



May 22, 2025

Company KPP GROUP HOLDINGS CO., LTD.
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Notice Regarding the Continuation of the Performance-Linked Stock Compensation Plan

At the Board of Directors meeting held on May 21, 2025, the Company resolved to continue, with partial revisions, the performance-linked stock compensation plan (hereinafter the “Plan”), which has been in place since fiscal year 2018. Accordingly, the Company will submit a proposal regarding the Plan to the 151st Annual General Meeting of Shareholders scheduled to be held on June 27, 2025, as outlined below.

1. Continuation of the Plan

(1) We have formulated the Fourth Medium-Term Management Plan, covering fiscal years 2025 through 2027, as a key step toward realizing our long-term vision “GIFT2030” for the year 2030.

To enhance awareness and motivation among directors and certain executive officers (excluding outside directors, directors who are Audit and Supervisory Committee members, and non-residents of Japan; collectively, the “Eligible Directors”) to contribute to sustainable performance improvement and increased corporate value over the medium to long term, the Board of Directors, at its meeting held on the 21st, resolved to continue and partially revise the current compensation plan for the Eligible Directors.

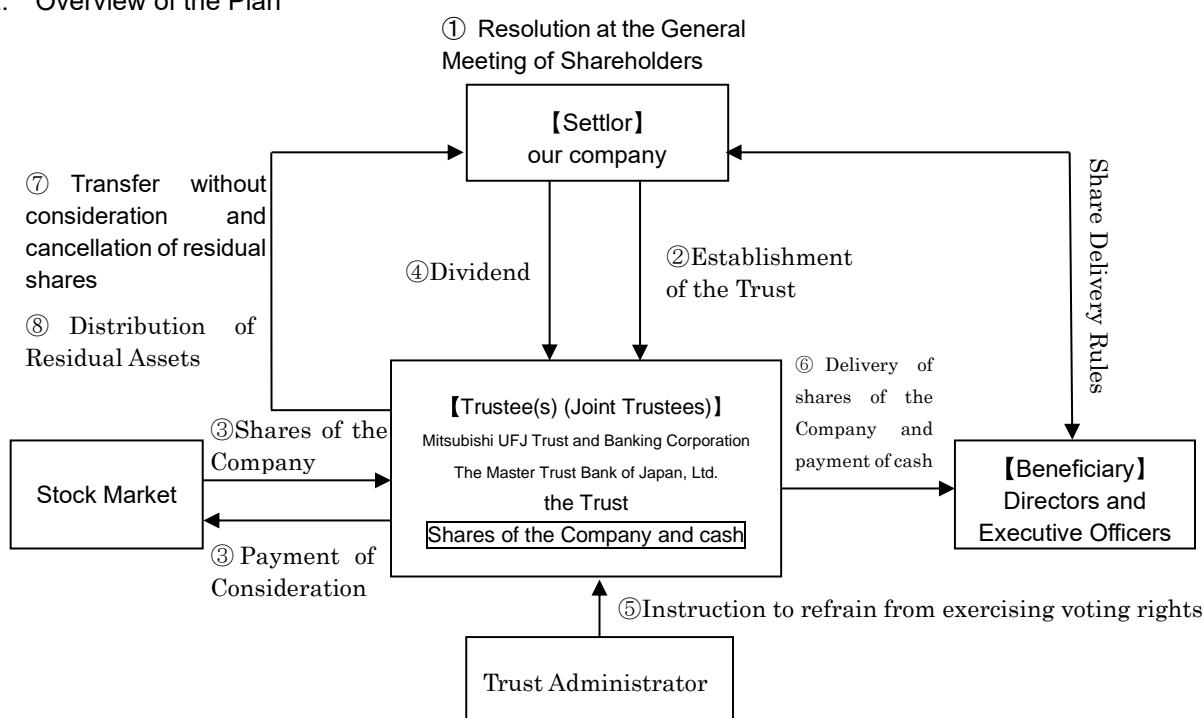
| Item Name | Before Revision | After Revision |
|------------------------|---|--|
| Performance Conditions | The number of base points fluctuates within a range of 0% to 200%, depending on the level of achievement in each fiscal year, such as consolidated ROIC, profit attributable to owners of the parent, and non-financial indicators (e.g., progress in the development and distribution of products that contribute to reducing environmental impact). | The number of base points fluctuates within a range of 0% to 200%, depending on the level of achievement of performance indicators such as consolidated ROIC, profit attributable to owners of the parent, relative TSR (*), and non-financial indicators (e.g., GHG emissions reduction and employee engagement). |

(*) Relative TSR is evaluated based on a comparison between the Company’s Total Shareholder Return (TSR) and the growth rate of the TOPIX (including dividends) over the applicable period (as defined in 2.(1) below). TSR represents the total investment return to shareholders, comprising both capital gains and dividends.

- (2) The continuation of this plan is subject to approval at the upcoming General Meeting of Shareholders.
- (3) This plan is a stock-based compensation plan that utilizes a Board Incentive Plan (BIP) Trust (hereinafter the “BIP Trust”). The BIP Trust is a scheme under which shares of the Company and cash equivalent to the value of such shares (collectively, the “Company Shares, etc.”) are delivered and paid (hereinafter referred to as “delivery, etc.”) to eligible directors and officers, based on their position and the degree of achievement of performance targets. This scheme is similar to performance share plans and restricted stock plans commonly used in the U.S. and Europe.

* To ensure transparency, objectivity, and independence in the process of determining compensation for directors and officers, the Company refers matters to the Compensation Committee, the majority of whose members are independent outside directors, for deliberation.

2. Overview of the Plan



- ① The Company will obtain shareholder approval for the continuation of this plan at the upcoming General Meeting of Shareholders.
- ② Within the scope of the resolution approved at the General Meeting of Shareholders, the Company will make additional monetary contributions to the trust and extend the trust period for the trust (hereinafter, the “Trust”) in which directors and officers who meet the beneficiary requirements are designated as beneficiaries.
- ③ In accordance with instructions from the trust administrator, the Trust will acquire shares of the Company from the stock market using the funds held in the trust (including the additional funds contributed under item (2)) as the source of funds. In such case, no dilution will occur. The number of shares to be acquired by the Trust will remain within the scope of the resolution approved at the General Meeting of Shareholders.
- ④ Dividends on shares of the Company held in the Trust will be paid in the same manner as for o

ther shares.

- ⑤ Voting rights associated with shares of the Company held in the Trust will not be exercised throughout the trust period.
- ⑥ During the trust period, a certain number of points will be granted each fiscal year to directors and other eligible officers based on the level of business performance and other factors. Directors and officers who satisfy predetermined beneficiary requirements will, upon retirement, receive shares of the Company equivalent to 70% of their accumulated points (rounded down for any fractional shares). For the remaining points, the equivalent number of shares will be converted into cash in accordance with the provisions of the trust agreement, and the beneficiaries will receive the proceeds.
- ⑦ Residual shares remaining at the end of the trust period may be used for delivery, etc. to directors and officers under this plan or another similar stock compensation plan, if the Trust is continued. If the Trust is terminated upon the expiration of the trust period, such residual shares will be transferred to the Company without consideration as a means of shareholder return, and the Company intends to cancel them by resolution of the Board of Directors.
Dividends on shares of the Company remaining in the Trust at the end of the trust period will, if the Trust is continued, be used as funds for acquiring additional shares. If the Trust is terminated, any remaining dividends exceeding the amount reserved for trust-related expenses will be donated to organizations with no interest in the Company or its directors and officers.

* If, during the trust period, it becomes likely that the number of shares held in the Trust will be insufficient to cover the number of shares corresponding to the cumulative points to be granted to each director or officer as specified in item (5) below, or that the cash held in the Trust assets will be insufficient to pay trust-related compensation and expenses, additional monetary contributions may be made to the Trust within the limit of the total trust amount specified in item (7) below.

(1) Overview of the Plan

This plan is, in principle, designed to cover a three-fiscal-year period corresponding to the duration of the Company's medium-term management plan (hereinafter referred to as the "Applicable Period"). Under the plan, shares of the Company and other compensation are granted to directors and other eligible officers after their retirement, based on performance during the Applicable Period. The Applicable Period for the continued implementation of this plan shall be the three fiscal years from the fiscal year ending March 31, 2026, to the fiscal year ending March 31, 2028.

(2) Resolution at the General Meeting of Shareholders Related to This Plan

A resolution to continue this plan will be obtained at the General Meeting of Shareholders.

If the Trust is to be continued in accordance with (4)(B) below, the Board of Directors may, within the scope of the approval granted by the General Meeting of Shareholders, resolve to amend the trust agreement and make additional contributions to the Trust upon the expiration of the current trust period.

(3) Eligible Participants (Beneficiary Requirements)

Directors and officers may receive delivery or payment of Company Shares, etc. from the Trust after retirement,

provided that they meet the beneficiary requirements and have completed the designated beneficiary confirmation procedures. The number of Company Shares, etc. to be delivered or paid corresponds to the cumulative number of points granted during their period of service up to retirement.

The beneficiary requirements are as follows:

- ① The individual must have served as a director or officer during the Applicable Period following the commencement of the plan (including those newly appointed as directors or officers after the commencement date).
- ② must be a resident of Japan.
- ③ The individual must have retired from the position of director and executive officer (*).
- ④ The individual must not have resigned voluntarily (except in cases of unavoidable circumstances such as illness or injury), nor have resigned or been dismissed due to serious misconduct, violations of duties, or significant breaches of internal rules during their tenure.
- ⑤ The cumulative number of points, as specified in item (5) below, must have been determined.
- ⑥ The individual must satisfy any other requirements deemed necessary to fulfill the purpose of this performance-linked compensation plan.

*However, if the trust period is extended in accordance with item (4)(C) below, and the individual remains in office as a director or officer at the expiration of the extended trust period, the Trust shall terminate at that time, and Company Shares, etc. shall be delivered or paid to such individual during their tenure.

(4) Trust Period

A) Trust Period

The trust period shall be approximately three years, from August 2025 (scheduled) to October 2028 (scheduled).

B) Continuation of the Trust

Upon expiration of the trust period, the Trust may be continued by amending the trust agreement and making additional contributions. In such case, the trust period may be extended by another three years. For each extended period, the Company may continue granting points to directors and officers, and make additional contributions within the limit of the trust amount approved by the General Meeting of Shareholders. However, if there remain Company Shares and cash in the Trust at the end of the original trust period—excluding shares corresponding to points already granted but not yet delivered (hereinafter, the "Residual Shares, etc.")—the total amount of such Residual Shares, etc. and the newly contributed funds shall be within the trust amount approved by the General Meeting of Shareholders. This extension of the trust period may occur more than once, and the Trust may be continued further under the same terms.

C) Treatment upon Termination of the Trust (Extension Without Additional Contributions)

Even if the Trust is to be terminated, if at the expiration of the trust period (including any extended periods pursuant to item B above) there are directors and officers who may satisfy the beneficiary requirements, the trust period may be extended for a limited time without immediately terminating the Trust. However, in such case, no new points shall be granted to directors and officers.

(5) Company Shares, etc. to be delivered or paid to directors and officers

In principle, eligible directors and other officers will be granted performance-linked points each June during

the trust period. These points are calculated by multiplying a predetermined base point amount—set according to the officer's position—by a performance coefficient that varies depending on the level of performance achieved in the fiscal year ended March 31 of that year.

The performance-linked points fluctuate within a range of 0% to 200% of the base points, depending on the level of achievement against performance targets disclosed in the Company's earnings release. The performance indicators used to assess achievement include consolidated ROIC, profit attributable to owners of the parent, relative TSR, and non-financial indicators such as GHG emissions reduction and employee engagement.

In cases where a director or other officer retires during a fiscal year within the trust period (provided that, for directors, the period is defined as from one Ordinary General Meeting of Shareholders to the next), the base points for that fiscal year will be granted on a prorated basis, corresponding to their tenure during the year (for directors, from the previous Ordinary General Meeting of Shareholders until the date of retirement), excluding those retiring at the conclusion of an Ordinary General Meeting of Shareholders.

For directors retiring at the conclusion of an Ordinary General Meeting of Shareholders, the number of points granted will be calculated by multiplying the base points for the one-year period from the previous Ordinary General Meeting to the current one by a performance coefficient based on the level of performance achieved in the fiscal year immediately preceding the date of the meeting.

(Basic Point Calculation Formula)

Basic Amount by Position ÷ Average closing price of the Company's shares on the Tokyo Stock Exchange in March 2025 (or the month prior to the start of the Applicable Period, if the Trust is continued pursuant to item (4)(B))

(Granted Point Calculation Formula)

Basic Points × Performance-linked Coefficient

Upon retirement of a director or officer, the cumulative total of Granted Points (hereinafter, the "Cumulative Points") will be calculated, and Company Shares, etc. corresponding to the number of Cumulative Points will be delivered or paid. One point shall be equivalent to one share of the Company. Any fractional points less than one shall be rounded down. However, if a stock split, reverse stock split, or similar corporate action occurs during the trust period, the number of points shall be adjusted in accordance with the ratio of such action.

(6) Method and Timing of Delivery or Payment of Company Shares, etc. to Directors and Officers

When a director or officer who meets the beneficiary requirements retires (excluding death), such individual shall, upon completion of the designated beneficiary confirmation procedures, receive delivery of Company Shares equivalent to 70% of the cumulative points (fractions below one share shall be rounded down).

The remaining shares corresponding to the balance of cumulative points shall be converted into cash within the Trust, and the monetary equivalent shall be paid to the individual.

If a director or officer who meets the beneficiary requirements dies during the trust period, the number of shares corresponding to the cumulative points calculated after death shall be converted into cash within the Trust, and the monetary equivalent shall be paid to the heir(s) of the deceased.

(7) Maximum Total Trust Amount and Maximum Total Points Granted under the Trust

The total amount of funds to be contributed to the Trust and the total number of points to be granted to directors and officers under the Trust during the trust period shall be subject to the following limits, based on the resolution approved by the General Meeting of Shareholders.

Maximum Total Trust Amount

JPY 475 million (for the three-year period)

*This includes funds for acquiring Company Shares, as well as trust fees and expenses.

Maximum Points Granted Per Fiscal Year

The total number of points to be granted to directors and officers during the trust period shall be capped at 700,000 points per fiscal year. Since any additional Company Shares are acquired from the stock market, no dilution will occur. This cap is set with reference to the current share price and in light of the maximum total trust amount above.

The maximum total trust amount is calculated based on the current compensation levels of directors and officers, including trust fees and expenses.

(8) Method of Acquiring Company Shares under the Trust

If additional Company Shares are to be acquired under the Trust, they shall be purchased from the stock market within the limits of the acquisition funds and the maximum number of shares as set forth in item (7) above.

(9) Exercise of Voting Rights for Company Shares Held in the Trust

To ensure neutrality in management, voting rights for Company Shares held in the Trust (i.e., prior to delivery or payment to directors and officers) shall not be exercised during the trust period.

(10) Treatment of Dividends on Company Shares Held in the Trust

Dividends on Company Shares held in the Trust shall be received by the Trust and used to cover trust fees and expenses.

(11) Treatment at Expiration of the Trust Period

If, at the end of the trust period, there remain Company Shares due to underachievement of performance targets, excluding those scheduled for delivery or payment to directors and officers who may qualify as beneficiaries but have not yet retired, the Trust may be continued as this plan or a similar incentive plan by amending the trust agreement and making additional contributions. If the Trust is to be terminated upon expiration of the trust period, any remaining Company Shares shall be transferred to the Company without consideration as a means of shareholder return, and the Company intends to cancel them by resolution of the Board of Directors. Any remaining dividends on Company Shares at the end of the trust period shall be used as funds for share acquisition if the Trust is continued. If the Trust is terminated, any portion of the remaining dividends exceeding the amount reserved for trust expenses shall be donated to organizations with no interest in the Company or its directors and officers.

(Reference)

【Details of the Trust Agreement】

- ① Type of Trust Monetary trust other than specified money trust for separate investment (third-party benefit trust)
- ② Purpose of the Trust Provision of incentives to directors and officers
- ③ Settlor The Company
- ④ Trustee Mitsubishi UFJ Trust and Banking Corporation (Joint Trustee: The Master Trust Bank of Japan, Ltd.)
- ⑤ Beneficiaries Retired directors and officers who meet the beneficiary requirements
- ⑥ Trust Administrator A third party with no interest in the Company (Certified Public Accountant)
- ⑦ Date of Trust Agreement
August 17, 2018
- ⑧ Trust Period From August 17, 2018 to the end of October 2025 (scheduled to be extended to the end of October 2028 by amendment dated August 14, 2025)
- ⑨ Plan Commencement Date
August 17, 2018
- ⑩ Exercise of Voting Rights
Not exercised
- ⑪ Type of Shares to be Acquired
Common shares of the Company
- ⑫ Maximum Trust Amount
JPY 475 million (including trust fees and expenses)
- ⑬ Period for Additional Share Acquisition
From August 19, 2025 (scheduled) to the end of October 2025 (scheduled), excluding the five business days prior to the end of any fiscal period (including interim and quarterly periods)
- ⑭ Method of Share Acquisition
Acquisition from the stock market
- ⑮ Residual Property Right Holder
The Company
- ⑯ Treatment of Residual Property
The residual property receivable by the Company shall be limited to the portion of trust funds remaining after deducting funds used for share acquisition, within the scope of the amount reserved for trust expenses.

* A similar performance-linked stock compensation plan has also been introduced for the directors and executive officers of KOKUSAI PULP&PAPER CO.,LTD., a subsidiary of the Company.

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