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Overview of Stock-Based Incentive System, Human Capital Investment, and Business Performance

July 11, 2025

A packaging specialist trading company

Securities Code: 7504



**KOHSOKU
CORPORATION**

Stock-Based Incentive System Overview



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To encourage sustainable corporate value growth and further promote value-sharing with shareholders, KOHSOKU has established a role-specific stock-based incentive system. Moving forward, the Company will remain committed to ensuring collective, value-building efforts across all personnel levels, including directors, senior leadership, management, and frontline employees.

Eligible personnel	Plan	Period	Objectives
Directors	Restricted stock-based compensation	(Long-term) <ul style="list-style-type: none">• Corporate officers• Until resignation	<ul style="list-style-type: none">• Achieving strategic business targets• Enhancing medium- to long-term corporate value
Senior leadership and management	Restricted stock-based compensation	(Long-term) <ul style="list-style-type: none">• Employees• Until retirement	<ul style="list-style-type: none">• Achieving strategic business targets• Enhancing medium- to long-term corporate value
Employees	Restricted stock-based incentives for members of the Employee Stock Ownership Plan (ESOP)	(Medium-term) <ul style="list-style-type: none">• Five years	<ul style="list-style-type: none">• Encouraging employee engagement with corporate management• Talent investment and benefit enhancement



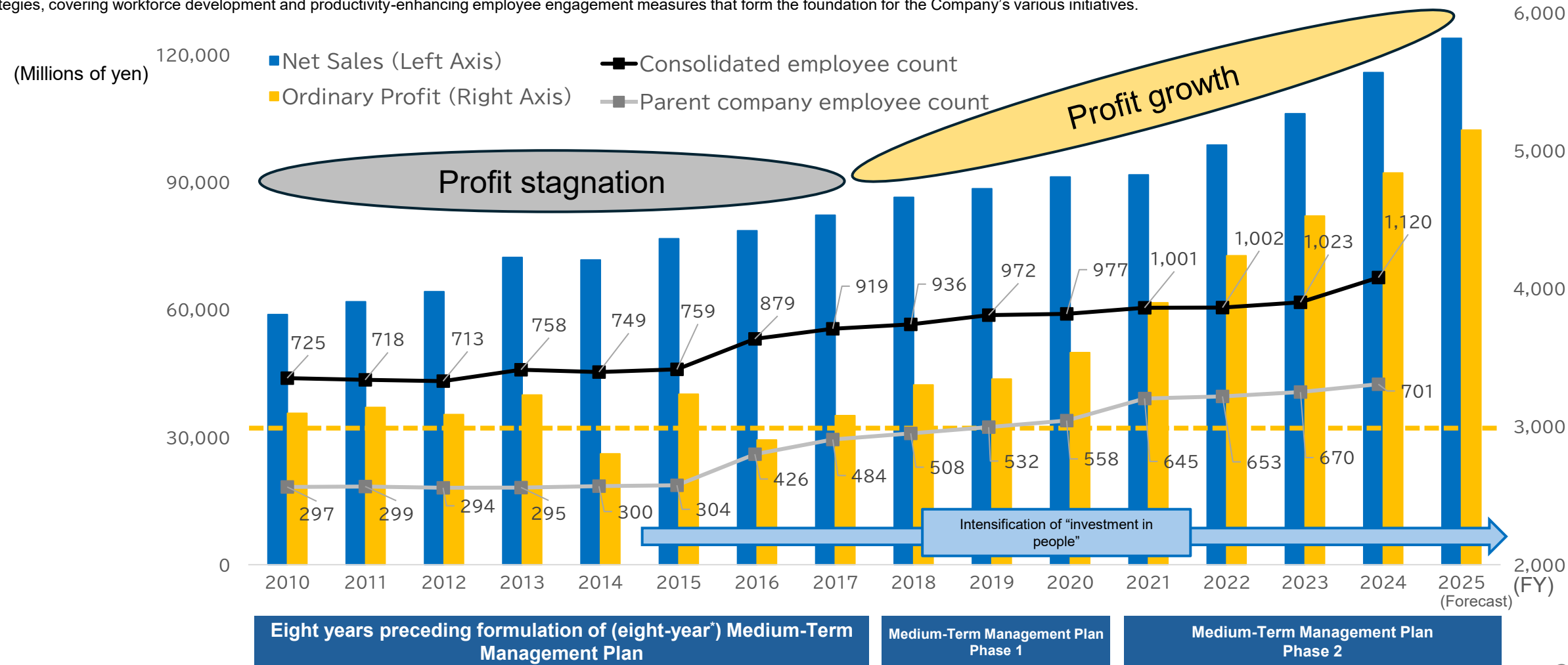
Ratio of ESOP members: 70%
(as of June 2025)

Financial Results and Employee Count



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Prior to the disclosure of its Medium-Term Management Plan in 2018, KOHSOKU's business expansion outpaced its ability to secure and develop talent, and as a result, the Company was unable to achieve profit growth in proportion to sales. Consequently, ordinary profit remained around JPY3.0 billion from 2010 through 2017. With policy shifts implemented in FY2015, KOHSOKU further intensified its "investment in people," thereby improving recruitment, training, and retention. These achievements facilitated the establishment of a structure that generates profit more consistently and contributed to actual profit growth since 2018. Moving forward, the Company will continue to invest in human capital and enhance its workforce. At the same time, it will work to improve productivity and control overall SG&A expenses. Through these efforts, KOHSOKU aims to establish a stronger internal system capable of facilitating profit accumulation commensurate with sales expansion. The following slide includes an overview of KOHSOKU's ongoing efforts targeting closer alignment between its management and HR strategies, covering workforce development and productivity-enhancing employee engagement measures that form the foundation for the Company's various initiatives.



Notes: Figures for FY2021 onward reflect the Company's adoption of the Accounting Standard for Revenue Recognition; figures for FY2025 are projections.
Employee counts are based on the definition used in the Company's Annual Securities Report.
In FY2014, net sales declined due to a FY2013 surge in demand caused by a then-upcoming April 2014 consumption tax hike—this year-on-year downturn was the only such decrease the Company has reported since its founding.



Since formulating its Medium-Term Management Plan in FY2018, KOHSOKU has been advancing initiatives with a particular focus on workforce enhancement and ensuring organization-wide strategic awareness. By investing in human capital and enhancing its workforce, the Company has improved productivity and operational efficiency, establishing a structure enabling profit accumulation commensurate with sales expansion. Moving forward, the Company will continue investing in its personnel including the continued granting of stock-based incentives while striving to further enhance productivity and employee engagement. Through these efforts, KOHSOKU will remain committed to executing its business strategy and driving long-term corporate value. Notably, the Company has observed growth in earnings per share (EPS)—an important source for shareholder returns—as it proceeds with its human capital investment. Please refer to the following slide for details.

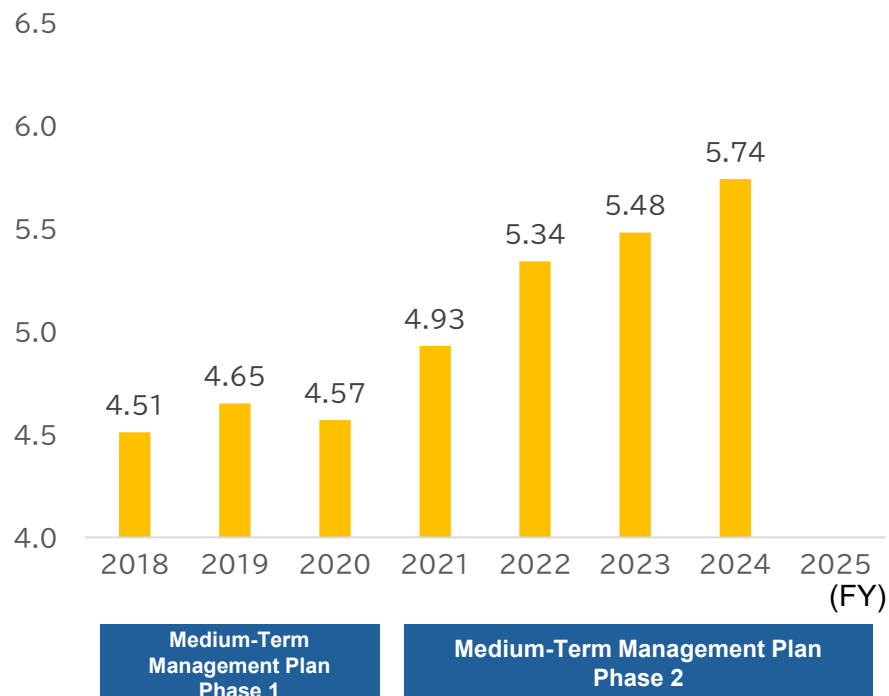
Optimizing benefits to enhance workforce

Employee engagement improvement measures

Reward system enhancement

(Millions of yen)

Average Annual Salary



KOHSOKU's top management participates in town hall-style meetings held at each branch office. Through these meetings, top leaders communicate directly with employees, sharing details regarding the Company's Medium-Term Management Plan and recent initiatives, thereby facilitating strategic awareness among both management and frontline employees.

Through the Company's annual training sessions, top management and members of the Board of Directors deliver direct explanations of various initiatives, thereby ensuring widespread understanding of corporate policy.

Additionally, the Company distributes video messages from its top leadership to employees at appropriate times, thereby reinforcing awareness regarding both business performance and strategic direction.

KOHSOKU grants stock-based compensation to directors, executive officers, and managerial staff through a system under which share transfer restrictions are lifted upon resignation or retirement, thereby incentivizing continuous efforts targeting share price growth.

The Company also provides stock-based compensation to employees through its Employee Stock Ownership Plan (ESOP).

In addition to standard bonuses, the Company grants performance-linked bonuses to all employees through a tiered system under which the degree of linkage with business performance increases with positional seniority.

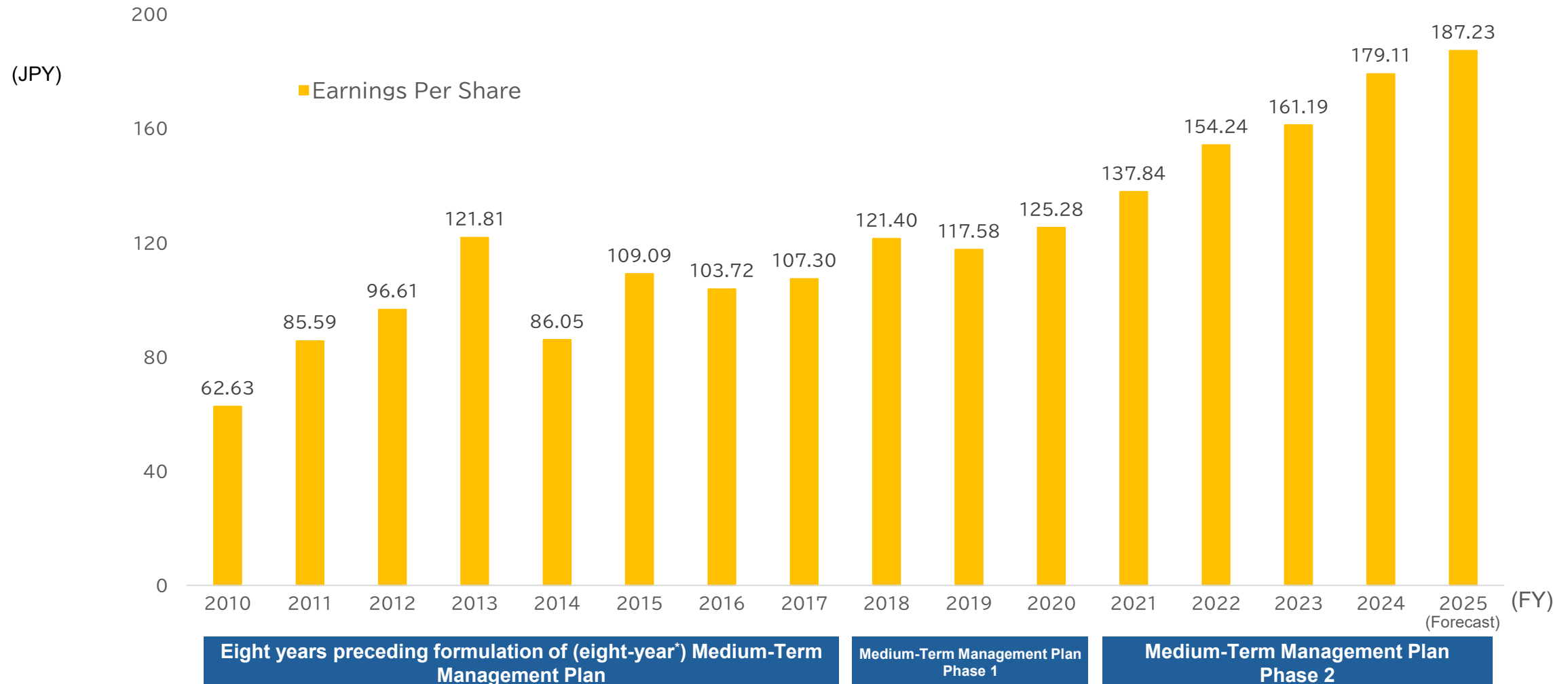
All these initiatives aim to facilitate awareness and deliver incentives geared toward improving both financial performance and share price.

Earnings per Share



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As indicated by the table below, KOHSOKU has been generating growth in earnings per share—an important source for shareholder returns—and aims to achieve further expansion moving forward.



Note: The FY2025 earnings per share figure is a projection.



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*Numerical figures in this document are rounded down to the nearest display unit, and percentages are rounded to the nearest unit.



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