

<< Translation for Reference >>

May 7, 2021

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President & COO: Masaji Santo

Stock Code: 6366

Stock Listing: Second Section of the Tokyo Stock Exchange

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Notice Concerning the Introduction of Performance-Based Stock Compensation Plan

The Chiyoda Corporation (hereinafter referred to as “Chiyoda,” “we,” or “us”) Board of Directors has reviewed the compensation plan for our directors and officers, and on May 7, 2021 approved a “Performance-Based Stock Compensation Plan” (hereinafter referred to as the “Plan”) for our directors and executive officers (excluding non-executive directors and non-residents of Japan; hereinafter collectively referred to as the “Directors & Officers”).

In conjunction with the introduction of the Plan, we reviewed the compensation plan for the Directors & Officers, as described below.

We intend to submit the proposal for the Plan at our 93rd Ordinary General Meeting of Shareholders scheduled to be held on June 23, 2021 (hereinafter referred to as the “Shareholders Meeting”).

1. New Compensation Plan

Currently our compensation plan comprises “base compensation” (linked to job duties), “performance-based compensation” (linked to each fiscal year’s business results), and “compensation for acquiring treasury shares” (linked to the long-term improvement of our business performance). In conjunction with the review of the proposed compensation plan, we decided to abolish the “compensation for acquiring treasury shares” upon introduction of the Plan and to change the concept behind “base compensation” so that it reflects not only an individual’s job responsibilities but also the individual performance of Directors & Officers.

If the Plan is approved by the resolution of the Shareholders Meeting, the compensation for the Directors & Officers will comprise “base compensation,” “performance-based compensation,” and “performance-based stock compensation.”

(Reference) New Compensation Plan

* Changes from current compensation plan underlined.

Category (Title)	Viewpoint	Amount
Base compensation	Linked to job duties <u>and linked to individual performance evaluation each year</u>	<u>Up to 290 million yen per year (with sub-limit of 30 million yen per year for outside director)</u>
Performance-based compensation	Tied to the year's business results, <u>taking into consideration certain quantitative factors such as the level of the current net profit and dividends attributable to the parent's shareholders</u>	
<u>Performance-based stock compensation</u>	<u>Linked to medium-to-long term business performance improvement</u>	<ul style="list-style-type: none">• <u>The maximum cash we contribute is 70 million yen per year.</u>• <u>The maximum number of shares to be delivered to directors and the shares the proceeds of which will be paid to directors will be 240,000 per year.</u> <p>* <u>The initial eligible period is three fiscal years from the year that ends on March 31, 2022 to the year that ends on March 31, 2024.</u></p>

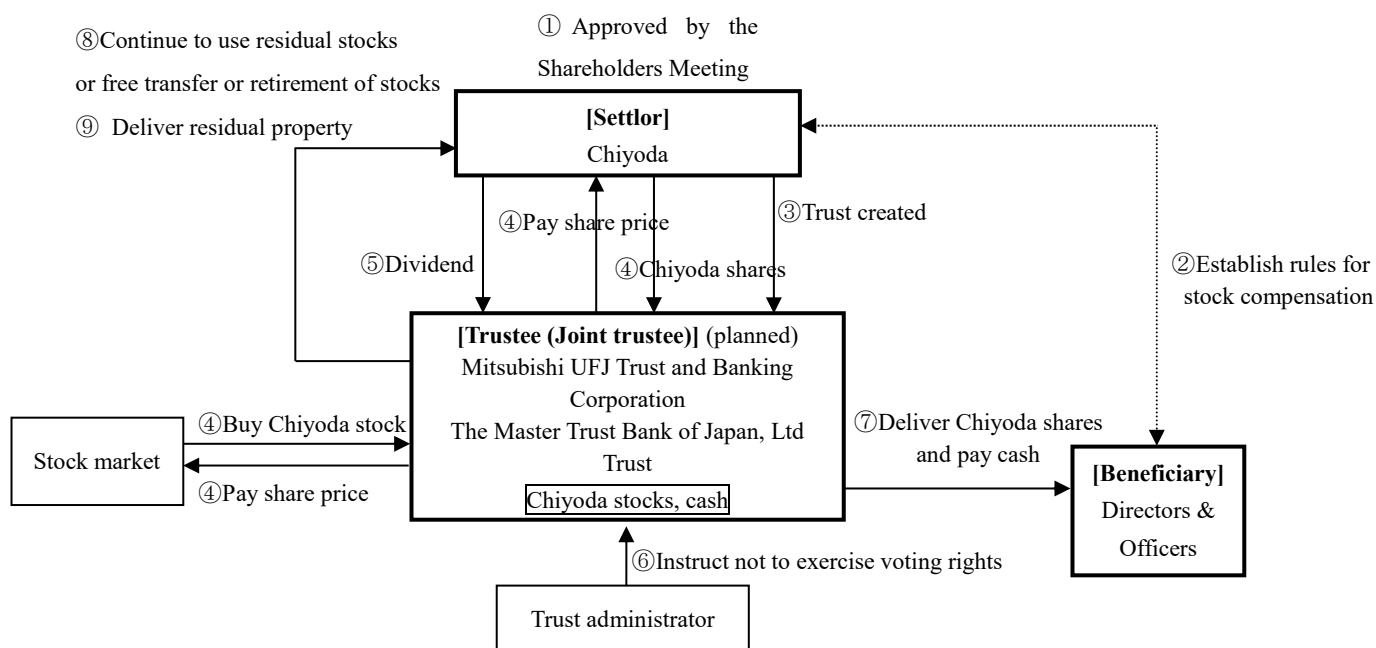
* Only base compensation linked to job duties will be paid to outside directors.

2. Introduction of the Plan

- (1) We are introducing the Plan to improve medium-to-long term business performance and to heighten the mindset of contributing to the enhancement of corporate value.
- (2) The introduction of the plan is subject to the approval of the resolution concerning officer compensation at the Shareholders Meeting.
- (3) The Plan uses the scheme commonly referred to as a Board Incentive Plan (BIP). The Plan is designed to deliver or pay (hereinafter referred to as "Deliver") to the Directors & Officers Chiyoda shares and cash equivalent to the proceeds of the sales of Chiyoda shares (hereinafter referred to as "Chiyoda Shares & Benefits").

- (4) It is our plan that, when the trust period for the officers compensation BIP trust created for the implementation of the Plan (hereinafter referred to as the “Trust”) expires, we will extend the Plan by creating a new Trust, or by extending the trust period of the existing Trust, or by creating an additional trust.

3. Structure of the Trust



- ① We will obtain the approval at the Shareholders Meeting for the introduction of the Plan.
- ② The Board of Directors will establish the rules for the delivery of the shares for the Plan.
- ③ We will create a trust (Trust) to which we entrust cash to the extent approved at the Shareholders Meeting described in ① above, and Directors & Officers who satisfy certain beneficiary requirements will be the beneficiaries.
- ④ The Trust will acquire Chiyoda shares either on the market or from Chiyoda (disposition of treasury shares) using the cash entrusted as described in ③ above as instructed by the trust administrator. The number of shares to be acquired by the Trust will be subject to the limit approved by the Shareholders Meeting described in ① above.
- ⑤ Dividends will accrue on Chiyoda shares held by the Trust as on any other Chiyoda shares.
- ⑥ No voting rights will be exercised for the Chiyoda shares held by the Trust throughout the trust period.
- ⑦ During the trust period, certain points will be granted to the Directors & Officers each year at a certain timing depending on, among others, their positions and actual achievement of given performance goals in accordance with our stock compensation plan. In addition, if the Directors & Officers satisfy certain

requirements for beneficiaries, they will receive Chiyoda shares corresponding to a certain percentage of the granted points, and, if any points remain unused, such points will be converted into cash pursuant to the applicable provision of the trust agreement, and they will receive money in the amount equivalent to the proceeds of the conversion.

- ⑧ If any shares remain unclaimed upon expiration of the trust period due to reasons including the failure to achieve goals, we will extend the Trust under the Plan or under a new compensation plan similar to the Plan by changing the trust agreement or creating an additional trust, or such remaining shares will be assigned by the Trust to us free of charge, and, after acquiring the same free of charge, we will retire them by a resolution of the Board of Directors.
- ⑨ Upon termination of the Trust, the residual property that remains after distribution to the beneficiaries will be vested in us within the limit of the trust expense reserve that consists of the trust money less the stock acquisition fund. In addition, we intend to donate any money in excess of the trust expense reserve to organizations in which neither we nor the Directors & Officers have any interests.

(note) If it becomes possible, during the trust period, that (i) the number of shares held by the Trust that correspond to the points allocated to the Directors & Officers (defined in Section 4.(5) below; hereinafter the same) may not be sufficient, or (ii) the cash money in the trust property may not be sufficient for the payment of the trust fees and/or trust expenses, we may add cash money to the Trust to the extent of the upper limit of the trust money described in Section 4.(6) below.

4. Description of the Plan

(1) Overview of the Plan

Under this Plan, among other actions, we will grant to the Directors & Officers for three fiscal years (starting with the fiscal year ending on March 31, 2022 and ending with the fiscal year ending on March 31, 2024)(hereinafter referred to as the “Eligible Period”) certain points that are predetermined depending on their positions and goal achievement, and will Deliver to them Chiyoda Shares & Benefits corresponding to such points.

If the Trust is extended as described in Section (4)(b), the fiscal years covered by the subsequent medium-term management plan will be regarded as the Eligible Period, respectively.

(2) Resolution of the Shareholders Meeting for the Introduction of the Plan

Important matters including, but not limited to, the maximum trust money to be contributed to the Trust, and the total number of shares and other benefits that will be Delivered to the Directors & Officers will be decided at the Shareholders Meeting.

If we elect to extend the Trust as described in Section (4) (b) below, we will determine the modification of

the trust agreement or additional contribution to the Trust by the resolution of the Board of Directors to the extent approved at the Shareholders Meeting.

(3) Persons Eligible under the Plan (Beneficiary Requirements)

When a director or officer retires, the Trust will Deliver to them Chiyoda Shares & Benefits corresponding to the cumulative points after they complete the prescribed procedure intended to determine whether they qualify as beneficiaries provided that they satisfy the following beneficiary requirements:

- ① They must be serving as a director or officer on or after the starting date of the Plan (including persons who are newly elected or appointed as a director or officer on or after the day of the start of the Plan);
- ② They must be a resident of Japan;
- ③ They must have retired from their position as a director or officer;
- ④ They must not have retired for their own convenience (except for retirement for their own convenience due to unavoidable events such as injury or disease), have committed certain improper acts while they are in their position, or have resigned or been dismissed because of, among others, material violation of job duties, internal rules and other requirements; and
- ⑤ They must fulfill other requirements that are deemed necessary to achieve the purpose of this stock compensation plan, and are provided for in the trust agreement or stock delivery rules.

(4) Trust Period

(a) Initial Trust Period

Three years from September 2021 (planned) to September 2024 (planned)

(b) Continuation of the Trust

Upon expiration of the trust period, we may extend the Trust as a stock compensation plan similar to the Plan by modifying the trust agreement or creating additional trusts. In such case, the number of years covered by the medium-term management plan then in effect will become the new Eligible Period. The trust period will be extended coterminous with such new Eligible Period. For each trust period so extended, we will provide additional contributions to the extent of the maximum amount of funds to be contributed to the Trust during such new Eligible Period that is approved by the applicable resolution of the Shareholders Meeting. We will then continue to grant points to the eligible Directors & Officers during the trust period so extended. However, in making such additional contribution, if there still remains within the trust property any Chiyoda stock (excluding any Chiyoda stock corresponding to the points granted to the eligible Directors & Officers that is not fully Delivered yet) and cash money as of the last day of the trust period that precedes the extended period (hereinafter referred to as the “Residual Shares & Benefits”), the sum of the amount of the Residual Shares & Benefits and the trust money to be

additionally contributed must be less than the maximum amount to be contributed to the Trust for such new Eligible Period that is approved by the applicable resolution of the respective shareholders meeting. Such extension of the trust period may take place more than once, and the trust period may be further extended in similar fashion thereafter.

(5) Number of Chiyoda Shares & Benefits Delivered to the Directors & Officers

The number of Chiyoda Shares & Benefits Delivered to the Directors & Officers will be determined by the points granted to the Directors & Officers each year in each Eligible Period. Certain points will be granted to the Directors & Officers each year at a certain timing depending on, among others, their positions and actual achievement of given performance goals, and Chiyoda Shares & Benefits will be Delivered to them depending on the cumulative points they have when they retire (hereinafter referred to as the “Cumulative Points”).

One point will represent one common stock of Chiyoda, and if any event occurs that justify the adjustment of points, such as in cases of stock split or stock consolidation of Chiyoda shares, Chiyoda Shares & Benefits per one point will be adjusted in line with the split ratio or consolidation ratio or other factors, as the case may be.

(6) Maximum Amount of Funds contributed to the Trust to acquire Chiyoda shares to be Delivered to Directors, and Maximum Number of Chiyoda Shares & Benefits to be Delivered to Directors.

The maximum amount of the trust money funds that we will contribute to the Trust to acquire Chiyoda shares to be Delivered to the directors, and the maximum number of Chiyoda Shares & Benefits to be Delivered to the directors, during the Eligible Period, will be as described below, subject to the condition that such plan is approved by the resolution of the Shareholders Meeting:

- ① The maximum amount of the trust money funds to acquire Chiyoda shares to be Delivered to the directors:

210 million yen ^{*1 *2}

*1 If we elect to extend the Trust as described in Section (4)(b) above, the amount to be contributed during the Eligible Period shall be limited to the maximum amount that is obtained by multiplying the maximum amount per one fiscal year, or 70 million yen, by the number of the fiscal years covered by the new Eligible Period.

*2 The maximum amount of the trust money is calculated by adding trust fees and trust expenses to the fund to acquire the shares, taking into consideration the current level of the directors’

compensation.

- ② Maximum number of total Chiyoda Shares & Benefits to be Delivered to the directors during the trust period:

720,000 shares ^{*3}

^{*3} The maximum number of total Chiyoda Shares & Benefits to be Delivered to the directors during the trust period will be 720,000 shares, which represents the number obtained by multiplying 240,000 shares, or the maximum in one fiscal year, by three, or the number of years covered by the Eligible Period. If we elect to extend the Trust as described in Section (4)(b) above, the number of acquired shares during the Eligible Period will be limited to the number that is obtained by multiplying the maximum number for one fiscal year by the number of years covered by such new Eligible Period.

Please also be advised that we will contribute to the Trust the trust money funds to acquire Chiyoda shares to be Delivered to our executive officers up to the limit of 405 million yen (or 135 million yen per one fiscal year). In addition to the Chiyoda Shares & Benefits to be Delivered to the directors, the Trust will manage the total number of Chiyoda Shares & Benefits to be Delivered to our executive officers as their compensation through use of segregated accounts, which total number will be limited in total to 1,380,000 shares (or 460,000 shares per one fiscal year))

- (7) How the Trust will acquire Chiyoda shares

The Trust will acquire Chiyoda shares either on the stock market or directly from Chiyoda (disposition of treasury shares) subject to the maximum trust money funds or the maximum limit of the number of acquired shares described in Section (6) above.

- (8) How Chiyoda Shares & Benefits are Delivered to the Directors & Officers and its Timing

When a director or officer who satisfies the beneficiary requirements described in Section (3) above retires from their position as a director or officer, the Trust will deliver to them the number of Chiyoda shares that corresponds to their current Cumulative Points. At this time, such director or officer will receive the number of Chiyoda shares that corresponds to certain percentage of the Cumulative Points (with any fraction of a share rounded up), and any remaining Chiyoda shares will be converted into cash in the Trust and they will receive the money in the amount equivalent to the proceeds of the conversion.

In addition, if a director or officer dies during the trust period, Chiyoda shares corresponding to the points to

be granted will be converted into cash in the Trust, and the amount equivalent to such cash money will be delivered to their heirs.

Chiyoda shares acquired through the Plan must be continuously held by a beneficiary for at least one year from the time of the retirement.

(9) Clawback and Other Systems

If any material impropriety or violation occurs on the part of a director or officer, we will be entitled to forfeit their beneficiary right to the shares scheduled to be delivered to them under the Trust (malus), or demand the refund of cash equivalent to value the shares or other benefits that have already been delivered (clawback).

(10) Right to Exercise Voting Rights on Chiyoda shares Held by the Trust

The voting rights attached to Chiyoda shares held by the Trust will not be exercised during the trust period to ensure the neutrality of management.

(11) Dividends of Chiyoda shares Held by the Trust

The dividends relating to Chiyoda shares held by the Trust will be received by the Trust, and will be appropriated to the fund that is used for the payment of the trust fees and trust expenses incurred by the Trust.

(12) Termination of the Trust

If any shares remain unclaimed upon expiration of the trust period, we will extend the Trust by changing the trust agreement or creating an additional trust, or such remaining shares will be assigned by the Trust to us free of charge, whereupon we will retire them by the resolution of the Board of Directors.

The residual dividends related to Chiyoda shares that are held by the Trust upon expiration of the trust period will be used as funds to acquire shares if we elect to extend the Trust. But if we terminate the Trust, we intend to donate any money in excess of the trust expense reserve to organizations in which neither we nor the Directors & Officers have any interests.

[Reference]

●Description of the Trust Agreement

- ① Type of trust: Money trust other than a specified cash trust for separate investment (third party benefit trust)

- ② Purpose of trust: To grant incentives to the Directors & Officers
- ③ Settlor: Chiyoda Corporation
- ④ Trustee: Mitsubishi UFJ Trust and Banking Corporation (planned)
(Co-trustee: The Master Trust Bank of Japan, Ltd. (planned))
- ⑤ Beneficiaries: Directors & Officers who satisfy the beneficiary requirements
- ⑥ Trust administrator: A third party who has no interest in Chiyoda (certified public accountant)
- ⑦ Date of trust agreement: September 2021 (planned)
- ⑧ Trust period: From September 2021 to September 2024 (planned)
- ⑨ Date of start of the Plan: September 1, 2021 (planned)
- ⑩ Exercise of voting rights: No voting rights will be exercised
- ⑪ Type of shares to be acquired: Chiyoda Common Stock
- ⑫ Maximum trust amount: 615 million yen (including trust fees and trust expenses)
* This represents the amount of the contributions, or of the sum of trust monies for the directors and executive officers.
- ⑬ Method of share acquisition: On the market or directly from Chiyoda (disposition of treasury shares)
- ⑭ Holder of vested rights: Chiyoda Corporation
- ⑮ Residual property: The residual property that we, as the holder of vested rights, can receive will be limited to the amount of the trust expense fund that consists of the trust money less the stock acquisition fund.

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