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Securities Code: 7839  
November 29, 2019

To our shareholders:

Kenichiro Ishida  
President and Representative Director  
**SHOEI CO., LTD.**  
1-31-7, Taito, Taito-ku, Tokyo

## **NOTICE OF CONVOCATION OF THE 63RD ANNUAL GENERAL SHAREHOLDERS MEETING**

You are cordially invited to attend the 63rd Annual General Shareholders Meeting of SHOEI CO., LTD. (the Company), which will be held as described hereunder.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing or on the Internet. Please exercise your voting rights by the end of the business day (6:00 p.m. JST) on Thursday, December 19, 2019, by either indicating your approval or disapproval of proposals on the enclosed form for the exercise of voting rights and returning it to us, or by accessing the website for exercising voting rights designated by the Company (<https://evote.tr.mufg.jp/>) and entering your approval or disapproval of proposals after reviewing the attached Reference Documents for General Shareholders Meeting.

- 1. Date and Time:** Friday, December 20, 2019 at 10:00 a.m. (JST)  
(The reception will start at 9:20 a.m.)
- 2. Place:** First Conference Room, 8F, Japan Education Center Hitotsubashi Hall  
2-6-2, Hitotsubashi, Chiyoda-ku, Tokyo
- 3. Purpose of the Meeting:**

**Items to be reported:**

1. The Business Report, the Consolidated Financial Statements and the results of audits of the Consolidated Financial Statements by the Financial Auditor and the Board of Auditors for the 63rd fiscal year (from October 1, 2018 to September 30, 2019)
2. The Non-consolidated Financial Statements for the 63rd fiscal year (from October 1, 2018 to September 30, 2019)

**Items to be resolved:**

- |                       |   |
|-----------------------|---|
| <b>Proposal No. 1</b> | Appropriation of Surplus  |
| <b>Proposal No. 2</b> | Election of Three (3) Directors   |
| <b>Proposal No. 3</b> | Election of Three (3) Auditors  |
| <b>Proposal No. 4</b> | Payment of Retirement Benefits for a Retired Director   |
| <b>Proposal No. 5</b> | Revision of Remuneration Amount for Auditors  |
| <b>Proposal No. 6</b> | Acquisition of Shares of Taiyo Co., Ltd. (Acquisition of Shares by Means of Procedures Equivalent to Those for Acquiring Own Shares From Specific Shareholders) |

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When you attend the meeting in person, please hand in the enclosed form for the exercise of voting rights to the receptionist. In addition, please bring this notice with you in order to save resources.

Any corrections in the Reference Documents for General Shareholders Meeting, the Business Report, the Non-consolidated Financial Statements, or the Consolidated Financial Statements will be posted on the Company's website (<https://www.shoei.com/>; in Japanese only).

## Reference Documents for General Shareholders Meeting

### **Proposal No. 1**      Appropriation of Surplus

The Company's basic policy is to pay year-end dividends with a consolidated dividend payout ratio of 50% as the goal, while enhancing shareholders' equity to strengthen the Company's financial standing and business foundation.

In line with the aforementioned policy, the Company proposes to pay year-end dividends for the 63rd fiscal year as shown below.

Also, the Company, from medium- and long-term perspectives, intends to apply internal reserves by allocating them to research & development for the development of new products and capital investment, and to preparations for future business expansion.

(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 ¥106 per common share of the Company.

In this event, the total dividends will be ¥1,459,782,074.

(3) Effective date of dividends of surplus

The effective date of dividends of surplus will be December 23, 2019.

**Proposal No. 2** Election of Three (3) Directors

The terms of office of Directors Kenichiro Ishida, Masayuki Tsurumi, Shintaro Ohno and Kyosuke Shimizu will expire at the conclusion of this Annual General Shareholders Meeting. Therefore, the Company proposes the election of three Directors, one of whom is an outside Director.

The candidates for Director are as follows:

| Candidate No. | Name<br>(Date of birth)                 | Career summary, and position and responsibility in the Company<br>(Significant concurrent positions outside the Company)   | Number of the Company's shares owned |
|---------------|---|--|--------------------------------------|
| 1             | Kenichiro Ishida<br>(November 29, 1960) | <p>Apr. 1983    Joined Mitsubishi Corporation</p> <p>May 2013    Joined the Company<br/>Senior General Manager of Overseas Sales Department</p> <p>Jul. 2013    President and Representative Director of SHOEI (EUROPA) GMBH (joint representative)</p> <p>Jul. 2013    President and Representative Director of SHOEI DISTRIBUTION GMBH</p> <p>Jul. 2013    President and Representative Director of SHOEI EUROPE DISTRIBUTION SARL</p> <p>Jul. 2013    President and Representative Director of SHOEI ITALIA S.R.L.</p> <p>Dec. 2013    Director and General Manager of Overseas Sales Department of the Company</p> <p>Oct. 2016    President and Representative Director (current position)</p> <p>Dec. 2016    Director of SHOEI (EUROPA) GMBH (joint representative)</p> | 13,000                               |
| 2             | Masayuki Tsurumi<br>(November 6, 1957)  | <p>May 1984    Joined the Company</p> <p>Jun. 1994    General Manager of Planning and Public Relations Section, Product Development Department</p> <p>Apr. 1996    General Manager of Development Section, Product Development Group</p> <p>Oct. 2003    General Manager of Development Department</p> <p>Oct. 2007    Ibaraki Factory General Manager</p> <p>Dec. 2009    Director and Ibaraki Factory General Manager</p> <p>Dec. 2010    Director and General Manager of Production Division, and Ibaraki Factory General Manager</p> <p>Oct. 2016    Senior Managing Director and General Manager of Production Division, and Ibaraki Factory General Manager (current position)</p>   | 52,000                               |
| 3             | Kyosuke Shimizu<br>(August 14, 1979)    | <p>Nov. 2005    Passed bar exam</p> <p>Sep. 2007    Joined Paul Hastings LLP (Foreign law joint business)</p> <p>Apr. 2009    Joined Tokiwa Law Office</p> <p>Jul. 2012    Joined Sato Sogo Law Office</p> <p>Dec. 2015    Director of the Company (current position)</p> <p>Sep. 2017    Joined Hokuto Law Office (current position)</p>  | —                                    |

- (Notes)
1. There is no special interest between any of the candidates and the Company.
  2. Kyosuke Shimizu is a candidate for outside Director.
  3. The reasons for nominating Kyosuke Shimizu as a candidate for outside Director are as follows:  
While Kyosuke Shimizu has not been involved in the management of a company aside from his position as outside director or outside auditor, he possesses abundant practical experience with corporate legal affairs and

knowledge concerning compliance. Because the Company, which is aiming to expand its global premium helmet business, expects to utilize his knowledge and experience in its company management, the Company requests his election as an outside Director.

4. Kyosuke Shimizu is currently an outside Director of the Company, and at the conclusion of this Annual General Shareholders Meeting, his tenure will have been four years.
5. Pursuant to Article 427, paragraph 1 of the Companies Act, the Company has entered into an agreement with Kyosuke Shimizu to limit his liability for damages under Article 423, paragraph 1 of the same Act. If his reelection is approved, the Company plans to renew this agreement with him.
6. The Company has submitted notification to Tokyo Stock Exchange, Inc., on which the Company is listed, that Kyosuke Shimizu meets the criteria for an independent officer as provided for by the aforementioned exchange. If his reelection is approved, the Company plans for his appointment as an independent officer to continue.

**Proposal No. 3** Election of Three (3) Auditors

The terms of office of Auditors Akihito Hirano, Yutaka Koide and Kinji Yamagami will expire at the conclusion of this Annual General Shareholders Meeting. Therefore, the Company proposes the election of three Auditors.

In addition, the consent of the Board of Auditors has been obtained for this proposal.

The candidates for Auditor are as follows:

| Candidate No. | Name<br>(Date of birth)               | Career summary and position in the Company<br>(Significant concurrent positions outside the Company)   | Number of the Company's shares owned |
|---------------|---------------------------------------|--|--------------------------------------|
| 1             | Akihito Hirano<br>(March 29, 1956)    | May 1998      Joined the Company<br>Oct. 2003      General Manager of Corporate Strategy Department<br>Apr. 2008      General Manager of Corporate Planning Department<br>Dec. 2008      Director and General Manager of Administration Division<br>Oct. 2014      Director and General Manager of Corporate Planning Department<br>Jul. 2016      Director<br>Dec. 2016      Auditor (current position) | —                                    |
| 2             | Yutaka Koide<br>(June 23, 1951)       | Nov. 1975      Joined Tetsuzo Ota & Co.<br>Jan. 1984      Established Koide CPA Office Representative (current position)<br>Mar. 1998      Auditor of the Company (current position)<br>Jun. 2007      Auditor of Nihon Ceratec Co., Ltd.<br>Jun. 2011      Director of TOKYO SANGYO CO., LTD.<br>Jun. 2017      Director and Audit & Supervisory Committee Member (current position)                    | 24,000                               |
| * 3           | Masaru Morita<br>(September 22, 1952) | Apr. 1976      Joined MITSUI & CO., LTD.<br>May 2004      Joined ALQ Inc.<br>May 2006      Representative Director and President<br>May 2009      Representative Director and President of Yasui Chemical Industry Inc.<br>May 2014      Representative Director and President of ALQ Chemical Co., Ltd.<br>May 2018      Representative Director and President of ALQ Inc. (current position)           | —                                    |

A new candidate for Auditor is indicated by an asterisk (\*).

- (Notes)
- There is no special interest between any of the candidates and the Company.
  - Yutaka Koide and Masaru Morita are candidates for outside Auditor.
  - The reasons for nominating Yutaka Koide as a candidate for outside Auditor are as follows:  
Yutaka Koide has never in the past been directly involved in the management of a company. However, the Company judges that due to his qualifications as a certified public accountant, and the high level of knowledge and experience that he has accumulated over many years of auditing, he will appropriately fulfill his duties as an outside Auditor of the Company, and it therefore requests his election.
  - The reasons for nominating Masaru Morita as a candidate for outside Auditor are as follows:  
Masaru Morita possesses broad discernment and abundant experience as a senior manager of many years, characteristics that the Company expects to be reflected in the auditing of the Company, for which reason it requests his election as an outside Auditor.
  - Yutaka Koide is currently an outside Auditor of the Company, and at the conclusion of this Annual General Shareholders Meeting, his tenure will have been 21 years and 9 months.
  - Pursuant to Article 427, paragraph 1 of the Companies Act, the Company has entered into an agreement with Yutaka Koide to limit his liability for damages under Article 423, paragraph 1 of the same Act. If his reelection

is approved, the Company plans to renew this agreement with him. If the election of Masaru Morita is approved, the Company plans to enter into the same limited liability agreement with him.

7. The Company has submitted notification to Tokyo Stock Exchange, Inc., on which the Company is listed, that Yutaka Koide meets the criteria for an independent officer as provided for by the aforementioned exchange. If his reelection is approved, the Company plans for his appointment as an independent officer to continue.

**Proposal No. 4**      Payment of Retirement Benefits for a Retired Director

The term of office of Director Shintaro Ohno will expire at the conclusion of this Annual General Shareholders Meeting, resulting in his retirement. In that regard, in order to reward his service during his tenure, the Company proposes to pay retirement benefits within the scope of the criteria in the “Rules on Retirement Benefits to Directors” established by the Company, with the specific value, timing and method of payment being entrusted entirely to the Board of Directors.

The career summary of the retired Director is as follows:

| Name          | Career summary |   |
|---------------|----------------|---|
| Shintaro Ohno | Dec. 2009      | Director of the Company                     |
|               | Feb. 2019      | Senior Managing Director (current position) |

**Proposal No. 5**      Revision of Remuneration Amount for Auditors

The remuneration for Auditors of the Company was determined at an annual amount of ¥15 million or less by a resolution passed at the Annual General Shareholders Meeting held on December 19, 2014, and has remained at that level to this day. However, with subsequent changes in the economic situation, changes in corporate governance and various other issues having been taken into consideration, it is proposed that the annual remuneration for Auditors be revised to ¥21 million or less.

Currently the number of Auditors is three (including two outside Auditors), and even if Proposal No. 3 is approved as originally proposed, the number of Auditors will not change.

**Proposal No. 6** Acquisition of Shares of Taiyo Co., Ltd. (Acquisition of Shares by Means of Procedures Equivalent to Those for Acquiring Own Shares From Specific Shareholders)

At a meeting of its Board of Directors held on November 14, 2019, the Company resolved to acquire the shares of Taiyo Co., Ltd. (hereinafter, “Taiyo”), thus making it a wholly owned subsidiary of the Company (hereinafter, the “Transaction”), conditional upon receiving the approval of shareholders at this General Shareholders Meeting.

Taiyo, whose shares the Company will acquire through the Transaction, is the asset management company of Takao Kimoto, Representative Director of ALQ Sangyo Inc., which is both the Company’s shareholder and the holding company (100% ownership) of the Company’s business partner ALQ Inc. Because a large part of the assets held by Taiyo are the Company’s shares and because of the circumstances that the Company has then recognized that acquiring the Company’s shares using its own funds as part of a flexible capital policy is an issue to consider, etc., and from the perspective of ensuring its fairness to shareholders and transactional transparency, in principle, the Company considers fulfilling the following two points as an appropriate condition for carrying out the Transaction: (1) taking the procedures equivalent to those for acquiring own shares from specific shareholders in accordance with Article 156, Article 160 and Article 161 of the Companies Act, Article 309, paragraph 2, item 2 of the same Act, and Article 16, paragraph 2 of the Articles of Incorporation, and (2) obtaining approval of shareholders holding a majority of voting rights of the Company’s shares (excluding the voting rights owned by some parties with relationships with Taiyo’s shareholders (approximately 7.62% of the total number of voting rights of the Company)).

Therefore, the Company requests that shareholders approve the Transaction.

1. Reason for the acquisition of shares

The basic policy of the Company is to adhere to a consolidated dividend payout ratio of 50% for shareholders, and the Company is striving to realize steady growth and stable profits over the medium to long term. Also, from medium- and long-term perspectives the Company believes in allocating internal reserves to research & development for the development of new products and capital investment, and to preparations for future business expansion.

In addition, the Company recognizes that improving capital efficiency and acquiring its shares using its own funds as part of a flexible capital policy suitable for the business environment are issues that deserve consideration.

Around February 2019, the Company received a proposal from Takao Kimoto, Representative Director of ALQ Sangyo Inc., to the effect that the shares of Taiyo, his asset management company (which held 350,000 shares of the Company as of November 14, 2019, amounting to approximately 2.5% of the total shares issued by the Company of 13,772,400) be sold to the Company. He made an additional proposal to the effect that, with regard to the valuation of the shares of the Company held by Taiyo in such an event, a certain discount to the market price would be applied.

Based on this situation, in the event that the Company did not acquire the shares from Taiyo, the shares of the Company held by Taiyo would be sold in the market in significant volumes over a short period of time, causing the Company’s share price to fall and risking unexpected harm to the interests of its shareholders. Moreover, in terms and conditions of the transaction as they related to the valuation of the shares of the Company held by Taiyo, the economic rationale of the Transaction was more than adequate. Accordingly, having also taken into account its own financial position, the Company began specific consideration of the proposal.

As a result, from the Company’s perspective, acquiring the shares of Taiyo in response to the proposal would (1) contribute to an increase in shareholder value by increasing the Company’s earnings per share (EPS), contribute to improving capital efficiency in the form of such indicators as return on equity (ROE), and lead to further returns of profit to shareholders, (2) enable the Company to effectively acquire its own shares at a price discounted from the market price, making it possible to acquire its own shares at a price below the price applied to market transactions, and (3) avoid the risk of the shares of the Company owned by Taiyo being sold in significant volume in the market, leading to unexpected harm to the interests of its shareholders, and so on. Accordingly, the Company judged that the Transaction would be in the interests of the Company and the Company’s shareholders as a whole.

Furthermore, the monies required to acquire the shares from Taiyo are intended to be appropriated from internal funds. In addition to the Company having cash and deposits of ¥9,018 million on a consolidated basis



at the end of September 2019, which is a level more than adequate to cover the acquisition of the shares in question, cash flows from operating activities going forward are expected to lead to the accumulation of a certain level of cash, for which reason the Company believes that the soundness and stability of its finances can be maintained.

Also, Taiyo is the asset management company of Takao Kimoto, Representative Director of ALQ Sangyo Inc. and the majority of the assets held by Taiyo consist of shares of the Company, and ownership of the shares of the Company constitutes the primary activity of Taiyo, which effectively means that it does not conduct business. Accordingly, with regard to the disposal, etc. of the shares of the Company owned by Taiyo, the Company is considering acquiring Taiyo in an absorption-type merger in which the Company is the surviving company after making Taiyo a subsidiary of the Company, following which it would hold the shares of the Company owned by Taiyo as treasury shares. If the Transaction is approved by the General Meeting of Shareholders, the Company will make Taiyo a subsidiary and swiftly reach a conclusion, which it will then disclose.

The Company's Auditor Yamagami Kinji is a former Director and Vice President of ALQ Inc., a business partner of the Company, and has thus special interests in the Transaction, therefore he did not participate in the Board of Directors' discussions and expression of opinions regarding the Transaction.

## 2. Details of the Transaction

- (1) Class of shares to be acquired  
Common shares of Taiyo
- (2) Number of shares to be acquired  
53,636 shares
- (3) Description of monies, etc. to be delivered in exchange for the acquisition  
Cash
- (4) Total amount of monies, etc. to be delivered in exchange for the acquisition

For the valuation the Company's shares owned by Taiyo, as emphasis should be placed on the clarity and objectiveness of the criteria, the Company will make much of market prices as the basis for appropriate pricing of the Company's common shares. Consequently, from the perspective of respecting the interests of shareholders, the outflow of assets from the Company will be controlled as much as possible, and the shares of the Company will be valued at a price that does not exceed the market price.

Specifically, ¥3,694, the average closing price of the Company's shares on the Tokyo Stock Exchange for the three-month period between August 14, 2019 and November 13, 2019, multiplied by 0.8, and the closing price of the Company's shares on December 19, 2019 (however, in the event that no transactions are conducted on that day, the execution price for the first transaction conducted thereafter), the day immediately before the 63rd Annual General Shareholders Meeting, multiplied by 0.8, will be compared, and the lower price chosen.

To determine the acquisition cost for the shares of Taiyo, assets other than the shares of the Company held by Taiyo shall be valued based on the valuation reported by a third-party organization, while the acquisition cost for the shares of the Company will be determined in accordance with the valuation described above.

Also, in terms of the rough estimate for the acquisition cost given above, based on valuing the shares of the Company held by Taiyo at the average closing price of the Company's shares on the Tokyo Stock Exchange for the three-month period between August 14, 2019 and November 13, 2019, as the price for the Company to be able to ascertain at this point in time, multiplied by 0.8, the rough estimate for the acquisition cost for the shares of Taiyo is ¥1,591 million.

- (5) Counterparties from which shares will be acquired  
Takao Kimoto, Representative Director of Taiyo Co., Ltd., and his two relatives
- (6) Period during which shares may be acquired  
From the conclusion of this Annual General Shareholders Meeting to January 6, 2020

(7) Other

The Transaction is scheduled to be executed by means of procedures equivalent to those for acquiring own shares from specific shareholders, but with regard to the valuation of the shares of the Company that are among the assets held by Taiyo, as described in (4) above, because it does not exceed the amount calculated in accordance with Article 161 of the Companies Act, and Article 30, item (i) of the Regulation for Enforcement of the Companies Act (the closing price of the Company's shares on the Tokyo Stock Exchange on December 19, 2019, the day immediately before the 63rd Annual General Shareholders Meeting), the Company's shareholders other than the counterparties from which shares will be acquired shall not have the right to request the addition of themselves to the sellers that is similar to the right provided for under Article 160, paragraphs (2) and (3) of the Companies Act.