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September 5, 2025

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Notice Regarding the Introduction of the Employee Stock Ownership Plan (ESOP) Support Trust

KATO WORKS CO., LTD. hereby announces that, at the Board of Directors meeting held today, it resolved to introduce the “Employee Stock Ownership Plan (ESOP) Support Trust” (hereinafter, the “Plan”) for employees of the Company, as detailed below.

1. Purpose of the introduction of the plan

The purpose of the Plan is to enhance the Company’s long-term corporate value by ensuring a stable supply of the Company’s shares to the employee stock ownership plan, and by distributing to employees the profits obtained from the management of trust assets. Through these measures, the Plan aims to expand employee welfare benefits, raise employees’ awareness of the Company’s share price, and improve their motivation to work.

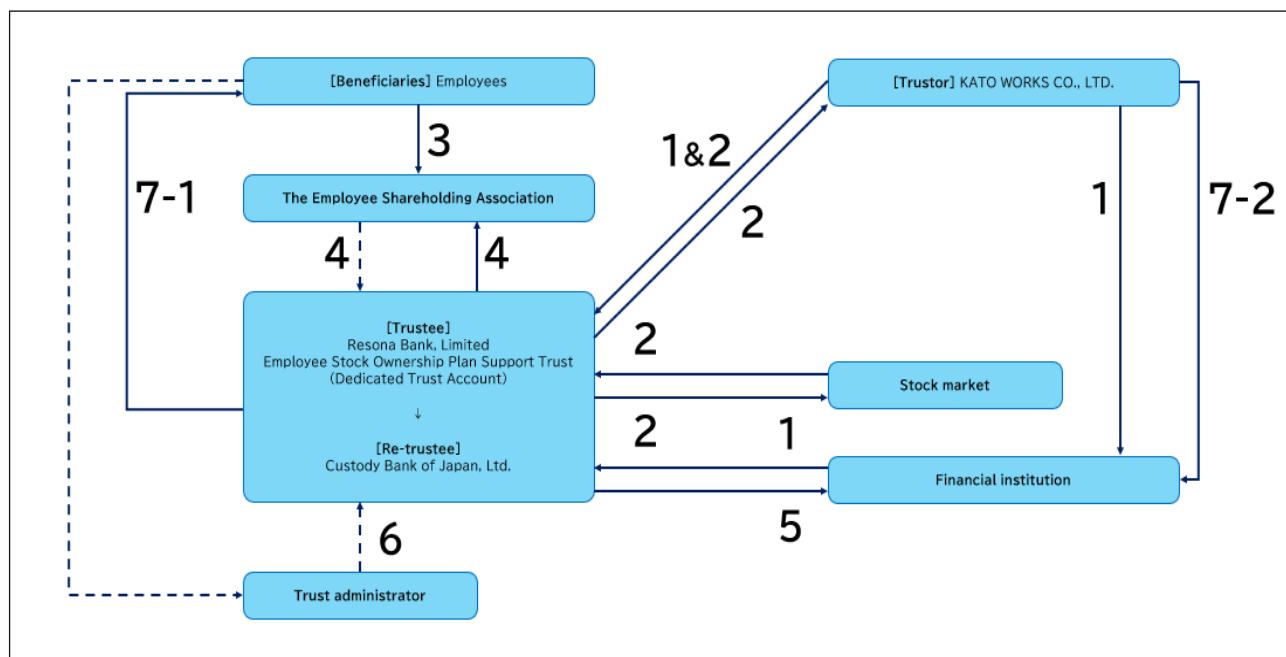
2. Overview of the plan

The Plan is a welfare program for employees, structured with reference to employee incentive schemes such as the Employee Stock Ownership Plan (ESOP), which is widely adopted in the United States. Under the Plan, the Company will establish a trust in which employees who meet certain eligibility requirements among those participating in the “Kato Works Employee Stock Ownership Plan” (hereinafter, the “Employee Shareholding Association”) will be the beneficiaries. During the trust period, the trust will acquire, within a predetermined acquisition period, the number of the Company’s shares expected to be purchased by the Employee Shareholding Association. Thereafter, the trust will sell the Company’s shares to the Employee Shareholding Association on a fixed date each month.

At the expiration of the trust, if trust income arises due to a rise in the share price or other factors, cash will be distributed to employees of the Company who meet the beneficiary requirements. In the event that a transfer loss arises due to a decline in the share price and debt relating to the trust assets remains, the Company will repay the bank in a lump sum pursuant to the guarantee provisions of a money loan agreement with limited recourse.

The timing of the trust establishment, the trust period, the total amount of shares to be acquired, and other details regarding the introduction of the Plan will be announced once determined.

3. How the plan works



*If, as a result of sales to the Employee Shareholding Association, there are no remaining shares of the Company within the trust, the trust will terminate before the expiration of the trust period.

At the start	1	The Company will establish a trust account for the ESOP Support Trust, and the trust account will receive a loan from a financial institution to fund the purchase of the Company's common stock. (The Company will provide a guarantee for this loan.)
	2	The trust account will acquire, using the borrowed funds, the number of shares of the Company's common stock expected to be purchased by the Employee Shareholding Association during the trust period. These shares will be acquired either through the disposal of treasury shares (by way of third-party allotment) or through transactions on the stock market (including off-auction transactions).
During operation	3	Employees make monthly contributions to the Employee Shareholding Association.
	4	The Employee Shareholding Association will purchase the Company's common stock from the trust account on a monthly basis over a specified period.
	5	The trust account will repay the loan to the financial institution using the proceeds from the sale of the Company's common stock.
	6	The voting rights will be exercised by the trustee.
At the end	7-1	In the case of a rise in the share price, if residual assets remain in the trust account after full repayment of the loan ⇒ The assets will be distributed to the beneficiaries (employees) in accordance with the method predetermined at the outset.
	7-2	In the case of a decline in the share price, if the trust account lacks sufficient funds to repay the loan ⇒ The Company will fulfill its guarantee obligations to the financial institution.

4. Outline of the trust agreement

1 Type of Trust

Specified money trust under single management (third-party beneficiary trust)

2 Purpose of trust

To ensure a stable and continuous supply of the Company's common stock to the Employee Shareholding Association and to enhance the welfare benefits for employees who meet the beneficiary requirements.

3 Trustor

The Company

4 Trustee

Resona Bank, Limited

Resona Bank, Limited will enter into a specified comprehensive trust agreement with Custody Bank of Japan, Ltd., which will serve as the re-trustee.

5 Beneficiaries

Employees who are members of the Employee Shareholding Association and meet the beneficiary requirements

6 Date of trust agreement

December 2025 (scheduled)

7 Trust period

December 2025 to November 2030 (scheduled)

8 Voting rights

The trustee will exercise the voting rights of the Company's common stock in accordance with the instructions of the trust administrator, which reflect the voting results of the Employee Shareholding Association.

End