



STANDARD
TOKYO

November 22, 2022

For Immediate Release

Company name: SEPTENI HOLDINGS CO., LTD.
Representative: Representative Director, Group President and Chief Executive Officer
Koki Sato
(TSE Standard Code: 4293)

Notice on the Continuation and Partial Revision of the Performance-Linked Stock Compensation Plan for Directors and Officers

At the meeting of the Board of Directors held today, SEPTENI HOLDINGS CO., LTD. (hereinafter, the “Company”) resolved to continue and partially revise the performance-linked stock compensation plan (the “Plan”) for Directors (excluding Outside Directors and non-residents in Japan) and Group Executive Officers (excluding non-residents in Japan, and together with Directors, the “Directors, etc.”), which was introduced in FY2017 (including continuation thereafter).

As a result, the Company will submit a proposal for partial revision of the Plan to the 32nd Ordinary General Meeting of Shareholders to be held on December 21, 2022.

In addition, the continuation of the Plan for Executive Officers (excluding non-residents in Japan and, together with the Directors, etc., the “Eligible Directors, etc.”) of its subsidiaries (the “Eligible Subsidiaries” and, together with the Company, the “Eligible Companies”) was resolved at the Extraordinary General Meeting of Shareholders of each Eligible Subsidiary held today. Each Eligible Subsidiary will submit a proposal for a partial revision of the Plan to the Ordinary General Meeting of Shareholders of each to be held in December 2022 (together with the Company’s General Meeting of Shareholders, the “General Meetings of Shareholders”).

1. Continuation of the Plan

- (1) The Eligible Companies have decided to continue the Plan for the purpose of clarifying the linkage between the remuneration of the Eligible Directors, etc. and the Company Group's medium-to long-term performance and shareholder value, and to ensure that the remuneration functions as a sound incentive to improve medium-to long-term performance and increase corporate value.
- (2) The Plan adopts the scheme called the directors’ remuneration board incentive plan (BIP) trust (hereinafter, the “BIP Trust”). The BIP Trust is an incentive plan for officers organized with reference to the performance-based stock compensation (Performance Share) plan and the plan for compensation by shares with restriction on transfer (Restricted Stock) of the U.S. The plan will issue and pay (hereinafter referred to as “Grant, etc.”) the Company’s share that the BIP Trust obtains and the money equivalent to the portion of the Company’s shares converted into cash from the realization and disposal of the Company’s share (the “Company’s Shares, etc.”) according to the degree of performance achievement, etc.
- (3) By extending the trust period of the existing BIP Trust (the “Trust”), which will expire on February 28, 2023 to May 31, 2026, the Company will continue the Plan to the period from the fiscal year ending December 31, 2023 through the fiscal year ending December 31, 2025. If there are the Company’s shares and money remaining in the trust assets (the “Residual Shares, etc.”) on the last day of February 2023, the Residual Shares, etc. will be succeeded to the extended BIP trust.

(*) At the time the Plan was introduced, the performance-linked stock option plan was abolished. Remuneration for the Directors consists of the monthly remuneration and stock compensation. For Outside Directors, who are independent from business execution, remuneration is composed of the monthly remuneration.

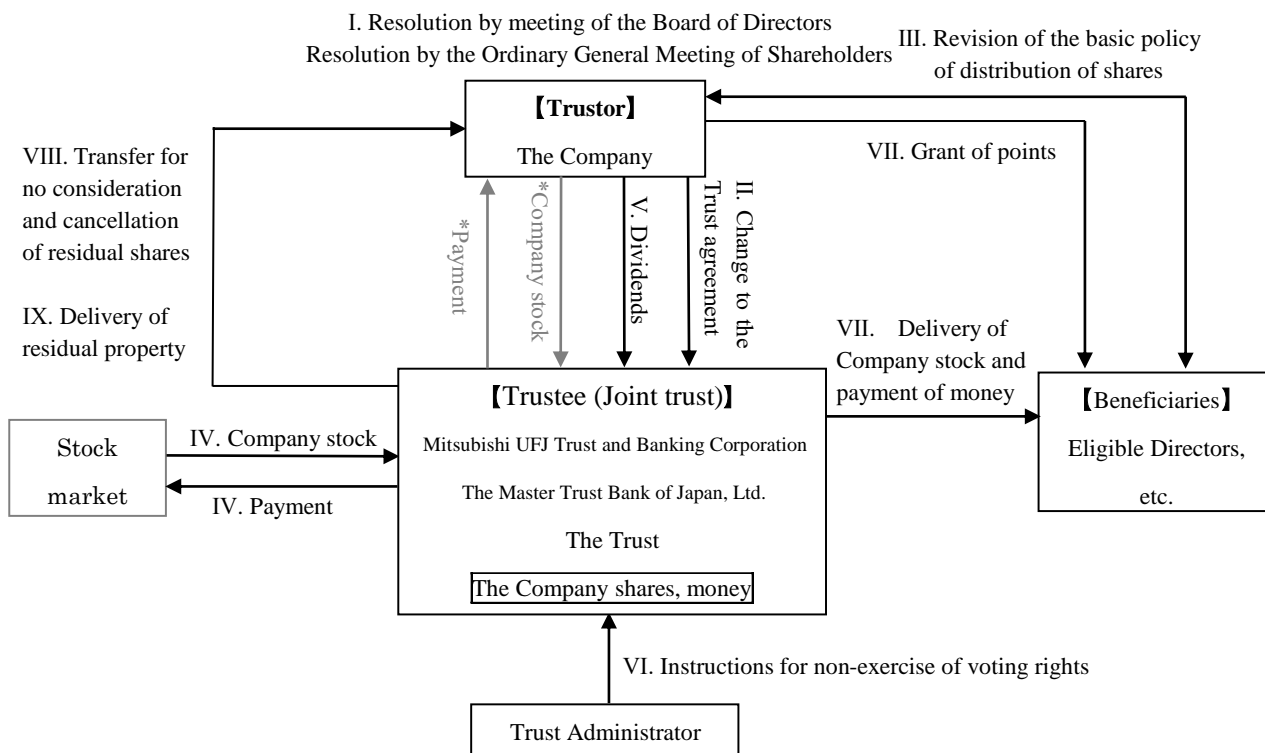
2. Partial Revision of the Plan

If the “Partial Amendment to the Articles of Incorporation” to be submitted to the General Meetings of Shareholders is approved as originally proposed, the fiscal year-end of the Company will be changed from September to December. In addition, in order to enable flexible points to be granted to the Eligible Directors, etc. in accordance with the degree of achievement of performance targets in the Medium-Term Business Policies, the following points out of the Plan will be revised.

Partial Revision to the Plan

| Item | Before revision | After revision |
|---|---|---|
| Evaluation Fiscal Year | The fiscal year ending <u>September 30</u> of each year | The fiscal year ending <u>December 31</u> of each year |
| Eligible persons who can be granted points | Persons present as Eligible Directors, etc. on <u>September 30</u> of each year during the trust period and on <u>September 30</u> of the final fiscal year during the Applicable Period | Persons present as Eligible Directors, etc. on <u>December 31</u> of each year during the trust period and on <u>December 31</u> of the final fiscal year during the Applicable Period |
| Points to be granted based on the degree of achievement of performance targets in the Medium-Term Business Policies | After the end of the final fiscal year of the Applicable Period, in addition to Grant Points granted based on the degree of achievement of performance targets for each Evaluation Fiscal Year, a certain number of Grant Points <u>will be</u> granted to Eligible Directors, etc. who are in office on <u>September 30</u> during the final fiscal year for each Eligible Company in accordance with the degree of achievement of performance targets in the Medium-Term Business Policies. | After the end of the final fiscal year of the Applicable Period, in addition to Grant Points granted based on the degree of achievement of performance targets for each Evaluation Fiscal Year, a certain number of Grant Points <u>may be</u> granted to Eligible Directors, etc. who are in office on <u>December 31</u> during the final fiscal year for each Eligible Company in accordance with the degree of achievement of performance targets in the Medium-Term Business Policies. |

3. Outline of the System



- I. The Company has resolved the continuation of the Plan at the meeting of the Board of Directors. In addition, each Eligible Subsidiary resolved at the Extraordinary General Meeting of Shareholders on the continuation of the Plan for each target subsidiary. Each Eligible Companies will receive approval for a partial revision of the Plan at the General Meeting of Shareholders.
- II. Each Eligible Subsidiaries will contribute to the Company money to fund compensation for the executive officers of the Eligible Subsidiaries to the extent approved by the resolution of the General Meeting of Shareholders as described above (I). Pursuant to the agreement to revise the trust agreement, the Company will receive additional money within the scope of the resolution approved at the 26th Ordinary General Meeting of Shareholders held on December 20, 2016 and extend the terms of the Trust, in which the Eligible Directors, etc. who satisfy the beneficiary requirements will be beneficiaries.
- III. Each Eligible Company will revise their stock issuance regulations related to the content of the Plan.
- IV. In accordance with the instructions of the trust administrator, the Trust will acquire the Company's shares from the stock market or from the Company (disposal of treasury shares) using money added as described above (II) and money remaining in the existing Trust (from the stock market when the Plan continues). The number of shares to be acquired by the Trust shall be within the scope approved by resolution of the 26th Ordinary General Meeting of Shareholders held on December 20, 2016. The Company's shares within the Trust are managed separately for each Eligible Companies according to the amount contributed by each Eligible Companies.
- V. Dividends are also paid on the Company's shares within the Trust in the same manner as other shares of the Company.
- VI. No voting rights shall be exercised with respect to the Company's shares within the Trust throughout the term of the Trust.

- VII. During the term of the Trust, a certain number of points are granted to Eligible Directors, etc. each year based on their position and degree of achievement of performance targets (with reference to Non-GAAP operating profit, etc. of the respective fiscal year). In addition, after the end of the final fiscal year during the Applicable Period, points may be granted to Eligible Directors, etc. based on the degree of achievement of performance targets in the Medium-Term Business Policies. After the end of the Applicable Period, the Grant, etc. of the Company's Shares, etc. will be performed to Eligible Directors, etc. that satisfy certain beneficiary requirements in accordance with the number of points granted.
- VIII. If the remaining shares arise at the expiration of the trust period due to the failure to achieve the performance targets, etc., the Company plans to continue using the Trust as a new stock compensation plan by modifying the trust agreement and making additional trusts, or to transfer the remaining shares from the trust to the Company free of charge, and to cancel them by resolution of the Board of Directors after acquiring them free of charge.
- IX. Upon termination of the Trust, any remaining property after distribution to the beneficiaries will be attributable to the Company to the extent of the trust expense reserve less the funds to acquire shares.

*In the event that there is no company stock remaining within the Trust due to the Grant, etc. of the Company's Shares, etc. to Eligible Directors, etc. who satisfy the beneficiary requirement, the Trust will terminate before the trust period expires. Each Eligible Companies may entrust (or Eligible Subsidiaries may entrust through the Company) additional money to the Trust as funds to acquire additional shares of the Company to the extent that they are each approved by the General Meeting of Shareholders and acquire additional shares from the Trust.

(1) Outline of the Plan

The Plan provides the Grant, etc. of the Company's Shares, etc. as executive compensation for the three fiscal years (hereinafter, the "Applicable Period") (*) from the fiscal year ending December 31, 2023, to the fiscal year ending December 31, 2025, in accordance with the position of directors and the degree of achievement of the performance targets.

(*) In the event the term of trust is extended by amending the trust contract or making an additional trust at the time of expiration of the trust period (as provided in the second paragraph of paragraph (3) below), each of the following three fiscal years shall be covered.

(2) Eligibility for the Plan (Beneficiary Requirements)

Eligible Directors, etc. will receive a grant of a number of the Company's shares (rounded down for fractional shares) equivalent to 50% of the Accumulated Points after, in principle, the end of the Applicable Period following the prescribed beneficiary determination process, provided that they satisfy the following beneficiary requirements. For the remaining shares of the Company, they will receive a monetary benefit equal to the amount of the liquidation disposal proceeds that have been converted into value within the Trust. The beneficiary requirements are as follows.

- i. Being the Eligible Directors, etc. during the Applicable Period (including those who have newly become the Eligible Directors, etc. during the Applicable period).
- ii. A person who does not committed a certain misconduct during his/her term of office.
- iii. The Accumulated Points shall be determined.
- iv. Other requirements deemed necessary to achieve the objectives of the stock compensation plan

* In the event the Eligible Directors, etc. who satisfies the beneficiary requirements resigns during the trust period (excluding the case of resignation or dismissal due to personal circumstances), such Eligible Directors, etc. shall, without delay after completing the prescribed procedures, receive the delivery of the Company's shares with respect to 50% (rounded down) of the Accumulated Points up to the time of resignation, and receive the payment of money equivalent to the amount of liquidating disposition after realizing the remaining shares. In addition, in the event that the Eligible Directors, etc. who meet the beneficiary requirements pass away while remaining in office during the

trust period, their inheritor shall receive benefits from the Trust for the amount of money that can be obtained by converting the number of the Company's shares in exchange for the Accumulated Points up to the death of the relevant Eligible Directors, etc. If the Eligible Directors, etc. who satisfy the beneficiary requirements during the trust period become non-residents of Japan through overseas assignments, they shall receive benefits from the Trust for the amount of money that can be obtained by converting the number of the Company's shares in accordance with the Accumulated Points up to that point.

(3) Trust Period

Trust period is from February 10, 2017 to May 31, 2026 (planned).

At the end of the trust period, it may be extended by the same period as the initial trust period (for 3 years) by amending the trust agreement and providing additional trust. In that case, for each extended trust period, the Eligible Subsidiaries will make an additional contribution of money to fund the compensation of their executive officers, and the Company will trust the money contributed by the Eligible Subsidiaries together with the money to fund the compensation of its Directors, etc. (the sum of the money to be contributed additionally by the Company and the Eligible Subsidiaries will be within the maximum amount of the trust money approved at the 26th Ordinary General Meeting of Shareholders held on December 20, 2016), and the grant of points to the Eligible Directors, etc. will be continued during the extended trust period. However, if such additional contributions will be made, the sum of the amount of such remaining shares, etc. and the additional contributions to the trust fund will be within the maximum amount of the trust fund approved at the 26th Ordinary General Meeting of Shareholders held on December 20, 2016, if the Company's shares and money remain within the trust fund on the last day of the trust period prior to the extension.

(4) Number of the Company's Shares, etc., subject to Grant, etc. to Eligible Directors, etc.

On December 31 of every year during the trust period, certain points (hereinafter, "Grant Points") will be granted to persons who serve as the Eligible Directors, etc. according to their position and the degree of achievement of performance targets for the fiscal year ending on the same date (hereinafter, the "Evaluation Fiscal Year"). After the end of the final fiscal year during the Applicable Period, in addition to Grant Points granted based on the degree of achievement of performance targets for each Evaluation Fiscal Year, a certain number of points may be granted to the Eligible Directors, etc. serving on the last day of December during the final fiscal year for each Eligible Companies, depending on the degree of achievement of performance targets in the medium-term business policies, etc. In principle, after the end of the Applicable Period, the Grant, etc. of the Company's Shares, etc. will be performed for the Eligible Directors, etc. in accordance with the accumulated value of Grant Points (hereinafter, "Accumulated Points").

Under the Plan, one point corresponds to one share of the Company. However, if the total number of the Company's shares increases or decreases during the trust period due to a share split, gratuitous allotment of shares, consolidation of shares, etc., the Company will adjust the number of its Shares, etc. subject to Grant, etc. per point in accordance with the ratio of the increase or decrease thereof.

(5) Maximum Amount of Trust Money Contributed to the Trust and Maximum Grant Points

The maximum amount of trust money to be contributed to the Trust by the Company and the Eligible Subsidiaries during the trust period shall be a total of ¥700 million (*).

(*) The maximum amount of the trust fund is calculated by adding trust expenses and trust fees to the fund for share acquisition, taking into consideration the current level of compensation of Eligible Directors, etc.

The maximum total number of points subject to Grant, etc. to Eligible Directors, etc. is 2.8 million points per three years. In the event of such a resolution, the number of shares that the Eligible Directors, etc. may receive from the Trust will be subject to the maximum number of shares equivalent to such points. Therefore, during the Applicable Period, the maximum number of shares to be acquired by the Trust (the "number of shares acquired") will be the number of shares equivalent to the maximum number of points for each Applicable Period (2.8 million shares).

(6) Method of Acquisition of the Company's Shares by the Trust

The Trust expects to acquire the Company's shares from the stock market, subject to the maximum amount of trust funds and the maximum number of shares to be repurchased as described in (5) above.

During the trust period, if there is a possibility that the number of shares in the Trust will be insufficient to the number of shares corresponding to the Accumulated Points specified for the Eligible Directors, etc., or if there is a possibility that the money in the trust property will be insufficient to pay trust expenses and trust fees, the Company may contribute additional money to the Trust and acquire additional shares to the extent of the funds to acquire shares and the maximum number of shares to be acquired in (5) above.

(7) Method and Timing of Grant, etc. of Shares, etc. to the Eligible Directors, etc.

The Eligible Directors, etc. who satisfy the beneficiary requirements of (2) above will receive from the Trust the delivery of a number of the Company's shares (rounded down to the nearest unit) equivalent to 50% of the Accumulated Points after the end of the period covered by the Plan by performing the prescribed beneficiary determination procedures, and for the remaining shares of the Company's shares, they will receive from the Trust the payment of money equivalent to the amount of the liquidation disposal proceeds that have been converted into value within the Trust.

(8) Exercise of Voting Rights of the Company's Shares within the Trust

With respect to the Company's shares in the Trust, voting rights shall not be exercised during the trust period in order to ensure neutrality to management.

(9) Handling of Dividends from Surplus on the Company's Shares in the Trust

Dividends from surplus on the Company's shares within the Trust are received by the Trust and are used for trust fees and trust expenses of the Trust. In addition, in the event any remainder arises at the time of termination of the Trust after appropriation for the trust fees and the trust expenses, the Eligible Directors, etc. who satisfy the prescribed beneficiary requirements and become beneficiaries of the Trust under the trust agreement at the time of termination of the Trust will receive them.

(10) Treatment upon Termination of the Trust

In the event that Residual Shares, etc. arise at the end of the Trust (at the end of the extended period in the case of the extension of the trust period described in the second paragraph of (3) above) due to the failure to achieve the performance targets, etc., the Trust shall transfer such Residual Shares, etc. to the Company without charge as a measure for returning profits to shareholders, and the Company intends to cancel such Residual Shares, etc. by resolution of the Board of Directors.

(Reference)

[Details of the trust agreement]

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|----------------------------------|---|
| (1) Type of trust: | Money held in trust other than money trusts managed on a specific non-consolidated basis (other profit trusts) |
| (2) Purpose of the Trust: | Granting of Incentives to Eligible Directors, etc. |
| (3) Trustor: | The Company |
| (4) Contractor: | Mitsubishi UFJ Trust and Banking (Joint Trustee: The Master Trust Bank of Japan, Ltd.) |
| (5) Beneficiary: | Eligible Directors who meet the beneficiary requirements |
| (6) Trust administrator: | Third party who is a practitioner and has no interest in the target company |
| (7) Date of the trust agreement: | February 10, 2017 (to be revised on February 2023) |
| (8) Trust period: | February 10, 2017 to the end of February 2023 (prior to the revision) February 10, 2017 to the end of May 2026 (scheduled) (posterior to the revision) |
| (9) Exercise of voting rights: | The voting rights shall not be exercised. |
| (10) Class of Acquired Shares: | Shares of the Company's common stock |

- (11) Maximum amount of trust money: ¥700 million (scheduled) (including trust fees and trust expenses)
(12) Period of stock acquisition: February 24, 2023 to March 24, 2023 (scheduled)
(13) Method of acquisition of shares: Acquire from the stock market
(14) Holder of a vested right: The Company
(15) Residual assets: The residual assets to be received by the Company as the vesting right holder shall be within the scope of the reserve for trust expenses obtained by deducting the funds for acquisition of shares from the trust fund.

■ Contact Information

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*Please contact us by e-mail for any inquiries as the Company is promoting a work-from-home system as of November 22, 2022.