



May 14, 2025

Company: Toho Titanium Co., Ltd.  
Representative: Yasuji Yamao, Representative Director and President  
Code: 5727 (TSE Prime)  
Contact: Hiromu Tomeba, General Manager, Planning, Corporate Management Division  
(Tel. +81-45-394-5521)

To whom it may concern:

### **Notice regarding the Introduction of the Restricted Stock Compensation System**

At the Board of Directors meeting held on May 14, 2025, the Company decided to review the executive compensation system and resolved to introduce the Restricted Stock Compensation System (hereinafter referred to as ""this system"").

The proposal regarding this system (hereinafter referred to as ""this proposal"" ) will be submitted to The 94th Ordinary General Meeting of Shareholders scheduled for June 19, 2025 (hereinafter referred to as ""this General Meeting of Shareholders"" ).

#### **1. Purpose of Introducing this System, etc.**

##### **(1) Purpose of Introducing this System**

This system is introduced as a compensation system to allocate restricted stock to directors who are not Audit and Supervisory Committee Members (limited to executive directors, hereinafter referred to as ""target directors"" ) to provide incentives for the sustainable enhancement of the Company's corporate value and to further promote value sharing with shareholders.

##### **(2) Conditions for Introducing this System**

The introduction of this system is conditional upon obtaining approval from shareholders at this General Meeting of Shareholders for the payment of monetary compensation claims as compensation for the allocation of restricted stock to target directors.

Additionally, in 2020 At the 89th Ordinary General Meeting of Shareholders held on June 18, the remuneration for Directors who are not Audit and Supervisory Committee members of the Company The remuneration amount is approved to be within an annual limit of 320 million yen (of which the portion for outside directors who are not Audit and Supervisory Committee members is within an annual limit of 50 million yen, excluding the salary for the employee portion of directors who are also employees). However, at this General Meeting of Shareholders, we plan to request approval from our shareholders to set the total amount of monetary compensation claims to be paid as remuneration related to restricted stock for the target directors, separately from the above-mentioned directors' remuneration amount, within an annual limit of 10 million yen, taking into account various factors such as the contribution of the target directors to the Company.

## 2. Overview of this System

### (1) Allocation and Payment of Restricted Stock

The Company will provide monetary compensation claims as compensation related to restricted stock to target directors within the above annual limit based on a resolution of the Board of Directors, and each target director will receive an allocation of restricted stock by contributing the entire monetary compensation claim in kind.

The payment amount for the restricted stock will be determined by the Board of Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day preceding the date of the Board of Directors resolution regarding its issuance or disposal (or the closing price on the most recent trading day if no transaction was made on that day), ensuring that it is not particularly advantageous to the target directors receiving the restricted stock.

Furthermore, the above monetary compensation claims will be provided on the condition that the target directors agree to the above in-kind contribution and have entered into a restricted stock allocation agreement containing the provisions specified in (3) below.

### (2) Total Number of Restricted Stock

The total number of restricted stock to be allocated to target directors is set at 30,000 shares, which is the maximum number of restricted stock to be allocated in each fiscal year.

However, if after the date of the resolution of this proposal, a stock split (including free allocation of common stock) or stock consolidation of the Company's common stock is conducted, or if adjustments to the total number of restricted stock to be allocated are required in similar cases, the total number of such restricted stock may be reasonably adjusted.

### (3) Contents of the Restricted Stock Allocation Agreement

When allocating restricted stock, the restricted stock allocation agreement concluded between the Company and the target directors receiving the allocation, based on a resolution of the Board of Directors, shall include the following contents.

#### ① Contents of Transfer Restrictions

Target directors who have received an allocation of restricted stock cannot transfer, pledge, set transfer security rights, make inter vivos gifts, bequeath, or otherwise dispose of the restricted stock allocated to them (hereinafter referred to as ""this allocated stock"" to third parties (hereinafter referred to as ""the transfer restriction "" during the period from the date of delivery of the restricted stock until the day they lose the position of executive director or other position determined by the Board of Directors (hereinafter referred to as ""the transfer restriction period"").

#### ② Free Acquisition of Restricted Stock

The Company will automatically acquire this allocated stock for free if a target director who has received an allocation of restricted stock loses the position of executive director or other position determined by the Board of Directors after the start date of the transfer restriction period and before the day preceding the first Ordinary General Meeting of Shareholders, unless there is a reason deemed justifiable by the Board of Directors.

Furthermore, if there are any of this allocated stock for which the transfer restriction has not been lifted based on the provisions of the release of the transfer restriction reasons in ③ below at the time the transfer restriction period in ① above expires, the Company will automatically acquire them for free.

#### ③ Release of the Transfer Restriction

The Company will release the transfer restriction on all of this allocated stock at the time the transfer restriction period expires, on the condition that the target director who received the allocation of restricted stock has continuously held the position of executive director or other position determined

by the Board of Directors from the start date of the transfer restriction period until the first Ordinary General Meeting of Shareholders.

However, if the target director loses the position of executive director or other position determined by the Board of Directors after the start date of the transfer restriction period and before the day preceding the first Ordinary General Meeting of Shareholders for a reason deemed justifiable by the Board of Directors, the number of this allocated stock for which the transfer restriction will be lifted and the timing of the release will be reasonably adjusted as necessary.

④ Malus Clause

The Company will acquire all of this allocated stock held by the target director for free if, during the transfer restriction period, the target director significantly violates laws or internal regulations, or if certain circumstances determined by the Board of Directors arise, and the Board of Directors deems it appropriate.

⑤ Handling in Organizational Restructuring, etc.

If a merger agreement in which the Company becomes the disappearing company, a share exchange agreement in which the Company becomes a wholly-owned subsidiary, a share transfer plan, or other organizational restructuring proposal is approved at the Company's General Meeting of Shareholders (or by the Board of Directors if shareholder approval is not required for the restructuring) during the transfer restriction period (Only when the effective date of such restructuring occurs before the expiration of the transfer restriction period. hereinafter referred to as "time of organizational restructuring approval"), and the target director receiving the allocation of restricted stock loses the position of executive director or other position determined by the Board of Directors due to such restructuring, the Board of Directors may resolve to release of the transfer restriction on a reasonable number of this allocated stock, taking into account the period from the start date of the transfer restriction period to the date of approval of the restructuring, prior to the effective date of such restructuring.

Furthermore, at the time of organizational restructuring approval, the Company will automatically acquire for free any of this allocated stock for which the transfer restriction has not been lifted as of the business day preceding the effective date of such restructuring.

(Reference)

The company plans to allocate restricted stock similar to the above restricted stock to executive officers, etc., after the conclusion of this General Meeting of Shareholders, on the condition that this proposal is approved at this General Meeting of Shareholders.

End of Document