



April 22, 2024

To whom it may concern

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Representative Director & President
(Code: 7244; Prime TSE)
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Notice regarding issuance of new shares as stock compensation

We would like to inform you that at the Board of Directors meeting held today, we resolved to issue new shares as shown below.

1. Summary of Issuance

(1) Payment date	May 20, 2024
(2) Type and number of shares to be issued	28,935 common shares of the Company
(3) Issue price	495 yen per share
(4) Total amount issued	14,322,825 yen
(5) Planned allottees	6 directors of the Company (including 2 independent outside directors) 19,381 shares 3 executive officers 9,554 shares

2. Purpose and reason for issuance

At the 90th Ordinary General Meeting of Shareholders held on March 26, 2020, the Company decided to provide post-issuance type stock compensation system (hereinafter referred to as the "System") as a compensation system for Directors and Executive Officers (the "Directors") with the aim of providing incentives for sustainable improvement of the Company's corporate value by introducing a remuneration system linked to medium- to long-term performance, the Company and we have received approval of this System. The outline of this System is as follows.

Based on this System, at the Board of Directors meeting held on April 25, 2021, the total Base Number of Stocks to be Provided was determined to be 53,017 shares, and at today's Board of Directors meeting after the end of the performance evaluation period, Performance Condition Issuance and Contribution Condition Issuance Rate and, after confirming the conditions for the payment of remuneration, we determined that the final total number of shares to be delivered is 28,935 shares, and decided to issue the remuneration through the issuance of new shares rather than through the disposal of treasury stock.

【Details of the System】

1. Outline

The System includes the following three types of stock compensation system.

(i) Performance Evaluation Type Performance Share Unit

A type of stock compensation in which the Company's common stock (hereinafter referred to as the "Company's Stock") of which number is calculated in accordance with achievement level of the performance target in 3 consecutive business years (hereinafter referred to as the "Performance Evaluation Period") starting from the business year during which the provision of compensation to the Eligible Directors under the System is determined in the Board of Directors meeting (hereinafter "Initial Board of Directors Meeting") is issued after the expiration of the period from

the date of the Ordinary General Shareholders' Meeting during the business year in which the Initial Board of Directors Meeting was held to the date of the Ordinary General Shareholders' Meeting first held after the expiration of the Performance Evaluation Period (hereinafter referred to as the "Vesting Period")

(ii) Qualitative Evaluation Type Performance Share Unit

A type of stock compensation the number of which is calculated in accordance with the issuance rate which is separately determined in the Board of Directors based on level of contribution in the Performance Evaluation Period

(iii) Restricted Stock Unit

A type of stock compensation in which the predetermined number of Company's Stock is provided after Vesting Period based on the Eligible Directors continuously serving as Directors or Executive Officers in the Vesting Period.

Specifically, in order to deliver the Company's Stock equivalent to the stock compensation of the above type (i) through (iii), the Company provides monetary compensation receivable to the Eligible Directors after the Vesting Period, and upon issuance of shares or disposition of treasury stocks, the Company provides the Company's Stocks by having them pay all the i-kind monetary compensation receivable.

The number of stocks which the Company provides to the Eligible Directors under the System in one business year is 20,000 or less per eligible Director (however 3,000 or less per Outside Director) and the total number of stocks of all Eligible Directors is 200,000 or less (including 10,000 in total of all the Outside Directors).

【The amount of monetary compensation receivable in the System】

1. Calculation method for the amount of monetary compensation receivable

The amount of money (monetary compensation receivable) is calculated by multiplying the number of stocks which are to be provided to the Directors under the System (hereinafter referred to the "Final Number of Stocks to be Provided") by the closing price of the Company's Stock at the Tokyo Stock Exchange (if no trading is concluded on the day, the closing price on the most recent trading day preceding that date, hereinafter referred to the "Closing Price of the Company's Stock") on the business day immediately prior to the date of the resolution at the Board of Directors meeting held to determine the issuance of new shares or disposition of treasury stocks for the provision of shares (hereinafter referred to the "Resolution of Board of Directors for Provision") within a period of 2 months from the date of the end of Vesting Period to.

$\text{Amount of Money (monetary compensation receivable) to be Provided to the Directors} \\ = \text{Final Number of Stocks to be Provided} \times \text{Closing Price of the Company's Stock}$
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2. Calculation Method for Final Number of Stocks to be Provided

Final Number of Stocks to be Provided is calculated by multiplying the number of stocks (if the calculation results in a fraction of less than one stock, rounded down to 0, hereinafter referred to as the "Base Number of Stocks to be Provided) calculated by dividing the amount which is double of monthly compensation in the month next to the month when the Director is appointed as a Director (if re-appointed as a Director, the month of immediately preceding re-appointment) for each Eligible Director (hereinafter referred to the "Base Compensation Amount") by the closing price of the Company's common stock at the Tokyo Stock Exchange (if no trading is concluded on the day, the closing price on the most recent trading day preceding that day, hereinafter referred to as the "Base Stock Price") on the business day immediately prior to the date of resolution at the Initial Board of Directors Meeting (hereinafter referred to the "Resolution of Initial Board of Directors") held at the beginning of Vesting Period by certain ratio shown in below calculation formula.

(Calculation Method for Final Number of Stocks to be Provided)

Final Number of Stocks to be Provided =

(i) Base Number of Stocks to be Provided (①) × 50% × Performance Condition Issuance Rate (②) + (ii) Base Number of Stocks to be Provided (①) × 25% × Contribution Condition Issuance Rate (③) + (iii) Base Number of Stocks to be Provided (①) × 25%
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1 Base Number of Stocks to be Provided:

Base Number of Stocks to be Provided is calculated by the following formula.

Base Number of Stocks to be Provided=	$\frac{\text{Base Compensation Amount for Director}}{\text{Base Stock Price}}$
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Maximum of the total amount of Base Compensation Amount for the Eligible Directors per business year is 40 million yen (including 6 million yen for Outside Directors) which is deemed appropriate based on the purpose of the System, and specific amount for each Eligible Directors is determined in Board of Directors meeting.

2 Performance Condition Issuance Rate:

Regarding Performance Condition Issuance Rate, targets of ROA (Return on Asset) and operation margin calculated by finalized consolidated balance sheet and consolidated statement of income for the 3 business years of Performance Evaluation Period, are determined in the Initial Board of Directors Meeting and then it is calculated in the range of 0% to 100% as described below based on the achievement level of the targets.

Achievement Level	Delivery rate
Achieved both targets for ROA and operating margin for 3 consecutive business years	100%
Achieved one of the targets, ROA or operating margin, for 3 consecutive business years, and achieved the other indicator target for only 2 business years (not limited to consecutive years)	90%
Achieved one of the targets, ROA or operating margin, for 3 consecutive business years, and achieved the other indicator target for only 1 business year	80%
Achieved both targets for ROA and operating margin for only 2 business years (not limited to consecutive nor common years)	80%
Achieved one of the targets, ROA or operating margin, for three consecutive business years, and did not achieved the other indicator targets in the three business years	70%
Achieved one of the targets, ROA or operating margin, for two business years (not limited to consecutive years), and achieved the other indicator target for only one business year (not limited to the common business year with the above business year)	70%
Achieved one of the targets, ROA or operating margin, for 2 business years (not limited to consecutive years), and did not achieved the other indicator targets in the three business years	60%
Achieved both targets for ROA and operating margin for only 1 business year (not limited to 1 common business year)	60%
Achieved one of the targets, ROA or operating margin, for only 1 business year, and did not achieved the other indicator targets in the three business years	50%
Nothing described above applies	0%

ROA is calculated by the following formula.

$\text{ROA(\%)} = \frac{\text{Net Income Attributable to Shareholders of the Parent Company}}{\text{Total Assets}} \times 100$
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Operating margin is calculated by the following formula.

$\text{Operating Margin (\%)} = \frac{\text{Operating Profit}}{\text{Sales}} \times 100$
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3 Contribution Condition Issuance Rate:

Contribution Condition Issuance Rate is determined in the range of 0% to 100% based on contribution of each Eligible Director in the Performance Evaluation Period. Specifically, the Representative Director

makes a proposal to the Compensation Advisory Committee, and through the deliberation of the Committee, it is determined by a resolution of the Board of Directors for Provision of compensation. However, for the Outside Directors, Contribution Condition Issuance Rate is 100%.

【Payment Condition of Compensation under the System】

Eligible Directors are subject to continuously serve as Directors or Executive Officers of the Company during the Vesting Period. In case the Director or Executive Officer resigns the post in the period (excluding the case of reappointment immediately after the resignation), neither monetary compensation receivable nor the Company's Stock is provided under the System.

【Basis for calculating the payment amount and its specific details】

Regarding the Performance Condition Issuance Rate, we have set the targets for ROA and Operating Margin for the performance evaluation period as follows because, although we have achieved both the targets for ROA and operating margin for FY2023, the target was not achieved for the fiscal years, The result falls under the "case where both ROA or Operating Margin targets are achieved in only one fiscal year" in the table listed in【The amount of monetary compensation receivable in the System】 above and the it is set at 60%.

(%)

Target/Result	ROA	Operating Margin
2021	3.8/3.6	4.8/4.4
2022	4.7/3.7	5.2/2.9
2023	4.4/6.1	4.3/5.1

The Contribution Condition Issuance Rate is an index determined based on the degree of contribution of each Director and the Compensation Advisory Committee discussed about it and it is set at 100% for all Eligible Directors.

Regarding the conditions for payment of compensation, 2 Directors and 1 Executive Officer retired before the end of the performance evaluation period, and the Company's shares will not be issued to such retired Directors and executive officers.

With the above Performance Condition Issuance Rate of 60% and Contribution Condition Issuance rate of 100%, the number of shares is calculated using the formula for the “Final Number of Stocks to be Provided” as stated in【The amount of monetary compensation receivable in the System】 Performance Condition Issuance Rate and the total number will be 28,935 shares.

The issue price for this new stock issue is 495 yen, which is the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the resolution of the Company's Board of Directors (April 19, 2024), in order to eliminate arbitrariness. This is the market share price immediately before the date of the resolution of the Company's Board of Directors, and we believe that this is a reasonable price and does not constitute a particularly advantageous price.

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