

TRANSLATION FOR REFERENCE PURPOSE ONLY

This notice has been translated from the original Japanese text of the timely disclose statement and is for reference purpose only. In the event of any discrepancy between the original Japanese and this translation, the Japanese text shall prevail.

May 19, 2023

Company Name: **Asahi Holdings, Inc.**
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(Code: 5857, Tokyo Stock Exchange - Prime Market)
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Notice Concerning Continuation and Partial Revision of Performance-based Stock Compensation Plan

Asahi Holdings, Inc. (the “Company”) hereby announces that the Company has resolved today, in a written resolution in lieu of resolution of its Board of Directors based on the provisions of Article 370 of the Companies Act and the Company’s Articles of Incorporation, to submit a resolution (hereinafter, “the Resolution”) on the continuation and partial revision of the Performance-based stock compensation plan (hereinafter, “the Plan”), which was introduced in fiscal year ended March 31, 2016, to the 14th Annual General Meeting of Shareholders (hereinafter, “the Shareholders’ Meeting”) to be convened on June 20, 2023.

In addition, the Company’s major subsidiaries (referred to as the “Eligible Subsidiary Companies”; the Company and Eligible Subsidiary Companies are collectively referred to as “Eligible Company (ies)” hereafter) have also resolved to propose, at the same time, the said plan at the Annual Meeting of Shareholders of the Eligible Subsidiary Companies (the Annual Meeting of Shareholders of both the Company and its Eligible Subsidiary Companies will be collectively referred to as the “Shareholders’ Meeting” hereafter) scheduled for June 20, 2023.

The details are as follows:

1. Continuation of the Plan

- (1) The Company has introduced this Plan with the aim of increasing the motivation of directors of each Eligible Company (excluding Directors Serving as the Audit and Supervisory Committee and Outside Directors; they are referred to as “Eligible Directors” hereafter) to improve the Group’s business performance and enhance its corporate value. To further incentivize the directors and promote value-sharing with its shareholders, the Company has decided to propose to the Shareholders’ Meeting, the resolution which seeks to increase the proportion of stock-based compensation to total compensation.
- (2) The partial revision and continuation of the Plan must be approved by the Shareholders’ Meeting of each Eligible Company.
- (3) This Plan, which employs a structure called the Board Incentive Plan Trust (referred to as the “Trust”), was originally intended to continue until 2024. However, after the partial revision, the Trust period will now be extended until 2027, beginning one year earlier.

2. Amount and details of remuneration, etc. under the Plan

(1) Outline of the Plan

This Plan establishes a trust funded by contributions from the Eligible Companies. The Company will distribute shares to Eligible Directors of each Eligible Company based on the number of points granted, which are determined by their position, business performance, personal evaluation, and other relevant factors, using the Company’s shares acquired by the Trust.

The current Plan grants points at specified intervals each year during the period in question, which spans three fiscal years from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024 (referred to as “applicable period”) based on the level of business performance achieved. The points are accumulated (referred to as “accumulated points”) and shares are distributed based on the accumulated points after the applicable period ends (referred to as “PLAN I”). However, this system will be terminated at the end of the fiscal year ending March 31, 2024. A new Plan (referred to as “PLAN II”) will replace PLAN I starting in FY2023. Under PLAN II, points are awarded each year based on the level of business performance achieved. The number of points may increase or decrease based on the Company’s TSR attainment level in the two subsequent years, and shares will be distributed based on the final number of points after any adjustments.

(2) Beneficiaries of the Plan (beneficiary requirements)

The beneficiaries of this Plan are Eligible Directors who meet the beneficiary requirements outlined below and have completed the necessary determination procedures. These beneficiaries are entitled to receive the Company's shares from the Trust.

(PLAN I)

- (i) The person must be serving as a director as of May 2024 (the third year after 2021).
- (ii) The director must not have engaged in specified acts of misconduct during their term of office.
- (iii) The points for share distribution, as specified in (3) below, must have been determined.
- (iv) Other requirements necessary to fulfill the objectives of the stock compensation plan must be met.

(PLAN II)

- (i) The person must be serving as a director in May of the third year after the relevant financial year.
- (ii) The director must not have engaged in specified acts of misconduct during their term of office.
- (iii) The points for share distribution, as specified in (3) below, must have been determined.
- (iv) Other requirements necessary to fulfill the objectives of the stock compensation plan must be met.

(3) Calculation method and timing of delivery of the Company's shares distributed to Eligible Directors

The number of shares to be distributed to Eligible Directors will be determined based on the number of points outlined below: Each point is equivalent to one share of the Company's stock. If a stock split, reverse stock split, or other events occur during the trust period that are deemed fair to adjust the number of points, the number of points will be adjusted in accordance with the corresponding split ratio, reverse stock split ratio, etc.

(PLAN I)

In principle, Eligible Directors receive points in May of each year during the trust period based on their position as of the end of the fiscal year that ended on March 31 of the same year, their achievement of business performance targets and their personal evaluation in the fiscal year. These points are accumulated throughout the trust period, and at the end of the applicable period, Company shares will be distributed to Eligible Directors based on the total accumulated points.

(PLAN II)

In principle, Eligible Directors receive points in May of each year during the Trust period, based on their position as of the end of the fiscal year that ended on March 31 of the same year, their achievement of business performance targets for that fiscal year, and other relevant factors. The points are then adjusted upward or downward based on the level of TSR attainment for over the following two years. After three years, Company shares will be distributed to Eligible Directors based on the revised number of points they have earned.

(4) Trust period

(a) Trust period after revision

The current Plan covers a three-year period, the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024, with a termination date of August 31, 2024. However, in light of recent Plan revisions, it has been extended until August 31, 2027, effectively adding three years to the remaining one-year period.

(b) Continuation of the Trust

Upon the expiration of the Trust period, the Trust may be extended by amending the trust agreement and establishing an additional Trust. In such cases, the Trust period will be extended for a period of three years as a general rule, and the Eligible Company is required to make additional contributions for each extended period within the upper limit of Trust money approved by the Shareholders' Meeting of each Eligible Company. The awarding of points and distribution of the Company's shares to Eligible Directors will continue for the new applicable period. If, however, an additional contribution is made, and there are still Company shares (excluding Company shares equivalent to the points distributed to Eligible Directors that have not yet been distributed) and money remaining in the Trust (hereafter, "remaining shares, etc.") at the end of the Trust period prior to the extension, the total amount of the remaining shares and additional Trust money must not exceed the maximum amount of Trust money approved by the Shareholders' Meeting. This extension of the Trust period is not limited to once and may be continued in the same manner thereafter.

- (5) Upper limit of the amount of Trust money to be contributed to the Trust and maximum number of the Company's shares to be distributed from the Trust
- (a) Upper limit of the amount of Trust money to be contributed to the Trust
300 million yen (of which 150 million yen is dedicated to the Company's directors) multiplied by the number of fiscal years of the applicable period (*1)(*2)
(*1) The upper limit is a total of 1,200 million yen (of which 600 million yen is dedicated to the Company's directors) in four fiscal years for the applicable period after revision.
(*2) The upper limit of Trust money will be determined by adding Trust fees and expenses to the stock acquisition fund, while also taking into account the current compensation level of Eligible Directors.
- (b) Maximum number of Company shares to be distributed to Eligible Directors from the Trust
The maximum number of shares that can be distributed is equal to the number of points obtained by multiplying 140 thousand points (of which 70 thousand points is dedicated to the Company's directors) by the number of fiscal years in the applicable period. (*3)(*4)
(*3) After revision, the upper limit for the number of shares that may be issued during the applicable period is 560 thousand shares (of which 280 thousand shares is dedicated to the Company's directors) in total for the four fiscal years.
(*4) The maximum number of Company's shares that can be distributed to Eligible Directors through the Trust is determined based on several factors, including the upper limit of Trust funds described above and the current stock price.
- (6) Method of acquisition of the Company's shares by the Trust
The Company intends for the Trust to acquire the Company's shares from the stock market or from the Company (through the disposal of its own shares) within the boundaries of the funds contributed to the Trust and subject to the maximum number of shares that can be acquired.
If the number of the Company's shares held in the Trust falls short of the number corresponding to the total accumulated points of Eligible Directors during the Trust period, the Company may make additional monetary contributions to the Trust and purchase additional shares in the Company. This will be done within the upper limit of the funds that can be contributed to the Trust and the maximum number of shares that can be acquired.
- (7) Other details of the Plan
Additional details regarding the Plan will be determined by the Board of Directors when each of the establishment of the Trust, the amendment of the Trust Agreement, and any additional contributions made to the Trust occurs.

[Reference]

●Content of Trust Agreement

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| (1) Type of trust | Money trust other than individually operated designated money trust (Third-party beneficiary trust) |
| (2) Purpose of trust | To grant incentives to Directors |
| (3) Settlor | The Company |
| (4) Trustee | Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.) |
| (5) Beneficiaries | Directors who meet the criteria as beneficiaries |
| (6) Trust administrator | A third party with no vested interest in the Company (certified public accountant) |
| (7) Trust agreement date | February 2, 2016 (to be changed in August 2023) |
| (8) Trust period | February 2, 2016 - August 31, 2024
(To be extended to August 31, 2027 following an amendment to the trust agreement in August 2023) |
| (9) Plan launch date | February 2, 2016 |
| (10) Exercise of voting rights | The Company shall not exercise the rights. |
| (11) Type of shares to be acquired | Common shares of the Company |
| (12) Maximum value of shares to be acquired | JPY 1,200 million (including trust fees and trust expenses) |
| (13) Method of share acquisition | To be acquired from the stock market or treasury stock of the Company |
| (14) Rights holder | The Company |
| (15) Residual assets | Any residual rights entitled to the Company, the rights holder, shall be limited to the provision for trust expenses remaining after deducting for stock purchases from the trust fund. |