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For Immediate Release

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Notice Concerning the Abolition of the Officers' Retirement Benefit System and the Introduction of a Stock Compensation Plan

At a meeting of the Board of Directors convened on May 9, 2025, Matsuda Sangyo Co., Ltd. (the “Company”) resolved to revise the officers’ remuneration system, and to abolish the officers’ retirement benefit system and introduce a stock compensation plan (the “Plan”).

As a result, the Company has decided to submit a proposal on the abolition of the officers’ retirement benefit system and the introduction of the Plan to the 76th Ordinary General Meeting of Shareholders (“76th Meeting”) to be held on June 25, 2025. Details are as follows.

1. Abolition of officers’ retirement benefit system and introduction of the Plan

- (1) The Company will revise the officers’ remuneration system and abolish the officers’ retirement pension system. In addition, it will introduce the Plan (*) with the aim of improving the Company’s medium- to long-term performance and strengthening awareness of contribution to increasing corporate value. This will be implemented by clarifying, with the Company’s directors (excluding outside directors, directors who are Audit and Supervisory Committee members, and domestic non-residents) and executive officers who have concluded a mandate agreement with the Company (excluding domestic non-residents) (collectively, “directors, etc.”), the remuneration of directors, etc. and how it is linked to the Company’s performance and stock value, and having directors, etc. share the returns and risks associated with stock price with all shareholders.
- (2) The introduction of the Plan is subject to approval at the 76th Meeting.
- (3) The Plan will employ a mechanism known as a “Board Incentive Plan” (BIP) for officers’ remuneration. In line with this mechanism, the Plan will issue and pay (“issue, etc.”), to directors, etc., Company shares and an amount of money equivalent to the conversion value of Company shares (“Company shares, etc.”) according to the position, etc. of the directors, etc.

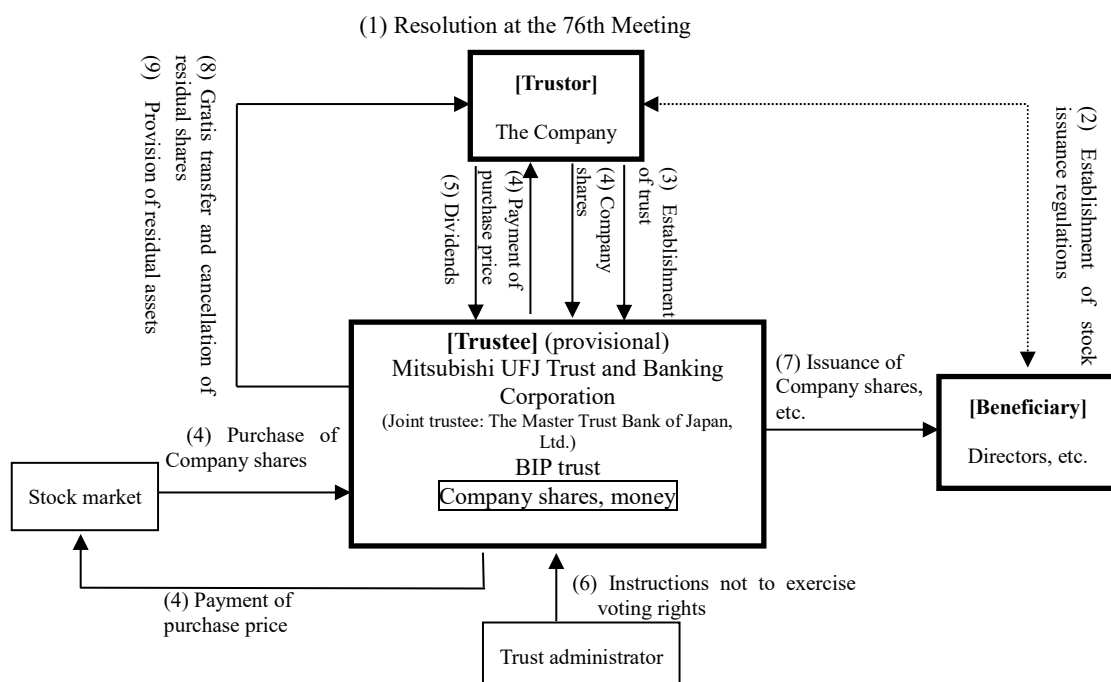
- (4) With the introduction of the Plan, remuneration for Company's directors, etc. will consist of fixed remuneration and stock compensation under the Plan.
- (5) The Company has established a Nomination and Remuneration Committee comprising a majority of independent outside directors as a voluntary advisory body to the Board of Directors. Its aim is to enhance governance and to ensure independence, objectivity, and transparency in the nomination of directors (excluding Audit and Supervisory Committee members), directors who are Audit and Supervisory Committee members, and executive officer candidates as well as the determination of their remuneration, etc. The introduction of this Plan is being deliberated by this Committee.
- (*) With the abolition of the officers' retirement benefit system, the Company plans to submit a proposal, at the 76th Meeting, to terminate and pay retirement benefits to directors who are currently in office for the term of their office until the abolition of the system. These benefits will be paid out at the point of the retirement of the officers in question.

2. Details of the Plan

(1) Overview of the Plan

The Plan is a stock compensation plan in which a trust acquires Company shares using funds equivalent to the amount contributed by the Company toward remuneration for directors, etc. Company shares, etc. are then issued, etc. to directors, etc. through this trust, according to the positions of the directors, etc. in question. (Details are provided in (2) and the subsequent sections.)

<Mechanism of the Plan>



- (1) With regard to the introduction of the Plan, the Company will obtain the necessary resolutions regarding officers' remuneration at the 76th Meeting.
- (2) The Company will establish stock issuance regulations pertaining to the Plan by resolution of the Board of Directors.
- (3) The Company will contribute funds toward the remuneration for directors, etc. within the scope approved by resolution at the Ordinary General Meeting of Shareholders in (1), and establish a trust (the "Trust"). Beneficiaries of the Trust will be directors, etc. who meet the conditions for beneficiaries.
- (4) In accordance with the instructions of the trust administrator, the Trust will acquire shares of the Company from the stock market or from the Company (disposal of treasury stock), financed by the funds contributed in (3). The number of shares acquired by the Trust will be within a scope approved by resolution at the Company's Ordinary General Meeting of Shareholders stated in (1).
- (5) Dividends on Company shares held in the Trust will be paid out in the same manner as other Company shares.
- (6) Voting rights will not be exercised for Company shares held in the Trust throughout the Trust period.
- (7) In line with the stock issuance regulations, points will be granted to directors, etc. during the trust period according to their positions, etc., and these points will be accumulated. Upon retirement, directors, etc. will be granted a number of Company shares equivalent to 50% of the points granted. Company shares equivalent to the remaining points will then be converted into cash within the trust in accordance with the provisions of the trust agreement, and directors, etc. will receive an amount equivalent to the converted value.
- (8) In the case of continued use of the Trust under this Plan or as a similar incentive plan, any residual shares at the expiration of the trust period will be subject to issuance, etc. to directors, etc. If the Trust is terminated due to the expiration of the trust period, the Trust will transfer these residual shares to the Company at no charge, and the Company will acquire these shares gratis and cancel them.
- (9) In the case of continued use of the Trust, any residual dividends on Company shares held in the Trust at the time of the expiration of the trust period will be utilized as stock acquisition funds. However, if the Trust is terminated and not continued, the residual dividends will be attributed to the Company within the range of the total amount of the residual stock acquisition funds and the trust expense reserve (the "Trust reserves"). Any portion in excess of the Trust reserves will be donated to organizations that have no interest in the Company or its directors, etc.

※ If there are no more Company shares held in the Trust due to the issuance, etc. of Company shares to directors, etc. who meet the conditions for beneficiaries, the Trust will be terminated before the expiration of the trust period. The Company may make additional monetary contributions to the Trust within the scope approved at the 76th Meeting as funds for the acquisition of Company shares to be issued, etc. to directors, etc.

(2) Trust period

The initial target period will be approximately five years from August 2025 (provisional) to August 2030 (provisional). However, upon the expiration of the trust period, the trust period may be extended as set out in (3) below.

(3) Trust amount and method of acquiring Company shares through this Trust

To acquire Company shares to be issued, etc. to directors, etc., the Company will contribute up to 450 million yen for each target period of five fiscal years and establish a trust (the “Trust”) for a period corresponding to the target period, with directors, etc. as beneficiaries. In accordance with the instructions of the trust administrator, the Trust will acquire shares of the Company from the stock market or from the Company (disposal of treasury stock), financed by the Trust funds. As the Company plans to acquire Company shares for the initial target period from the stock market, dilution is not expected to occur. The Company will grant points to directors, etc. during the target period (as described in (4) below), and Company shares, etc. corresponding to the number of points will be issued, etc. from the Trust to the directors, etc. in question upon their retirement.

Upon the expiration of the trust period, the Trust may be continued by changing the trust agreement and entrusting additional funds. In such cases, the trust period of the Trust will be extended only for the same period as this trust period. For each extended period, the Company will make additional contributions within the range of the maximum amount of trust funds contributed to the Trust as approved and resolved at the 76th Meeting, and continue to grant points to directors, etc. during the extended trust period. The Trust will continue to issue, etc. Company shares, etc. However, when making such additional contributions, if there are residual Company shares (excluding Company shares corresponding to points granted to directors, etc. that have not yet been issued, etc.) and money (“residual shares, etc.”) within the trust assets on the last day of the trust period before the start of the extension period, the total amount of residual shares, etc. and additional trust fund contributions from the Company must lie within the range as approved and resolved at the 76th Meeting. This trust period may be extended not only once, but also in the same manner subsequently.

In addition, if changes are not made to the trust agreement and additional funds are not entrusted upon the expiration of the trust period (upon the expiration of the extended trust period if the trust period is extended as described above), new points will not be granted to directors, etc. thereafter. However, the trust period of this Trust may be extended only for a limited period until the completion of the issuance, etc. of Company shares, etc. to directors, etc. who may meet the conditions for beneficiaries.

(4) Company shares, etc. subject to issuance, etc. to directors, etc.

The number of Company shares, etc. subject to issuance, etc. to directors, etc. is determined by the number of points granted according to their position, etc.

One point is equivalent to one share of the Company’s common stock, and in the event that a stock split or a reverse stock split occurs during the trust period on Company shares held in the Trust, the number of Company shares per point and the maximum number of Company shares, etc. to be issued, etc. from the Trust will be adjusted according to the stock split or reverse stock split ratio of the Company shares.

Up to 40,000 points can be granted in a fiscal year to directors, etc. during the trust period of this Trust, and the maximum number of Company shares, etc. that directors, etc. can receive (“maximum number of issued shares”) in a fiscal year from this Trust during the trust period of this Trust corresponds to the relevant maximum number of points.

Note that if this Trust is continued in accordance with (3) above, the same applies to the maximum number of issued shares per fiscal year in the extended trust period. This maximum number of issued shares is established with reference to the most recent stock prices, etc., taking into account the maximum amount of trust funds contributed by the Company in (3) above.

(5) Method and period for issuance, etc. of Company shares, etc. to directors, etc.

Directors, etc. of the Company who meet the conditions for beneficiaries will be issued a number of Company shares, etc. calculated based on (4) upon their retirement. At this time, by completing the prescribed procedures for determining beneficiary rights, the directors, etc. in question will be issued with a number of Company shares, etc. that corresponds to 50% of the number of points, and the number of Company shares, etc. corresponding to the residual points will be converted to cash within the Trust. Directors, etc. will then receive an amount of money equivalent to the converted value.

If a director, etc. becomes a domestic non-resident during the trust period, all Company shares corresponding to the number of accumulated points granted at that time will be converted to cash within the Trust, in principle. The directors, etc. in question will then be issued with an amount of money equivalent to the converted value.

In the event of the death of a director, etc. during the trust period, all Company shares corresponding to the number of accumulated points granted at that time will be converted to cash within the Trust, in principle. The heirs of the directors, etc. in question will receive an amount of money equivalent to the converted value.

(6) Voting rights on Company shares in the Trust

To ensure management neutrality with regard to the Company shares in the Trust, voting rights will not be exercised during the trust period.

(7) Treatment of dividends from Company shares held in the Trust

Dividends related to Company shares held in the Trust will be received by the Trust and allocated to the trust fees and expenditures in the Trust.

(8) Treatment of residual shares and dividends upon expiration of the trust period

If there are residual shares upon the expiration of the trust period, the Trust will continue to be used by making changes to the trust agreement or entrusting additional funds, or the residual shares in question will be transferred gratis from the Trust to the Company and cancelled by resolution of the Board of Directors.

Residual dividends related to Company shares held in the Trust that arise upon the expiration of the contract period will be utilized as stock acquisition funds in the case of continued use of the Trust. However, if the Trust is terminated, the portion in excess of the trust reserves will be donated to organizations that have no interest in the Company or its directors, etc.

Reference

[Contents of the trust agreement]

- (1) Type of trust: Monetary trust other than specified independently managed monetary trusts (third-party benefit trust)
- (2) Purpose of trust: To grant incentives to directors, etc.
- (3) Trustor: The Company
- (4) Trustee: Mitsubishi UFJ Trust and Banking Corporation (provisional) (Joint trustee: The Master Trust Bank of Japan, Ltd. (provisional))
- (5) Beneficiary: Retired directors, etc. who meet the conditions for beneficiaries
- (6) Trust administrator: A third-party with no interest in the Company (certified public accountant)
- (7) Trust agreement period: August 2025 (provisional)
- (8) Trust period: August 2025 (provisional) - August 2030 (provisional)
- (9) Start of Plan: August 2025 (provisional)
- (10) Exercise of voting rights: Not exercised
- (11) Type of shares to be acquired: The Company's common stock
- (12) Maximum amount of trust funds: 450 million yen (provisional) (including trust fees and expenditures)
- (13) Acquisition of shares: August 19, 2025 (provisional) – September 12, 2025 (provisional)
- (14) Method of share acquisition: Stock market or from the Company (disposal of treasury stock)
- (15) Holder of vested rights: The Company
- (16) Residual assets: Residual assets that the Company may receive as the holder of vested rights shall be within the range of the trust reserves.

Note: The abovementioned provisional periods are subject to changes to appropriate periods in accordance with the applicable laws and regulations.