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Notice Regarding the Introduction of a Stock-Price-Linked Cash Compensation Plan for Company Directors

Takamatsu Construction Group Co., Ltd. (the “Company”) hereby announces that its Board of Directors resolved at a meeting held today to introduce a stock-price-linked cash compensation plan (hereinafter referred to as the “Plan”) for Directors of the Company (excluding Outside Directors and Non-Executive Directors; hereinafter referred to as “Directors”). In conjunction with this, the Board also passed a resolution approving the details of the revised “Remuneration Policy” to be applied if the Plan is introduced.

The Company intends to submit a proposal regarding the introduction of this Plan for approval at the 60th Ordinary General Meeting of Shareholders scheduled to be held on June 18, 2025 (hereinafter referred to as the “General Shareholders’ Meeting”). Details are as follows.

Notes

1. Introduction of the Plan

(1) Purpose

The purpose of introducing the Plan is to clarify the link between Director compensation and the Company’s share price, enabling Directors to share not only the benefits of share price appreciation but also the risks of share price decline with shareholders. This aims to increase their motivation to contribute to the medium- to long-term improvement of the Company’s performance and the enhancement of its corporate value.

The Company previously lacked a director compensation plan linked to medium- to

long-term corporate value. Therefore, the Company has decided to introduce this stock-price-linked cash compensation plan, which provides compensation linked to the Company's share price over a medium- to long-term horizon. Note that the Company also plans to introduce this Plan for the presidents of major Group subsidiaries.

(2) Plan Outline

This Plan provides stock-price-linked cash compensation, paid in cash, linked to the Company's share price.

Under the Plan, a base amount determined for each Director's position is divided by a predetermined share price at the beginning of the Plan's performance period (referring to consecutive fiscal years corresponding to the Company's medium-term management plan; the initial performance period shall be three fiscal years) to calculate points (hereinafter referred to as "Base Points"). These Base Points, representing the equivalent of Company common stock (hereinafter referred to as "Company Shares"), are granted annually to Directors and accumulated during the performance period (the accumulated Base Points are hereinafter referred to as "Accumulated Points"). After the performance period ends, an amount calculated by multiplying the Accumulated Points by a predetermined share price at the end of the performance period or at the time of payment will be paid in cash to the Directors.

Furthermore, if a Director retires mid-term during the performance period (hereinafter referred to as "Time of Retirement"), an amount calculated by multiplying the Accumulated Points held at that time by a predetermined share price will be paid.

Regarding Base Points and Accumulated Points, if a Director holding such points engages in serious misconduct or other specified acts before the cash compensation is paid, the granted points may be forfeited, and the granting of new points may be suspended.

At the General Shareholders' Meeting, the Company plans to submit a proposal regarding the calculation method for the aforementioned Base Points and the method for determining the amount payable to each Director, among other related matters.

2. Revision of Remuneration Policy

If the introduction of the Plan is approved at the General Shareholders' Meeting, the Company plans to revise its Remuneration Policy as follows:

<Proposed Revision of Remuneration Policy>

1. Director Remuneration

- ✓ The Company resolved its policy regarding the determination of individual remuneration

for Directors at the Board of Directors meeting held on January 23, 2019, and subsequently revised this policy at the Board of Directors meeting held on April 16, 2025.

1) Basic Policy

- ✓ Remuneration for Executive Directors is determined according to the following policy:
 - Remuneration levels shall correspond to the roles and responsibilities of each position and their contribution to performance.
 - It shall provide appropriate incentives that contribute not only to short-term performance improvement but also to the sustainable growth of the entire Group and the enhancement of medium- to long-term corporate value.
- ✓ Remuneration for Non-Executive Directors shall be a predetermined fixed amount, excluding performance-linked elements.

2) Remuneration Level and Composition

<Executive Directors>

- ✓ The remuneration for Executive Directors is determined by comprehensively considering factors such as remuneration levels at companies of similar size or in the same industry as the Company.
- ✓ In line with the Basic Policy, the remuneration shall consist of Base Remuneration, Bonus, and Stock-Price-Linked Cash Compensation. In principle, when performance targets, etc., are achieved at 100%, the ratio is designed to be Base Remuneration : Bonus : Stock-Price-Linked Cash Compensation = 60 : 30 : 10.

a. Base Remuneration

- ✓ “Base Remuneration” is, in principle, determined according to the roles and responsibilities of each position and paid monthly.

b. Bonus

- ✓ The “Bonus” is performance-linked compensation intended to provide appropriate incentives for achieving annual Company performance targets and individual goals, thereby encouraging awareness of improving the Group’s performance and medium- to long-term corporate value. In principle, it is determined based on the base bonus amount set for each position, adjusted by a payout ratio reflecting Company performance and individual evaluations for each Director using the formula below, and paid in July based on the execution of their duties in the following fiscal year. The payout amount varies within the range of 0% to 150% of the base bonus amount. However, no bonus shall be paid if the consolidated operating income for the previous fiscal year was negative.

(Bonus Payment Calculation Formula)

$$\text{Bonus Payment} = \text{Base Bonus Amount} \times \text{Payout Ratio (*1)}$$

*1 Payout Ratio = Financial Performance Factor (*2) \times 65% + Non-Financial Performance Factor (*3) \times 5% + Medium-Term Theme Overall Evaluation Factor (*4) \times 30%

*2 The Financial Performance Factor is determined within a range of 0% to 150% based on the achievement level against the target for consolidated operating income, which the Company regards as the most important indicator of core business earnings.

*3 The Non-Financial Performance Factor is determined within a range of 0% to 150% based on the achievement level against the target for the overall satisfaction score in the engagement survey, which is emphasized in the medium-term management plan.

*4 The Medium-Term Theme Overall Evaluation Factor is adopted from the perspective of promoting awareness of medium- to long-term corporate value enhancement and is determined within a range of 0% to 150% based on a qualitative evaluation of each individual. The individual qualitative evaluation involves setting goals for each Director through an interview with the Representative Director and President at the beginning of the fiscal year, with these goals confirmed by the Nomination and Compensation Committee. At the end of the fiscal year, the Representative Director and President conducts evaluations through interviews with each Director, and the Nomination and Compensation Committee confirms, deliberates on, and determines the evaluation results. Regarding the evaluation of the Representative Director and President, the goals set are reported to the Nomination and Compensation Committee, and the evaluation is determined by the Nomination and Compensation Committee.

c. Stock-Price-Linked Cash Compensation

- ✓ “Stock-Price-Linked Cash Compensation” is remuneration intended to enhance medium- to long-term corporate value of the Group by providing each director with appropriate incentives for management execution from a medium- to long-term perspective by granting cash linked to the Company’s share price. In principle, points equivalent to a number of shares corresponding to a base amount determined for each position are granted and accumulated over the period of the fiscal years covered by the medium-term management plan. In July of the fiscal year following the end of the performance period, an amount calculated by multiplying the number of Accumulated Points by a predetermined share price at the end of the performance period or at the time of payment is paid in cash.

<Non-Executive Directors>

- ✓ In principle, remuneration is determined based on the roles and responsibilities of each

Director's position, in consultation with the Nomination and Compensation Committee, and consists of a predetermined fixed amount paid monthly, excluding performance-linked elements.

3) Determination Process

- ✓ For determining the specific amount of individual remuneration, the Board of Directors delegates the decision-making authority to the Representative Director and President, covering the total remuneration amount (including above Base Remuneration, Bonus, and Stock-Price-Linked Cash Compensation for Executive Directors, and limited to fixed remuneration excluding performance-linked elements for Non-Executive Directors) based on the regulations for each remuneration component established by the Board of Directors. The Representative Director and President, upon receiving the delegation of authority from the Board of Directors, determines the remuneration after consulting with the Nomination and Compensation Committee, which is chaired by and composed solely of Independent Outside Directors.
- ✓ The reason for delegating authority to the Representative Director and President is that they are deemed most suitable for evaluating the scope of responsibilities and duties of each Director while having a comprehensive view of the Company's overall performance.
- ✓ The authority delegated to the Representative Director and President involves determining the remuneration amount through deliberation by the Nomination and Compensation Committee, considering factors such as fairness among officers, degree of contribution, and Company performance.
- ✓ By having the Representative Director and President propose remuneration amounts consistent with the aforementioned remuneration system established by the Board of Directors, and having these amounts determined after deliberation with the Nomination and Compensation Committee, whereby the remuneration process remains objective and transparent, the Board of Directors believes that the decision aligns with the determination policy.

2. Auditor Remuneration

Remuneration for Corporate Auditors is determined through discussions among the Corporate Auditors at the Board of Corporate Auditors meeting, within the total remuneration limit approved by the General Shareholders' Meeting. As Corporate Auditors play a role in supervising management from an independent standpoint, their remuneration consists solely of Base Remuneration, paid monthly.