



March 29, 2023

For immediate release

Company: Kyudenko Corporation  
Representative: Naofumi Sato  
Executive Officer Representative President  
Security code: 1959  
Tokyo Stock Exchange [Prime], Fukuoka  
Stock Exchange  
Inquiries: Koji Hirota  
General Manager, Secretarial Office  
(Tel.: +81(0)-92-523-1691)

## Notice Concerning Introduction of a Stock Compensation Program for Officers

Meeting on March 29, 2023, Kyudenko's Board of Directors resolved to introduce a stock compensation program ("the Program") for directors (except outside directors and directors who are members of the Audit & Supervisory Committee; see below) using a trust. A proposal introducing the Program will be brought to a vote before the 95th General Meeting of Shareholders, which is scheduled to be held in late June 2023.

### 1. Introduction of the Program

Compensation for Kyudenko's directors (except outside directors and directors who are members of the Audit & Supervisory Committee), which to date has consisted of fixed-amount compensation and variable-amount compensation, will be updated as a result of the recent decision to introduce the Program.

The Program is conceived to boost directors' desire to help improve the Company's performance and increase its corporate value over the medium and long term by making a more explicit connection between directors' compensation and the Company's stock value and allowing directors to share with shareholders the profits and risks deriving from fluctuations in the share price.

Specifically, the Program will provide new stock compensation to directors (except directors who are members of the Audit & Supervisory Committee) serving during three business years, starting with the business year ending on March 31, 2024, and ending with the business year ending on March 31, 2026, ("the Target Period"). This compensation will be offered apart from, and in addition to, the limit on compensation for directors (except outside directors and directors who are members of the Audit & Supervisory Committee; same applies below) of 700 million yen per year (or 50 million yen per year for outside directors) as approved by the 94th General Meeting of Shareholders held on June 28, 2022. With the introduction of the Program, directors' compensation will consist of fixed-amount compensation, variable-amount compensation, and fixed-stock compensation under the Program. The introduction of the Program is contingent upon its approval by the General Meeting of Shareholders.

If the Program is approved by the General Meeting of Shareholders, the Company plans to introduce a similar stock compensation program for executive officers.

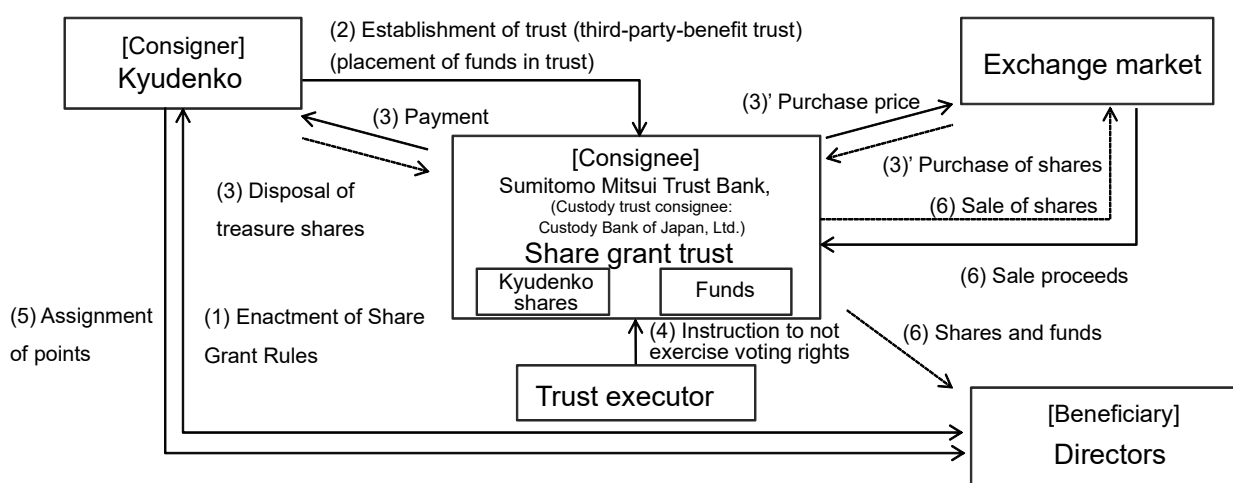
## 2. Overview of the Program

### (1) Mechanism

The Program will take the form of a stock compensation program in which a trust established by a contribution of funds by the Company (“the Trust”) will acquire shares of Kyudenko stock and then grant them to directors in quantities corresponding to the number of points awarded to each director by the Company.

In principle, grants of stock to directors will be made when the director in question resigns.

#### <Overview of the Program’s mechanism>



- (1) Kyudenko will enact a series of rules governing grants of shares to directors.
- (2) Kyudenko will establish a share grant trust (third-party-benefit trust) (the Trust) with directors who acquire a beneficial interest as described in (6) below as beneficiaries. In doing so, Kyudenko will place an amount corresponding to the funds necessary for acquiring the shares in trust with the consignee. (However, the funds for acquiring shares to be granted to directors must not exceed the range approved by the General Meeting of Shareholders.)
- (3) The consignee will acquire, at once, the number of Kyudenko shares deemed likely to be granted in the future. (Shares may be obtained through the disposal of treasury stock or acquired from an exchange market, including through after-hours trading.)
- (4) Kyudenko will appoint a trust executor (defined as someone who is independent of Kyudenko and its officers) to safeguard the interests of the beneficiaries covered by the Share Grant Rules throughout the trust period and to supervise the consignee. The trust executor will instruct the consignee not to exercise its voting rights with regard to the Kyudenko shares held by the Trust, and the consignee will refrain from exercising its voting rights throughout the trust period in accordance with that instruction.
- (5) Kyudenko will award points to directors in accordance with the Share Grant Rules.
- (6) Directors who satisfy the requirements and conditions imposed by the Share Grant Rules and the trust agreement upon which the Trust is based will acquire a beneficial interest in the Trust and, as beneficiaries of the Trust, will receive a grant of Kyudenko shares from the consignee based on the number of points they have been awarded. If certain conditions set forth in advance by the Share Grant Rules and the trust agreement are met, some of the Kyudenko shares to be granted may be sold in an exchange market and the proceeds of that sale granted instead.

Kyudenko plans to acquire all Kyudenko shares remaining as assets of the Trust following its

termination free of charge and cancel them by resolution of the Board of Directors.

Kyudenko plans to donate some of the funds remaining as assets of the Trust after the termination of the Trust to a specified public-service promotion corporation in which Kyudenko directors have no interest, as set forth in advance by the Share Grant Rules and the trust agreement.

Sumitomo Mitsui Trust Bank, Limited, the consignee under the terms of the Trust, will entrust management of assets in trust to Custody Bank of Japan, Ltd.

## (2) Establishment of the Trust

Presuming that the introduction of the Program is approved by the General Meeting of Shareholders, Kyudenko will establish the Trust by contributing the funds required for the Trust to acquire in advance the number of Kyudenko shares deemed reasonably necessary to make grants in accordance with (6) below over a certain period of time. The Trust will acquire Kyudenko shares using the funds contributed by Kyudenko as described in (5) below.

Sumitomo Mitsui Trust Bank, Limited, the consignee under the terms of the Trust, will entrust management of assets in trust to Custody Bank of Japan, Ltd.

## (3) Trust period

The trust period will be about three years, tentatively defined as the period from August 2023 to August 2026. However, the trust period may be extended as described in (4) below.

## (4) Upper limit on amount of trust funds to be contributed to the Trust for use in acquiring shares

Kyudenko will establish the Trust with the directors who are to acquire a beneficial interest as described in (6)-[3] below as beneficiaries by contributing, as compensation for directors serving during the target period, no more than a total of 180 million yen as funds for use in acquiring the Kyudenko shares needed for share grants under the Program during the Target Period. The Trust will acquire Kyudenko shares using funds placed in trust by Kyudenko either through the disposal of treasury stock from Kyudenko or from an exchange market (including through after-hours trading).

Note: In addition to funds for acquiring Kyudenko shares as described above, Kyudenko will place such funds in trust as are necessary to cover expenses such as custodian fees and compensation for the trust executor. In addition, if a stock compensation program similar to the Program is introduced for executive officers of Kyudenko as described above, Kyudenko will also place in trust funds for acquiring such Kyudenko shares as are necessary for grants to those officers in accordance with the new program.

The Target Period may be extended on a case-by-case basis for up to five business years by resolution of Kyudenko's Board of Directors, and the Program may be continued by extending the trust period for the Trust accordingly (including through the effective extension of the trust period by transferring assets placed in trust with the Trust to another trust established by Kyudenko for the same purpose). In this case, Kyudenko will (a) contribute an amount not to exceed the amount calculated by multiplying 60 million yen by the number of business years that were added to the trust period for use in acquiring such additional Kyudenko shares as are necessary for grants to directors under the Program and (b) continue awarding points and granting shares as described in (6) below.

Even if Kyudenko opts not to continue the Program or extend the Target Period as described above, the trust period of the Trust may, if there are any directors to whom points have already been awarded but who have not resigned as of the end of the trust period, be extended until the directors in question resign and are awarded their Kyudenko shares.

(5) Methods by which the Trust may acquire Kyudenko shares

The initial acquisition of Kyudenko shares by the Trust is anticipated to occur through the disposal of treasury stock from Kyudenko or from an exchange market, within the scope of the upper limit on funds for acquiring shares as described in (4) above. Kyudenko will finalize and announce the details of that method after the resolution by the General Meeting of Shareholders.

In the event that the number of Kyudenko shares held by the Trust could prove to be insufficient to cover the number of points awarded to directors during the trust period, for example due to an increase in the number of directors, Kyudenko may place additional funds in trust with the Trust so long as the upper limit described in (4) above is not exceeded, and the Trust may use those funds to acquire additional Kyudenko shares.

(6) Method for calculating the number of shares granted to directors and the upper limit thereon

[1] Method for awarding points to directors, etc.

Kyudenko will award points according to rank and other criteria to each director in accordance with the Share Grant Rules adopted by its Board of Directors on the point award date set forth in the Share Grant Rules during the trust period.

The total number of points awarded to directors by Kyudenko may not exceed an upper limit of 25,000 points per business year.

[2] Granting of Kyudenko shares based on the number of awarded points

Directors will receive grants of Kyudenko shares based on the number of points awarded as described in [1] above and in accordance with the procedure described in [3] below. However, in the event that a director resigns after having caused harm to Kyudenko, the Board of Directors may resolve to revoke some or all of the points awarded to that director, and the director may be unable to receive a grant of the Kyudenko shares corresponding to the revoked points.

Each point will be equivalent to one Kyudenko share. In the event of a situation in which it is deemed reasonable to adjust the number of Kyudenko shares that should be granted, for example due to a stock split or stock merger, the number of Kyudenko shares per point may be adjusted based on the applicable split or merger ratio.

[3] Granting of Kyudenko shares to directors

In principle, directors will, by completing a designated procedure at the time of their resignation, acquire a beneficial interest in the Trust, entitling them to receive a grant of Kyudenko shares from the Trust as described in [2] above as per their status as beneficiaries of the Trust.

However, a portion of the Kyudenko shares may be granted as cash instead of as shares after the Trust sells them so that Kyudenko can collect income withholding tax due on grants. In the event that Kyudenko shares held by the Trust are converted into cash, for example as a result of the Trust accepting a tender offer, grants may be made in cash instead of in Kyudenko shares.

(7) Exercise of voting rights

As per the instructions of a trust executor who is independent of Kyudenko and its officers, none of the voting rights associated with Kyudenko shares held by the Trust will be exercised. The intention of this rule concerning the exercise of voting rights associated with Kyudenko shares held by the Trust is to ensure neutrality with regard to Kyudenko's management.

(8) Treatment of dividends

Dividends earned by Kyudenko shares held by the Trust will be collected by the Trust and used for purposes such as funding purchases of Kyudenko shares and paying custodian fees earned by the Trust's consignee.

(9) Treatment of Kyudenko shares and funds remaining at the termination of the Trust

Kyudenko plans to acquire all Kyudenko shares remaining as assets of the Trust following its termination free of charge and cancel them by resolution of the Board of Directors.

Kyudenko plans to donate some of the funds remaining as assets of the Trust after the termination of the Trust to a specified public-service promotion corporation in which Kyudenko directors have no interest, as set forth in advance by the Share Grant Rules and the trust agreement.

Reference: Overview of the trust agreement for the Trust

Consigner	Kyudenko
Consignee	Sumitomo Mitsui Trust Bank, Limited (Custody trust consignee: Custody Bank of Japan, Ltd.)
Beneficiary	Kyudenko directors* who satisfy the beneficiary requirements
Trust executor	Kyudenko plans to select a third party who is independent of Kyudenko and its officers.
Exercise of voting rights	Voting rights associated with shares held by the Trust will not be exercised during the trust period.
Type of trust	Non-money trust (third-party-benefit trust)
Trust agreement date	August 2023 (tentative)
Trust period	August 2023 to August 2026 (tentative) However, the Program may be continued by extending the Trust's trust period.
Purpose of trust	To grant Kyudenko shares to beneficiaries in accordance with the Company's Share Grant Rules

\*If a stock compensation program similar to the Program is introduced for executive officers of Kyudenko, the new program will include Kyudenko directors and executive officers.

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.