

April 24, 2025

## PRESS RELEASE

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### **Announcement Regarding Introduction of a Restricted Stock Remuneration Plan**

At the meeting of the Board of Directors held today, KOITO MANUFACTURING CO., LTD. (“the Company”) resolved to review its Directors’ remuneration system and introduce a restricted stock remuneration plan (hereinafter “the Plan”) to submit a proposition regarding the Plan (“the Proposition”) to the 125th Ordinary General Meeting of Shareholders scheduled to be held on June 27, 2025.

#### **1. Purpose of introducing the Plan, etc.**

##### **(1) Purpose of introducing the Plan**

The Company will introduce the Plan as a remuneration system for the Company's Directors. The purpose of this plan is to enable the Directors of the Company (excluding Outside Directors, hereinafter “Eligible Directors”) to share the benefits and risks of stock price movement with shareholders, and to be further motivated towards contributing to corporate value enhancement more than ever before.

##### **(2) Conditions for introduction of the Plan**

Since the Plan involves the monetary compensation bonds rights as remuneration, etc. to Eligible Directors for the allocation of restricted stocks, the introduction of the Plan is subject to the approval of shareholders for the payment of such compensation, etc. at this General Meeting of Shareholders. At the Company's 119th Ordinary General Meeting of Shareholders on June 27, 2019, it was resolved that the total amount of remuneration, etc. for the Company's Directors would be limited to 1.5 billion yen per year (including up to 50 million yen per year for Outside Directors). (However, this amount of remuneration is scheduled to be revised at this 125th Ordinary General Meeting of Shareholders, where Item 4, “Revision of Amount of Remuneration, etc. for Outside Directors”, is to be submitted for approval as originally proposed. If the proposal is approved, the annual amount of remuneration will be no more than 1.5 billion yen (of which no more than 100 million yen per year for Outside Directors)). In addition to the above, at the 115th Ordinary General Meeting of Shareholders of the Company held on June 26, 2015, it was approved that the amount of remuneration, etc. for stock acquisition rights granted as stock compensation-type stock options for Eligible Directors would be limited to 200 million yen per year, which is separate from the aforementioned remuneration for Directors and this remains in effect to the present day. At this General Meeting of Shareholders, the Company plans to ask for the approval of shareholders, in consideration of the contribution of the Eligible Directors to the Company and other various matters, that the total amount of cash-based remuneration claims to be paid to the Eligible Directors, as compensation, etc. in the form of shares with transfer restrictions at no more than 500 million yen per year. This amount would be in addition to the above amount of compensation, etc. for Directors.

If the Proposition is approved, the stipulation of the amount of remuneration, etc. for stock acquisition rights as stock compensation-type stock options for Eligible Directors will be abolished, and no new stock acquisition rights as stock compensation-type stock options based on the stipulation of the amount of such remuneration, etc. will be issued thereafter.

#### **2. Outline of the Plan**

##### **(1) Allotment of and payment for restricted stock**

Based on a resolution of the Board of Directors, the Company shall pay monetary claims to the Eligible Directors as compensation, etc. related to the Restricted Shares, within the above annual amount. And each Eligible Director shall receive all of such monetary compensation claims by way of contribution in kind to receive allotment of the Restricted Shares.

The amount to be paid in for the Restricted Shares shall 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 resolution of the Board of Directors regarding the issuance or disposal of such shares (or, if no trading is effected on such date, the closing price on most recent preceding trading day). This amount shall be set as a level that is not particularly favorable to the Eligible Directors who will subscribe to such Restricted Shares.

The above monetary compensation claims shall be paid on the condition that the Eligible Directors agrees to the above contribution-in-kind and that the Subject Director has executed a restricted stock allotment agreement that includes the details set forth in (3) below.

## **(2) Total number of restricted shares**

The total number of Restricted Shares to be allotted to the Eligible Directors shall be 320,000 shares, which shall be the maximum number of Restricted Shares to be allotted in each fiscal year.

However, in the event of a stock split (including a gratis allotment of shares of the Company's common stock) or reverse stock split of the Company's common stock after the date of resolution of this proposal, or in the event that the total number of the Restricted Shares to be allotted needs to be adjusted in accordance with such cases, the total number of such Restricted Shares may be adjusted reasonably.

## **(3) Details of the Restricted Share Allotment Agreement**

Upon the allotment of the Restricted Shares, the Restricted Share Allotment Agreement to be entered into between the Company and the Eligible Directors to whom the Restricted Shares are allotted pursuant to the resolution of the Board of Directors of the Company shall include the following details.

### **① Details of Transfer Restrictions**

Eligible Directors who have received allotment of the restricted shares shall be prohibited, with respect to the shares allotted thereto ("the Allotted Shares"), from transferring to a third party, creating a pledge, creating mortgage by transfer, making an inter vivos gift, making bequest or acting in any other way to dispose them ("the Transfer Restrictions"), for the period from the date of delivery of the restricted shares to the date of resignation from their position as Directors or Corporate Officers of the Company ("the Restricted Period").

### **② Acquisition of Restricted Stock without Charge**

In the event that an Eligible Director who has received an allotment of restricted transferable shares resigns or retires from any of the positions of Director or Corporate Officer of the Company on or after the commencement date of the restricted transfer period and before the day preceding the date of the first Ordinary General Meeting of Shareholders of the Company to be held, unless the Board of Directors of the Company has a reason to justify otherwise, the Company shall naturally acquire the Allotted Shares without consideration.

In addition, if any of the Allotted Shares have not been released from the restrictions on transfer in accordance with the provisions of ③ below as of the expiration of the Restriction Period in ① above, the Company shall naturally acquire such Allotted Shares without consideration.

### **③ Removal of Transfer Restrictions**

The Company shall remove the Transfer Restrictions for all of the Allotted Shares at the expiration of the Restriction Period, provided that the Eligible Directors to whom the Restricted Shares are allotted has continuously held the position of either Director or Corporate Officer of the Company from the commencement date of the Restriction Period until the first Ordinary General Meeting of Shareholders of the Company to be held on and after the Restriction Period.

However, in the event that such Eligible Director, for reasons deemed justifiable by the Board of Directors of the Company, resigns or retires from any of the positions of Director or Corporate Officer of the Company by the day before the date of the first Ordinary General Meeting of Shareholders of the Company to be held after the commencement date of the transfer restriction period, the number of the allotted shares to be transferred and the transfer restriction to be cancelled The Company shall reasonably adjust the number of the Allotted Shares to be released and the timing of release of the Transfer Restrictions as necessary.

④ Treatment in Organizational Restructuring, etc.

In the case where a merger agreement under which the Company will be an absorbed company, or a share exchange agreement or a share transfer plan under which the Company will become a wholly owned subsidiary of another company, or any other matter related to reorganization, etc. is approved at the General Meeting of Shareholders of the Company (or at the Board of Directors of the Company when such reorganization, etc. does not require an approval of the General Meeting of Shareholders) during the Restricted Period (limited to the cases that the effective date of such reorganization, etc. falls prior to the expiration of the Restricted Period) (“the Occasion where Reorganization, etc. is Approved”), and where such reorganizations, etc. results in resignation of an Eligible Director who has received allotment of the restricted shares from his/her position as a Director of the Company, then the Company shall, based on a resolution of the Board of Directors of the Company, remove the Transfer Restrictions on the relevant number of the Allotted Shares which shall be specified reasonably by taking into the account the period from the beginning of the Restricted Period to the approval date of such reorganization, etc.

Further, at the Occasion where Reorganization, etc. is Approved, and if there are any Allotted Shares with Transfer Restrictions unremoved as at the business day immediately prior to the effective date of relevant reorganization, etc., the Company shall automatically acquire all of such Allotted Shares on the same day with no compensation.

(Reference) The Company plans to allot the same restricted shares as described above to the Corporate officers of the Company after the conclusion of this General Meeting of Shareholders.