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October 28, 2021

To Whom It May Concern,

Company name: Valence Holdings Inc.  
Representative: Shinsuke Sakimoto,  
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### **Announcement Concerning Policy for Determining Remuneration, etc., of Directors**

At the Board of Directors meeting held on September 30, 2021, Valence Holdings Inc. (the “Company”) passed a resolution on the policy for determining the remuneration, etc., of Directors. At the Board of Directors meeting held today, the Company passed a resolution to submit to the 10th Ordinary General Meeting of Shareholders to be held on November 25, 2021, proposals for the “Revision of remuneration due to allocation of restricted stock to Directors (excluding Directors who are Audit and Supervisory Committee Members)” and “Final payment of retirement benefits upon abolition of the retirement benefit system for Directors and Audit and Supervisory Committee Members,” for which approval is required to implement said policy, and the Company hereby provides notification of said policy.

#### **1. Policy for Determining Individual Remuneration, etc., of Directors**

The Company consulted the Nomination and Compensation Committee on the draft of the policy for determining individual remuneration, etc., for Directors (excluding Directors who are Audit & Supervisory Committee Members), and after deliberation by the Nomination and Compensation Committee, the policy has been determined based on a resolution of the Board of Directors. With respect to said policy, at the Board of Directors meeting held on September 30, 2021, the Company passed a resolution to abolish stock options and retirement benefits for Directors and to design remuneration by combining basic remuneration and two types of restricted stock linked to short-term and medium- to long-term business performance. By strengthening the linkage between the remuneration, etc., of Directors and the Company’s business performance and stock price, and by sharing with shareholders not only the benefits of an increase in the stock price but also the risks associated with a deterioration in business performance or decline in the stock price, the Company has designed remuneration to motivate Directors to contribute to the improvement of the Company’s business performance and corporate value in the short-term and medium- to long-term.

The following is a summary of the policy for determining the individual remuneration, etc., of Directors.

(1) Basic remuneration

Basic remuneration is a fixed amount of money paid monthly to Directors as compensation for the performance of their duties. Its amount is determined in accordance with the Director's position and contribution.

(2) Short-term performance-linked remuneration (stock-based remuneration)

Short-term performance-linked remuneration is remuneration in the form of restricted stock that is paid annually as compensation for contributions to the improvement of short-term business performance and corporate value. The number of shares of restricted stock to be provided will be at the level of 25% to 40% of the basic remuneration, depending on the Director's position and contribution. After one year, which is the transfer restriction period, the restriction on the transfer of shares will be lifted in accordance with the degree of achievement of the consolidated operating income plan. If the achievement rate is between 70% and 100%, the transfer restriction will be lifted by applying the ratio of the achievement rate, and any shares for which restrictions are not lifted will be acquired free of charge. If the achievement rate is less than 70%, all shares will be acquired by the company free of charge.

(3) Long-term performance-linked remuneration (stock-based remuneration)

Long-term performance-linked remuneration is remuneration in the form of restricted stock that is paid annually as compensation for the improvement of long-term business performance and corporate value during the term of office of Directors. The number of shares of restricted stock to be provided is uniformly at the level of 25% of the basic remuneration, regardless of the role of the Director. The transfer restriction period is until the time of retirement. If a Director retires from the position of Director on or after the commencement date of the transfer restriction period and before the day before the first Ordinary General Meeting of Shareholders after the commencement date, shares to be provided will be acquired by the company free of charge.

(4) Retirement benefits for Directors

In conjunction with the introduction of the above remunerations, the Company will abolish the retirement benefits system for Directors and make a payment for termination to the Directors who were eligible under the system. The payment for the termination will be made at the conclusion of the General Meeting of Shareholders when the system is abolished based on an amount calculated pursuant to the previous calculation standards.

After the abolition of the system, this item will be deleted from the policy for determining the individual remuneration, etc., of Directors.

(5) Ratio of remuneration, etc., by type

Based on the belief that it is important to engage in management from a medium- to long-term perspective, the Company considers the ratio of basic remuneration and stock-based remuneration, while focusing on the level and stability of basic remuneration and giving consideration to the improvement of medium- to long-term business performance and the interests of shareholders. Based on the above, the Company has designed the ratio of stock-based remuneration to basic remuneration for Directors to be approximately 20% to 40%, depending on their responsibilities.

2. Method of Determining the Details of Remuneration, etc.

(1) Nomination and Compensation Committee

In order to strengthen the fairness, transparency, and objectivity of procedures related to Directors' remuneration, etc., and to enhance corporate governance, the Company has established the Nomination and Compensation Committee, which includes one Representative Director and a majority of whom are Independent Outside Directors.

(2) Method of determining remuneration

The policy for determining individual remuneration, etc., of Directors shall be decided by the Board of Directors after deliberation by the Nomination and Compensation Committee. Based on said policy, the amount of individual remuneration of Directors shall be determined by the Board of Directors after receiving a report from the Nomination and Compensation Committee, after deliberation by the Nomination and Compensation Committee based on the position and contribution of each Director. The amount of remuneration for Directors who are Audit & Supervisory Committee Members shall be determined through discussions among the Directors who are Audit & Supervisory Committee Members.

3. Others

The above policy will be implemented on the condition that the "Revision of remuneration due to allocation of restricted stock to Directors (excluding Directors who are Audit and Supervisory Committee Members)" and "Final payment of retirement benefits upon abolition of the retirement benefit system for Directors and Audit and Supervisory Committee Members" are approved at the 10th Ordinary General Meeting of Shareholders to be held on November 25, 2021.