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To Whom It May Concern,

Corporate Name: TechnoPro Holdings, Inc.
(Code:6028, TSE First Section)
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Announcement of the Adoption of Performance-Based Restricted Stock Compensation Plan (Performance Share Units)

On August 10, 2021, TechnoPro Holdings, Inc. (hereinafter the “Company”) resolved to implement a plan to issue restricted stock units under the performance-based stock compensation program, known as the Performance Share Unit (hereinafter the “PLAN”) as a new incentive structure based on the achievement of the performance criteria for the Company’s Directors. The bill regarding the PLAN (hereinafter the “Bill”) will be presented to the 16th General Meeting of Shareholders scheduled for September 29, 2021 (hereinafter the “General Meeting of Shareholders”). Details are provided below.

1. Purpose and Other Details regarding the PLAN

(1) Purpose of Implementing the PLAN

Today, the Company released its new medium-term management plan “Evolution 2026” aiming to realize the Purpose & Vision of the TechnoPro Group. The Company has decided to implement the PLAN to clarify the linkage of compensation for the Directors, limited to the Executive Directors (hereinafter the “Eligible Directors”), with their medium and long term achievement of performance and share value, through which the Company grants incentives to the Eligible Directors to promote the achievement of performance criteria set forth in the medium-term management plan and the sustainable enhancement of corporate value while further allying the shared value between the Eligible Directors and the Shareholders.

(2) Conditions for Implementation of the PLAN

The Company implements the PLAN upon obtaining approval at the General Meeting of Shareholders.

The amount of the annual compensation for the Directors was set at up to 400 million yen, excluding the wages paid to the relevant directors as employees of the Company, at the Extraordinary Meeting of Shareholders held on June 30, 2014. However, the Company considers the compensation granted by the PLAN separately from the above-mentioned compensation for the Directors and will ask for approval from its Shareholders. In addition, separately from the above-mentioned compensation for the Directors, the annual compensation from the restricted stock units (hereinafter the “Former Plan”) was set at up to 100 million yen at the 12th General Meeting of Shareholders held on September 28, 2017. However, if the Bill regarding the PLAN is resolved at the General Meeting of Shareholders, the Former Plan will be abolished, and the Company will discontinue the granting of shares based on the Former Plan as well as granting the monetary compensation claims therefor.

2. Overview

The PLAN, in principle, will be implemented during the same period of the medium-term management plan (initially set for five fiscal years between the fiscal year starting July 1, 2021 and the fiscal year starting July 1, 2025) (hereinafter the "Subject Period"), and the number of restricted stock units determined by the achievement of performance criteria during the Subject Period will be granted to the Eligible Directors. Specifically, in order to issue the number of common shares of the Company as determined above, the compensation for the Eligible Directors shall be granted after the end of the Subject Period, and all relevant monetary compensation claims shall be required in kind when the Company issues its common shares or treasury shares to grant them to the Eligible Directors, and the share transfer restriction shall be set until the expiration of the restriction under the agreement between the Eligible Directors and the Company. In principle, the date of expiration of the transfer restriction shall be the retirement date of each Eligible Director.

Grant of monetary compensation claims and common shares to the Eligible Directors based on the PLAN shall occur in the fiscal year immediately after the Subject Period, and the specific date shall be determined at the board of directors' meeting with the utmost deliberation on the report from the Nomination and Compensation Committee established as an advisory body for the board of directors. The total amount of monetary compensation claims shall not exceed the amount calculated by multiplying the number of years of the Subject Period by 160 million yen, and the total number of common shares shall not exceed the number calculated by multiplying the number of years of the Subject Period by 160,000 share. For the initial Subject Period (five years), therefore, the total amount of the monetary compensation claims shall be up to 800 million yen per Subject Period, and the total number of common shares shall be up to 800,000 shares per Subject Period. However, the upper limit of the total number of said common shares shall be adjusted according to the ratio of stock split (including the allotment of the Company's common shares without any contribution) or stock consolidation on and after the date of the resolution of the Bill.

(1) Number of Shares to be Granted

As described above, the number of shares granted to the Eligible Directors based on the PLAN may vary depending on the achievement of performance criteria during the Subject Period specified by the medium-term management plan, while the upper limit of the total number of shares shall be as described in the one above. During the initial Subject Period, the Company is planning to determine the total number of shares granted to each Eligible Director using the calculation method shown below. (However, the number of shares to be granted may be rationally adjusted depending on the period in office of each Eligible Director during the Subject Period.)

<Calculation Method for the Number of Shares to be Granted>

Number of Shares to be Granted = (I) Number of shares linked with the net profit + (II) Number of shares linked with the ROE, on a consolidated basis respectively

The ratio of the number of shares linked with the net profit and the number of shares linked with the ROE shall be 8:2 as described below.

(I) Number of Shares Linked with the Net Profit

Basic compensation^{*1} × 0.8 × Performance-based compensation rate (I)^{*2} ÷ Price of allotted shares^{*3}

*1: The amount of the basic compensation shall be determined at the board of directors' meeting.

*2: Performance-based compensation rate (I) may vary between 0 and 200% depending on the achievement of performance criteria for the net profit, which is the net profit after deducting minority interest belonging to the owner of the parent company, specified by the medium-term management plan.

*3: The price of share allotted to the Eligible Directors shall be determined at the board of directors' meeting to be fair and rational based on the closing share price of the Company at the TSE on the previous day

of each resolution for the issuance of new shares or the disposition of treasury shares (or the closing share price at the TSE on the nearest prior trading day if the Company's common shares were not traded on said previous day).

(II) Number of Shares Linked with the ROE

Basic compensation^{*1} × 0.2 × Performance-based compensation rate (II)^{*4} ÷ Price of allotted shares^{*3}

*4: Performance-based compensation rate (II) shall be set at 100% when the ROE criteria specified by the medium-term management plan has been achieved, and at 0% when they have not been achieved.

(2) The Amount of Monetary Compensation Claims

Total amount of the monetary compensation claims granted to the Eligible Directors shall be as described above. However, during the initial Subject Period (for five fiscal years between the fiscal year starting July 1, 2021 and the fiscal year starting July 1, 2025), the Company is planning to determine the amount of the monetary compensation claims granted to each Eligible Director by multiplying the number of shares to be granted described in (1) above with the price of allotted shares^{*3} described in (1) above.

(3) Transfer Restriction

When issuing of the Company's common shares or disposing of its treasury shares, the Company shall conclude a PLAN Allotment Agreement (hereinafter the "Allotment Agreement") to set share transfer restriction with the Eligible Directors. In addition, to ensure the effectiveness of such transfer restriction, the shares granted to the Eligible Directors in accordance with the PLAN shall be managed with the exclusive accounts opened by the Eligible Directors at a securities firm designated by the Company during the restriction period to prevent the share transfer, the set-up of the security rights, and all other actions during the period of transfer restriction.

- A) Until retirement, the Eligible Directors shall not transfer, set up security rights for, and take any other actions regarding the Company's common shares allotted in accordance with the Allotment Agreement.
- B) In the case of certain events such as the board of directors determines that there has been a material breach of the delegation agreement between the Company and the Eligible Directors during the term of office of the Eligible Directors, the Company may acquire the common shares in question without providing compensation
- C) Other matters including cancellation conditions regarding the transfer restriction set in advance by the Company's board of directors' meeting

However, in the case that any Eligible Director retires before the date of the first General Meeting of Shareholders held after the expiration of the Subject Period due to the expiration of his/her term of office or other justifiable grounds, the number of common shares without the transfer restriction determined as described in (1) above is granted.

(4) Other

In the case that any merger agreement in which the Company is the absorbed company, any share exchange agreement in which the Company is the wholly owned subsidiary, and any other similar matters regarding reorganization, etc. are approved at the Company's General Meeting of Shareholders during the Subject Period (or the Company's board of directors' meeting if the above-mentioned matters do not require approval from its Shareholders), the Company shall not grant the monetary compensation claims and common shares; provided, however, that the effective date for the relevant reorganization, etc. is scheduled before the date the stock is granted in accordance with the PLAN.

In addition, in the case that any Eligible Director retires or is involved in a certain illegal activity during the Subject Period, the PLAN allows the Company, as a so-called malus provisions, to choose not to grant the monetary compensation claims and common shares in response to a decision made at the board of directors' meeting with the utmost deliberation on a report from the Nomination and Compensation Committee.

(Reference)

In the case that the Bill is resolved in its original form at the General Meeting of Shareholders, the PLAN shall be adopted to directors, executive officers and other core personnel at the Company and its subsidiaries.

(Note on translation)

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