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For Immediate Release

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Notice Concerning the Introduction of Stock Compensation Plan for Directors and Officers

The Company hereby announces that the Board of Directors, at its meeting held today, has resolved to introduce the Board Benefit Trust (BBT; hereinafter called the “Plan”), a new stock compensation plan. The Plan proposal will be submitted to the 13th Ordinary General Meeting of Shareholders (hereinafter the “General Meeting of Shareholders”) on November 25, 2021.

In addition, at the same meeting, the Board of Directors has resolved to introduce a Stock Benefit Trust (J-ESOP), a new incentive plan for employees, alongside the introduction of the Plan. For more information about the J-ESOP, please see Notice Concerning the Introduction of a Stock Benefit Plan for Employees dated today.

Details

1. Background and Purpose of the Introduction

The Board of Directors of the Company has resolved to introduce the Plan, subject to approval of the shareholders regarding the compensation for directors and officers at the General Meeting of Shareholders, and has decided to submit a proposal regarding the Plan to the General Meeting of Shareholders. The Plan will clarify the connection between the value of the Company’s stock, its business performance and the compensation of the Company’s directors (excluding directors who are Audit & Supervisory Board members and other directors who are outside directors. The same shall apply hereinafter unless otherwise stated) and executive officers and the directors of the Company’s subsidiaries (excluding outside directors, The same shall apply hereinafter unless otherwise stated) and their executive officers (collectively, “Eligible Directors and Officers”), to increase the Eligible Directors and Officers’ awareness of the importance of contributing to the improvement of the Company’s business performance and the increase of corporate value over the medium and long terms by sharing with shareholders the benefits of the increase of the stock price and also the risks of a decreased stock price.

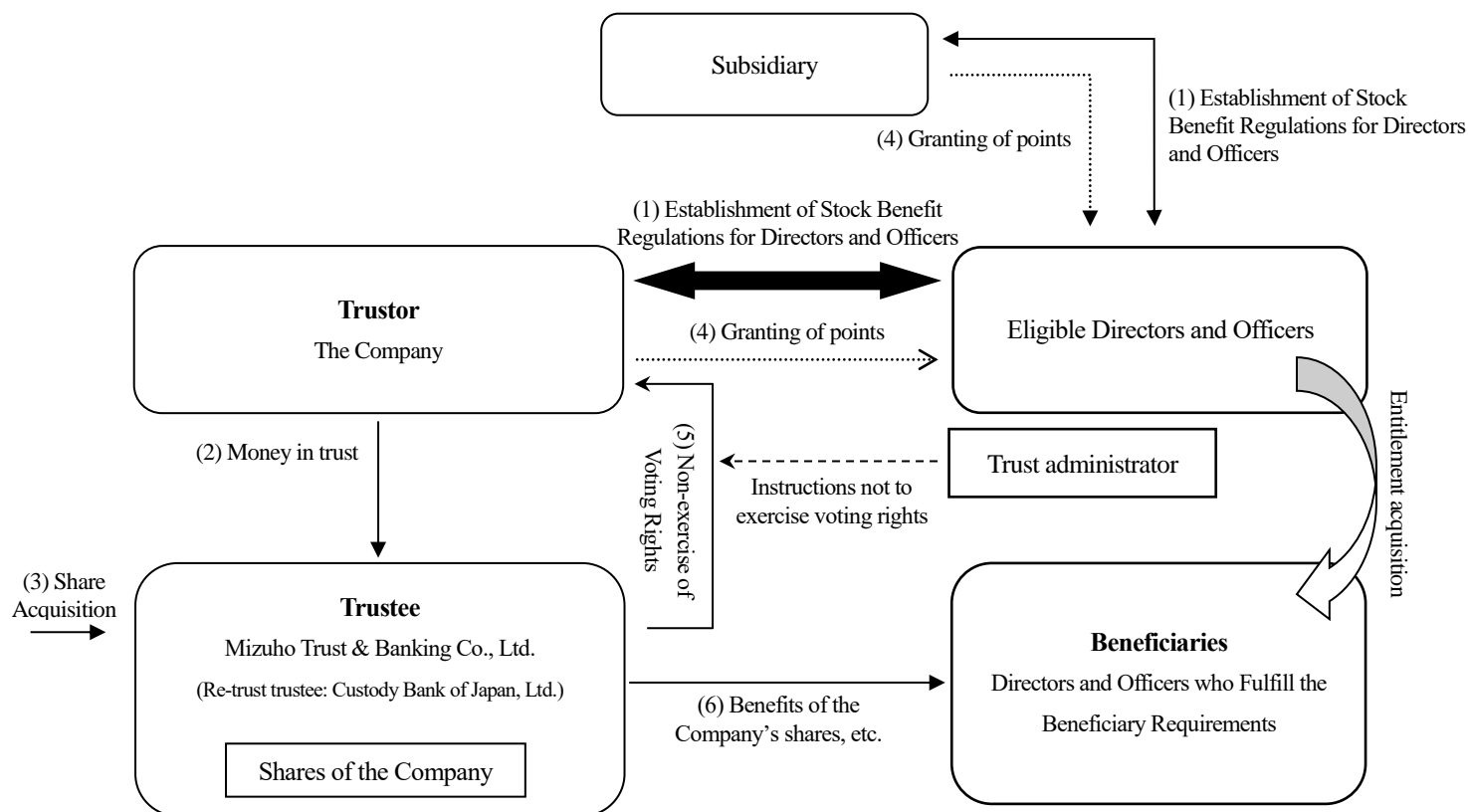
2. Overview of the Plan

(1) Overview of the Plan

The Plan is a stock compensation plan, under which the Company’s shares are acquired through a trust established based on the Plan (hereinafter called the “Trust”) using funds provided by the Company and the Company’s shares and cash equivalent to the market value of the Company’s shares (hereinafter collectively called the “Company’s shares, etc.”) are provided to the Eligible Directors and Officers through the Trust according to the Stock Benefit Regulations for Directors and Officers specified by the Company and the Company’s subsidiaries. In principle,

Eligible Directors and Officers will receive the benefits of the Company's shares, etc. at a certain time during their term of office (three years after the points are granted). Benefits will be provided to retiring officers at a predetermined time after retirement.

Structure of the Plan



- (1) The Company and its subsidiaries will pass a resolution regarding executive compensation for the Plan at each company's general meeting of shareholders, and establish Stock Benefit Regulations for Directors and Officers within the framework approved at each company's general meeting of shareholders.
- (2) The Company will entrust money within the range approved by the resolution of the General Meeting of Shareholders in 1).
- (3) The Trust will acquire the Company's shares using the money entrusted in 2) above as the source of its funding, either through the stock market or by subscribing to the Company's treasury shares that are to be disposed.
- (4) The Company and its subsidiaries grant points to Eligible Directors and Officers in accordance with the Stock Benefit Regulations for Directors and Officers.
- (5) The Trust shall not exercise the voting rights associated with the shares of the Company's stock held in the Trust account in accordance with the instructions of the trust administrator, which is independent from the Company.
- (6) The Trust will, in principle, at a certain time during the Eligible Director or Officer's term of office (three years after the granting of the points), provide shares of the Company's stock in accordance with the number of points granted to the Eligible Directors and Officers who fulfill the requirements for being named beneficiaries as set forth in the Stock Benefit Regulations for Directors and Officers (the "Beneficiaries"). If an Eligible Director or Officer satisfies the requirements stipulated in the Stock Benefit Regulations for Directors and Officers, a cash payment equivalent to the market value of the Company's shares will be made for a certain percentage of the points.

(2) Persons eligible for the Plan

The Company's directors (excluding directors who are Audit & Supervisory Board members and other directors who are outside directors) and executive officers of the Company and directors of the Company's subsidiaries (excluding outside directors) and executive officers of the Company's subsidiaries

(3) Trust period

From January 2022 (scheduled) until the termination of the Trust (no specific termination date is set for the Trust period, and the Trust will continue as long as the Plan System continues. The Plan will terminate upon the delisting of the Company's shares, the abolition of the Stock Benefit Regulations for Directors and Officers, etc.)

(4) Size of the Trust

Subject to the approval of the introduction of the Plan at the General Meeting of Shareholders, the Company will introduce the Plan for the five fiscal years from the fiscal year ending on August 31, 2022 to the fiscal year ending on August 31, 2026 (this five fiscal year period is hereinafter the "Initial Applicable Period," and the Initial Applicable Period and each five fiscal year period following the lapse of the Initial Applicable Period are the "Applicable Period"), and the following money will be contributed to the Trust as the source of funds for the Trust's acquisition of shares of the Company's stock to provide benefits such as shares of the Company's stock to the Eligible Directors and Officers. First, at the time of the establishment of the Trust (January 2022 (scheduled)), the Company will contribute an amount of money that is expected to be equal to the funds the Trust will require during the Initial Applicable Period to establish the Trust. As the maximum number of points to be granted to the Eligible Directors and Officers under the Plan is 50,000 points per fiscal year, as described in (6) below, at the time of establishment of the Trust, the Company will contribute to the Trust the funds reasonably expected to be necessary to acquire up to 250,000 shares, taking into consideration the closing price of the Company's common stock in regular trading on the Tokyo Stock Exchange immediately prior to the establishment of the Trust. For reference, if the closing price of ¥965 on October 15, 2021 is applied, the funds required would be approximately ¥241 million.

After the end of the Initial Applicable Period, the Company will rationally estimate the number of shares necessary for the compensation of the Eligible Directors and Officers under the Plan and provide the Trust with any additional funds deemed necessary for the acquisition of stock by the Trust for, in principle, each Applicable Period until the end of the Plan. However, if an additional contribution is made, the shares of the Company's stock remaining in the trust assets (excluding the shares equivalent to the number of points granted to Eligible Directors and Officers for each of the immediately preceding Applicable Periods for which the benefits to the Eligible Directors and Officers have not yet been paid) and cash (hereinafter referred to as "Remaining Shares, etc.") shall be appropriated to fund the benefits under the Plan in subsequent periods, and the additional contribution shall be calculated in consideration of the remaining shares, etc. When the Company decides to make an additional contribution, it will be disclosed in a timely and appropriate manner.

Note: The money the Company places in the Trust is the sum of the above funds for the acquisition of shares and the estimated amount of necessary expenses such as trust fees.

(5) The Trust's method of acquiring shares of the Company's stock and the number of shares to be acquired

The Trust will acquire shares of the Company's stock through a stock market or by underwriting the Company's treasury shares that are to be disposed using the funds provided pursuant to section (4) above. As the maximum number of points to be granted to the Eligible Directors and Officers is 50,000 points per fiscal year as described in (6) below, the maximum number of shares of the Company's stock to be acquired by the Trust for each applicable period will be 250,000 shares.

Details regarding the acquisition of the Company's stock by the Trust will be disclosed in a timely and appropriate manner.

(6) Maximum number of shares of the Company's stock provided to Eligible Directors and Officers

The number of points equivalent to 10% of the total amount of compensation determined in consideration of factors such as the Eligible Director or Officer's position, evaluation of the execution of their duties, and the degree of achievement of business results for each fiscal year will be granted to the Eligible Directors and Officers in accordance with the Stock Benefit Regulations for Directors and Officers. The maximum total number of points to be granted to the Eligible Directors and Officers per fiscal year is 50,000 points (of which 35,000 points are for the Company's directors). The Company has determined these numbers by comprehensively considering factors such as the level of compensation currently paid to the directors and officers and current and future trends in the number of the Eligible Directors and Officers, and the Company considers these numbers to be appropriate.

Each point given to an Eligible Director or Officer is converted to one share of the Company's common stock when the Company's shares are provided as stated in the section (7) below (the maximum number of points and the number of points already given or the conversion ratio will be rationally adjusted for any allotment without contribution, stock split or reverse stock split of the Company's shares after approval by the shareholders at the General Meeting of Shareholders).

The number of shares corresponding to the maximum number of points per fiscal year to be granted to the Eligible Directors and Officers (50,000 shares) is approximately 0.05% of the total number of issued shares (as of August 31, 2021, after deduction of treasury stock).

The number of points to be used as the basis for the provision of the Company's shares, etc., as described in (7) below, shall be, in principle, the number of points granted to the Eligible Directors and Officers by a certain time during his or her term of office (three years after the grant of points). (The points calculated in this way are hereinafter referred to as the "Final Number of Points.")

(7) Provision of shares of the Company's stock, etc.

Eligible Directors and Officers who meet the beneficiary requirements receive from the Trust the number of shares of the Company's stock in principle corresponding to the Final Number of Points specified in paragraph (6) above at each time described in (1) above through the specified procedure for finalizing a beneficiary. The directors and officers who meet the requirements specified in the Stock Benefit Regulations for Directors and Officers may receive money equivalent to the market price of the Company's stock in lieu of the shares of the Company's stock. The Company may sell the shares of the Company's stock held by the Trust to acquire funds for this monetary compensation.

Any Eligible Director or Officer who has been dismissed by resolution of a general meeting of shareholders or the Board of Directors, has retired due to misconduct committed during his/her term of office, or has damaged the Company due to an inappropriate act during his/her term of office will not be entitled to this compensation even after receiving points.

(8) Exercise of voting rights

Voting rights associated with the shares of Company's stock held in the Trust account shall uniformly not be exercised based on the instructions of the trust administrator. This approach is intended to ensure the neutrality of the voting rights associated with the the shares of the Company's stock held in the Trust account in the management of the Company.

(9) Handling of dividends

Dividends paid to the holder of the shares of the Company's stock held in the Trust account will be received by the Trust and used to acquire shares of the Company's stock, and pay trust fees, etc. to the trustee of the Trust. Any dividends, etc. remaining with the Trust when the Trust is terminated will be distributed proportionally to Eligible Directors and Officers holding office at that time based on the number of points held by each of them pursuant to the

Stock Benefit Regulations for Directors and Officers.

(10) Handling at the time of termination of the Trust

The Trust will terminate if certain events occur such as the delisting of the Company or the abolition of the Stock Benefit Regulations for Directors and Officers. Regarding residual assets in the Trust when the Trust is terminated, all shares of the Company's stock will be acquired by the Company without compensation and cancelled by a resolution of the Board of Directors. The remaining money after excluding the money to be paid to the Eligible Directors and Officers in accordance with (9) above will be paid to the Company.

Overview of the Plan

- (1) Name: Board Benefit Trust (BBT)
- (2) Trustor: The Company
- (3) Trustee: Mizuho Trust & Banking Co., Ltd.
(Re-trust trustee: Custody Bank of Japan, Ltd.)
- (4) Beneficiary: Persons who fulfill the requirements for beneficiaries set forth in the Stock Benefit Regulations for Directors and Officers among the Eligible Directors and Officers
- (5) Trust Administrator: The Company plans to select a third party who has no interest in the Company
- (6) Type of trust: Money held in trust other than a money trust (third-party benefit trust)
- (7) Date of execution of the Trust Agreement:
January, 2022 (scheduled)
- (8) Date when money is entrusted:
January, 2022 (scheduled)
- (9) Trust period: From January 2022 (scheduled) to the termination of the Trust
(The Trust will continue as long as the Plan continues. No specific date of expiration is set.)