



July 17, 2025

To whom it may concern:

Company name: Tokushu Tokai Paper Co., Ltd.
Name of representative: Takashi Kimura, President and
Chief Executive Officer
(Securities code: 3708; TSE Prime Market)
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Notice Regarding Issuance of Stock Options (Share Acquisition Rights)

Tokushu Tokai Paper Co., Ltd. (the “Company”) hereby announces that, at a meeting of the Board of Directors held on July 17, 2025, it was resolved to issue share acquisition rights as stock compensation-type stock options to Directors etc. of the Company. Details of the offering terms are as follows.

I. Reasons for Issuing Share Acquisition Rights as Stock Options

The Company has decided to issue share acquisition rights as stock compensation-type stock options to the eligible persons below with the aim of further strengthening the link between the Company’s performance and the value of its shares, and sharing not only the benefits of stock price increases but also the risks of its declines with shareholders, thereby further enhancing the motivation and morale of the management to contribute to the sustained improvement of performance and corporate value over the medium to long term.

II. Terms and Conditions of the Issuance of Share Acquisition Rights

1. Name of share acquisition rights to be offered

Tokushu Tokai Paper Co., Ltd. FY2025 Share Acquisition Rights

2. Persons eligible for allotment of share acquisition rights, number of such persons, and number of share acquisition rights to be allotted

Directors of the Company (excluding outside Directors): 5 persons, 61 units

Managing Executive Officers and Senior Executive Officers of the Company: 2 persons, 13 units

3. Class and number of shares to be issued upon exercise of share acquisition rights

The class of shares to be issued upon exercise of share acquisition rights shall be common stock of the Company, and the number of shares to be issued upon exercise of each share acquisition right (the “Number of Shares to Be Allotted”) shall be 100.

The total number of shares to be issued upon exercise of share acquisition rights shall be

7,400.

However, in the event the Company conducts a share split or a share consolidation of its common stock after the date of resolution of this proposal (the “Resolution Date”), the Number of Shares to Be Allotted shall be adjusted using the following formula. However, such adjustments shall be made with respect to the number of shares subject to share acquisition rights that have not been exercised at the time of the adjustment, and any fractions of less than one share resulting from such adjustments shall be rounded down.

Number of Shares to Be Allotted after adjustment = Number of Shares to Be Allotted before adjustment × Ratio of share split or share consolidation

In addition to the above, if any unavoidable circumstances arise after the Resolution Date that require an adjustment to the Number of Shares to Be Allotted, the Company may adjust the Number of Shares to Be Allotted as deemed necessary within a reasonable scope.

4. Total number of share acquisition rights

The total number of share acquisition rights shall be 74 units. The Number of Shares to Be Allotted shall be 100 shares of common stock per share acquisition right.

The above total number is the number of share acquisition rights scheduled to be allotted. If the total number of share acquisition rights to be allotted decreases because the total number of subscriptions does not reach the scheduled number or for other reasons, the total number of share acquisition rights to be allotted shall be the total number of share acquisition rights to be issued.

5. Method of calculating the payment amount for share acquisition rights

The payment amount shall be obtained by multiplying the option price per share calculated based on the basic numerical value below in accordance with the Black-Scholes Model on the allotment date of the share acquisition rights by the Number of Shares to Be Allotted. However, pursuant to the provision of Article 246, paragraph (2) of the Companies Act, against the remuneration claim pertaining to the amount of remuneration, etc. payable to the allottees, the payment obligation to pay in the total payment amount shall be set off, instead of payment of cash.

$$C = e^{-dt} S N(d_1) - e^{-rt} K N(d_2)$$

In this formula:

$$d_1 = \frac{\ln(S/K) + (r - d + \sigma^2/2)t}{\sigma\sqrt{t}}, \quad d_2 = d_1 - \sigma\sqrt{t}$$

(1) Option price per share (C)

(2) Stock price (S): The closing price of common stock of the Company in regular trading on the Tokyo Stock Exchange on August 8, 2025 (if there is no closing price, the base price of the following trading day)

(3) Exercise price (K): 1 yen

(4) Estimated time to maturity (t): 4.9 years

(5) Stock price volatility (σ): Stock price volatility rate calculated based on the closing

price of common stock of the Company in regular trading on the last trading day of each month over a 4.9 year period (August 21, 2020, to August 8, 2025)

(6) Risk-free interest rate (r): The interest rate on Japanese government bonds with a remaining maturity corresponding to the estimated time to maturity

(7) Dividend yield (d): Dividend per share (expected dividend for the fiscal year ending March 31, 2026) ÷ Stock price specified in (2) above

(8) Cumulative distribution function of the standard normal distribution ($N(\cdot)$)

* The amount calculated above is the fair value of the share acquisition rights and does not constitute a favorable issuance.

6. Value of assets to be contributed upon exercise of share acquisition rights

The value of assets to be contributed upon exercise of each share acquisition right shall be an amount obtained by multiplying the amount to be paid in for each share to be delivered upon exercise of the share acquisition right, which shall be 1 yen, by the Number of Shares to Be Allotted.

7. Exercise period of share acquisition rights

The exercise period shall be from August 12, 2025, to August 11, 2045.

8. Matters concerning capital and capital reserve to be increased due to the issuance of shares upon exercise of share acquisition rights

- (1) The amount of capital to be increased due to the issuance of shares upon exercise of share acquisition rights shall be one-half of the maximum amount of increase in capital, etc. to be calculated in accordance with Article 17, paragraph (1) of the Regulations for Corporate Accounting, and any fractions of less than 1 yen arising as a result of the calculation shall be rounded up.
- (2) The amount of capital reserve to be increased due to the issuance of shares upon exercise of share acquisition rights shall be the amount obtained by subtracting the amount of capital to be increased as set forth in (1) above from the maximum amount of increase in capital, etc.

9. Restriction on acquisition of share acquisition rights by transfer

Any acquisition of share acquisition rights by transfer shall require the approval of the Board of Directors of the Company.

10. Conditions for exercise of share acquisition rights

- (1) Holders of share acquisition rights may exercise their rights only during the 10-day period beginning on the day following the date on which they lose any and all positions as a Director or Senior Executive Officer of the Company.
- (2) Holders of share acquisition rights shall exercise all of the share acquisition rights allotted to them collectively.
- (3) Holders of share acquisition rights shall not transfer, create a security interest in,

bequeath, or otherwise dispose of all or part of the share acquisition rights allotted to them to any third party.

- (4) Notwithstanding the provision of (1), if a resolution regarding a merger agreement in which the Company becomes a disappearing company, or a resolution regarding a share exchange agreement or a share transfer plan in which the Company becomes a wholly-owned subsidiary is approved at a general meeting of shareholders of the Company (or if a resolution of a general meeting of shareholders is not required, a decision by the Board of Directors of the Company is made), the share acquisition rights may be exercised only on a date separately determined by the Board of Directors.
- (5) In the event that a holder of share acquisition rights dies, his/her heir shall be entitled to exercise such rights. The conditions for the exercise of share acquisition rights by such heirs shall be as set forth in the agreement described in (8) below.
- (6) Pursuant to the provisions of (5), a person who has succeeded the new share acquisition rights (the "Successor") may exercise the new share acquisition rights for a period of one year from the date of commencement of inheritance, regardless of (1) of the conditions for exercise of share acquisition rights.
- (7) Each provision shall apply to Successors to the extent that such application is not contrary to their purpose.
- (8) Other conditions shall be as specified in the "Share Acquisition Rights Allotment Agreement" to be concluded between the Company and the share acquisition rights holders in accordance with the resolution of the Board of Directors.

11. Reasons and conditions for acquisition of share acquisition rights

- (1) The Company may acquire the share acquisition rights without compensation in the event that a holder of share acquisition rights no longer satisfies the conditions for exercising his/her right set forth in Section 10 above, or if a holder waives his/her rights.
- (2) If the following proposals are approved at a general meeting of shareholders of the Company (or if a resolution of a general meeting of shareholders is not required, a resolution at a meeting of the Board of Directors of the Company is made), the Company may, on a date separately determined by the Board of Directors, acquire the share acquisition rights without compensation.
 - (i) Proposal for approval of a merger agreement in which the Company becomes a disappearing company
 - (ii) Proposal for approval of a company split agreement or company split plan in which the Company becomes a split company
 - (iii) Proposal to approve a share exchange agreement or a share transfer plan under which the Company becomes a wholly-owned subsidiary
- (3) If the holders of share acquisition rights violate the terms of the share acquisition rights allotment agreement, the Company may acquire the share acquisition rights without compensation.

12. Treatment of share acquisition rights at the time of Organizational Restructuring

In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split, an

incorporation-type company split, or a share exchange or share transfer (collectively, the “Organizational Restructuring”), share acquisition rights of stock companies stated in Article 236, paragraph (1), item (viii), (a) through (e) of the Companies Act (the “Reorganized Company”) shall be delivered to the holders of share acquisition rights that remain at the time the Organizational Restructuring takes effect, based on the following conditions. In such case, the share acquisition rights shall be extinguished. However, this shall apply only if the delivery of share acquisition rights of the Reorganized Company in accordance with the following conditions is stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.

- (1) Number of share acquisition rights of the Reorganized Company to be delivered
The same number of share acquisition rights as the number of share acquisition rights held by the holders of share acquisition rights remaining at the time the Organizational Restructuring takes effect shall be delivered.
- (2) Class of shares of the Reorganized Company to be issued upon exercise of share acquisition rights
The class of shares shall be common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company to be issued upon exercise of share acquisition rights
The number of shares shall be adjusted reasonably in consideration of the conditions of the Organizational Restructuring, etc. However, fractions of less than one share resulting from adjustments shall be rounded down.
- (4) Value of assets to be contributed upon exercise of share acquisition rights
The value of assets to be contributed upon exercise of each share acquisition right to be delivered shall be the amount obtained by multiplying the post-reorganization payment amount set forth below by the number of shares of the Reorganized Company issued upon exercise of each share acquisition right that is determined in accordance with (3) above. The post-reorganization payment amount shall be 1 yen per share of the Reorganized Company to be delivered by exercising each share acquisition right.
- (5) Exercise period of share acquisition rights
The exercise period of share acquisition rights shall be from the later of either the commencement date of the exercise period of share acquisition rights set forth in Section 7 above or the effective date of the Organizational Restructuring, to the expiration date of the exercise period of share acquisition rights set forth in Section 7 above.
- (6) Restriction on acquisition of share acquisition rights by transfer
Any acquisition of share acquisition rights by transfer shall require the approval by resolution of the Board of Directors of the Reorganized Company.
- (7) Conditions for exercise of share acquisition rights
The conditions shall be determined in accordance with Section 10 above.
- (8) Reasons for acquisition of share acquisition rights by the Reorganized Company
The reasons shall be determined in accordance with Section 11 above.

13. Rounding down of fractions

In case the number of shares to be delivered to the holders of share acquisition rights includes any fractions of less than one share, such fraction shall be rounded down.

14. Allotment date of share acquisition rights

August 8, 2025