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June 24, 2026

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Notice Concerning Change of “Policies Regarding Determination of Contents of Remuneration, etc. for Each Director”

Hakudo Co., Ltd. (the “Company”) hereby announces that the proposal for the introduction of a restricted shares remuneration plan for all Directors, including Directors who are Audit and Supervisory Committee members and outside Directors, in addition to Directors who are not Audit and Supervisory Committee members, which was submitted to the 77th Annual General Meeting of Shareholders held today, was approved and adopted as originally proposed.

Furthermore, we accordingly resolved today, at a subsequent meeting of the Board of Directors, to change the “policies regarding determination of contents of remuneration, etc. for each Director” as described below, when revising the remuneration plan for Directors, based on the “Notice Concerning Revision of Remuneration Plan for Directors,” announced on May 13, 2026.

1. Purpose, etc. of the policy revision

The Company shall fully revise its remuneration plan for Directors, which includes the introduction of the restricted shares remuneration plan (the revised plan hereinafter referred to as the “New Plan”) with the aim of furthering value sharing with shareholders as announced in the “Notice Concerning Revision of Remuneration Plan for Directors” dated May 13, 2026.

We shall change the “policies regarding determination of contents of remuneration, etc. for each Director” as described below with the aims of enabling our shareholders and other stakeholders to gain a more extensive understanding in regard to the overview of the New Plan and of ensuring that the New Plan is administered appropriately.

For further details regarding an “Overview of the New Plan,” please refer to the “Notice Concerning Revision of Remuneration Plan for Directors” dated May 13, 2026.

2. Change of the policies regarding determination of contents of remuneration, etc. for each Director

We shall change the policies regarding determination of contents of remuneration, etc. for each Director accompanying the revision of the New Plan as described below.

(1) Policy regarding basic remuneration

Basic remuneration is calculated for position and period of part-time or full-time appointment.

Moreover, the basic remuneration of Directors who are not Audit and Supervisory Committee members is deliberated by the Nomination and Remuneration Advisory Committee before being determined by the Board of Directors, while the basic remuneration of Directors who are Audit and Supervisory Committee members is determined by the Audit and Supervisory Committee.

(2) Policy regarding performance-linked remuneration, etc.

Performance-linked remuneration, etc. is paid to Directors who are not Audit and Supervisory Committee members (excluding outside Directors; hereinafter referred to as the “Eligible Directors”) as short-term incentives (bonus), and comprises “achievement of plan targets” and “growth over past results.”

Moreover, after calculating the performance-linked remuneration, etc. using the method set forth below, the specific timing and allocation of payments to each Eligible Director shall be determined by the Board of Directors.

(i) Details of the selected performance indicators and reason for their selection

The financial indicator for “achievement of plan targets” is consolidated ordinary profit from the medium-term management plan and the annual business plan, and the non-financial indicators (ESG indicators) are CO₂ emissions reduction and human capital targets.

In addition, the performance indicator for “growth over past results” is consolidated profit before tax adjustments.

The Company has judged these to be appropriate performance indicators for strengthening the relationship between the interests of shareholders and Directors and for promoting Directors’ appropriate judgements at the Board of Directors meetings.

(ii) Methods of calculating performance-linked remuneration, etc.

Performance-linked remuneration, etc. is to be calculated by multiplying the “payment rate,” which is the sum of the “rate of achievement of plan targets” and the “rate of growth over past results” calculated using the method set forth below, by the standard amount for position of each Eligible Director determined separately.

(Rate of achievement of plan targets)

The rate of achievement is to be calculated with respect to consolidated ordinary profit for the applicable fiscal year as set forth in the medium-term management plan and the annual business plan.

In addition, the rate of achievement is to be calculated for CO₂ emissions reduction and human capital targets for the applicable fiscal year.

Each achievement rate is to be multiplied by a predetermined weighting, with such results added together to calculate the “rate of achievement of plan targets.”

(Rate of growth over past results)

Growth rates of consolidated profit before tax adjustments for the applicable fiscal year are to be calculated against each of the past three fiscal years.

Each growth rate is to be multiplied by a predetermined weighting, with such results added together to calculate the “rate of growth over past results.”

(3) Policy regarding non-monetary remuneration, etc.

Non-monetary remuneration, etc. constitutes a restricted shares remuneration plan (hereinafter referred to as the “RS Plan”) for all Directors, including Directors who are not Audit and Supervisory Committee members, Directors who are Audit and Supervisory Committee members and outside Directors (hereinafter referred to as “RS-Eligible Directors”). The RS-Eligible Directors are paid monetary claims for the allocation of the Company’s common shares as remuneration to serve as medium- to long-term incentives (share remuneration), pay in the entire amount of the paid monetary remuneration claims as properties contributed in kind, and receive the issuance or disposal of common shares of the Company. The monetary claims to be paid comprise “restricted shares remuneration” and “share price-linked bonus”*.

* However, among the RS-Eligible Directors, (i) outside Directors who are attorneys, certified public accountants, or other professionals who are unable to hold shares of the Company due to the internal rules of the organizations to which they belong, and (ii) Directors who have already retired as of the time of the meeting of the Board of Directors held immediately after the ordinary general meeting of shareholders at which the restricted share grants are resolved (having retired upon the conclusion of the preceding ordinary general meeting of shareholders), may be paid a cash remuneration amount equivalent to the monetary remuneration claim in lieu of paying in properties contributed in kind.

Moreover, after calculating the non-monetary remuneration, etc. using the method set forth below, the specific timing and allocation of payments to each RS-Eligible Director shall be determined by the Board of Directors for Directors (excluding Directors who are Audit and Supervisory Committee members) and by the Audit and Supervisory Committee for Directors who are Audit and Supervisory Committee members.

- Details and methods of calculating non-monetary remuneration, etc.

(Restricted shares remuneration)

An amount equivalent to 10% of the annual remuneration shall be paid as monetary claims provided for the grant of restricted shares (hereinafter referred to as “monetary remuneration claims”), without being linked to performance.

(Share price-linked bonus)

The Company’s share price index (the four-point average of the rate of increase in the closing price of the Company’s shares at the end of the account closing month for each quarter compared with the closing price at the end of the previous fiscal year) is compared with the TOPIX Index (calculated using the same formula as the Company’s share price index). If the Company’s share price index exceeds the TOPIX Index, the share price-linked bonus amount is calculated by multiplying the monthly basic remuneration amount by a payment multiple determined in accordance with the percentage by which the Company’s share price index exceeds the TOPIX Index.

The calculated payment amount is paid as a monetary remuneration claim. In addition to the monetary remuneration claims paid as the “restricted shares remuneration” described above, the entire amount of the monetary remuneration claims for the share price-linked bonus is paid in as properties contributed in kind, and the Company’s common shares are issued or disposed of accordingly.

- Amount or number of non-monetary remuneration, etc.

The total amount of monetary remuneration claims, and the total number of the Company’s common shares issued or disposed of as a result of such monetary remuneration claims being paid in as properties contributed in kind shall be determined within the following range as approved and adopted at the Company’s 77th Annual General Meeting of Shareholders held on June 24, 2026.

- (i) Directors who are not Audit and Supervisory Committee members

The total amount of monetary remuneration claims shall be not more than ¥55 million per year (including not more than ¥9 million per year for outside Directors), with the total number of the Company’s common shares issued or disposed of as a result of such monetary remuneration claims being paid in as properties contributed in kind being not more than 34,000 shares per year (including not more than 6,000 shares per year for outside Directors).

- (ii) Directors who are Audit and Supervisory Committee members

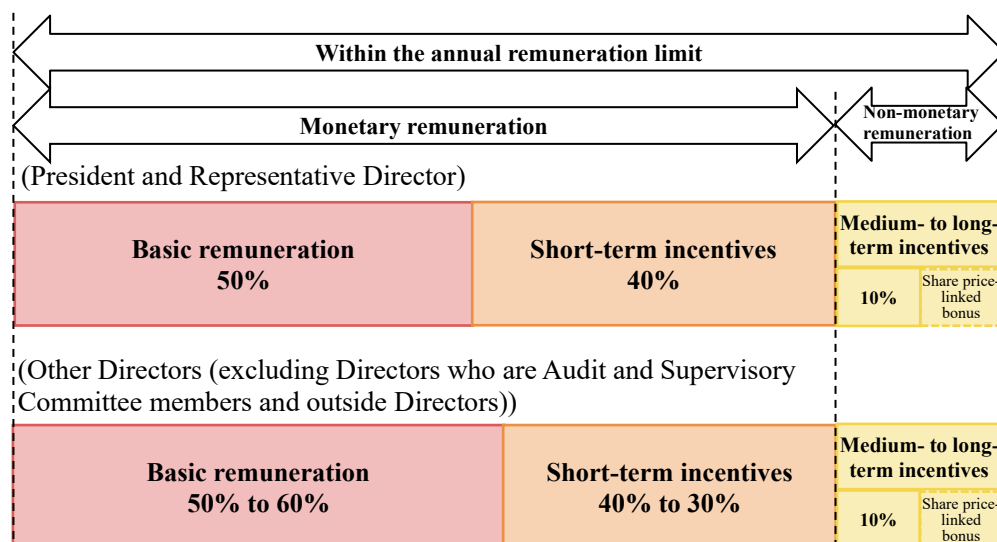
The total amount of monetary remuneration claims shall be not more than ¥22 million per year (including not more than ¥12 million per year for outside Directors), with the total number of the Company’s common shares issued or disposed of as a result of such monetary remuneration claims being paid in as properties contributed in kind being not more than 14,000 shares per year (including not more than 8,000 shares per year for outside Directors).

- Details of the transfer restrictions

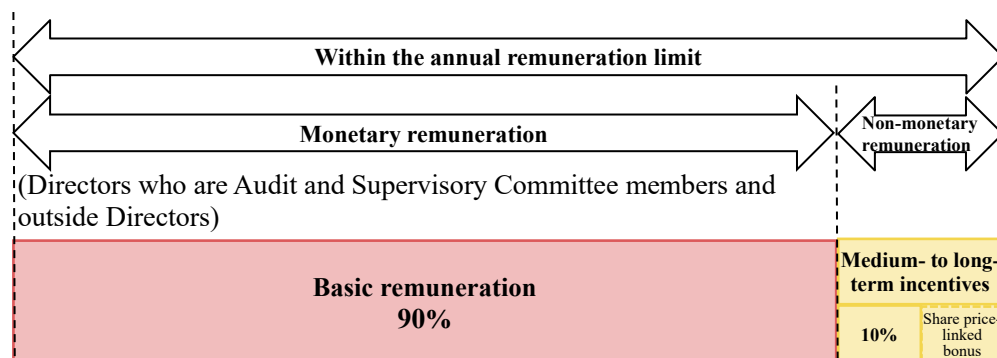
The transfer restriction period set forth in a restricted share allocation agreement to be concluded with RS-Eligible Directors shall extend until the point in time immediately after the RS-Eligible Director retires or resigns from any of the positions of Director, Statutory Executive Officer, Executive Officer not concurrently serving as Director, Corporate Auditor, Advisor, Executive Advisor, employee, or any other equivalent position of the Company or its subsidiaries. If an RS-Eligible Director retires or resigns from any of the positions of Director, Statutory Executive Officer, Executive Officer not concurrently serving as Director, Corporate Auditor, Advisor, Executive Advisor, employee, or any other equivalent position of the Company or its subsidiaries before the transfer restriction period expires, the Company shall automatically acquire the restricted shares without contribution unless the reason for his/her resignation or retirement from the position is the expiration of the term of his/her office, death, or other justifiable reason.

(4) Policy on determining ratios of each type of remuneration, etc.

Performance-linked remuneration, etc. serves as short-term incentives and varies based on the Company's performance indicators. Ratios of each type of Director remuneration, etc. shown in the figure below assume achievement of 100% of the targets for each performance evaluation indicator. In addition, whereas the ratio of medium- to long-term incentives in the figure below does not include share price-linked bonus, such bonus shall be added if payment conditions have been satisfied.



(Note) The system is designed so that the ratio of short-term incentives increases at higher positions.



(5) Policy on determining the timing or conditions for granting remuneration, etc.

Basic remuneration is paid at a set time every month. Performance-linked remuneration, etc. and non-monetary remuneration, etc. are paid at a set time every year, providing that the payment conditions are satisfied.

(6) Matters regarding the delegation of all or part of decisions to a third party, decision-making methods other than delegation to a third party, and other important matters

None.

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