

For Immediate Release

Notice of Disposal of Treasury Shares as Restricted Stock Compensation

SHOEI CO., LTD. (the “Company”) hereby announces that, at a meeting held on December 22, 2023, its Board of Directors resolved to dispose of its treasury shares for allotting restricted stock (the “Disposal of Treasury Shares” or “Disposal”). Details are as follows.

Details

1. Overview of the Disposal of Treasury Shares

(1)	Date of disposal	January 19, 2024
(2)	Disposal of class of share and Total number of shares	Common stock
(3)	The disposal value	1,858 yen per share
(4)	Total value of shares to be disposal	40,504,400 yen
(5)	Allottee	the Company’s Directors (including Outside Directors) 6 persons 21,000shares corporate auditors (excluding outside corporate auditors) 1 persons 800 shares
(6)	Other	For the Disposal of Treasury Shares, the Company submits a securities registration statement under the Financial Instruments and Exchange Act.

2. Purpose and reason for Disposal

At a meeting of the Company’s Board of Directors held on November 13, 2020, the Company resolved to introduce a restricted stock compensation plan (hereinafter referred to as the “Plan”) as follows, with the aim of providing incentives the Company’s Directors (including Outside Directors) and Corporate Auditors (excluding Outside Corporate Auditors, hereinafter collectively referred to as the “Eligible Directors”) to continuously improve the Company’s corporate value and to promote further value sharing between the Eligible Directors and shareholders. In addition, the Company has obtained approval at the Ordinary General Meeting of Shareholders held on December 24, 2020 for the Company’s directors (including outside directors) and corporate auditors (excluding outside corporate auditors) to be paid an annual amount of up to 66,000,000 yen and up to 4 million yen, respectively, as monetary compensation to be used as investment assets for the acquisition of restricted stock under the Plan, in addition to the amount of compensation previously paid.

The following is an overview of the Plan.

[Overview of the Plan]

The Eligible Directors will pay in all the monetary claims granted by the Company under the Plan as an in-kind contribution to the Company, and will receive the issuance or disposal of shares of the Company’s common stock.

The total number of shares of the Company’s common stock to be issued or disposed of under the Plan shall be limited to 25,000 shares per year for the Company’s directors (including outside directors) and 1,500 shares per year for the Company’s Directors (including Outside Directors) and Corporate Auditors (excluding Outside Corporate Auditors. The amount paid per share shall be determined by the Board of Directors of the Company based on the closing price of the Company’s common stock at the Tokyo Stock

Exchange on the business day immediately before the day on which resolutions are made at a meeting of the Board of Directors (or the closing price on the immediately preceding day if no trades are made on this day), to the extent that the amount is not particularly advantageous to the Eligible Directors who will subscribe for the restricted stock.

Regarding the issuance or disposal of its common stock under the Plan, the Company shall enter into a restricted stock allotment agreement (the "Allotment Agreement") with Eligible Directors, the provisions of which shall contain the following items.

- ① The Eligible Directors may not, during a predefined period, transfer, attach a security interest on or otherwise dispose of the Company's common stock allotted pursuant to the Allotment Agreement.
- ② The Company shall acquire said common stock without consideration if certain events occur.

By resolution of the Board of Directors and the Company's Corporate Auditors at a meeting held on December 22, 2023, a total of xxx yen in monetary compensation claims ("the Monetary Compensation Claims") will be paid to six directors and one corporate auditor of the Company, who are the allottees. The Company decided to allot 21,800 shares of the Company's common stock as restricted stock to the Eligible Directors, who will receive all of the Monetary Compensation Claims by way of contribution in kind. The amount of monetary compensation claims with respect to the Eligible Directors is determined based on a comprehensive consideration of the Company's business performance, the duties and responsibilities of each Eligible Director, and other factors. The Monetary Compensation Claims will be provided to the Eligible Directors subject to conditions including the one that each Eligible Director executes an agreement with the Company for the allocation of restricted stock that contains the following provisions.

3. Overview of the Allotment Agreement

- (1) Restricted period of transfer: The period from January 19, 2024 until the Eligible Director resigns from his/her position

No Eligible Directors to whom restricted stock is allotted may transfer the shares to a third party, establish a pledge or security by way of assignment, or conduct advancement or bequeathment or any other act of disposal regarding shares of the Company's common stock allotted (the "Allotted Shares") in accordance with an agreement on allotment of restricted stock, during the period from the day of allotment until date of retirement from the position (the "Transfer Restriction Period").

- (2) Release of restrictions on transfer

The Company shall lift the transfer restrictions on all the Allotted Shares when the Transfer Restriction Period has expired on the condition that an Eligible Director who received the allotment of restricted shares has served as a Eligible Director of the Company continuously during the Transfer Restriction Period; provided, however, if said Eligible Director resigns from the position specified above before the Transfer Restriction Period for reasons considered to be justifiable by the Board of Directors, the Company will make reasonable adjustments as necessary regarding the termination of transfer restrictions on the number of Allotted Shares and the timing for terminating the restrictions.

- (3) Acquisition of restricted stock without considerations

If an Eligible Director who has received the allotment of restricted stock resigned as Director or Auditor of the Company before the Transfer Restriction Period expires, the Company shall naturally acquire the Allotted Shares without compensation, unless there is a reason which the Board of Directors of the Company deems justifiable. In addition, if there are any of the Allotted Shares for which the transfer restrictions have not been terminated based on the provisions on the reasons for the termination of transfer restrictions set forth in (2) above when the Transfer Restriction Period set forth in (1) above has expired, the Company shall naturally acquire such shares without consideration.

- (4) Handling in the event of organizational restructuring, etc.

In the event of the approval by the General Meeting of Shareholders of a merger agreement under which the Company will cease to exist, a share exchange agreement or a share transfer plan under which the Company will become a wholly owned subsidiary of another company, or other matters related to organizational restructuring, etc. during the Transfer Restriction Period (in cases in which organizational restructuring, etc. does not require approval by a general meeting of shareholders, approval by the Board of Directors), the Company will terminate, prior to the effective date of the said organizational restructuring, etc., transfer restrictions on the number of Allotted Shares that will

be reasonably determined by resolution of the Board of Directors based on the period from the day when the Transfer Restriction Period commences until the day when the said organizational restructuring, etc. is approved. In the case provided for above, the Company shall naturally acquire the Allotted Shares on which the transfer restrictions have not yet been terminated without compensation, immediately after the transfer restrictions have been terminated.

(5) Management of the Allotted Shares

To ensure that the Allotted Shares cannot be transferred, a security interest in the Allotted Shares cannot be created, and that the Allotted Shares cannot otherwise be disposed of during the Transfer Restriction Period, the Eligible Directors shall open an exclusive account at a financial instruments business operator (Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) designated by the Company. The shares will be managed in that account until the restrictions on transfer are lifted.

4. Calculation basis of payment amounts and relevant details

The disposal value is set at 1,858 yen, which is the closing price of the Company's common stock in the Tokyo Stock Exchange on December 21, 2023 (business day preceding the date of resolution of the Board of Directors), to make the disposal value a value that eliminates arbitrariness. This is the market price immediately before the date of resolution in the Board of Directors meeting, which we believe is reasonable and is not deemed an advantageous price.