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Press release

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Kokuyo's Corporate and Managing Officers to Receive Performance Stock Units as Performance-Linked Stock Compensation

Kokuyo's Compensation Committee and Board of Directors resolved, at meetings held on March 27, 2026, for the company to allot performance stock units in an amount commensurate with the attainment of certain performance goals to its corporate officers and managing officers under the company's program of performance-linked stock compensation, which was approved by the Compensation Committee and Board of Directors on February 13, 2026.

Please see below for more information.

1. About the Performance Stock Units

The performance stock units ("PSUs") consist of PSUs linked with financial performance metrics ("financial PSUs") and those linked with a stock performance metric ("stock PSUs"). The PSUs are allotted as follows.

1.1 Financial PSUs

Corporate officers*	2 recipients (worth up to 274,152 shares)
Managing officers	10 recipients (worth up to 488,778 shares)

* "Corporate officers" includes those serving as directors.

The financial PSUs are worth 637,733,187 yen, where 762,930 is the maximum number of shares of common stock that could be allotted for the financial PSUs and where 835.9 yen is the final price at which Kokuyo's common stock traded on the Tokyo Stock Exchange (TSE) on March 26, 2026, (the last business day before the allotment of PSUs was approved).

1.2 Stock PSUs

Corporate officers*	2 recipients (worth up to 32,354)
Managing officers	10 recipients (worth up to 61,188)

* "Corporate officers" includes those serving as directors.

The stock PSUs are worth 78,191,757 yen, where 93,542 is the maximum number of shares of common stock that could be allotted for the stock PSUs and where 835.9 yen is the final price at which Kokuyo's common stock traded on the Tokyo Stock Exchange (TSE) on March 26, 2026, (the last business day before the allotment of PSUs was approved).

2. Purpose or Reason for Allotting the Performance Stock Units

Kokuyo's fourth medium-term plan, unveiled on November 27, 2024, sets out a framework that emphasizes cashflow (or EBITDA) as a performance metric for tracking progress in growth in profit and the company's value over the medium and long term.

The performance-linked stock compensation plan, as resolved by the Compensation Committee and Board of Directors on February 13, 2026, is aligned with this framework. The recipients (corporate officers and managing officers) receive company shares in an amount commensurate with company performance in certain metrics. These metrics may include financial performance indicators set out in the medium-term plan and an indicator related to the company's stock price. The plan is designed to encourage the recipients to continue holding the stock they have been delivered. This design clearly links company performance with recipients' compensation, incentivizing the recipients to keep building up the company's value and aligning their interests with those of shareholders.

Under the performance-linked stock compensation plan, PSUs will be allotted to 12 recipients (2 corporate officers and 10 managing officers) following approval for such allotment by Kokuyo's Compensation Committee and Board of Directors on March 27, 2026.

3. About the Stock Compensation Plan ("SC Plan")

3.1 Compensation Components, Performance Metrics

The SC Plan consists of two components: a component that awards shares of Kokuyo's common stock ("company shares") in an amount commensurate with the attainment of certain financial goals set out in the company's medium-term plan and a component that awards company shares in an amount commensurate with attainment of a stock-price goal.

Unless exceptions apply, recipients will, provided they remain in office as corporate officer or managing officer during the vesting period, receive their stock and monetary compensation after an evaluative period in amount commensurate with the extent to which the company achieved, over the evaluative period, the financial goals and stock-price goal. Unless exceptions apply, the stock and monetary compensation will be evenly split (each consisting of 50% of the total compensation) in consideration of the recipients' tax burden. For stock compensation, recipients receive monetary claims, which they exchange as an in-kind contribution for their awarded stock. Recipients are restricted from transferring their vested shares for a certain period; only after the transfer-restriction period has elapsed may the shares be sold for cash.

For financial PSUs, there are two metrics against which company performance is measured: consolidated ROE and consolidated EBITDA. For stock PSUs, there is one such metric: relative TSR. The formulae for are described in 4 (Formulae for Share and Cash Allotments).

3.2 Evaluative Period, Vesting Period

For financial PSUs, the evaluative period runs from January 1, 2026, to December 31, 2027, and the vesting period runs from January 1, 2026, to December 31, 2027. For stock PSUs, the evaluative period runs from April 1, 2026, to March 31, 2029, and the vesting period runs from January 1, 2026, to December 31, 2026. If a recipient resigns office during the vesting period, the recipient will be treated as specified in 4. (Formulae for Share and Cash Allotments).

3.3 How the Shares Are Delivered

To deliver to recipients the company shares allotted under the SC Plan ("final allotted shares"), the company will dispose of treasury shares. Alternatively, the company will issue new shares if circumstances warrant.

To be entitled to receive shares under the SC Plan, recipients must retain, as of the time of delivery, the status that makes them eligible. Depending on the eligibility criteria, this status could be director, corporate officer, audit and supervisory committee member, managing officer, or employee of Kokuyo Group (Kokuyo or a Kokuyo subsidiary). The stock they receive is restricted stock.

3.4 Clawback Clause

The company may, for no consideration, reclaim from a recipient all or some of the previously delivered shares or demand that the recipient return all or some of the previously delivered monetary compensation if the Compensation Committee (or the Board of Directors if the recipient in question is a managing officer as of the time the PSUs are delivered) has reasonably determined that any of the circumstances or facts listed below were present during, in the case of financial PSUs, the evaluative period or, in the case of stock PSUs, a period ending at end of the third business year following the start of the evaluative period commenced, and that the stock or monetary compensation was delivered to said recipient with no consideration for such circumstances. If it is not possible to reclaim the shares (because all or some of them have been sold or for some other reason), the company may demand from the recipient a monetary reimbursement equivalent to the fair value of the shares concerned (provided it is done within three years from the date on which the shares were delivered not counting the transfer-restriction period).

Circumstances or facts:

(1) A major accounting error resulted from the recipient's misconduct or the Board of Directors approved an accounting restatement in circumstances resulting from the recipient's misconduct.

(2) The recipient committed a major violation of a legal requirement or Kokuyo Group rule in connection with the execution of their duties.

4. Formulae for Share and Cash Allotments

4.1 Base Allotment for Corporate Officers

Name	Base allotment in FY2026	Base allotment in FY2027
Hidekuni Kuroda	47,657,000 yen	54,873,000 yen
Toshio Naito	19,960,000 yen	20,739,000 yen

4.2 Financial PSUs

The number of shares allotted for financial PSUs ("financial-PSU share allotment") is 50% (rounding down to the nearest integer) of the "vested financial-PSU allotment." The vested financial-PSU allotment is the sum of the EBITDA-linked share allotment (vested financial-PSU allotment 1) and ROE-linked share allotment (vested financial-PSU allotment 2), each derived from the base portion of the financial-PSU share allotment as calculated using the formula below.

The remaining 50% of the vested financial-PSU allotment is converted into a cash sum ("financial-PSU cash allotment") by multiplying it by the final price at which the company's stock was traded during regular market hours on the TSE on the day when the transfer restrictions for the share allotment are lifted (or the day the shares are allotted if the shares are unrestricted) or, if that day is not a trading day, the last trading day before that day, and rounding down the result to the nearest 100.

The financial-PSU share allotment is capped at 381,465 shares. The financial-PSU cash allotment is capped at 637,733,187 yen.

Both allotments are capped as follows for the two corporate officers.

Name	Allotted financial shares	Allotted financial cash
Hidekuni Kuroda	98,126 shares	82,023,523 yen
Toshio Naito	38,950 shares	32,558,305 yen

■ Formula for calculating the base portion of the financial-PSU share allotment

$$\text{Base portion of the financial-PSU share allotment} = \frac{\text{Base portion for recipient's officer rank in FY2026} \times 80\% + \text{Base portion for recipient's officer rank in FY2027} \times 80\%}{\text{Stock price*}}$$

*Stock price: The final price at which the company's stock was traded during regular market hours on the TSE on the day immediately preceding the Compensation Committee's meeting on March 27, 2026.

■ Vested financial-PSU allotment 1: EBITDA-linked share allotment

The EBITDA-linked share allotment is calculated using the following formula.

$$\text{EBITDA-linked share allotment} = \text{(1) Base portion of the EBITDA-linked share allotment} \times \text{(2) EBITDA-linked modifier}$$

Term (1) (base portion of the EBITDA-linked share allotment) is 50% of the base portion of the financial-PSU share allotment (rounding down any fractional shares). However, it is subject to adjustment in the following cases.

(i) The recipient is a managing officer and the recipient's officer rank changed during their period in office

In this case, the base portion of the EBITDA-linked share allotment becomes the amount obtained by dividing the sum of 1) the base portion for the recipient's officer rank as of January 1, 2026, (or as of April 1, 2026, if the managing officer also served as a director in that year) and 2) the base portion for the recipient's officer rank as of January 1, 2027, (or as of April 1, 2027, if the managing officer also served as a director in that year) by the final price at which the company's stock is traded during regular market hours on the TSE on the last business day before the first day in which the Compensation Committee convenes following the 79th Ordinary General Meeting of Shareholders (to be held on March 27, 2026).

(ii) Among the relevant years, there is year in which the recipient served neither as a corporate officer nor managing officer

In this case, the base portion becomes zero.

(iii) The recipient resigned as corporate officer or managing officer during the vesting period for a reason deemed valid by the Compensation Committee (or the Board of Directors if the financial PSUs are to be allotted to a managing officer), or an applicable corporate action (as listed below) is approved by Kokuyo's shareholders before the day on which the shares were to be delivered (or, in the case that shareholder approval is not required for the corporate action, it is approved by the Board of Directors or by corporate officers authorized by the Board) with the expectation that the effective date of the corporate action will fall before the date the shares will be allotted.

- (a) If this case occurs on or before November 30, 2026, the base portion becomes zero.
- (b) If it occurs between December 1, 2026, and November 30, 2027, the base portion becomes the sum of the portion for the recipient's officer rank as of January 1, 2026, (or as of April 1, 2026, if the managing officer also served as a director in that year) divided by the simple average of the final price at which the company's stock is traded during regular market hours on the TSE on last business day before the first day in which the Compensation Committee convenes following the 79th Ordinary General Meeting of Shareholders (to be held on March 27, 2026).
- (c) If the case occurs in December 2027, the base portion remains unadjusted.

Listed below are applicable corporate actions along with the date on which the corporate action is deemed effective.

- (a) A merger agreement in which the company is the subsumed entity
  This is deemed effective as of the date the merger takes effect.
- (b) A demerger involving a spin-off (absorption-type demerger) agreement or carve-out (incorporation-type demerger) plan in which the company is the transferor (this only applies if the company delivers to its shareholders all or some of the consideration it receives for the demerger on the day the demerger takes effect)
  This is deemed effective as of the date the demerger takes effect.
- (c) A stock swap agreement or stock transfer plan in which the company becomes a wholly owned subsidiary
  This is deemed effective as of the date the stock swap or stock transfer plan takes effect.
- (d) A reverse stock split (this only applies if it results in the total base portion of the financial-PSU share allotment becoming less than 1)
  This is deemed effective as of the date the reverse stock split takes effect.
- (e) The company repurchases the entirety of its outstanding stock as provided for in Article 108, paragraph 1, item 7, of the Companies Act
  This is deemed effective as of the date specified in Article 171, paragraph 1, item 3, of the Companies Act.
- (f)The company is subject to a demand for a share cash-out (as defined in Article 179, paragraph 2, of the Companies Act)
  This is deemed effective as of the date specified in Article 179-2, paragraph 1, item 5, of the Companies Act.

Term (2) (EBITDA-linked modifier) represents the extent to which the company achieved its target for consolidated EBITDA. It is calculated using the formula below. In the formula, the EBITDA result is the consolidated EBITDA result stated in the consolidated balance sheets and consolidated statements of income included in the annual securities report for the final year of the evaluative period for financial PSUs. The modifier is capped at 200%. If EBITDA in FY2027 (ending December 2027) amounts to less than 37,564 million yen, the modifier will be 0%.

$$\text{EBITDA-linked modifier (\%)} = \frac{\text{EBITDA result in FY2027} - \text{37,564,000,000 yen (lower threshold for EBITDA-linked allotment in FY2027)}}{\text{43,257,000,000 yen (EBITDA target for FY2027)} - \text{37,564,000,000 yen (lower threshold for EBITDA-linked allotment in FY2027)}} \times 100$$

However, the following formula is used instead if either of the following occurs between December 1, 2026, and December 31, 2027: (i) the recipient dies or resigns as corporate officer or managing officer for a reason deemed valid by the Compensation Committee, or (ii) a corporate action is approved by the company’s shareholders. In this alternative formula, the EBITDA result is the consolidated EBITDA result stated in the consolidated balance sheets and consolidated statements of income included in the annual securities report for FY2026 (ending December 2026).

$$\text{EBITDA-linked modifier (\%)} = \frac{\text{EBITDA result in FY2026} - \text{35,418,000,000 yen (lower threshold for EBITDA-linked allotment in FY2026)}}{\text{39,209,000,000 yen (EBITDA target for FY2026)} - \text{35,418,000,000 yen (lower threshold for EBITDA-linked allotment in FY2026)}} \times 100$$

■ Vested financial-PSU allotment 2: ROE-linked share allotment

The ROE-linked share allotment is calculated using the following formula.

$$\text{ROE-linked share allotment} = \text{(1) Base portion of the ROE-linked share allotment} \times \text{(2) ROE modifier}$$

Term (1) (base portion of the ROE-linked share allotment) is what remains of the base portion of the financial-PSU share allotment after subtracting the base portion of the EBITDA-linked share allotment. However, it is subject to the same adjustment terms as the base portion of the EBITDA-linked share allotment is.

Term (2) (ROE-linked modifier) represents the extent to which the company achieved its target for consolidated ROE. It is calculated using the formula below. In the formula, the ROE result is the consolidated ROE result stated in the consolidated balance sheets and consolidated statements of income. The modifier is capped at 200%. If ROE in FY2027 (ending December 2027) amounts to less than 8.5%, the modifier will be 0%.

$$\text{ROE-linked modifier (\%)} = \frac{\text{Consolidated ROE result in FY2027 (\%)} - \text{8.5\% (lower threshold for consolidated-ROE-linked allotment in FY2027)}}{\text{9.0\% (consolidated ROE target for FY2027)} - \text{8.5\% (lower threshold for consolidated-ROE-linked allotment in FY2027)}} \times 100$$

However, the following formula is used instead if either of the following occurs between December 1, 2026, and December 31, 2027: (i) the recipient dies or resigns as corporate officer or managing officer for a reason deemed valid by the Compensation Committee, or (ii) a corporate action is approved by the company’s shareholders. In this alternative formula, the ROE result is the consolidated ROE result stated in the consolidated balance sheets and consolidated statements of income included in the annual securities report for FY2026 (ending December 2026). The modifier is capped at 200%. If ROE in FY2026 (ending December 2026) amounts to less than 8.5%, the modifier will be 0%.

$$\text{ROE-linked modifier (\%)} = \frac{\text{Consolidated ROE result in FY2026 (\%)} - \text{8.5\% (lower threshold for consolidated-ROE-linked allotment in FY2026)}}{\text{8.75\% (consolidated ROE target for FY2026)} - \text{8.5\% (lower threshold for consolidated-ROE-linked allotment in FY2026)}} \times 100$$

4.3 Stock PSUs

The number of shares allotted for stock PSUs (“stock-PSU share allotment”) is 50% (rounding down to the nearest integer) of the “vested stock-PSU allotment” as calculated in the formula below.

The remaining 50% of the vested stock-PSU allotment (what remains of the vested stock-PSU allotment after subtracting the stock-PSU share allotment) is converted into a cash sum ("stock-PSU cash allotment") by multiplying it by the final price at which the company's stock was traded during regular market hours on the TSE on the day when the transfer restrictions for the share allotment are lifted (or the day the shares are allotted if the shares are unrestricted) or, if that day is not a trading day, the last trading day before that day, and rounding down the result to the nearest 100.

The stock-PSU share allotment is capped at 46,771 shares. The stock-PSU cash allotment is capped at 39,095,878 yen.

Both allotments are capped as follows for the two corporate officers.

Name	Allotted stock shares	Allotted stock cash
Hidekuni Kuroda	11,402 shares	9,530,931 yen
Toshio Naito	4,775 shares	3,991,422 yen

■ Formula for calculating the base portion of the stock-PSU share allotment

$$\text{Base portion of the stock-PSU share allotment} = \frac{\text{Base portion for recipient's officer rank* in FY2026} \times 20\%}{\text{Stock price*}}$$

*Stock price: The final price at which the company's stock was traded during regular market hours on the TSE on the day immediately preceding the Compensation Committee's meeting on March 27, 2026.

* Base portion for recipient's officer rank: This is the same as that for financial PSUs.

■ Vested stock-PSU allotment

The shares to be allotted in the vested stock-PSU allotment are calculated using the following formula.

$$\text{Vested stock-PSU allotment} = \text{(1) Base portion of the stock-PSU share allotment} \times \text{(2) Stock-linked modifier}$$

However, Term (1) (base portion of the stock-PSU share allotment) becomes zero if the recipient resigns office on or before November 30, 2026.

Term (2) (stock-linked modifier) is linked with the relative total shareholder return ("relative TSR") of the company's stock, which is calculated by dividing the TSR over the evaluative period by the TOPIX growth rate (stock price + dividend) over the same period. The modifier takes on a value within the range of 0% to 200%, representing the extent to which the company has achieved its stock goal.

The modifier is calculated using the following formula. The modifier is capped at 200% (representing a relative TSR of 1.8, or 180%). If the relative TSR is less than 1.2 (120%), the modifier will be zero.

$$\text{Modifier (\%)} = \frac{\text{Relative TSR} \times 100 - \underset{\text{(lower threshold)}}{120\%}}{\underset{\text{(target)}}{150\%} - \underset{\text{(lower threshold)}}{120\%}} \times 100\%$$

$$\text{Relative TSR} = \frac{\text{TSR over evaluative period for stock PSUs}}{\text{TOPIX (stock price + dividend) growth rate over evaluative period for stock PSUs}}$$

$$= \frac{(B + C) \div A}{E \div D}$$

A: The simple average of the TSE's closing prices for the company's stock over the first three months of 2026

B: The simple average of the TSE's closing prices for the company's stock over the last three months of the evaluative period for stock PSUs (the first three months of 2029)

C: The total per-share dividend of surplus during the evaluative period for stock PSUs

D: The simple average of the TOPIX (stock price + dividend) closing prices over the first three months of 2026

E: The simple average of the TOPIX (stock price + dividend) closing prices over the last three months of the evaluative period for stock PSUs (the first three months of 2029)

However, the terms of the above formula will be substituted as follows if either of the following occurs during the evaluative period for stock PSUs: (i) the recipient dies or resigns as corporate officer or managing officer for a reason deemed valid by the Compensation Committee, or (ii) a corporate action is approved by the company's shareholders.

(i)The recipient dies or resigns as corporate officer or managing officer for a reason deemed valid by the Compensation Committee:

In this case, the relative TSR becomes the TSR over the period until the recipient resigned divided by the TOPIX growth rate over the same period. In terms B and E, "over the last three months of the evaluative period (the first three months of 2029)" becomes "the first three months of the year in which the recipient resigned or died (or the first three months of the year following such if the resignation or death fell in December).” In term C, “during the evaluative period for stock PSUs” becomes “for which the record date was the last year-end date of the evaluative period before the recipient resigned (or the first year-end date after the recipient resigned if the resignation fell in December or later).”

(ii)A corporate action is approved by the company’s shareholders:

In this case, the relative TSR becomes the TSR over the period until the corporate action was approved divided by the TOPIX growth rate over the same period. In terms B and E, “over the last three months of the evaluative period (the first three months of 2029)” becomes “the first three months of the year in which the corporate action was approved.” In term C, “during the evaluative period for stock PSUs” becomes “between the start of the evaluative period and the date the corporate action was approved”.

5. Transfer Restrictions on Final Allotted Shares

The shares allotted under the SC Plan have the following transfer restrictions.

5.1 Transfer restrictions:

(1) The final allotted shares are subject to a transfer-restriction period lasting from the pay-in date for the stock compensation to the date the recipient resigns the office that makes eligible (depending on the eligibility criteria, this status could be director, corporate officer, audit and supervisory committee member, managing officer, or employee of Kokuyo Group [Kokuyo or a Kokuyo subsidiary]) without immediately being reinstated or appointed to another office that would make them eligible. During the transfer-restriction period, the final allotted shares may not be transferred, hypothecated, or otherwise disposed of (these restrictions are collectively referred to as “transfer restrictions”).

(2) At the moment the transfer-restriction period elapses, the transfer restrictions will be lifted for all final allotted shares that the recipient holds as of that moment.

(3) To prevent the final allotted shares from being transferred, hypothecated, or otherwise disposed of during the transfer-restriction period, the recipient’s final allotted shares will be placed in the custody of a dedicated restricted-shares account managed by Daiwa Securities Co. Ltd. The recipient will consent to their final allotted shares being placed in the custody of the dedicated account.

5.2 Basis for acquiring shares for no consideration:

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

(2) If any of the following circumstances apply to a recipient during the transfer-restriction period,

the company will acquire all of the recipient’s final allotted shares (or a portion of the final allotted shares if the Compensation Committee determines that it is reasonable for the company to acquire a portion such) for no consideration at a time specified by the Compensation Committee.

- (i) The recipient receives a custodial sentence that is not suspended.
- (ii)The recipient is convicted of violating Article 331, paragraph 1, item 3, of the Companies Act.
- (iii) The recipient dies or otherwise loses their eligibility status (depending on the eligibility criteria, this status could be director, corporate officer, audit and supervisory committee member, managing officer, or employee of Kokuyo Group [Kokuyo or a Kokuyo subsidiary]) for a reason other than one deemed valid by the Compensation Committee and is not immediately reinstated or appointed to another office that would make them eligible.
- (iv) The recipient dies with no heir to inherit their rights.
- (v) In the course of their duties, the recipient commits a major legal violation or major violation of a rule of Kokuyo Group.

5.3 Treatment of final allotted shares in the event of a corporate action

(1) If a corporate action is approved by the company’s shareholders or Board of Directors during the transfer-restriction period, the company may at its own discretion lift the transfer restrictions on all final allotted shares immediately before the end of the business day before the effective date of the corporate action, provided that this effective date falls within the transfer-restriction period.

(2) In the above case, any final allotted shares that remain subject to transfer restrictions on the business day immediately preceding the effective date of the corporate action will be automatically acquired by the company for no consideration on said day.