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Notice Concerning Review of Officer Remuneration System and Introduction of Restricted Stock Remuneration System

HOKKAIDO GAS CO., LTD. (the “Company”) hereby announces that it reviewed the officer remuneration system and resolved at a meeting of the Board of Directors held on May 19, 2025 to introduce a restricted stock remuneration system (the “System”) and submit a proposal regarding the introduction of the System to 179th Annual General Meeting of Shareholders scheduled to be convened on June 20, 2025 (the “General Meeting of Shareholders”). Details are as follows.

1. Review of officer remuneration system

(1) Review of officer remuneration system

It is a fundamental policy of the Company to determine each Directors’ remuneration at appropriate levels by considering their duties and responsibilities with the aim of contributing to the Group’s sustained growth and the improvement of corporate value over the medium to long term. The Company decided to change the composition of the officers’ remuneration from basic remuneration and stock compensation-type share options to basic remuneration, performance-linked remuneration and restricted stock remuneration in order to ensure that the remuneration system provides higher incentives to contribute to the improvement of performance and corporate value over the short, medium, and long terms. The remuneration of Outside Directors who have supervisory functions will continue to comprise basic remuneration only in light of their job position.

(2) Outline of the new system

Directors’ remuneration of the Company will consist of basic remuneration and performance-linked remuneration as monetary remuneration, and restricted stock remuneration as non-

monetary remuneration. Among them, basic remuneration and restricted stock remuneration (basic amount) will be fixed remuneration. An outline and computation method of each type of remuneration are as described below.

(i) Basic remuneration

It will be monthly fixed remuneration and will be determined by comprehensively considering job position and responsibilities, levels of employee salary portion, etc.

(ii) Performance-linked remuneration

As an incentive for contributing to the improvement of performance by business year, a remuneration reflecting performance indicators is provided once a year, based on the remuneration by job position. The performance indicators on which the calculation is based are consolidated operating profit ratio, return on assets (ROA) and return on shareholders' equity (ROE), the amount of remuneration is determined based on common standards, not by job position.

The upper limit of the total amount of performance-linked remuneration will be 30,000,000 yen per year.

(iii) Restricted stock remuneration

At a certain time every year, restricted stock will be allotted according to the basic amounts determined by job position and share price of the Company's stock in order to as an incentive for contributing to the improvement of corporate value improvement over the medium- to long-term.

2. Introduction of restricted stock remuneration system

(1) Purpose of the introduction of the System, etc.

1) Purpose of introducing the System

The System will be introduced in order to allot restricted stock to Directors of the Company (excluding Outside Directors; hereinafter referred to as "Eligible Directors") for the purpose of providing greater incentives to contribute to the improvement of corporate value over the medium- to long-term.

2) Conditions for introduction of the System

Regarding amounts of Directors' remuneration, the upper limit of no more than 300 million yen per year was approved (provided, however, that this does not include salary for employee portion of employee-directors) at the 160th Annual General Meeting of Shareholders held on June 29, 2006, while it was approved that stock subscription rights will be granted to Directors under the stock-compensation type share option scheme within the amount for remuneration described above and within 2,000 subscription rights per year at the 168th Annual General Meeting of Shareholders convened on June 25, 2014. The introduction of

the System will be conditioned upon approval of the shareholders at the General Meeting of Shareholders regarding the determination of specific details about the allotment of restricted stock to Eligible Directors within the amount for remuneration described above. With the introduction of the subject system, the compensation-type stock options will be abolished, and no new issuance of stock subscription rights based on the said system will be implemented.

(2) Overview of the System

Under the System, the Company will provide a monetary remuneration claim for allotting restricted stock to Eligible Directors, and Eligible Directors will receive shares of the Company's common stock to be issued or disposed of by means of contribution in kind using the monetary remuneration claim. An outline of the System is as follows.

1) Allotment of and payment for restricted shares

Based on a resolution of the Board of Directors, the Company will provide a monetary remuneration claim to Eligible Directors as remuneration, etc. regarding restricted stock within the limit of remuneration, etc. described above. Eligible Directors will receive an allotment of restricted stock by means of a contribution in kind using the entire monetary remuneration claim. The amount of payment per share of restricted stock will be the closing price of the Company's stock on Tokyo Stock Exchange on the business day immediately preceding the day of the resolution of the Company's Board of Directors regarding the issuance or disposal of the said shares (If no trading is reported on the said day, the closing price on the immediately preceding trading day).

2) Total number of shares with transfer restrictions

The total number of shares of restricted stock to be allotted to Eligible Directors in each business year will be no more than 80,000 shares; Provided, however, in the event of a share split (including gratis allotment of shares of the Company's common stock) or share consolidation of the Company's common stock with the effective date later than the day when this Proposal is approved and passed, the said total number will be adjusted according to the split ratio, consolidation ratio, etc.

3) Outline of the restricted stock allotment agreement

Regarding the issuance or disposal of shares of the Company's common stock under the System, a restricted stock allotment agreement which includes the following conditions will be concluded between the Company and each Eligible Director (the "Allotment Agreement").

(i) Transfer restriction period

An Eligible Director may not transfer, create any security interest over, or

otherwise dispose of the shares from the day of payment for the shares (the “Payment Date”) until he/she resigns or retires from any position as Director, Corporate Auditor, Executive Officer or employee, etc. of the Company or a subsidiary of the Company (the “Transfer Restricted Period”).

(ii) Lifting of the transfer restrictions

In any of the following cases, transfer restriction on all the Shares will be cancelled; Provided, however, that in the case of B and C below, a transfer restriction on the number of the shares reasonably determined in light of the period until the subject case is approved or arises will be cancelled.

- A. Case where the transfer restriction period described in (i) above expires
- B. Case where it becomes final that the Eligible Director, during the period from the day after a general meeting of shareholders which is held immediately preceding the Payment Date until the next general meeting of shareholders, will resign or retire from any position as Director, Corporate Auditor, Executive Officer or employee, etc. of the Company or a subsidiary of the Company due to his/her death, expiration of his/her term or other justifiable reason
- C. Case where a general meeting of shareholders of the Company approves, during the Transfer Restriction Period, a merger agreement under which the Company will become a non-surviving company, a stock exchange agreement under which the Company will become a wholly owned subsidiary, a share transfer agreement, or another matter regarding organizational restructuring, etc. (provided, however, if such organizational restructuring, etc. does not require the approval of a general meeting of shareholders of the Company, approval of the Board of Directors) and where the Board of Directors of the Company resolves the cancellation of transfer restriction on the shares
- D. Case where a tender offer for the Company’s common stock is commenced, as prescribed in Article 27-2 of the Financial Instruments and Exchange Act, where the Company receives a proposal in writing from Eligible Directors requesting the lifting of the transfer restriction in order to subscribe to the tender offer, and where the Board of Directors separately determines the date when transfer restriction on the shares will be cancelled
- E. Case where the Board of Directors adopts a resolution otherwise

(iii) Reasons for acquisition without consideration

- A. In the cases stipulated in (2) B and C above, the Company will, by resolution of the

Board of Directors, acquire the shares for which the transfer restriction is not cancelled without consideration.

B. The Company may, in other cases by resolution of the Board of Directors, acquire the shares without consideration.

(Reference)

After the closing of the Annual General Meeting of Shareholders, the Company will also issue shares of restricted stock with the same conditions as described above to Executive Officers, etc. of the Company.