	Number of the Company's shares held
3	 Yoshinori Kawamura Date of birth: March 12, 1952 (69 years old) Number of years served as a Director: 20 years Reappointment	February 1976 Joined Otsuka Pharmaceuticals, Co., Ltd. January 1981 Joined the Company January 1993 President & CEO of ARS CHEMICAL (THAILAND) CO., LTD. October 1999 Board Director Status, General Manager of International Business Department of the Company March 2001 Board Director, General Manager of International Business Department of the Company March 2010 Managing Board Director, Director General of International Headquarters of the Company March 2018 Board Director & Managing Executive Officer, Director General of International Strategy Headquarters of the Company January 2020 Board Director & Managing Executive Officer, General Manager of Overseas Management Department of the Company March 2020 Board Director & Managing Executive Officer, General Manager of Overseas Management Department, in charge of overseas business of the Company (present)	33,300 shares
		Reasons for nomination as a candidate for Board Director Mr. Yoshinori Kawamura has served as president of overseas subsidiaries for a number of years, as well as been engaged in the Earth Group's overseas sales activities, contributing to the expansion of our overseas business scale. He has contributed to the strengthening of the Board of Directors' decision-making and supervisory functions by capitalizing on his wide experience and achievements overseas. Accordingly, to aim for the continuous enhancement of the corporate value of the Earth Group, we have renominated him as a candidate for Board Director.	
4	 Shuji Kimura Date of birth: January 20, 1951 (70 years old) Number of years served as a Director: 16 years Reappointment	February 1973 Joined the Company March 1995 Board Director Status, General Manager of Human Resources Department of the Company March 2005 Board Director, General Manager of Supply Chain Department of the Company March 2012 Managing Board Director, Ako Division Manager, General Manager of Supply Chain Department, Administration Headquarters of the Company September 2015 Director of Earth Chemical (Suzhou) Co., Ltd. (present) September 2015 Director of Earth Chemical (Tianjin) Co., Ltd. (present) March 2018 Board Director & Managing Executive Officer, Director General of Global Supply Headquarters of the Company March 2020 Board Director & Managing Executive Officer, in charge of Manufacturing and Procurement of the Company (present)	29,700 shares
		Reasons for nomination as a candidate for Board Director Mr. Shuji Kimura has engaged in a wide range of operations, including management division, logistics and manufacturing. Particularly, in recent years, he has been directing the Earth Group's supply chain from procurement to shipment in the Asian region, contributing to the creation of synergies through the cooperation of group companies. He has contributed to the strengthening of the Board of Directors' decision-making and supervisory functions by capitalizing on his abundant experience and achievements. Accordingly, to aim for the continuous enhancement of the corporate value of the Earth Group, we have renominated him as a candidate for Board Director.	

Candidate No.	Name (Date of birth)	Brief profile, title and significant positions concurrently held at other companies and organizations	Number of the Company's shares held
5	 Yoshiyuki Furuya Date of birth: January 19, 1963 (58 years old) Number of years served as a Director: 7 years Reappointment	March 1985 Joined the Company March 2008 Board Director Status, General Manager of Sales Planning Department, Sales Headquarters of the Company February 2012 Board Director of Bathclin Corp. March 2014 Board Director, General Manager of Sales Planning Department, Sales Headquarters of the Company September 2014 Board Director of Hakugen Earth Co., Ltd. January 2015 Board Director of the Company, Director General of Sales Headquarters of the Company March 2016 Managing Board Director, Director General of Sales Headquarters of the Company March 2018 Board Director & Managing Executive Officer, Director General of Sales Headquarters of the Company (present)	23,300 shares
	Reasons for nomination as a candidate for Board Director Mr. Yoshiyuki Furuya has consistently engaged in front-line sales activities and activities in the sales planning department since joining the Company. Since January 2015, he has been leading overall activities of the Company's sales department. He has contributed to the strengthening of the Board of Directors' decision-making and supervisory functions by capitalizing on his wide experience and achievements in domestic sales. Accordingly, to aim for the continuous enhancement of the corporate value of the Earth Group, we have renominated him as a candidate for Board Director.		
6	 Hisaaki Karataki Date of birth: May 8, 1956 (64 years old) Number of years served as a Director: 10 years Reappointment	March 1979 Joined the Company March 2006 Board Director Status, President & General Manager of Earth Chemical (Suzhou) Co., Ltd. March 2011 Board Director of the Company & President of China Operations June 2015 Chairman of Earth Chemical (Shanghai) Management Co., Ltd. September 2015 Chairman of Earth Chemical (Suzhou) Co., Ltd. September 2015 Chairman of Earth Chemical (Tianjin) Co., Ltd. March 2016 Board Director, Director General of Administration Headquarters of the Company May 2017 Audit & Supervisory Board Member of Earth Corporation Vietnam (present) July 2017 Audit & Supervisory Board Member of Earth Pet Co., Ltd. March 2018 Board Director & Senior Executive Officer, Director General of Administration Headquarters of the Company (present)	15,900 shares
	Reasons for nomination as a candidate for Board Director Mr. Hisaaki Karataki has engaged in the management of domestic and overseas production departments and overseas subsidiaries for many years, and from 2016, he has directed the Administration Headquarters, to strengthen the Company's business foundation. He has contributed to the strengthening of the Board of Directors' decision-making and supervisory functions by capitalizing on his wide experience and achievements in Japan and overseas. Accordingly, to aim for the continuous enhancement of the corporate value of the Earth Group, we have renominated him as a candidate for Board Director.		

Candidate No.	Name (Date of birth)	Brief profile, title and significant positions concurrently held at other companies and organizations	Number of the Company's shares held
7	 <p>Takeshi Shakata Date of birth: April 27, 1965 (55 years old) New Appointment</p>	<p>April 1988 Joined Kyushu Sangyo Kotsu Co., Ltd. (currently KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.)</p> <p>August 1996 Joined Hisamitsu Pharmaceutical Co., Inc.</p> <p>March 2006 General Manager of West Japan Operations Dept of Hisamitsu Pharmaceutical Co., Inc.</p> <p>September 2009 Chairman and President of Hisamitsu Vietnam Pharmaceutical Co., Ltd.</p> <p>June 2012 Executive Officer, General Manager of Pharmaceutical and Cosmetics Business Division of Hisamitsu Pharmaceutical Co., Inc.</p> <p>May 2015 Senior Executive Officer, General Manager of Cosmetics Business Division of Hisamitsu Pharmaceutical Co., Inc.</p> <p>May 2019 Managing Executive Officer, General Manager of Cosmetics Business Division of Hisamitsu Pharmaceutical Co., Inc.</p> <p>January 2021 Joined the Company</p>	0 shares
<p>Reasons for nomination as a candidate for Board Director Mr. Takeshi Shakata has engaged in domestic and overseas sales and management at Hisamitsu Pharmaceutical Co., Inc. He is expected to contribute to strengthening the decision-making and supervisory functions of the Board of Directors by utilizing his wealth of experience and expertise. We have nominated him as a candidate for Board Director.</p>			

Candidate No.	Name (Date of birth)	Brief profile, title and significant positions concurrently held at other companies and organizations	Number of the Company's shares held
8	 <p>Hideyuki Tamura Date of birth: January 4, 1951 (70 years old) Number of years served as a Director: 5 years</p> <p>Reappointment Outside Independent</p>	<p>April 1975 Joined HOKKAICAN CO., LTD. (currently HOKKAN HOLDINGS LIMITED)</p> <p>November 1999 General Manager of technology development department of HOKKAICAN CO., LTD.</p> <p>March 2000 Director of HOKKAICAN CO., LTD.</p> <p>June 2004 President & Representative Director of Nitto Seiki Co., Ltd.</p> <p>October 2005 Director & Executive Operating Officer of HOKKAICAN CO., LTD.</p> <p>June 2007 Director of HOKKAN HOLDINGS LIMITED</p> <p>April 2008 President & CEO of HOKKAICAN CO., LTD.</p> <p>June 2010 Executive Managing Director of HOKKAN HOLDINGS LIMITED</p> <p>March 2016 Outside Board Director of the Company (present)</p> <p>July 2019 Special Advisor of MATSUNAGA KENSETSU Co., Ltd. (present)</p>	1,000 shares
<p>Reasons for nomination as a candidate for Outside Board Director and Outline of the expected role Mr. Hideyuki Tamura has appropriately fulfilled his role, including making crucial management decisions and supervising business operations from an independent and fair standpoint as an Outside Board Director. In addition, as he has abundant experience and extensive knowledge in manufacturing as a business manager, he is expected to contribute to strengthening the supervisory function of business execution and to provide advice and opinions from a wide range of management perspectives. Accordingly, we have renominated him as a candidate for Outside Board Director.</p> <p>Matters regarding independence Mr. Hideyuki Tamura fulfills the criteria for Independent Directors laid down in the regulations of the Tokyo Stock Exchange as well as the Company's Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members. Although he is from a company that has transactions with the Company concerning materials, his independence is secured as the Company's transactional amount with said company is less than 0.2% of the Company's consolidated net sales.</p>			

Candidate No.	Name Date of birth	Brief profile, title and significant positions concurrently held at other companies and organizations	Number of the Company's shares held
9	 <p>Harold George Meij Date of birth: December 4, 1963 (57 years old) Number of years served as a Director: 2 years Reappointment Outside Independent</p>	<p>January 1987 Joined Heineken Japan K.K. (currently Heineken Kirin K.K.) Assistant General Manager of Heineken Japan K.K.</p> <p>April 1990 Joined Nippon Lever K.K. (currently Unilever Japan K.K.) Assistant Brand Manager of Nippon Lever K.K.</p> <p>April 2000 Joined Sunstar Inc. Executive Officer of Oral Care Division of Sunstar Inc.</p> <p>September 2006 Joined COCA-COLA (JAPAN) COMPANY, LIMITED Executive Vice President & General Manager of Marketing Headquarters of COCA-COLA (JAPAN) COMPANY, LIMITED</p> <p>November 2008 Executive Vice President & Chief Customer Officer of COCA-COLA (JAPAN) COMPANY, LIMITED</p> <p>March 2014 Joined TOMY COMPANY, LTD. Management Advisor of TOMY COMPANY, LTD.</p> <p>June 2015 Representative Director, President & CEO of TOMY COMPANY, LTD.</p> <p>June 2018 Representative Director, President & CEO of New Japan Pro-Wrestling Co., Ltd.</p> <p>March 2019 Outside Board Director of the Company (present)</p> <p>November 2020 Advisor of Sanrio Company, Ltd. (present)</p>	0 shares
<p>Reasons for nomination as a candidate for Outside Board Director and Outline of the expected role Mr. Harold George Meij appropriately fulfills his role as an Outside Director in making decisions on important management matters and supervising business execution from an independent and fair standpoint. He is expected to provide various advice and opinions regarding management for the Company to achieve medium- to long-term growth based on his wide experience and profound knowledge in domestic and overseas business management. Accordingly, we have renominated him as a candidate for Outside Board Director.</p> <p>Matters regarding independence Mr. Harold George Meij fulfills the criteria for Independent Directors laid down in the regulations of the Tokyo Stock Exchange as well as the Company's Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members.</p>			

[Special Notable Matters Concerning Candidates for Director]

(Notes)


1. There are no special interests between the candidates for Board Directors and the Company.
2. Outline of liability limitation agreement
The Company has entered into a liability limitation agreement with Mr. Hideyuki Tamura and Mr. Harold George Meij pursuant to Article 427-1 of the Companies Act. The maximum amount of liability for damages based on the agreement is the minimum amount of liability stipulated by the law. In the event that their reappointments are approved, the Company will continue the liability limitation agreement with both of them.
3. Outline of the contents of the directors' and audit & supervisory board members' liability insurance contract
The Company has entered into a directors' and audit & supervisory board members' liability insurance contract with an insurance company. The contract will cover damages that the insured person may incur as a result of being held liable for the performance of his/her duties or receiving a claim related to the pursuit of such liability. The candidate shall be covered by such insurance contract.

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

Upon the close of this Annual General Meeting of Shareholders, the term of office of Audit & Supervisory Board Member Shoji Kono will expire. Accordingly, the Company proposes to elect one (1) Audit & Supervisory Board Member.

The Audit & Supervisory Board has given its consent to this proposal.

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

Name Date of birth	Brief profile, title and significant positions concurrently held at other companies and organizations	Number of the Company's shares held
 <p>Shoji Kono Date of birth: June 29, 1956 (64 years old) Number of years served as a Corporate Auditor: 4 years</p> <p>Reappointment Outside Independent</p>	<p>April 1979 Joined Riccar Inc. September 1985 Joined Meikoshokai Co., Ltd. October 1998 Joined Chuo Auditing April 2002 Registered as a Certified Public Accountant July 2007 Joined ShinNihon Auditing (currently Ernst & Young ShinNihon LLC) July 2016 Established the Shoji Kono Accountant Office (present) March 2017 Outside Audit & Supervisory Board Member of the Company (present) November 2017 Audit & Supervisory Board Member of infoNet inc. (present)</p>	<p>300 shares</p>
<p>Reasons for nomination as a candidate for Outside Audit & Supervisory Board Member and Outline of the expected role</p> <p>As a certified public accountant, Mr. Shoji Kono has a wealth of expertise and experience in finance and accounting, as well as a sincere personality. He has been making a significant contribution to strengthening the Company's auditing function by actively providing his opinions at meetings such as the board of directors meetings. As he is expected to make proposals and advices to enhance the Company's auditing system further, we have renominated him as a candidate for outside Audit & Supervisory Board Member.</p> <p>Matters regarding independence</p> <p>Mr. Shoji Kono fulfills the criteria for Independent Directors laid down in the regulations of the Tokyo Stock Exchange as well as the Company's Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members. Although he had been involved in the execution of Ernst & Young ShinNihon LLC's business, he has not been involved in the business' execution since leaving the firm in 2016. There are transactions with Ernst & Young ShinNihon LLC, including business consignment with the Company as a consignor and Ernst & Young ShinNihon LLC as a trustee. However, the transaction amount ratio of such transaction to the Ernst & Young ShinNihon LLC's sales in the recent fiscal year is less than 0.1%.</p>		

[Special Notable Matters Concerning the candidate for Audit & Supervisory Board Member]

(Notes)

1. There is no special interest between the candidate and the Company.
2. Policies and Procedures for Candidates for Audit & Supervisory Board Members
Candidates for Audit & Supervisory Board Member are selected on the basis that they will contribute to ensuring the sound and sustainable growth of the Company and the establishment of a corporate governance system that responds to the trust of society, taking into consideration whether they can ensure independence from business executors and maintain a fair and unbiased attitude at all times. The selection is decided by the Board of Directors after obtaining the consent of the Audit & Supervisory Board.
3. Outline of liability limitation agreement
The Company has entered into a liability limitation agreement with the candidate pursuant to Article 427-1 of the Companies Act. The maximum amount of liability for damages based on the agreement is the minimum amount of liability stipulated by the law. In the event that reappointment of the candidate is approved, the Company will continue

the liability limitation agreement with him/her.

4. Outline of the contents of the directors' and audit & supervisory board members' liability insurance contract

The Company has entered into a directors' and audit & supervisory board members' liability insurance contract with an insurance company. The contract will cover damages that the insured person may incur as a result of being held liable for the performance of his/her duties or receiving a claim related to the pursuit of such liability. The candidate shall be covered by such insurance contract.

(Reference) Composition of the Audit & Supervisory Board after the appointment (tentative)

	Name (Age)		Current title at the Company	Number of years served as an Audit & Supervisory Board Member (at the close of this Meeting)
Incumbent	Yasuhiko Murayama (64 years old)		Full-time Audit & Supervisory Board Member	2 years
Reappointment	Shoji Kono (64 years old)	Outside Independent	Outside Audit & Supervisory Board Member	4 years
Incumbent	Yukako Ikukawa (46 years old)	Outside Independent	Outside Audit & Supervisory Board Member	2 years

Proposal (3): Revision of Remuneration Amount for Board Directors

The amount of remuneration for Board Directors of the Company was determined at the 90th Annual General Meeting of Shareholders held on March 26, 2014, to be 600 million yen or less per year (not including the employee salary for Board Directors who also serve as employees; hereinafter referred to as the “Monetary Remuneration Limit”). At the 94th Annual General Meeting of Shareholders held on March 23, 2018, the Company obtained approval for the granting of monetary remuneration claims of up to 150 million yen per year to Board Directors (excluding Outside Board Directors) as compensation for the granting of restricted stock (up to 20,000 common shares per fiscal year), separate from the Monetary Remuneration Limit.

In case Proposal 1 is approved as initially proposed, the number of Board Directors will increase by one to nine (including two Outside Board Directors). In addition, in order to enhance the function of the remuneration system as an incentive to improve business performance, the Company is considering introducing a performance-linked bonus as a part of the remuneration (excluding Outside Board Directors) to pay the amount commensurate with the annual business performance and results. Considering the performance-linked bonus and the change in various factors, such as economic circumstances, the Company proposes the increase of the aforementioned Monetary Remuneration Limit to 1 billion yen or less per year (not including employee salaries for Board Directors who also serve as employees).

The Company established the “Policy for Determining the Content of Individual Board Directors’ Remuneration” as described below at the Board of Directors meeting held on February 10, 2021. This proposal complies with this policy. The Company does not plan to change the policy even if this proposal is approved. Accordingly, the Company regards it as an appropriate proposal.

(Reference) Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members

As part of efforts to strengthen corporate governance, the Company has stipulated the following criteria for assessing the independence of Outside Board Directors and Outside Audit & Supervisory Board Members.

1. A person who has never been a Board Director (excluding Outside Board Director, the same applies hereinafter), an Audit & Supervisory Board Member (excluding Outside Audit & Supervisory Board Members, the same applies hereinafter), an Executive Officer, or a Key Employee (hereinafter collectively “Board Director, etc.”) of the Company and its subsidiaries (hereinafter the “Earth Group”).
2. A person who is not a relative within the second degree of kinship of the Earth Group’s Board Director, etc.
3. A person who is not among existing Major Shareholders of the Company or a Board Director, etc. thereof, or a Board Director, etc. of a company where the Earth Group is a Major Shareholder, in the past year.
4. A person who is not a Board Director, etc. of any Major Transactional Partner of the Earth Group in the past three years.
5. A person who is not currently a Board Director, etc. of a company that has accepted a Board Director or Audit & Supervisory Board Member from the Earth Group, or a Board Director, etc. of its parent company or subsidiary.
6. A person who is not a certified public accountant as the Earth Group’s Accounting Auditor or a partner or employee of an auditing firm as the Earth Group’s Accounting Auditor.
7. A person who is not a provider of specialized services, including certified public accountants, certified public tax accountants, lawyers, and various consultants, who has accepted monetary and other property benefits, excluding officer remuneration, of more than 10 million yen per year from the Earth Group (If the recipient of the benefits is an organization (e.g., a legal entity), a person who does not belong to an organization whereby the total property benefits received from the Earth Group exceeds 2% of the organization’s total annual income).
8. In addition to the previous items, a person who is deemed to have no special circumstances that may cause a conflict of interest with the Company, or a person who does not belong to an organization (e.g., a legal entity) deemed as having such a risk.

[Explanatory notes]

1. “Key Employee” refers to an employee who holds the position of General Manager or a higher position.
2. “Major Shareholder” refers to one who directly or indirectly holds a number of voting rights that account for at least 10% of the total voting rights.
3. “Major Transactional Partner of the Earth Group” refers to a company whereby the amount paid to or received from the Earth Group in the past fiscal year account for at least 2% of either the Earth Group’s or the transactional partner’s consolidated net sales.

(Reference) Policy for Determining the Content of Individual Board Directors' Remuneration

The outline of the Company's new remuneration system for Directors if Proposals 1 and 3 of this Annual General Meeting of Shareholders are approved is as follows.

1. Basic Policy on Remuneration for Board Directors

The Company's remuneration for Board Directors shall be structured to maintain an appropriate standard of remuneration for sustainably enhancing corporate value and securing excellent human resources. The remuneration shall incorporate short-term incentives linked to business performance (performance-linked bonus) that motivate the achievement of business results, and medium- to long-term incentives linked to shareholders' interests (stock-based remuneration with transfer restrictions). The remuneration of individual Board Directors shall be determined based on each position's responsibilities and be at an appropriate standard.

2. Policy on Basic Remuneration

The annual amount of basic remuneration for Board Directors shall be comprehensively determined in accordance with their positions and responsibilities, considering the Company's business performance and the standard of employee salaries. The remuneration shall be paid each month. Remuneration for Outside Board Directors shall be limited to basic remuneration.

3. Policy on Performance-linked Remuneration

As performance-linked remuneration (performance-linked bonus), the amount (not exceeding 300 million yen in total) calculated in accordance with the degree of the achievement of the consolidated operating profit target for each fiscal year shall be paid to all Board Directors, excluding Outside Board Directors. The payment shall be made at a particular time of the year in cash after the consolidated operating profit is fixed. No performance-linked bonus shall be paid in the event the consolidated operating profit and net profit attributable to shareholders of the parent company for the relevant fiscal year fall below 50% of the targeted profit.

The amount of the performance-linked bonus for each Board Director shall be in the range of 0% to 30% of the basic remuneration, considering both the Company's performance and individual Board Directors' achievement.

4. Policy on Non-Monetary Remuneration

As non-monetary remuneration, the Company shall grant up to 20,000 restricted stock per fiscal year (equivalent to 150 million yen per year) to Directors, excluding Outside Directors.

The upper limit of the amount of stock-based remuneration shall be approximately 35% (shall be determined by considering factors such as position) of the basic remuneration. The amount of monetary remuneration claim (number of shares to be allotted for restricted stock) for each Board Director shall be resolved at a meeting of the Board of Directors, which is based on the results of discussions between the Representative Director and Outside Board Directors.

The Company and the Board Director who will receive the allotment of restricted stock shall enter into the allotment agreement that includes the following details.

- a. The period of transfer restriction shall be determined by the Board of Directors within the range of 3 to 5 years from the payment date. In principle, the restriction shall be canceled upon expiration of the restriction period.
- b. If an eligible director resigns from the Board Director before the expiration of the restriction period, the Company shall naturally acquire the delivered restricted shares free of charge unless the Board of Directors determines that there is a justifiable reason.

5. Delegation of Authority Regarding the Determination of Individual Remuneration for Board Directors

The determination of the specific details for individual Board Director, such as the remuneration amount, shall be delegated to the Representative Director based on a resolution of the Board of Directors. The details of such delegation shall be the amount of basic remuneration for each Board Director and the evaluation and allocation of bonus based on the business performance for which each Board Director is in charge. The Representative Director shall report to the Board of Directors the results of discussions with Outside Board Directors to demonstrate that such authority has been properly exercised.