



May 21, 2026

To Shareholders,

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(Securities code: 9031, Tokyo Stock Exchange, Prime Market, and Fukuoka Stock Exchange)  
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## Notice Concerning Expansion of the Stock Compensation System for the Company's Officers

Nishi-Nippon Railroad Co., Ltd. (the "Company") hereby announces that its Board of Directors, at a meeting held today, resolved to revise its executive compensation system and expand the stock compensation system for the Company's directors (excluding Audit and Supervisory Committee Members and Outside Directors) and Titled Executive Officers (excluding non-residents of Japan). A proposal regarding these changes will be submitted to the 186th Annual General Meeting of Shareholders (this "General Meeting of Shareholders") scheduled to be held on June 26, 2026. Details are as follows.

### 1. Overview of the Expansion of the Stock Compensation System and Purpose of the Revision

The Company's executive compensation system consists of base compensation, short-term performance-linked bonuses, and medium-term performance-linked bonuses as monetary compensation, as well as stock-based compensation that is issued upon retirement. This revision will expand stock-based compensation by abolishing the medium-term performance-linked bonus and replacing it with new stock-based compensation (the "Revision").

The Revision introduces a new compensation system that grants restricted stock to eligible persons during their term of office ("Term-of-Office Stock Compensation") in addition to the existing stock compensation system that grants stock to eligible persons upon their retirement ("Retirement Stock Compensation"), creating two stock-based compensation systems. As a result, the Company's executive compensation system will consist of base compensation and a short-term performance-linked bonus as monetary compensation, and Term-of-Office Stock Compensation and Retirement Stock Compensation as stock-based compensation, increasing the proportion of stock-based compensation in the total compensation.

Stock-based compensation after the Revision consists of Term-of-Office Stock Compensation as the fixed portion, in which a number of shares are granted each fiscal year in accordance with the position and responsibilities, and Retirement Stock Compensation as the variable portion, in which the number of base shares is determined and granted based on the degree to which the numerical targets set in the medium-term management plan are achieved (Note).

The Company has long implemented performance-linked retirement stock compensation to share a sense of profit with shareholders and to further increase willingness to contribute to the enhancement of corporate value and share price appreciation through the implementation of the management plan. The Revision is intended to further promote value sharing with shareholders.

The Revision is subject to the approval of shareholders at this General Meeting of Shareholders for the contents described in “2.(5) Resolution of the General Meeting of Shareholders concerning the Term-of-Office Stock Compensation system” below.

(Note) There are no changes to the Retirement Stock Compensation system. For an overview of the system, please refer to the “Notice Concerning Introduction of Stock Compensation System for Officers” dated May 19, 2016, “Notice Concerning Extension of Trust Period and Additional Contribution for ‘Stock Compensation System for Officers’” dated August 8, 2019, “Notice Concerning Partial Revision of Stock Compensation System for Officers and General Meeting of Shareholders Proposal” dated May 20, 2020, “Notice Concerning Partial Revision of Stock Compensation System for Officers and General Meeting of Shareholders Proposal” dated May 20, 2021, and “Notice Concerning Extension of Trust Period and Additional Contribution for ‘Stock Compensation System for Officers’” dated August 10, 2023.

## 2. Overview of Term-of-Office Stock Compensation System

### (1) Structure of the stock-based compensation

For stock-based compensation, whether Term-of-Office Stock Compensation or Retirement Stock Compensation, Company shares are granted through a system called a Board Incentive Plan Trust (“BIP Trust”), which is the system currently used for Retirement Stock Compensation. Under this system, a trust established through monetary contributions by the Company acquires common stock of the Company (the “Company Shares”) from the stock market or from the Company itself (through the disposal of treasury stock), and then grants the number of Company Shares equivalent to the number of points awarded by the Company to eligible persons (or pays out in the case of a monetary payment equivalent to the amount of the sale of shares for Retirement Stock Compensation).

For Term-of-Office Stock Compensation, a certain number of points are awarded each fiscal year in accordance with the position and responsibilities of Eligible Persons as described in (3) below, and Company Shares corresponding to the number of points are granted at a certain time each year, subject to restrictions on transfer until the eligible person retires.

For Retirement Stock Compensation, however, the points awarded to eligible persons each fiscal year fluctuates based on factors such as the degree to which the numerical targets set in the medium-term management plan are achieved for each applicable period (periods are linked to each medium-term management plan and are generally three years. The current period is from the fiscal year ending March 31, 2027 to the fiscal year ending March 31, 2029). Upon retirement, the eligible person receives Company Shares (without transfer restrictions) corresponding to the total number of points awarded during the term of office, or a monetary payment equivalent to the value of the Company Shares.

### (2) Trust period, acquisition of Company Shares by the trust, etc.

As described in (1) above, Term-of-Office Stock Compensation and Retirement Stock Compensation are managed together within the BIP Trust, so the trust period is three years in principle, in line with the medium-term management plan and the Retirement Stock Compensation, and in the event of an extension, the same three-year period will apply.

The current trust period is until August 31, 2026, but is scheduled to be extended until August 31, 2029 with the introduction of Term-of-Office Stock Compensation and the continuation of Retirement Stock Compensation.

Extensions of the trust, additional contributions to the trust, acquisition of Company Shares by the trust, etc., will be announced as soon as they are determined.

- (3) Persons eligible for Term-of-Office Stock Compensation  
Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors) and Titled Executive Officers (hereinafter referred to as the “Eligible Persons”). In addition, subject to obtaining approval of shareholders at this General Meeting for the matters described in “2.(5) Resolution of this General Meeting of Shareholders concerning the Term-of-Office Stock Compensation system” below, the Company also plans to introduce stock-based compensation (granted during the term of office) for Executive Officers (limited to those in charge of Company divisions) and to operate it in an integrated manner with that applicable to the Eligible Persons. Non-residents of Japan are excluded in all cases.
- (4) Method of awarding points and granting shares to Eligible Persons  
Each Eligible Person is awarded points in accordance with the position and responsibilities at a certain time after the end of each fiscal year.  
After the points are awarded each year, each Eligible Person completes the prescribed beneficiary determination procedures and receives the corresponding number of Company Shares.  
One point constitutes one Company Share for both Term-of-Office Stock Compensation and Retirement Stock Compensation, and the same shall apply hereafter. However, in the event of a stock split, reverse stock split, or other event in which it is deemed reasonable to adjust the number of shares per point, the number of shares will be adjusted in accordance with the split ratio, reverse stock split ratio, etc.
- (5) Resolution of this General Meeting of Shareholders concerning the Term-of-Office Stock Compensation system

At this General Meeting of Shareholders, approval will be requested for the following regarding Term-of-Office Stock Compensation: the Company shall contribute no more than 150 million yen per year to the trust, the total number of points that may be awarded to eligible Directors and Titled Executive Officers shall be no more than 40,000 points per year, and the total number of Company Shares acquired through the trust shall be no more than 40,000 shares per year (however, in the event of a stock split (including gratis allotment) or reverse stock split with an effective date on or after the date of resolution of this General Meeting of Shareholders, the total number of shares shall be adjusted, if necessary, to a reasonable extent in accordance with the split ratio, reverse stock split ratio, etc., from the effective date onward). Similar to Retirement Stock Compensation, Executive Officers (excluding those concurrently serving as Directors) are also eligible for the system. However, the amount of compensation and the number of shares for Executive Officers are not subject to the resolution of this General Meeting of Shareholders.

At the Company’s 180th Annual General Meeting of Shareholders held on June 26, 2020, the maximum amount of compensation and maximum number of shares to be granted for Retirement Stock Compensation were approved as follows: for each applicable period, the Company shall contribute no more than 580 million yen to the trust, and the total number of Company Shares acquired through the trust during the applicable period shall be no more than 230,000 shares. Including both Term-of-Office Stock Compensation and Retirement Stock Compensation, the total number of shares of the Company’s common stock to be acquired through the trust for Directors and Titled Executive Officers will be a maximum of 350,000 shares per applicable period (in principle, three years as described in 1.(2) above), 0.4% of the total number of shares issued and outstanding as of March 31, 2026.

- (6) Transfer restriction agreement pertaining to Company Shares granted to Eligible Persons  
When granting Company Shares as described in (4) above, the Company and the Eligible Person shall enter into a transfer restriction agreement that includes the following details:

- (a) Eligible Persons may not transfer, grant a security interest in, or otherwise dispose of Company Shares during the period from the date of delivery of the shares to the date on which the transfer restriction period expires due to retirement from all eligible positions
- (b) Transfer restrictions will be lifted when the transfer restriction period expires due to the Eligible Person's retirement from all of eligible positions
- (c) If, during the transfer restriction period, the Eligible Person commits a serious violation of the duties or internal rules, or engages in certain misconduct, such as resigning against the will of the Company, the Company will acquire the shares issued to the Eligible Person free of charge and without lifting the transfer restrictions

However, there shall be no transfer restrictions placed on Company Shares granted to Directors, Titled Executive Officers, Executive Officers, and other positions specified in the share issuance regulations (the "Eligible Positions") on or after the date of their retirement. In such cases, a certain percentage of the Company Shares may be sold and converted into cash by the BIP Trust for the purpose of the Company withholding tax payments for income tax, etc., and the proceeds delivered in cash in place of the Company Shares.

Furthermore, granted shares will be managed in a dedicated account opened by the Eligible Person at a securities company during the transfer restriction period.