Officer Remuneration

Basic stance

We have formulated a policy regarding the determination of remuneration for officers and the method for calculating it. It is as follows.

1. **The officer remuneration system must be intended to promote our sustainable growth and medium- and long-term increase of our corporate value. It must encourage officers to perform their duties to their utmost abilities in accordance with our Group vision and to contribute to the improvement of financial results.**
2. **On the basis of the data collected by outside research bodies, remuneration for officers will consist of base remuneration, which is a fixed amount for individual posts, and performance-based remuneration, to ensure that the sound incentives matched with the Directors' duties will serve their intended functions.**
3. **Remuneration for Outside Directors and Audit & Supervisory Board Members (both inside and outside) consists solely of base remuneration, given that they are independent from the execution of business and that it is not appropriate to provide them with performance-based remuneration or stock compensation.**

Total Amount of Remuneration for Directors and Audit & Supervisory Board Members (FY2025)

Category	Total Amount by Type of Remuneration (million yen)				
	Total amount of remuneration (million yen)	Base remuneration	Performance-based remuneration	Non-monetary compensation, etc.	Number of officers
Directors (Outside Directors)	127 (28)	75 (28)	38 (–)	13 (–)	8 (3)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	23 (9)	23 (9)	– (–)	– (–)	4 (3)
Total (Outside Officers)	151 (38)	99 (38)	38 (–)	13 (–)	12 (6)

[1] The total amount of remuneration for Directors does not include the employee wages of any Directors who are also employees.

[2] The amount of non-monetary remuneration equals the cost recorded in association with the points granted in the fiscal year concerned under the performance-based stock compensation program.

[3] Masaki Fujiwara, who retired as a Director upon the expiration of his term of office at the close of the 91st Ordinary General Meeting of Shareholders held on June 25, 2025, is included in the above total amount of remuneration and number of Directors. In addition, Kazuhiro Eikawa resigned as an Outside Audit & Supervisory Board Member on February 16, 2026, and Yoichi Ogawa, who had been appointed as a substitute Audit & Supervisory Board Member, became an Outside Audit & Supervisory Board Member on the same date. Both are included in the above total amount of remuneration and number of Audit & Supervisory Board Members.

Determination process

The Nomination and Compensation Committee, the Board of Directors and the President play their respective roles in the determination of officer remuneration to ensure transparency and fairness.

Nomination and Compensation Committee

- Discusses the appropriateness of base remuneration, performance-based remuneration and performance-based stock compensation on the basis of outside research data
- Submits reports to the Board of Directors

Board of Directors

- Determines the amount of remuneration and the points to be granted for stock compensation based on reports from the committee

President

- Determines the amounts of remuneration for individual officers (within the limit of the total amount of remuneration) in accordance with resolutions passed by the Board of Directors
- The appropriateness of the amounts determined by the President is checked by the committee to eliminate arbitrariness before final approval

Types of remuneration

Base remuneration (Monetary remuneration)

Fixed remuneration determined for specific posts under the Regulations on Remuneration for Directors

Performance-based Remuneration (Monetary remuneration)

The key performance indicators used are the consolidated operating profit ratio and the consolidated net sales growth rate. The amount of remuneration is calculated by multiplying the standard amount for the specific post by the coefficient appropriate in light of these two indicators.

Performance in FY2025

Consolidated operating profit ratio 5.2%

Consolidated net sales growth rate 4.8%

Performance-based stock compensation

Return on equity (ROE) has been adopted as the performance indicator for stock compensation, with an emphasis on capital efficiency toward enhancing corporate value.

Performance in FY2025

ROE 1.5%

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https://www.sansha.co.jp/eng/csr/directors.html