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Notice Concerning Partial Revision of Performance-Linked Remuneration Plan and Change of “Policies Regarding Determination of Contents of Remuneration, etc. for Each Director”

Hakudo Co., Ltd. (the “Company”) hereby announces that it has resolved, at a meeting of its Board of Directors held today, to partially revise the performance-linked remuneration plan and to change the “policies regarding determination of contents of remuneration, etc. for each Director.”

1. Purpose, etc. of revision of the plan

The Company has previously paid only money as performance-linked remuneration; however, the Company has decided to revise the performance-linked remuneration plan for Directors of the Company (excluding Directors who are Audit and supervisory committee members and independent Directors; hereinafter the “Eligible Directors”) to a plan comprising money and shares with transfer restrictions (hereinafter, the revised plan is referred to as the “Plan”), for the purpose of providing an incentive to sustainably increase the Company’s corporate value and to further share value with shareholders.

The Plan is scheduled to be applied from the performance-linked remuneration to be paid in July 2024 based on the performance of the fiscal year ending March 31, 2024. The upper limits of the amount of money and number of shares to be paid each fiscal year under the Plan, along with other specific details, are expected to be approved individually each year by the Annual General Meeting of Shareholders. A proposal for the first payment is to be submitted to the Annual General Meeting of Shareholders scheduled to be held in June 2024, including the details described in “Overview of the Plan” below.

Overview of the Plan

The Eligible Directors pay in as properties contributed in kind the entire amount of monetary remuneration claims paid to them by the Company under the Plan, for which they receive the issuance or distribution of common shares of the Company in the form of shares with transfer restrictions (hereinafter the “Shares”). The issuance or distribution of the Shares under the Plan is conditional upon the conclusion of a restricted share allocation agreement between the Company and the Eligible Directors, including the following provisions, among others: 1) a prohibition on transfer to a third party, pledging as collateral, or any other form of disposal of the Shares for a certain period (transfer restriction period) and 2) acquisition of the Shares by the Company for nothing if certain circumstances arise.

2. Change of the policies regarding determination of contents of remuneration, etc. for each Director

Following the introduction of the Plan, the policies regarding determination of contents of remuneration, etc. for each Director shall be changed as follows.

(1) Policy regarding basic remuneration

Basic remuneration is calculated for position, and term of office as part-time or full-time service.

Moreover, the basic remuneration of Directors excluding Audit and supervisory committee members is deliberated by the Nomination and Remuneration Advisory Committee before being determined by the

Board of Directors, while the basic remuneration of Directors who are Audit and supervisory committee members is determined by the Audit and supervisory committee.

(2) Policy regarding performance-linked remuneration, etc.

Performance-linked remuneration, etc. comprise a performance-linked bonus and a share price-linked bonus

- Details of the selected performance indicators and reason for their selection:

The performance indicator for the performance-linked bonus is profit before tax adjustments, and the performance indicator for the share price-linked bonus is the Company's share price and Tokyo Stock Exchange Index (TOPIX). This is because the Company has judged these to be appropriate performance indicators for strengthening the relationship between the interests of shareholders and Directors and for promoting Directors' appropriate judgements at the Board of Directors meetings.

- Methods of calculating performance-linked remuneration, etc.:

Performance-linked bonus A

The payment amount is determined by multiplying the profit before tax adjustments for the applicable fiscal year by the allocation rate for each position, then taking into consideration the profit level.

Performance-linked bonus B

The payment amount is determined by multiplying the amount obtained by deducting the average profit before tax adjustments for the past three fiscal years from the profit before tax adjustments for the applicable fiscal year by the allocation rate for each position, then considering the profit level.

Performance linked bonus C

The payment amount for Directors who are Audit and supervisory committee members (full time) is determined by multiplying the monthly basic remuneration amount by the payment percentage, consideration their work performance records, etc., then taking into account the profit level.

Share price-linked bonus

The amount to be paid is obtained by multiplying the monthly basic special bonus amount by a payment multiple determined in accordance with the percentage by which the year-on-year rate of increase in the Company's average share price (the average for the account closing month for each quarter in the applicable fiscal year) exceeds the year-on-year rate of increase in TOPIX, and only in the case where it exceeds.

Special bonus

There is no predetermined policy for determining the special bonus, etc.; however, the Board of Directors resolves to pay a special bonus, and the amount of payment is determined by considering the level of payment of this bonus to the employees.

The Directors' bonus paid as a performance-linked bonus is calculated by the methods described above, and then the total amount of Directors' bonuses is resolved by the Annual General Meeting of Shareholders. The bonuses for individual Directors excluding Audit and supervisory committee members are determined by the Board of Directors while the bonuses for individual Directors who are Audit and supervisory committee members are determined by the Audit and supervisory committee.

(3) Policy regarding non-monetary remuneration, etc.

The Company grants shares with transfer restrictions as non-monetary remuneration for the Eligible Directors.

The Eligible Directors shall be paid monetary remuneration claims for restricted share remuneration in an amount equivalent to 50% of the amount to be paid as performance-linked bonus B, and the Eligible Directors shall pay in the all of the monetary remuneration claims as properties contributed in kind, for which they shall receive issuance or distribution of common shares of the Company.

(4) Policy regarding ratios of remuneration, etc.

With regard to the ratios of remuneration for Directors (excluding Directors who are Audit and supervisory committee members and outside Directors) by type, since the ratios of performance-linked remuneration, etc. vary in connection with the Company's financial performance and share price as described above in "(2) Policy regarding performance-linked remuneration, etc.," the specific ratios of basic remuneration and performance-linked remuneration, etc. are not stipulated. Going forward, however, in view of the fact that the purpose for introducing performance-linked remuneration, etc. is to strengthen the relationship between the interests of shareholders and Directors and to promote Directors' appropriate judgements at the Board of Directors meetings, the Company will continue to discuss the appropriate ratios while respecting the advice received from the Nomination and Remuneration Advisory Committee.

(5) Policy regarding timing and conditions for granting remuneration, etc.

Basic remuneration is paid at a set time every month. Performance-linked remuneration, etc. are paid at a set time every year, providing the payment conditions are satisfied.

(6) Matters regarding the delegation of determination of remuneration, etc.

None.

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