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May 14, 2024

Company name : Kumagai Gumi Co., Ltd.
Representative : Shin Ueda, President
(Code: 1861, Prime Market in the Tokyo Stock Exchange)

Notice of Continuation and Partial Revision of Stock Compensation Plan for Directors and Executive Officers

Kumagai Gumi Co., Ltd. (the “Company”) hereby announces that at the meeting of the Board of Directors on May 14, 2024 it resolved to submit to the 87th Ordinary General Meeting of Shareholders (the “General Shareholders Meeting”) to be held on June 27, 2024 a proposal (the “Proposal”) for approval of the continuation of the stock compensation plan (the “Plan”) introduced earlier by the Company utilizing a trust service for its directors (excluding outside directors. The same shall apply hereunder.) and executive officers (collectively, the “Directors, etc.”), upon partial revision of the Plan for the portion regarding directors. Details are as follows. Moreover, if the partial revision and continuation of the Plan are approved by the General Shareholders Meeting, the Company plans to make a partial change to the portion of the Plan regarding executive officers in the same manner.

1. Partial changes to the Plan

The Company introduced the Plan for the purpose of further clarifying the link between compensation to the Directors, etc. and the value of its stock, ensuring that the Directors, etc. share the same benefits and risks associated with fluctuations in the stock price as shareholders, and increasing awareness among the Directors, etc. to contribute to medium- and long-term improvements in business performance and the enhancement of corporate value. A proposal on the portion regarding the Directors, etc. was submitted to and approved at the 81st Ordinary General Meeting of Shareholders held on June 28, 2018, and the Company has been operating the Plan based on the resolution of the above general shareholder meeting.

Recently, the Company decided, subject to approval at the General Shareholders Meeting, to continue the Plan upon making a partial change to the Plan and add to reward frame under which the number of points to be granted to the Directors, etc. will link to the Company’s business performance and a transfer restriction will be imposed on shares of its stock to be granted to the Directors, etc. when they are in office until they retire from office, with the aim to further improve incentive effects.

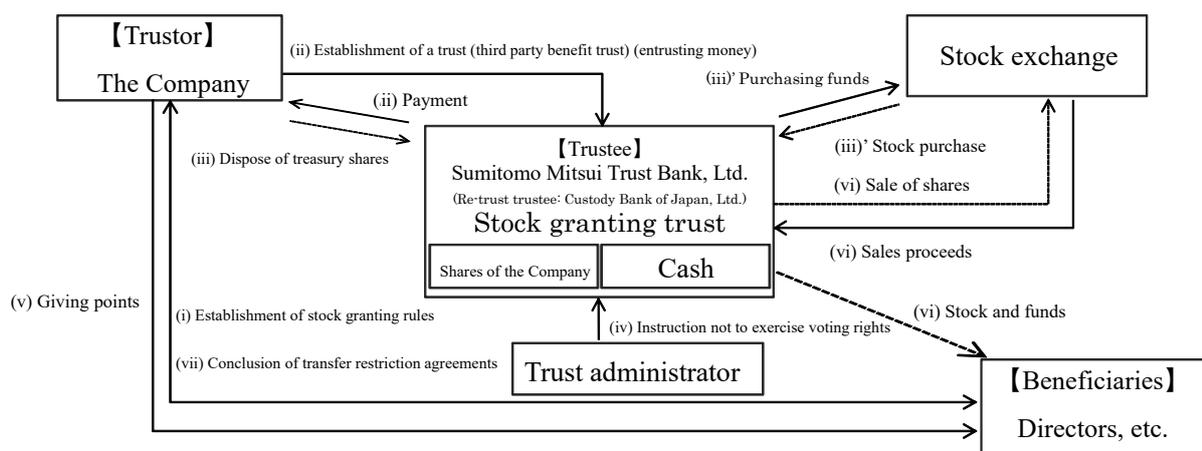
2. Outline of the Plan after the revision

(1) Structure of the Plan

The Plan is a stock-based compensation plan wherein a trust (already established on introduction of the Plan in 2018; the "Trust") to which the Company makes financial contributions acquires Company stock and through this Trust the Company issues Company stock to Directors, etc. based on the number of points allocated by the Company to each Director, etc.

The time when the Directors, etc. receive the delivery of shares of the Company's stock, which was at the time when they retire from office under the previous Plan, will be changed to a certain period every year.

< Outline of Structure of the Plan >



- (i) The Company's board of directors establishes stock granting rules for the Directors, etc. (At this time, the Company plans to revise, by resolution of the board of directors, the already enacted rules.)
- (ii) Alongside extension of the applicable period, the Company will extend the trust period of the Trust, which has already been established on August 21, 2018, and will additionally contribute (additionally entrust) funds in an amount equivalent to the funds necessary to acquire Company stock for allocation to Directors, etc. under the Plan during the extended applicable period (provided, however, that the funds for acquiring Company stock for allocation to Directors shall be within the maximum amount approved by the shareholders' meeting).
- (iii) The trustee will use the funds in the Trust (includes the funds additionally entrusted by the Company in accordance with (ii) above as well as any funds remaining in the Trust prior to the additional entrustment) to acquire the number of shares of Company stock expected to be allocated in the future all at once (by means of disposing of treasury shares or purchasing shares on a stock exchange [including off-floor trading]).
- (iv) The Company will appoint a trust administrator (a party independent of the Company and the Company's officers) to protect the interests of the beneficiaries under the stock granting rules and supervise the trustee throughout the trust period. The trust administrator will instruct the trustee not to exercise voting rights on the shares of the Company in the Trust, and the trustee will not exercise voting rights during the trust period under the instruction.
- (v) The Company will give points to the Directors under the stock granting rules.
- (vi) The Directors, etc. who satisfy the requirements set out in the stock granting rules and the trust agreement on the Trust will receive shares of the Company from the trustee as beneficiaries of the Trust according to the points they have been granted.
- (vii) Shares of the Company's stock that match the points earned by the Directors, etc. as compensation for the execution of their duties during the period after the closing of the General Shareholder Meeting will be granted, conditional on the conclusion of a transfer restriction agreement between the Company and the said Directors, etc. under which the period of transfer restriction shall be provided for as the period between the share issuance date and retirement date.

Of the residual assets of the Trust at the termination of the Trust, all shares in the Company will be acquired by the Company without compensation and will be cancelled by resolution of the Board of Directors. As prescribed in the stock granting rules and the trust agreement, the Company plans to donate a certain amount of the residual assets held by the Trust at the end of the trust period to a designated public interest promotion group that has no interest in the Company's Directors, etc.

Furthermore, the System trustee Sumitomo Mitsui Trust Bank, Limited shall consign (re-entrust) the management of trust assets to Custody Bank of Japan, Ltd.

(2) Entrustment of funds to the Trust

Subject to approval of the Proposal at the General Shareholders Meeting, the Company will additionally entrust to the Trust the funds that the Trust needs to acquire the number of shares of Company stock that is reasonably expected to be needed to allocate shares in accordance with (6) below. As described in (5) below, the Trust will use the funds in the Trust (includes the funds additionally entrusted by the Company as described above and any funds remaining in the Trust prior to the additional entrustment) to acquire Company stock.

Furthermore, the System trustee Sumitomo Mitsui Trust Bank, Limited shall consign (re-entrust) the management of trust assets to Custody Bank of Japan, Ltd.

(3) Applicable period and trust period

Stock compensation under the Plan after the changes will be granted to the Directors, etc. who remain in office from the day immediately following the closing of the General Shareholder Meeting until the end of the business year ending on March 31, 2027 (the “Applicable Period”).

The period of the trust which has already been established will be extended for approximately 3 years, until August 31, 2027 (planned), provided, however, that the trust period may be extended further as described in (4) below.

(4) Maximum amount to be contributed to the Trust as funds for acquiring shares

The Company will additionally entrust as compensation for Directors who are in office during the Applicable Period funds up to a maximum amount of 225 million yen in total for the acquisition Company stock needed to be allocated as the stock-based compensation granted to Directors under the Plan. The Trust will use the funds entrusted by the Company (includes the funds additionally entrusted by the Company as described above as well as any funds remaining in the Trust prior to the additional entrustment) to acquire Company stock by means of disposing of treasury shares or purchasing shares on a stock exchange (including off-floor trading).

Note: In addition to the abovementioned funds to acquire shares in the Company, the Company will entrust expected necessary expenses, including trust fees and trust administration fees. If the Plan is continued also for the executive officers after it is partially changed in the same manner mentioned above, the Company will entrust funds to acquire shares of its stock to be granted to the executive officers.

The Company may, based on the decision of its Board of Directors, extend the Applicable Period, each time setting a period of no more than three fiscal years, further extend the trust period of the Trust accordingly (including extending the trust period in effect by transferring the trust assets of the Trust to a trust with the same purpose as that of the Trust established by the Company; the same applies hereinafter), and continue the Plan. In this case, the Company will additionally entrust to the Trust funds up to the amount obtained by multiplying the number of fiscal years of the extended Applicable Period by 75 million yen as funds for additionally acquiring Company stock for allotment to Directors under the Plan during the extended Applicable Period, and will continue with the allocation of points described in (6) below and the delivery of Company stock.

Furthermore, in the case where the Applicable Period is not extended and the Plan is not continued as described above and where there are Directors, etc. who have been granted points but who have not yet retired from office at the time of the expiration of the trust period, the Company may extend the trust period until such Directors, etc. retire from office and the delivery of shares of its stock is complete.

(5) Method of Acquisition of Shares in the Company by the Trust

The acquisition of Company stock by the Trust will be by means of disposing of the Company's treasury shares or purchasing shares on the exchange market within the limits of the maximum amount of funds for acquiring shares described in (4) above. However, the Company will determine and disclose details of the acquisition methods after the resolution at the General Shareholders Meeting.

Furthermore, during the trust period, in the event that an increase in the number of Directors, etc. results in the possibility of an insufficient number of shares corresponding to the number of points allocated to Directors, etc. during the trust period, the Company will make additional contributions to the Trust, within the maximum amount of trust funds outlined in (4) above and acquire additional shares.

(6) Method of calculating the Company's shares delivered to Directors, etc. and maximum amount

(i) Method for giving points to Directors, etc.

The Company will, pursuant to the stock granting rules established by its Board of Directors, grant points to each Director, etc. according to their position and degree of achievement of performance targets, etc. on the point grant date during the trust period stipulated in the stock granting rules. Regarding points for the initial Applicable Period after the changes, the Company plans to award them in accordance with the positions of the Directors, etc. and their respective order in total shareholder return (TSR) selected elsewhere by the Company as an indicator of comparison with industry peers. Provided, however, that the total number of points allocated to directors shall not exceed 75,000 points per fiscal year.

(ii) Delivery of shares in the Company according to the number of points given

The Directors, etc. will receive shares in the Company according to the number of points given as described in (i) through the procedure described in (iii) below.

One point equates to one share of the Company. However, if a situation arises with respect to the Company's shares whereby it is deemed reasonable to make adjustments to the number of the Company's shares to be delivered, such as a share split or the consolidation of shares, the Company shall make adjustments to the number of the Company's shares per point according to such split ratio, consolidation ratio, or such like.

(iii) Delivery of shares of the Company to Directors, etc.

The issuance of shares of the Company's stock to each director, etc. as outlined in (ii) above will be conducted through the trust via prescribed beneficiary confirmation procedures conducted by each Director, etc. at a certain time during the trust period.

However, with respect to shares delivered in proportion to points granted in accordance with the Plan before such changes, each Director, etc. will, in accordance with the previous resolution, acquire beneficial interests in the trust by following the prescribed procedures at the time of their retirement, in principle, and receive the delivery of the shares from the trust.

Moreover, certain proportions of these shares may be delivered in cash after the Company sells and converts them into cash within the trust for withholding tax purposes. In addition, if shares of the Company's stock in the trust are converted into cash in cases where such shares are tendered and settled, for example, the Company may deliver cash in lieu of such shares.

(7) Exercise of voting rights

Voting rights associated with the shares of the Company held in the Trust shall, under the instruction of the trust administrator independent of the Company or any officers of the Company, not be exercised at all. This approach is intended to ensure neutrality towards the management of the Company with respect to the exercise of voting rights associated with the shares of the Company held in the Trust.

(8) Handling of dividends

Dividends of the shares of the Company held in the Trust will be received by the Trust, and used for acquiring shares of the Company as well as for the trust fees to be paid to the trustee with respect to the Trust.

(9) Handling of shares in the Company and money at the termination of the trust period

Of the residual assets of the Trust at the termination of the Trust, all shares in the Company will be acquired by the Company without compensation and will be cancelled by resolution of the Board of Directors.

As prescribed in the stock granting rules and the trust agreement, the Company plans to donate a certain amount of the residual assets held by the Trust at the end of the trust period to a designated public interest promotion group that has no interest in the Company's Directors, etc.

3. Transfer restriction agreement on the shares of the Company to be delivered to Directors, etc.

Regarding shares of the Company's stock to be issued in accordance with 2.(6)(ii) above that match the points granted in accordance with 2.(6)(i) above after the General Shareholders Meeting, a transfer restriction agreement will be concluded between the Company and the Directors, etc. which shall provide for the following matters, among other things.

(i) The Directors, etc. shall not transfer any shares of the Company that are delivered to them under the Plan, establish any security interest on the shares, or otherwise dispose of any of the shares from the day when they receive the shares to the day of retirement as the Company's Directors, etc.

(ii) The Company shall acquire the shares delivered under the Plan without consideration if certain events occur.

(iii) Conditions for removal of transfer restrictions established in advance by the Board of Directors, etc. However, if the Directors, etc. retire from office due to the expiry of their term of office or other justifiable reasons between the period after the end of the Applicable Period and the day of an ordinary general meeting of shareholders to be held immediately after the end of the Applicable Period, shares of the Company's stock to be delivered after such date of retirement will be ordinary shares to which no transfer restriction is imposed.

A certain percentage of Company stock may be allocated as a cash payment instead of Company stock after the Trust sells a certain amount of stock to convert into cash for the Company as tax withholdings or other tax capital.

(For reference) Outline of the trust agreement related to the Trust

Trustor	The Company
Trustee	Sumitomo Mitsui Trust Bank, Limited (entrusted to Custody Bank of Japan, Ltd.)
Beneficiary	Directors, etc. who meet the requirements for beneficiaries
Trust administrator	Selected a third party who has no relationship of interest with the Company or the Company's Directors
Exercise of voting rights	No voting rights of the shares held in the Trust will be exercised during the trust period.
Type of trust	Pecuniary trusts other than money trusts (third party benefit trust)
Date of trust agreement	August 21, 2018
Trust period (after extension)	From August 21, 2018 to August 31, 2027 (planned)
Purpose of the trust	Granting shares in the Company to beneficiaries under the stock granting rules