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Press release

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Kokuyo to Dispose of Treasury Stock to Deliver Restricted Stock Compensation

Kokuyo's Board of Directors has resolved to dispose of the company's treasury stock for the purpose of delivering restricted stock under the company's program of restricted stock compensation.

1. Overview of the Disposal of Treasury Stock (the "disposal")

(1) Pay-in date	April 15, 2026
(2) Type, number of shares disposed of	Common stock: 77,005 ("allotted shares")
(3) Disposal price per share	835.9 yen
(4) Total disposal price	64,370,980 yen
(5) Allottees, shares to be allotted	7 directors*[1] 13,922 2 corporate officers*[2] 21,100 10 managing officers 41,983 *1 This number excludes one of Kokuyo's eight directors. The excluded director is also a corporate officer. *2 Both corporate officers are also directors.

2. Purpose and Reason for the Disposal

In 2019, Kokuyo introduced restricted stock compensation for internal directors and managing officers to incentivize these executives to contribute toward sustained, long-term value creation, and to encourage them to align their values and interests with those of the company's shareholders.

On March 28, 2024, Kokuyo transitioned its governance structure to that of a company with a nominating committee and other committees. At a meeting held on the same day, the Compensation Committee resolved to broaden the eligibility scope for restricted stock compensation and introduce a program of restricted stock compensation ("the SC plan") that would cover outside directors and corporate officers. In accordance with this resolution, Kokuyo intends to deliver restricted stock to recipients, believing that this will encourage them to further align their values and interests with those of the company's shareholders. The stock will be delivered to the following ("recipients"): seven of the eight directors on Kokuyo's Board of Directors (the excluded director is a corporate officer), Kokuyo's two corporate officers (both of whom are also directors), and the Kokuyo's ten managing officers.

See below for more information about the SC plan and the terms of the allotment of the restricted shares.

About the SC Plan

Under the SC plan, the company will give the recipients monetary claims. The recipients will donate the entirety of these claims (as an in-kind contribution) to the company. The company will then deliver the shares by issuing new common stock or by disposing of its treasury stock.

The price per share of common stock to be issued or disposed of under the SC plan is set according to the final price at which the company's stock was traded on the Tokyo Stock Exchange on the business day immediately preceding the resolution of the Board of Directors (or the next trading day if that day is not a trading day). Thus, the price will be within a range that is not unduly favorable to the recipients.

For when the company issues new common stock or disposes of its treasury stock under the SC plan, the company and the recipients will enter an agreement concerning transfer restrictions on the allotted shares (the "agreement"). The terms of the agreement include the following:

(i) The recipients agree not to transfer, hypothecate, or otherwise dispose of the allotted shares of common stock for a predetermined period.
(ii) The company may acquire the allotted shares for no consideration in specified circumstances.

Agreement Concerning Transfer Restrictions on the Allotted Shares

The company will sign a separate agreement with each recipient, but each agreement will be broadly as follows.

(1) Transfer-restriction period

The transfer-restriction period will run from April 15, 2026, (the pay-in date) to April 14, 2076. During this period, the allotted shares may not be transferred, hypothecated, or otherwise disposed of.

(2) Lifting of transfer restrictions

On the day the transfer-restriction period elapses, the transfer restrictions will be lifted on all the recipient's allotted shares provided that the recipient has remained throughout the transfer-restriction period incumbent in the office that makes them eligible (which may be director, audit and supervisory committee member [or equivalent], corporate officer, managing officer, or employee of Kokuyo or a Kokuyo subsidiary).

(3) Provision for cases where the recipient's term of office elapses or where the recipient dies or resigns their office for a reason deemed valid

(i) If, during the transfer-restriction period, a recipient's term elapses, the recipient dies, or the recipient resigns from the office that makes them eligible (which may be director, audit and supervisory committee member, corporate officer, managing officer, or employee of Kokuyo or a Kokuyo subsidiary) for a reason deemed valid by the company's Compensation Committee (or by the Board of Directors if the recipient party to the agreement is a managing officer), the transfer restrictions will, immediately after the elapse, death, or resignation, be lifted on a portion of the recipient's allotted shares equivalent to the sum obtained by dividing by 12 the number of months in the period beginning in the April or January of the year in which the pay-in date fell (April if the recipient is a director, January if the recipient is corporate officer or managing officer) and ending in the month in which the recipient lost their status, and then multiplying the result (or multiplying 1 instead if the result exceeds 1) by the number of the recipient's allotted shares (rounding down to the nearest integer).

(ii) If, during the transfer-restriction period, a recipient resigns from the office that makes them eligible (which may be director, audit and supervisory committee member, corporate officer, managing officer, or employee of Kokuyo or a Kokuyo subsidiary) for a reason other than one deemed valid by the company's Compensation Committee, any allotted shares not acquired for no consideration by the company will have their transfer restrictions lifted on the earliest of the following dates: the date when one week has elapsed from the day the recipient lost their status, the date when the transfer-restriction period elapses, or a date specified by the Compensation Committee.

(4) Company's acquisition of shares for no consideration

If there are any allotted shares that remain subject to transfer restrictions once the transfer-restriction period has elapsed or has been lifted as per (3) above, the entirety of these shares will be immediately and automatically acquired by the company for no consideration.

(5) Custody of the shares

To prevent the allotted shares from being transferred, hypothecated, or otherwise disposed of during the transfer-restriction period, the recipient's allotted shares will be placed in the custody of a dedicated restricted-shares account managed by Daiwa Securities Co. Ltd.

(6) Treatment of allotted shares in the event of a corporate action

If, during the transfer-restriction period, a corporate action (such as a merger agreement in which the company is the subsumed entity or a stock swap or stock transfer plan in which the company becomes a wholly owned subsidiary) is approved by company's shareholders or, if shareholder approval is not required for the corporate action, by the Board of Directors, the transfer restrictions will, by resolution of the Compensation Committee and at the time immediately before the end of last business day before the effective date of the corporate action, be lifted on a portion of the recipient's allotted shares equivalent to the sum obtained by dividing by 12 the number of months in the period beginning in the April or January of the year in which the pay-in date fell (April if the recipient is a director, January if the recipient is corporate officer or managing officer) and ending in the month in which the corporate action was approved, and then multiplying the result (or multiplying 1 instead if the result exceeds 1) by the number of allotted shares the recipient holds (rounding down to the nearest integer).

3. Basis for Pay-In Price, Actual Price

The disposal is intended to provide the monetary claims that will be exchanged for the shares under the SC plan. To ensure that the disposal price is valued impartially, it is set at final price at which the company's common stock was traded on the Tokyo Stock Exchange on March 26, 2026, (the business day immediately preceding the resolution of the Board of Directors). Thus, the price is 835.9 yen. This price is reasonable and not unduly favorable to recipients given that the price, as the fair value as of the business day immediately preceding the resolution of the Board of Directors, fairly represents the company's value in the absence of any special circumstances that would indicate that the latest stock price cannot be relied upon.