

May 20th, 2024

Notice on the Introduction of a Performance-linked Share-based Remuneration Scheme

Company name: TOKYO SEIMITSU CO., LTD.
(Stock code: 7729, Tokyo Stock Exchange, Prime Segment)
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TOKYO SEIMITSU CO., LTD. (the Company) resolved at a meeting of its Board of Directors held today to introduce a new performance-linked share-based remuneration scheme by the Share Benefit Trust (=Board Benefit Trust (BBT)) (hereinafter referred to as "the Scheme"), and has resolved to submit a proposal concerning the Scheme to the 101st Annual General Meeting of Shareholders (hereinafter referred to as "the AGM") to be held on 21st June, 2024 as described below.

1. Background and purpose of introducing the scheme

The Company's Board of Directors has decided to introduce the Scheme with the aim of clarifying the link between the compensation of the Company's Directors (excluding directors those who are served as Director serving as an Audit and Supervisory Committee member and external directors) and executive officers, and specific directors (excluding external directors) and executive officers of specific subsidiary and/or affiliated company that are appointed by the Company and the Company's performance and share value, and to share not only the benefits of a rise in the share price but also the risk of a fall in the share price with the shareholders, thereby raising awareness of the need to contribute to improving performance and increasing corporate value over the medium to long term, subject to shareholder approval of the directors' compensation at the General Meeting of Shareholders, and has decided to propose this agenda to the General Meeting of Shareholders. (Eligible officers, that are the Company's Directors (excluding directors those who are served as Director serving as an Audit and Supervisory Committee member and external directors) and executive officers, and specific directors (excluding external directors) and executive officers of specific subsidiary and/or affiliated company that are appointed by the Company are hereinafter referred to as "Eligible Officers".)

The Company's 98th Annual General Meeting of Shareholders, held on 21st June 2021, approved;

- Separately from the amount of remuneration to directors (excluding directors those who are serving as an Audit and Supervisory Committee member) in Cash, total amount of compensation allotted as stock options such as Restricted stock and Share subscription rights shall not exceed 300 million yen per year;
- The total maximum number of Restricted stocks to be allotted to directors (excluding directors those who are serving as an Audit and Supervisory Committee member) shall not exceed 8,000 shares per year,
- The total maximum number of stocks that can be issued through exercises that are allotted to directors (excluding directors those who are serving as an Audit and Supervisory Committee member) as Share subscription rights shall not exceed 36,000 shares, and
- Detail of such Restricted stock and Share subscription rights

However, subject to the approval of the proposals relating to the Scheme at AGM, these remuneration limits for Directors in relation to such restricted stocks and share subscription rights will be abolished.

However, the restricted stocks and share subscription rights that have already been allocated to directors will continue to exist.

2. Outline of the Scheme

(i) Outline of the Scheme

The Scheme is a performance-based share-based compensation system in which shares of the Company are acquired through a trust (hereinafter, the trust established in accordance with the Scheme is referred to as "the Trust") with the source of funds consisting of cash contributed by the Company and in which the Company's shares and cash equivalent to the amount of the Company's shares converted at market value

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(hereinafter referred to as “the Company Shares etc.”) are provided to Eligible Officers through the Trust in accordance with the directors' share benefit regulations (as set out in section (vi), and hereinafter referred to “the Regulations”) Under the plan, two types of benefits will be provided, the 'first benefit' and the 'second benefit', and the timing for the Eligible Officers to receive the Company Shares etc. will in principle be at the time of retirement of the Eligible Officers for the first benefit, and at a certain time each year for the second benefit.

(ii) Eligible personnel

Company's Directors (excluding directors those who are served as Director serving as an Audit and Supervisory Committee member and external directors) and executive officers, and specific directors (excluding external directors) and executive officers of specific subsidiary and/or affiliated company that are appointed by the Company.

(iii) Trust period

From August 2024 (planned) until the Trust is terminated (no specific termination date has been set for the Trust period and the Trust will continue as long as the Scheme continues. The Scheme will be terminated upon delisting of the Company's shares, abolition of the Company's share benefit regulations, etc.

(iv) Amount of trust

Subject to the approval at the AGM, the Company may introduce the Scheme for three fiscal years from the fiscal year ending March, 2025 to the fiscal year ending March, 2027 (such three fiscal year period being referred to as “the Initial Period”, and the Initial Period and the period commencing after the Initial Period have passed being referred to as “the Period”) and the each of the Period that are subsequent covered by the Scheme, and will contribute the following amounts to the Trust as a source in order to provide Eligible Officers with the Company Shares etc. and other benefits.

First, at the time of the establishment of the Trust (August, 2024 (planned)), the Company will establish the Trust by contributing a substantial amount of cash that is expected to be the necessary funds corresponding to the Initial Period. Because the maximum number of points to be granted to Eligible Officers under the Scheme is 200,000 points per each of the Period (of which 120,000 points are for the Company's directors) as described in (vi) below, at the time of setting up the Trust, taking into account the closing price of the Company's ordinary shares in ordinary trading on the Tokyo Stock Exchange immediately before setting up the Trust. For reference, if the closing price on 17th May, 2024 of 10,815 JPY is applied, the above required funds will be 2,163 million JPY.

Even after the Initial Period has elapsed, the Company will, in principle, make additional contributions to the Trust for each of the Period until the termination of the Scheme, based on a reasonable estimate of the number of shares required to provide benefits to Eligible Officers under the Scheme, and the funds deemed necessary for the Trust to acquire the shares in advance. However, in the event of such additional contribution, if there are any remaining Company shares (excluding Company shares equivalent to the number of points granted to Eligible Officers in respect of each of the immediately preceding qualifying Periods for which the benefits to Eligible Officers have not yet been paid) and cash (these Company shares and cash are hereinafter collectively referred to as "Remaining Shares, etc.") in the trust assets, the Remaining Shares, etc. and other assets shall be used to fund the benefits under the Scheme in the subsequent Periods, and the amount of the additional contribution shall be calculated after taking into account the Remaining Shares, etc. and other assets. If the Company decides to make additional contributions, the Company will disclose this in a timely and appropriate manner.

(Note: The amount of cash actually contributed by the Company to the Trust is the sum of the above-mentioned share acquisition funds and the estimated amount of necessary expenses such as trust remuneration.)

(v) Method of acquiring the Company shares by the Trust and the number of shares to be acquired

The acquisition of the Company's shares by the Trust shall be funded from the funds contributed in accordance with (iv) above and shall be carried out through the stock exchange market or by subscribing to the disposal of the Company's treasury shares.

As the maximum number of points to be granted to Eligible Officers is 200,000 points per each of the Period as per (vi) below, therefore, the maximum number of Company shares to be acquired by the Trust for each of the Period is 200,000 shares. Details of the acquisition of the Company shares by the Trust will be disclosed in a timely and appropriate manner.

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(vi) Maximum number of the Company's Shares etc. to be provided to Eligible Officers

The Eligible officers are granted points for each financial year in accordance with the Officer Share Benefit Regulations (first benefit) and the Officer Share Benefit Regulations (second benefit) (hereinafter collectively referred to as the 'Officer Share Benefit Regulations'). For the first benefit, points are awarded based on position and other factors, while for the second benefit, points are awarded based on performance in each financial year and achievement of performance targets in the mid-term business plan and other factors. The maximum total number of points per each of the Periods to be granted to Eligible Officers is 200,000 points (of which 120,000 points are for the Company's directors). This has been determined taking into account the current level of remuneration paid to directors, trends in the number of Eligible Officers and future prospects, and other factors, and is considered to be reasonable.

The points granted to Eligible Officers will be converted into one share of the Company's common share per point when the Company's shares, etc. are delivered as described in (vii) below (provided, however, that if a stock split, gratis allotment of shares or reverse stock split, etc. is carried out with regard to the Company's shares after the shareholders' approval resolution at the AGM, reasonable adjustments will be made to the maximum number of points and the number of points already granted or the conversion ratio, depending on such ratio, etc.).

The ratio of 2,000 voting rights linked to shares corresponding to the maximum number of points per each of the Periods granted to Eligible Officers to the 403,258 voting rights linked to the total number of issued shares (as of 31st March, 2024) is approximately 0.5%.

The number of points of the Eligible Officers that will be used as the basis for the delivery of the Company's shares and other benefits described in (vii) below is; for the first benefit, in principle, the number of points granted to the Eligible Officers by the time of their retirements; and for the second benefit, in principle, the number of points granted to the Eligible Officers in question after three years have elapsed from the date of grant of the points. (The points thus calculated are hereinafter referred to as "the Determined Point Count").

(vii) Provision of the Company's Shares etc.

With regard to the first benefit, when an Eligible Officer retires and satisfies the beneficiary requirements set out in the Officer Share Benefit Regulations (first benefit), the said Eligible Officer will, in principle, receive a number of Company shares corresponding to the Determined Point Count in accordance with (vi) above, by completing the prescribed beneficiary determination procedures, after his or her retirement. However, if the requirements stipulated in the Officer Share Benefit Regulations (first benefit) are met, instead of receiving a certain percentage of the Company's shares, the Eligible Officers will receive a monetary benefit equivalent to the market value of the Company's shares. The Company shares may be sold by the Trust in order to provide monetary benefits.

With regard to the second benefit, when an Eligible Officer who fulfils the beneficiary requirements stipulated in the Officer Share Benefit Regulations (second benefit) will, in principle, receive from the Trust a certain number of Company shares at a certain time each year in accordance with the Determined Point Count as described in (vi) above, by completing the prescribed beneficiary determination procedure. The directors receive benefits from the Trust at a certain time each year. However, if the requirements set out in the Officer Share Benefit Regulations (second benefit) are met, instead of receiving a certain percentage of the Company's shares, they receive a monetary benefit equivalent to the market value of the Company's shares. The Company shares may be sold by the Trust in order to provide monetary benefits. However, if the requirements set out in the Officer Share Benefit Regulations (second benefit) are met, instead of receiving a certain percentage of the Company's shares, the Eligible Officers will receive a monetary benefit equivalent to the market value of the Company's shares. The Company shares may be sold by the Trust in order to provide monetary benefits.

If an Eligible Officer retires from office as a result of certain misconduct during his/her term of office, or if he/she has engaged in improper conduct during his/her term of office that could cause damage to the Company, he/she may not be awarded all or part of the points by a vote of the Board of Directors.

In addition, even Eligible Officers who have been granted points may not acquire the right to receive benefits in whole or in part by a vote of the Board of Directors if they retire from office as a result of certain misconduct during their term of office, or if they have engaged in improper conduct during their term of office that could cause damage to the Company.

(viii) Exercising voting rights

In accordance with the instructions of the trust administrator, voting rights pertaining to the Company

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shares in the Trust account shall not be exercised uniformly. The applicable method is intended to ensure neutrality in terms of the impact of the exercising of voting rights pertaining to the Company shares in the Trust account on the management of the Company.

(ix) Treatment of dividends

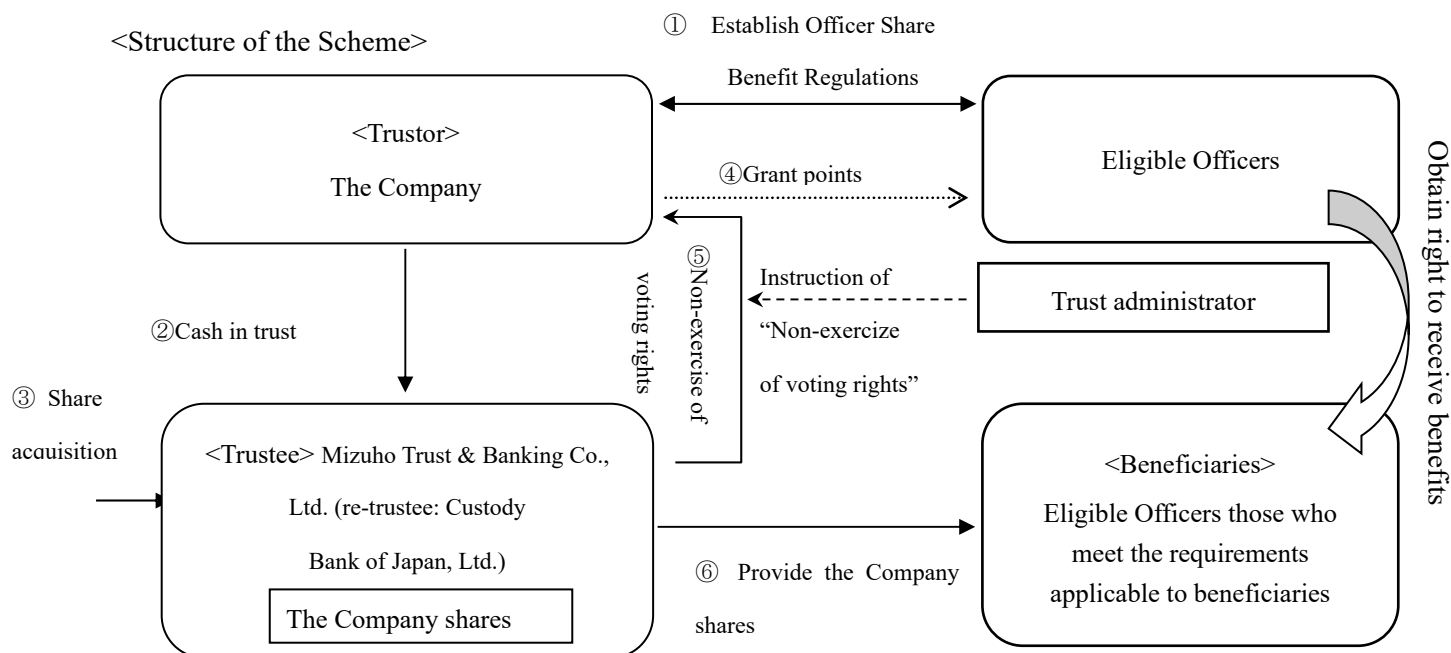
Dividends tied to the Company shares in the Trust account shall be received by the Trust and used to pay for the acquisition of Company shares and/or the trust fees for the trustee as they relate to the Trust.

When the Trust is terminated, dividends etc. remaining in the Trust shall be distributed to Eligible Officers at the time of the termination of the Trust in proportion to the number of points each Eligible Officer possesses in accordance with the provisions of the Officer Share Benefit Regulations.

(x) Treatment upon the termination of the Trust

The Trust shall be terminated in the event of delisting of the Company's shares, abolishment of the Officer Share Benefit Regulations, or other events.

Of the residual assets of the Trust at the time of the termination of the Trust, all Company shares are to be acquired free of charge and exercise redemption upon a resolution by the Board of Directors. Of the residual assets of the Trust at the time of termination of the Trust, the balance of the cash will be paid to the Company, excluding the cash to be paid to the Directors and others in accordance with (ix) above.



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- ① The Company, upon the adoption of a resolution on directors' remuneration under this program at the AGM, establishes the Officer Share Benefit Regulations for Officers within the scope of a framework approved at the AGM.
- ② The Company places cash in trust within the scope approved through the adoption of a resolution at the AGM as provided for in ①.
- ③ The Trust acquires Company shares using cash in ② as the source of funds either through the stock market or by underwriting the disposition of treasury stock.
- ④ The Company grants points to Eligible Officers in accordance with the Officer Share Benefit Regulations.
- ⑤ The Trust shall, in accordance with instructions of the trust administrator, which operates at arms' length from the Company, refrain from exercising voting rights pertaining to Company shares in the Trust account.
- ⑥ The Trust provides, at a certain time each year, Eligible Officers those who satisfy requirements for beneficiaries as set forth in the Officer Share Benefit Regulations. (hereinafter referred to as "Beneficiaries") with Company shares in accordance with the number of points conferred thereon. Provided, however, that Eligible Officers those who satisfies requirements as set forth in the Officer Share Benefit Regulations shall be paid a monetary benefit equivalent to the market value of Company shares at the time of resignation for a certain percentage of points accrued.

<Outline of the Trust>

- (1) Name: Board Benefit Trust (BBT)
- (2) Trustor: The Company
- (3) Trustee: Mizuho Trust & Banking Co., Ltd. (re-trustee: Custody Bank of Japan, Ltd.)
- (4) Beneficiaries: Eligible Officers those who satisfy the requirements for beneficiaries as set forth in the Officer Share Benefit Regulations
- (5) Trust administrator: A third party with no vested interest in the Company will be selected
- (6) Type of the Trust: Cash in trust other than a cash trust (other benefit trust)
- (7) Date on which the Trust agreement is to be concluded: August 2024 (planned)
- (8) Date on which cash is to be placed in trust: August 2024 (planned)
- (9) Trust term: From August 2024 (planned) until the termination of the Trust
(No termination date has been specified; the Trust shall remain in effect as long as the Scheme continues)

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