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Notice Concerning Introduction of a Transfer-Restricted Stock Compensation System

NIPPON RIETEC CO., LTD. (the “Company”) hereby announces that at a meeting of the Board of Directors held on May 12, 2025, it has reviewed the compensation system for executives and resolved to submit a proposal regarding the introduction of a transfer-restricted stock compensation system (the “System”), as described below, at the 16th Annual General Meeting of Shareholders (the “General Meeting of Shareholders”) scheduled to be held on June 25, 2025.

1. Purpose and conditions of the introduction of the System

(1) Purpose of introduction

The Company introduces the System to provide incentives to continuously improve corporate value for Directors of the Company (excluding Directors who are Audit & Supervisory Committee Members, and Outside Directors; hereinafter referred to as the “Eligible Directors”), including those who will be appointed in the future, and to further promote value sharing with shareholders.

(2) Conditions of introduction

If the System is introduced, the Eligible Directors will, on the basis of the resolution of the Board of Directors of the Company, receive the issuance or disposition of common shares (transfer-restricted shares) of the Company free of charge without needing to pay money, etc. in exchange for shares for subscription as a consideration for their execution of duties as a Director (the “Free Issue Method”), or pay all of the monetary compensation claims paid by the Company as properties contributed in kind to receive the issuance or disposition of common shares (transfer-restricted shares) of the Company (the “Contribution in Kind Method”). Therefore, the introduction of the System is subject to the approval of shareholders at the General Meeting of Shareholders for the payment of such remuneration.

The Annual General Meeting of Shareholders held on June 24, 2022 approved a proposal that the amount of

compensation for Directors be no more than 300 million yen per year. At the General Meeting of Shareholders, the Company will seek shareholders' approval for the introduction of the System and the setting of a compensation framework for the System for the Eligible Directors separately from the current monetary compensation framework for Directors.

2. Outline of the System

The Eligible Directors will receive the issuance or disposition of common shares of the Company by either the Free Issue Method or the Contribution in Kind Method above under the System.

The total number of common shares of the Company issued or disposed of by either the Free Issue Method or the Contribution in Kind Method under the System will be up to 70,000 shares annually, including both methods; however, if the stock split or reverse stock split of common shares of the Company (including free allotment of common shares of the Company) is implemented, or if it becomes necessary to adjust the total number of common shares of the Company issued or disposed of as transfer-restricted shares, on or after the day when this proposal is approved, then the total number will be adjusted within a reasonable range.

As described above, the total number of common shares of the Company issued or disposed of to grant transfer-restricted shares will be up to 50 million yen annually, including the Free Issue Method and the Contribution in Kind Method, separately from the current monetary compensation framework for Directors. In the case of (1) Free Issue Method, while monetary payment is not required in granting transfer-restricted shares, the amount of compensation for the Eligible Directors per share will be calculated on the basis of the closing price of common shares of the Company at the Tokyo Stock Exchange on the business day preceding the day on which the Company's Board of Directors resolves the granting of transfer-restricted shares (if no transaction is closed on such day, the closing price on the most recent trading day that precedes such day). In the case of (2) Contribution in Kind Method, the amount to be paid per share will be calculated on the basis of the closing price of common shares of the Company at the Tokyo Stock Exchange on the business day preceding the day on which the Company's Board of Directors resolves the granting of transfer-restricted shares (if no transaction is closed on such day, the closing price on the most recent trading day that precedes that day), and determined by the Board of Directors to the extent that the amount will not be particularly advantageous to the Eligible Directors.

In order to accomplish the sharing of shareholder value in the medium to long term, which is one of the purposes of the introduction of the System, the Company has set the transfer restriction period that starts on the day when transfer-restricted shares are issued and ends on the day when the relevant Eligible Director loses the position of Director at the Company or other positions decided by the Board of Directors of the Company. The specific time of issuance as well as allocation to each Eligible Director will be decided by the Board of Directors.

The issuance or disposal of common shares of the Company under the System is subject to the conclusion of a transfer-restricted stock allotment agreement (the "Allotment Agreement") between the Company and the Eligible Directors, which includes the matters below.

- (1) The Eligible Directors may not, during a predefined period, transfer, create a security interest in, or otherwise dispose of common shares of the Company allotted under the System.
- (2) The Company shall acquire such common shares without consideration in the event of certain circumstances.

3. Application to the Executive Officers of the Company

Subject to approval for the System at the General Meeting of Shareholders, the Company will grant transfer-restricted shares similar to those under the System to the Executive Officers of the Company as well.