



May, 1st, 2025

Notice Regarding Continuation of **the Stock-Based Compensation Plan for Executives**

Company name: NIPPON GAS CO., LTD.

Code number: 8174 (Tokyo Stock Exchange Prime Market)

Representative: Kunihiko Kashiwaya, Representative Director, Chief Executive Officer

Contact: Shinichi Kiyota, Senior Managing Executive Officer, Corporate Headquarters, General Manager

Nippon Gas Co., Ltd. (the “Company”) hereby announces that its board of directors meeting held on May 1st, 2025 made a resolution on the continuation of stock-based compensation plan (hereinafter the “Plan”) for the Executives and decided this matter will be submitted as an agenda item for this year’s annual general meeting of shareholders. This system, implemented since 2015, has been playing an important role in order to concretize the Company’s policy “we are on the same boat as our shareholders”. The Plan’s current coverage period ended in March, 2025, as a mechanism to ensure a strong incentive for enhancing shareholder value, the Company asks for all shareholders to both extend the Plan’s period extra 5 years and to increase the maximum of contribution amount. The Company requires the continuation of the Plan to be approved at this year’s annual general meeting of shareholders.

1. Overview of the Continuation of the Plan

Under the Plan, points are granted every year to the Company and its subsidiaries (the Company including its subsidiaries, hereinafter referred to as the “Group”) Directors and Executive Officers, and then the Company’s shares equivalent to the accumulated points are issued when the individual retires. The point is decided based on the individual’s position and monthly compensation (fluctuates depending on the achieved profit such as the consolidated operating income). Furthermore, the higher the position, the proportion of stock-based compensation in Executives’ compensation will increase. The Company will acquire the stock from the stock market through the Trust, which is necessary to continue the Plan.

2. Overview of the revision of the Plan

The upper limit on the amount that the Group contributes is raised, hence the Company revises the maximum number of shares accordingly. For further enhancing the company’s value, the Company aims to strengthen the Executives’ motivation to enhance business productivity in the mid- to long term plan.

(i). The maximum contribution amount to the Plan

Prev. (Apr.2020 – Mar.2025)		Revised. (Apr.2025 – Mar.2030)	
<u>1,628</u> million yen for 5 fiscal years		<u>2,430</u> million yen for 5 fiscal years	
[Breakdown]		[Breakdown]	
The Company	<u>851</u> million yen	The Company	<u>1,960</u> million yen
The Subsidiaries	<u>777</u> million yen	The Subsidiaries	<u>470</u> million yen
Reasons for revision:			
<ul style="list-style-type: none"> By increasing the stock-based compensation, strengthen Executives' motivation to enhance financial results. The reason for the Subsidiaries' amount to decrease, there was the decline in total number of the Subsidiaries' Executives due to the reorganization in 2024. 			

(ii). Maximum number of shares, etc. of the Company to be delivered, etc. from the Plan

Prev. (Apr.2020 – Mar.2025)	Revised. (Apr.2025 – Mar.2030)
« Per fiscal year » <u>88,000</u> points (<u>264,000</u> shares*) [Breakdown] The Company <u>46,000</u> points (<u>138,000</u> shares*) The Subsidiaries <u>42,000</u> points (<u>126,000</u> shares*) « Target period consisting of 5 fiscal year » <u>440,000</u> points (<u>1,320,000</u> shares*) [Breakdown] The Company <u>230,000</u> points (<u>690,000</u> shares*) The Subsidiaries <u>210,000</u> points (<u>630,000</u> shares*) Note: Since April 1, 2021, each point is converted into 3 shares due to the stock split.	« Per fiscal year » <u>195,000</u> points (<u>195,000</u> shares*) [Breakdown] The Company <u>157,000</u> points (<u>157,000</u> shares*) The Subsidiaries <u>38,000</u> points (<u>38,000</u> shares*) « Target period consisting of 5 fiscal year » <u>975,000</u> points (<u>975,000</u> shares*) [Breakdown] The Company <u>785,000</u> points (<u>785,000</u> shares*) The Subsidiaries <u>190,000</u> points (<u>190,000</u> shares*)
Reasons for revision: <ul style="list-style-type: none">- In 2021, the Company implemented the stock split of 1:3. Accordingly, the exchange ratio was changed from 1 point : 1 shares to 1 point : 3 shares. With the revision, the Company will return the exchange ratio to 1 point equivalent to 1 shares.- While the maximum number of shares decreases, the contribution amount increases. This is because the standard stock price increased compared to 5 years ago.	

- In the event that an Executive commits a significant fraudulent activity or illegal acts, the Company would cancel or forfeit their right to receive the Company's shares and demand the return of shares or cash equivalent to the Company's shares granted to the individual.
- In regards to the Company's shares in the Trust, voting rights shall not be exercised during the trust period.
- In regards to dividends related to the Company's shares within the Trust, allot the trust fees and trust expenses.
- Other terms related to the Plan will be determined by the Board of Directors in each other following occasions: amendments of the Trust agreement, additional contributions to the Trust, etc.

3. Outline of the Trust Agreement (additional trust and extension of the trust term)

(i)	Type of Trust	Trust of money other than specified individually operated money trust (third party beneficiary trust)
(ii)	Purpose of Trust	Provision of incentives to Executives
(iii)	Trustor	The Company
(iv)	Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.)
(v)	Beneficiaries	Executives with beneficiary requirements
(vi)	Extension date of the trust agreement	August, 1, 2025 (scheduled)
(vii)	Trust period	September 10, 2015 to August 31, 2030 (scheduled)
(viii)	Total amount of share acquisition	1,200 million yen (scheduled)* *Apart from this, will also use surplus stock of the previous Trust period
(iv)	Share acquisition period	August 6, 2025 to September 19, 2025 (scheduled)
(x)	Share acquisition method	Shares will be acquired from the stock market.