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Notice Concerning Introduction of Performance-Based Remuneration Plan

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HEROZ, Inc. (the "Company") hereby announces that its Board of Directors, at a meeting held on today, has reviewed the remuneration system for our directors, and resolved to introduce a "Performance-Based Remuneration Plan" (hereinafter referred to as "the Plan") for the directors (excluding directors who are members of the Audit and Supervisory Committee; hereinafter referred to as the "Directors") in addition to the existing fixed remuneration.

The Plan will apply to the Directors who assume office after the conclusion of the 14th Annual General Meeting of Shareholders, which is scheduled to be held on July 28, 2022.

1. Purpose of introducing the Plan

The introduction of the Plan is intended to further clarify the linkage between Directors' remuneration, etc, and the Company's business performance, and to heighten the mindset of contributing to improving the Company's performance and increasing its corporate value over the medium to long term.

2. Overview of the Plan

The Company currently pays fixed remuneration to Directors within the amount of remuneration approved at the 9th Annual General Meeting of Shareholders held on July 24, 2017 (annual amount not exceeding 150 million yen), but we have now decided to add to the existing fixed remuneration (fixed amount remuneration), we have decided to add performance-based remuneration, which is paid in proportion to the percentage of achievement of projected sales figures for each fiscal year. The percentage of achievement of the projected sales figures for each fiscal year shall be calculated based on net sales which are on a summary of financial results disclosed in June of each fiscal year. If a consolidated income statement is prepared, the calculation shall be based on net sales in the consolidated income statement. If a consolidated income statement is not prepared, the calculation shall be based on net sales in a non-consolidated income statement.

In addition, in connection with the addition of the Plan, the fixed remuneration for each fiscal year shall be reduced by a certain percentage of the amount of individual fixed remuneration paid to Directors in the 14th fiscal year, and the amount equivalent to such reduction shall be allocated to the Plan.

By designing the remuneration system in such a way that the amount of remuneration is reduced in the event of underachievement of performance, the Company takes into consideration the recent deterioration of business performance and other business environments.

The total amount of fixed remuneration and performance-based remuneration shall not exceed the amount of remuneration approved at the 9th Ordinary General Meeting of Shareholders. As in the past, the amount of remuneration for Directors does not include employee salaries for Directors who concurrently serve as employees.

The introduction of the Plan is determined by the Board of Directors after deliberation by a Nomination and Compensation Committee chaired by an outside director and composed of a majority of independent outside directors, while comprehensively taking into consideration the Company's business scale, executive compensation system, the current number of directors, and

future trends.

(1) Fixed remuneration for Directors

An amount equivalent to 80% of the fixed remuneration (annual amount) paid to the Directors in the 14th fiscal year (hereinafter referred to as the "Fixed remuneration amount for each fiscal year") shall be determined on an individual basis.

The amount of fixed remuneration for newly appointed Directors shall be determined by the Board of Directors meeting after taking into consideration the level of remuneration paid to Directors, the number of Directors, the business environment, and future trends, and the amount so determined shall be deemed to be the fixed remuneration for each fiscal year.

(2) The Plan for Directors

Performance-based remuneration will be paid based on the percentage of achievement of projected sales figures for each fiscal year, as shown in the table below.

Projected sales figures for each fiscal year	Performance-based remuneration amount
Unachieved	0 yen
Achieved more than 100% and less than 110%	Fixed remuneration amount for each fiscal year × 25%
Achieved more than 110%	Fixed remuneration amount for each fiscal year × 50%

(Note) The total amount of Fixed remuneration amount for each fiscal year and performance-based remuneration shall not exceed the amount of remuneration approved at the 9th Ordinary General Meeting of Shareholders.

(3) Treatment upon retirement

In the case of resignation (except in the case of dismissal) or death of a Director in the middle of his/her term of office, the fixed remuneration shall be paid until the month that includes the date of retirement or death, and the performance-based remuneration shall not be paid.