



May 14, 2024

For Immediate Release

Company Name: TSUGAMI CORPORATION
Representative Director: Kenji Yoneyama
(Stock Code: 6101, Tokyo Stock Exchange Prime Market)
Contact: Hiroyuki Yuki, Senior Executive Officer, Secretary
Tel: +81-3-3808-1711

Notice of Transition from Stock Option Compensation Plan to Restricted Stock Compensation Plan

TSUGAMI CORPORATION announces that at a meeting held on May 14, 2024 its Board of Directors resolved to change the subscription rights to shares that have been granted as stock option compensation to its Directors (which have yet to be exercised) to restricted stock (hereinafter the “Transition”). The Company will propose the Transition as an agenda item at the 121st Annual Shareholders Meeting (hereinafter the “Shareholders Meeting”) scheduled for June 19, 2024. Details are as follows.

1. Purpose of the Transition, etc.

(1) Purpose and details of the Transition

The introduction of the restricted stock compensation plan (hereinafter the “Plan”) was approved at the 118th Annual Shareholders Meeting held on June 16, 2021. Under the Plan, shares of restricted stock are allotted to the Company’s Directors (excluding Directors who are members of the Audit and Supervisory Committee and Outside Directors; hereinafter “Eligible Directors”). With the introduction of the Plan, the rules regarding the stock option compensation plan approved at the 115th Annual Shareholders Meeting held on June 20, 2018, were revoked.

Since the rules for the stock option compensation plan were revoked, no new stock options (hereinafter “Stock Options”) have been allocated as stock-linked compensation. The Company plans to convert the Stock Options granted to the Eligible Directors that have not been exercised to restricted stock to implement the stock compensation plan efficiently and in an integrated manner. The conversion also aims to encourage the Eligible Directors to further share the benefits and risks of stock price fluctuations with the shareholders and motivate them to contribute more to the increase of the stock price and the enhancement of corporate value. It is expected that those who have been granted Stock Options, hold unexercised Stock Options and plan to be reappointed or newly appointed Directors of the Company (excluding Directors who are members of the Audit and Supervisory Committee) at the Shareholders Meeting (hereinafter “Reappointed Directors, etc.”) will forfeit all of the unexercised Stock Options they hold, and the Company plans to allocate shares of restricted stock to them. The number of shares of restricted stock (common shares of the Company that are subject to rules regarding the period that transfer restrictions are in place and the acquisition of the restricted stock for no consideration set out in section 2 below; hereinafter “Shares of Restricted Stock”) to be allotted to these Directors is the same as the number of shares underlying the Stock Options (167,000 shares).

The Directors who will resign at the conclusion of the Shareholders Meeting and hold Stock Options will exercise those Stock Options according to the subscription rights to shares allocation agreement that was concluded when the Stock Options were allocated in previous years.

(2) Conditions for the Transition

As monetary compensation claims will be granted to Reappointed Directors, etc. for the allotment of Shares of Restricted Stock under the Plan, the Transition must be approved by shareholders at the Shareholders Meeting to implement the Transition and pay this monetary compensation.

To implement the Transition, the Company will seek shareholder approval to set a limit of 334 million yen on

the annual monetary compensation claims to be granted to the Reappointed Directors, etc. as compensation, etc. related to the Transition (excluding the salaries of Directors who are also employees) and a limit of 167,000 shares on the annual number of common shares of the Company to be issued or disposed of. These limits are applied only in the Company's 122nd fiscal year from April 1, 2024, to March 31, 2025 (hereinafter the "Fiscal Year") and separate from the limits on compensation for Directors related to the Plan that was approved at the 118th Annual Shareholders Meeting held on June 16, 2021 (a limit of 80 million yen on the total annual amount of monetary compensation claims to be granted to the Eligible Directors as compensation, etc. related to Shares of Restricted Stock and a limit of 150,000 shares on the total number of Shares of Restricted Stock allocated to the Eligible Directors for a single fiscal year).

The Reappointed Directors, etc. will forfeit the Stock Options granted in previous years in exchange for the allotment. No new compensation will be provided.

2. Overview of the Transition

(1) Allotment of and payment for Shares of Restricted Stock

To implement the Transition, the Company will provide monetary compensation claims to the Reappointed Directors, etc. They will then contribute in kind by delivering all the claims for the issuance or disposition of Shares of Restricted Stock. The amount paid for Shares of Restricted Stock will be determined by the Board of Directors based on the closing price of the Company's common shares at the Tokyo Stock Exchange on the business day immediately before the day on which resolutions are made at a meeting of the Board of Directors (or the closing price on the immediately preceding day if no trades are made on this day) with respect to the issuance or disposal of such shares, provided that such amount shall not be particularly favorable to the Reappointed Directors, etc. who subscribe for such Shares of Restricted Stock.

In addition, the above monetary compensation claims shall be granted on the condition that the Reappointed Directors, etc. forfeit all of the unexercised Stock Options they hold, agree to the abovementioned in-kind contribution and conclude a restricted stock allotment agreement with transfer restrictions that includes the provisions specified in (2) below.

(2) Summary of restricted stock allotment agreement

The Company will enter into a restricted stock allotment agreement with the Reappointed Directors, etc. to allot Shares of Restricted Stock, which will include the following provisions: (i) The Reappointed Directors, etc. who have been allotted Shares of Restricted Stock shall not transfer the Shares of Restricted Stock allocated to them, pledge the stock, establish a security by assigning the stock, transfer the stock as an inter vivos gift, dispose of the stock at will, or dispose of the stock in any way to any third party during the period from the day on which the Shares of Restricted Stock are delivered until the day on which the Reappointed Director, etc. resigns from all positions they hold as a Director, Executive Officer or employee equivalent thereto of the Company, and (ii) The Company may acquire the Shares of Restricted Stock for no consideration if certain events occur.

(Reference)

The Company plans to allot shares of the same type of restricted stock as the abovementioned Shares of Restricted Stock in exchange for the unexercised Stock Options that have been allotted to Executive Officers or employees equivalent to them of the Company in the same manner as the Transition after the conclusion of the Shareholders Meeting.