

May 12, 2025

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## **Notice Concerning Revisions to the Executive Compensation Program**

Hokuhoku Financial Group, Inc. (the Company) hereby announces that at the Board of Directors meeting held today, it has reviewed its executive compensation program and resolved to revise the compensation, etc., of directors of the Company (excluding directors who are Audit and Supervisory Committee members and outside directors, hereinafter referred to as the “Eligible Directors”) by introducing new performance-linked bonuses and performance-linked stock compensation in addition to its basic compensation (hereinafter referred to as the “Revisions”), and has decided to submit a proposal related to the performance-linked stock compensation (hereinafter referred to as the “Proposal”) to the 22nd Ordinary General Meeting of Shareholders to be held on June 20, 2025 (hereinafter referred to as the “Shareholders Meeting”).

### **1. Summary of the Revisions**

The remuneration, etc., of the Company’s Eligible Directors currently consists of the basic compensation and the stock-based compensation in the form of stock options.

With a view to more clearly linking the compensation of the Eligible Directors with the Company’s performance, in order to become a compensation structure that is more performance-linked, we have decided to introduce a program for performance-linked bonuses in the form of monetary compensation and performance-linked stock compensation (the “Stock Compensation Program”). The Stock Compensation Program intends, in addition to the above objective of making the remuneration plan highly linked to performance, to be introduced to further promote shared value between the Eligible Directors and shareholders through offering to the Eligible Directors incentives to strive to sustainably enhance the Company’s corporate value.

The amount of remuneration, etc. for the directors of the Company (excluding directors who are Audit and Supervisory Committee members) was approved at the 14th Ordinary General Meeting of Shareholders held on June 27, 2017, to be up to 250 million yen per year (not including employee salaries), and the performance-linked bonuses shall be paid to the Eligible Directors within the scope of this remuneration framework.

In addition, separate from the said remuneration framework, the amount of remuneration for stock options granted to the Eligible Directors was approved to be 45 million yen per year (excluding employee remuneration). And if the Proposal is approved at the Shareholders Meeting, the compensation framework for the granting of stock options will be abolished and, instead, the Shareholders Meeting will seek approval to establish a compensation framework for the Stock Compensation Program.

If the Proposal is approved at the Shareholders Meeting, the remuneration of the Eligible Directors will consist of the basic compensation, performance-linked bonuses, and performance-linked stock compensation.

## 2. Overview of Performance-Linked Bonuses

Performance-linked bonuses are paid in cash at a fixed time each year in an amount equal to a base amount multiplied by a percentage according to the degree of achievement of performance targets. The performance indicators used to calculate the achievement of performance targets are indicators showing the profit status and other indicators based on the Group's management policies, which will be set by the Board of Directors after deliberation by the Nomination and Compensation Committee, the majority of whose members are outside directors.

## 3. Overview of Stock Compensation Program

The Stock Compensation Program is a performance-linked stock compensation using Performance Share Units, in which the Company's common shares (hereinafter referred to as the "Company Shares") of the number calculated according to the achievement level of the performance targets are delivered, based on the basic number of shares, performance evaluation period (hereinafter referred to as the "Evaluation Period"), and performance targets during the Evaluation Period, all of which are determined by the Board of Directors of the Company, and is subject to certain transfer restrictions on the Company Shares to be delivered (however, there are no transfer restrictions if, at the time of the delivery of the shares, the person has resigned or retired from their position as director or from other position determined by the Board of Directors of the Company.). For performance indicators, etc., indicators showing the profit status and other indicators based on the Company's management policies are set by the Board of Directors after deliberation by the Nomination and Compensation Committee, the majority of whose members are outside directors.

The total number of the Company Shares to be issued or disposed of to the Eligible Directors pursuant to the Stock Compensation Program shall be up to 45,000 shares per year (however, in the event that a stock split (including a gratis allotment of Company common shares) or consolidation of the Company's common shares is conducted after the date on which the Proposal is approved, the upper limit will be adjusted according to the split ratio or consolidation ratio). The total amount of remuneration pursuant to the Stock Compensation Program shall be up to 45 million, the same amount as the compensation for granting conventional stock options, yen per year, separate from the compensation framework in 1 above.

### (1) Method of Share Delivery

The delivery of the Company Shares under the Stock Compensation Program shall be made in one of the following ways, based on a resolution of the Board of Directors:

- [1] A method of issuing or disposing of the Company Shares without requiring the payment of money or the provision of in-kind contributions as remuneration, etc., to the Eligible Directors
- [2] A method in which the Company provides the Eligible Directors with monetary compensation claims as remuneration, etc., and has them contribute all of the monetary compensation claims as in-kind assets in return for the issuance or disposal of the Company Shares

### (2) Terms of Share Delivery

Under the Stock Compensation Program, the Company Shares shall be delivered to the Eligible Directors once the achievement level of performance targets during the Evaluation Period has

been determined and the following requirements have been met:

- [1] There was no violation of certain rules as determined by the Company's Board of Directors
- [2] Satisfy other requirements determined by the Company's Board of Directors as necessary to achieve the purpose of the performance-linked stock compensation program

Prior to the delivery of the Company Shares, (i) if an Eligible Director resigns or retires from their position as director of the Company or from any other position determined by the Company's Board of Directors due to death or any other reason deemed legitimate by the Company's Board of Directors, (ii) if a merger agreement in which the Company will be the disappearing company, a share exchange agreement or share transfer plan in which the Company will be a wholly owned subsidiary, or other matters related to the organizational restructuring, etc., are approved at the Company's General Meeting of Shareholders (or, in cases where approval of the Company's General Meeting of Shareholders is not required for the organizational restructuring, etc., then approval by the Company's Board of Directors), or (iii) if the Company's Board of Directors deems there to be a legitimate reason, the Company may pay, in lieu of the Company Shares, money in an amount reasonably determined by the Company's Board of Directors, as necessary, at a time reasonably determined by the Company's Board of Directors.

(3) Overview of Transfer Restrictions, etc.

Upon delivery of the Company Shares, a restricted stock allocation agreement containing the following content shall be concluded between the Company and each Eligible Director (however, the conclusion of the restricted stock allocation agreement may be omitted by concluding an agreement containing the following content with each Eligible Director in advance at the time the Stock Compensation Program begins to apply).

- A) The Eligible Directors are prohibited from transferring, creating security interests in, or otherwise disposing of (hereinafter referred to as the "Transfer Restrictions") the Company's common stock allocated to them under this allocation agreement (hereinafter referred to as the "Allocated Shares") from the date of delivery of the Allocated Shares until the date on which the relevant Eligible Director resigns or retires from their position as a director of the Company or from any other position determined by the Company's Board of Directors (hereinafter referred to as the "Transfer Restriction Period").
- B) The Company shall lift the Transfer Restrictions on all of the Allocated Shares upon expiration of the Transfer Restriction Period.
- C) The Company shall naturally acquire the Allocated Shares without consideration, if, during the Transfer Restriction Period, the Eligible Director violates laws and regulations, internal rules, or the allocation agreement, or falls under any other event determined by the Board of Directors of the Company as an appropriate event for the Company to acquire the Allocated Shares without consideration.
- D) Notwithstanding the provisions of (a) above, if, during the Transfer Restriction Period, a merger agreement in which the Company will be the disappearing company, a share exchange agreement or share transfer plan in which the Company will become a wholly owned subsidiary, or other matters related to the organizational restructuring, etc., are approved at the Company's General Meeting of Shareholders (or, in cases where approval at the Company's General Meeting of Shareholders is not required for the organizational restructuring, etc., then approval by the Company's Board of Directors), the Company shall lift the Transfer Restrictions on all of the Allocated Shares prior to the effective date of the organizational restructuring, etc.

(Reference)

Subject to the approval of the Proposal, the Company plans to introduce a program similar to the performance-linked bonuses and the Stock Compensation Program for directors and executive officers of the Company's subsidiaries.

End

Notes:

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.