

Policy for Determining Officers' Remuneration

In order to ensure that remuneration functions as a healthy incentive for the maximization of corporate value, Hokkan Holdings Limited (“the Company”) sets down the following policy for determining the remuneration of directors and Audit & Supervisory Board members (henceforth referred to collectively as “officers”).

1. Basic policy

- (1) Remuneration for officers will be set at a competitive level that secures and maintains appropriate human resources considering the roles and duties of each officer.
- (2) The compensation for individual officers will be determined according to a transparent process, with the involvement of outside directors independent of the Company.

2. Types of remuneration

Remuneration for officers will consist of basic remuneration and share-based remuneration.

(1) Basic remuneration

A fixed amount of money will be paid monthly, to be determined on an individual basis for each officer

(2) Share-based remuneration

Share-based remuneration will be determined according to the share-based remuneration system (“the system”) approved at the 94th ordinary general shareholders’ meeting held on June 27, 2019.

Outline of the system

The system determines the share-based remuneration for all directors (not including outside directors; henceforth referred to as “eligible directors”) in office during the period from June 28 2019 until the final day of the ordinary general shareholders’ meeting to be held in June 2024 (“the applicable period.”)

A trust established and funded by the Company will acquire shares in the Company, and shares will be distributed through the trust to each eligible director equivalent to the number of points assigned by the Company to each eligible director. As a rule, eligible directors will receive shares in the Company only when their period as director comes to an end.

During the applicable period, the maximum amount of money to be spent on acquiring Company shares for the purpose of distributing them to an eligible director will be 160 million yen, and the maximum number of points that may be paid to an eligible director shall be 25,000 points within any business year (with each point equivalent to one share in the Company).

3. Content of officers' remuneration

- (1) Remuneration for directors (not including outside directors) will consist of basic remuneration and share-based remuneration, taking into account directors' roles in improving short-term as well as medium- to long-term results, maximizing corporate value, and other responsibilities.
- (2) Remuneration for outside directors will consist of basic remuneration only, taking into account their roles in encouraging the sustainable growth of the company, providing advice from the perspective of improving medium- to long-term corporate value, and overseeing the management of the company, from a position independent of the executive management of the company.
- (3) Remuneration for Audit & Supervisory Board members shall consist of basic remuneration only, taking into account their role of monitoring the executive management of directors without being swayed by business results.

4. Procedures for determining remuneration for individual officers

(1) Establishment of a remuneration review committee

In order to ensure transparency in the process of determining the amount of remuneration to be paid to individual directors, the Company will establish a remuneration review committee, a majority of whose members will be outside directors independent of the Company.

The number of members and makeup of the remuneration committee will be determined separately, and disclosed appropriately.

(2) Determination of directors' basic remuneration

- i. The remuneration review committee will draw up a draft proposal outlining the amount of remuneration to be paid to individual directors, taking into consideration the experience, expertise, and achievements of individual directors, within the total amounts determined by a vote at a general shareholders' meeting.
- ii. The Board of Directors will determine remuneration following deliberations carefully considering the draft proposal submitted by the remuneration review committee.

(3) Determination of share-based remuneration for directors

In accordance with "regulations for the distribution of company shares" decided by the Board of Directors, based on the content of resolutions relating to this system made at a general shareholders' meeting, points for share-based remuneration according to his or her role will be assigned to eligible directors in office during the applicable period on the date of the general shareholders' meeting each year as part of each director's remuneration for the applicable period.

(4) Determination of remuneration for Audit & Supervisory Board members

Remuneration for Audit & Supervisory Board members will be determined through deliberation of the Audit & Supervisory Board members within the limits of total amount determined at a general shareholders' meeting.

Established: February 8, 2021

Revised: June 29, 2022