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For immediate release

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Notice Regarding the Introduction of an Incentive Plan Utilizing Employee Shareholding Association

HOKUTO Corporation ("Hokuto" or the "Company") announced today that the Company has resolved to introduce an employee stock ownership plan trust ("ESOP Trust"), an incentive program utilizing its employee shareholding association, at today's Board of Directors' meeting, with the aim of enhancing medium- to long-term corporate value. Details are as follows.

1. Purpose of introducing the ESOP Trust

The ESOP Trust will be introduced to further enhance the benefits program for employees who contribute to the Company's growth, while also providing incentives tied to stock price appreciation. This aims to raise employees' awareness of the Company's performance and stock value, thereby promoting the enhancement of medium- to long-term corporate value.

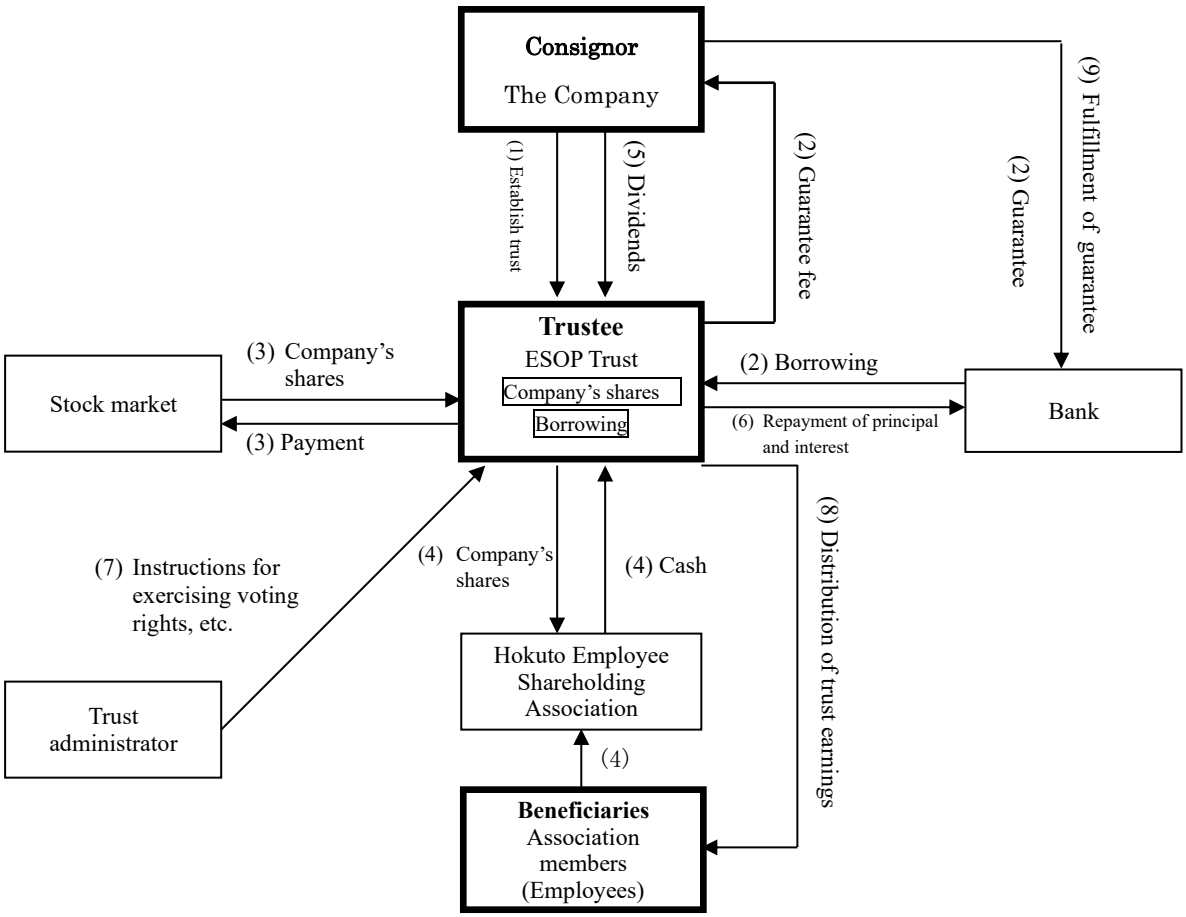
2. Outline of the ESOP Trust

The ESOP Trust is a trust-type incentive plan for employees, modeled after the U.S. ESOP system, that applies an employee shareholding association structure. Its objective is to enhance a savings system that facilitates employees' wealth accumulation through the Company's shares, thereby expanding the benefits program.

The Company will establish a trust with certain eligible employees who are members of the Hokuto Employee Shareholding Association (the "Association") as beneficiaries. This trust will acquire in a lump sum the number of the Company's shares that the Association is expected to purchase over the coming years.

Thereafter, the trust will sell the Company's shares to the Association on a specified day each month. Upon termination of the trust, if there are trust earnings due to an increase in stock price, the funds will be distributed to the beneficiary employees in proportion to their contribution ratios. If a transfer loss occurs due to a decline in stock price and there are outstanding debts related to the trust property, the Company will make a lump-sum repayment to the lending bank based on the guarantee clause of the monetary loan agreement, thereby ensuring that the employees will not be held liable for the obligations.

3. Structure of the ESOP Trust



(1) The Company will establish an ESOP Trust with employees who meet the requirements as beneficiaries.

(2) The ESOP Trust will borrow the necessary funds from a bank to acquire the Company's shares. The Company will guarantee the borrowings made by the ESOP Trust in connection with this loan.

(3) The ESOP Trust will use the borrowed funds mentioned in (2) to acquire the Company's shares in the number that the Association is expected to purchase from the stock market during the trust period.

(4) Throughout the trust period, the ESOP Trust will transfer a number of the Company's shares, which can be transferred based on the funds contributed to the Association by a certain date each month, to the Association at their market value.

(5) As a shareholder of the Company, the ESOP Trust will receive the distributed dividends.

(6) The ESOP Trust will utilize the proceeds from the sale of the Company's shares to the Association, and the dividends received from the held shares to repay the principal and interest on the bank loan.

(7) Throughout the trust period, the trust administrator will provide instructions regarding the exercise of shareholder rights, such as voting rights, and the ESOP Trust will exercise these rights in accordance with those instructions.

(8) Upon termination of the trust, if there are remaining Company shares in the trust due to an increase in stock price, the shares will be liquidated, and the trust profits will be distributed in cash to the beneficiaries based on their contribution ratios during the trust period.

(9) Upon termination of the trust, if there is any outstanding debt within the trust due to a decline in stock price, the Company will make a lump-sum repayment to the bank based on the guarantee outlined in (2).

Reference: Outline of the Trust Agreement

(1) Type of trust	Specified solely managed monetary trust (non-grantor trust)
(2) Purpose of the trust	To provide a stable and continuous supply of the Company's shares to the Association and to enhance the benefits program for employees who meet the beneficiary requirements.
(3) Consignor	The Company
(4) Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.)
(5) Beneficiaries	Members of the Association who meet the beneficiary requirements.
(6) Trust administrator	A third party with no vested interests in the Company
(7) Date of agreement	November 19, 2024
(8) Term of trust	November 19, 2024 to November 29, 2029 (planned)
(9) Exercise of voting rights	The trustee exercises voting rights for the Company's shares in accordance with the trust administrator's instructions, which reflect the status of the voting rights exercised by the Association.
(10) Class of shares to be acquired	Common shares of the Company
(11) Total amount of shares to be acquired	¥880 million
(12) Timing of acquisition of shares	November 25, 2024 to February 28, 2025 (planned) (excluding the period from the fifth business day before the last day of each accounting period, including quarterly periods, to the last day of such accounting period.)
(13) Method of acquisition of shares	From the stock market