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Timely disclosure

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Notice Concerning the Introduction of a Post-grant Performance-linked Stock Compensation Scheme (Performance Share Units)

TOYO Corporation (the "Company") hereby announces that its Board of Directors have reviewed its executive compensation system to strengthen its commitment to sustainability management and approved the introduction of a post-grant performance-linked stock compensation scheme (hereafter, the "Performance Share Unit"), with related proposals to this system to be discussed at the 73rd Ordinary General Meeting of Shareholders (hereafter, the "General Shareholders' Meeting") scheduled for December 19, 2025.

1. Purpose and Conditions of the Scheme

(1) Purpose for introduction

The scheme involves partial revisions to the compensation system for directors to further strengthen the linkage between compensation for Eligible Directors (excluding Outside Directors; hereafter "Eligible Directors") and metrics for environmental, social, and corporate governance metrics (hereafter "Nonfinancial Metrics"). This is to increase awareness of commitment to sustainability management as well as sharing shareholder value, thereby contributing to sustainable growth in corporate value.

(2) Conditions for introduction

With regard to the remuneration of our directors, at the 67th General Shareholders' Meeting on December 19, 2019, the Company obtained approval for a maximum total annual amount of monetary remuneration for Directors of up to ¥350 million (including up to ¥25 million for Outside Directors, and excluding salaries as employees for directors who concurrently serve as employees). At the 69th General Shareholders' Meeting on December 23, 2021, the Company introduced a

restricted stock-based compensation scheme for Directors (excluding Outside Directors), and at the 72nd General Shareholders' Meeting on December 20, 2024 the upper limit for the stock-based compensation scheme of ¥200 million per year (including ¥20 million for Outside Directors) was approved and the maximum number of shares to be issued was approved to be 100,000 shares per year (including up to 10,000 shares for Outside Directors).

Subject to the approval of shareholders at this General Meeting of Shareholders, we plan to introduce a new system for the Target Directors. This system aims to promote sustainable growth and efforts to address significant social issues, with the payment rate varying based on the achievement of non-financial metrics.

The compensation ratio under this system for eligible directors is designed to be approximately 10% of variable compensation, with 26% of the annual stock grant amount under the existing restricted stock compensation system being transferred to this system.

As a result, the Company will build a framework for reflecting not only short-term earnings performance, but also performance-based compensation aimed at sustainable growth and creation of social value.

The revisions to the compensation scheme do not introduce any major new additions to the compensation framework, but involve a partial reconfiguration of the existing stock-based compensation scheme to strengthen the firm's commitment to nonfinancial metrics.

2. Overview of the Scheme

The scheme is a performance-linked stock-based compensation plan (Performance Share Units) that in principle awards common stock in arrears with the aim of incentivizing improvements in corporate value over three consecutive fiscal years in line with the medium-term management plan.

In principle, the delivery of the Company's shares will be made after the end of the performance evaluation period by providing monetary compensation claims to Eligible Directors. Similar to our existing restricted stock compensation plan, when the Company issues shares or disposes of treasury shares, the entirety of these monetary compensation claims will be contributed in kind, thereby resulting in delivery of the Company's shares.

The initial evaluation period for the scheme will be the two fiscal years beginning October 1, 2025 and ending September 30, 2027. The subsequent periods will be performance evaluation periods covering three consecutive fiscal years, within the scope and subject to approval of the scheme.

(1) Upper limit for compensation and number of shares issued under the scheme

Under the scheme, the number of units (below, the "standard stock units") awarded to each Eligible Director is determined by multiplying the number of units (one unit = one share) by a payout rate

based on the achievement of performance evaluation metrics to determine the number of shares of the Company to be granted.

The number of standard stock units shall be the total of an amount equivalent to 26% of the shares awarded for each under each position under the existing restricted stock compensation scheme accumulated over three fiscal years.

The amount of these monetary compensation reward claims and the total amount of these receivables shall be calculated by multiplying the number of confirmed stock units by the closing price of the company's shares on the Tokyo Stock Exchange on the trading day immediately preceding the date of the board's decision to issue shares or disposal of treasury stock under the above scheme after the end of the earnings evaluation period (if the closing price is not published on that day, it shall be the share price calculated retroactively to the most recent day for which the closing price is available (hereafter the "grant date share price"). The upper limit for the number of shares awarded to Eligible Directors (below, "the number of shares to be awarded") is set at 60,000 for the three fiscal years (up to 20,000 shares per fiscal year), and the upper limit on total monetary compensation receivables per year to ¥120 million for the three years in question (up to ¥40 million per fiscal year).

(Note)

The total number of confirmed stock units and the maximum number of shares to be delivered shall be adjusted within a reasonable range in the event of a stock split (including a free allotment of the Company's common stock) or reverse stock split, or in the event of any other event in which it will be necessary to adjust the number of common shares issued or disposed of, following the date on which this proposal is approved.

(2) Method for calculating number of shares and the monetary compensation granted

The formula is as follows.

(A) Number of shares awarded to each Eligible Director

Standard stock units x payout ratio

(Payout Ratio)

The board of directors sets the items and targets for nonfinancial metrics, and the payout ratio varies according to the achievement status towards these targets, set between 60% and 140%.

The following metrics shall be the targets in the initial period.

The Board of Directors shall determine the targets for nonfinancial metrics from the second period onwards.

Metrics
1. Achievement of GHG Emission Reduction Rate
2. Improving CDP Climate Change Scores
3. Increase in sales of solutions that contribute to decarbonized society
4. Increasing the proportion of female managers
5. Certified as an Outstanding Health & Productivity Management Organization

(B) Value of monetary compensation claims paid to each Eligible Director

Number of shares issued in (A) x share price at time of award

(3) Handling in the event of resignations etc

For directors who resign during the performance evaluation period due to legitimate reasons such as the expiration of term of office, shares of the Company shall be granted to them according to a reasonable calculation based on their period of service as a director during the performance evaluation period. In addition, at the time of granting the shares, a transfer restriction agreement as described in (6) shall be concluded.

Furthermore, if the Eligible Director retires as a result of death during the performance evaluation period, the monetary compensation claims will be paid in cash to the heirs of the Eligible Director, without requiring contribution in kind, based on the total amount of monetary compensation claims and cash reasonably calculated for the Eligible Director, taking into account the director's term of office and other relevant factors. The Company will not award shares to any heirs of Eligible Directors.

Except in cases when the Board of Directors determine that there is a valid reason such as expiration of term or death, etc, the Eligible Director shall lose their rights to the scheme if he or she resigns.

(4) Handling during company reorganization, etc

In the event that, during the performance evaluation period, a merger agreement under which the Company becomes the dissolving company, a share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary, or any other matter related to a reorganization, etc., is approved at the Company's general meeting of shareholders (or, if such approval is not required at the general meeting of shareholders for the relevant reorganization, by the Company's board of directors), the Company may, without having the monetary compensation claims contributed in kind, pay the Eligible Directors a cash amount reasonably calculated based on the total value of the monetary compensation claims and cash reasonably determined by taking into account factors such as the period up to the effective date of the said reorganization.

(5) Conditions for awarding shares under this scheme

- 1) Position as a director during the performance evaluation period
- 2) That no specific misconduct, as determined by the Board of Directors, or any other reasons deemed by the Board of Directors to justify the forfeiture of rights under this scheme, has occurred.
- 3) That requirements set by the Board of Directors as necessary to achieve this performance-linked stock compensation scheme have been satisfied.

(6) Outline of transfer restrictions for shares awarded under the scheme

In the case of the issuance and disposal of common stock under this system, the Company shall enter a restricted share allocation agreement with Eligible Directors, the details of which are as follows:

i) Transfer restriction period:

The Eligible Director shall not transfer, pledge, or otherwise dispose of the Company's common shares granted under this allotment agreement (hereinafter referred to as the "Allotted Shares") during the period from the date of grant under this allotment agreement until the date of resignation as a director of the Company (hereafter the "Transfer Restriction Period"). However, if the date of resignation occurs before a day that is three months after the end of the fiscal year to which the allotment of the said allocated shares pertains, the end of the transfer restriction period may be adjusted within a reasonable range.

ii) Transfer restriction period:

On the condition that the resignation of an Eligible Director from the Company is due to expiration of term, illness preventing the continuation of duties, death, or other reasons deemed reasonable by our Board of Directors, the transfer restrictions may be lifted for all of the allocated shares (provided, however, that the Company acquires part of the allocated shares free of charge under section (iii) below, the transfer restrictions shall be lifted only on the remaining shares after such free acquisition) upon the expiration of the transfer restriction period.

iii) Free acquisition of shares in this allocation:

The Company shall automatically acquire without compensation any of the allocated shares for which the transfer restrictions have not been lifted based on the provisions of (ii) above upon expiration of the transfer period. In addition, if during the transfer restriction period the Director is sentenced to imprisonment or a more severe punishment, or engages in business that competes with the Company's business, commits certain violations of laws, regulations, or violates the Company's internal rules in a significant way, or otherwise falls under the reasons stipulated by the Board of Directors, the Company may acquire all or part of these allotted shares without compensation.

iv) Handling during reorganization, etc

Notwithstanding the provisions of (ii) above, if, during the transfer restriction period, a merger agreement under which the Company becomes the dissolving company, a share exchange

agreement or share transfer plan under which the Company becomes a wholly owned subsidiary, or any other matter related to a reorganization, etc., is approved at the Company's general meeting of shareholders (or, if such approval is not required at the general meeting of shareholders for the relevant reorganization, by the Company's Board of Directors), the transfer restrictions shall be lifted prior to the effective date of such reorganization. In such scenario, the Company shall automatically acquire without compensation any of the allocated shares for which transfer restrictions have not yet been lifted.

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