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Company name: Mitsubishi Kakoki Kaisha, Ltd.
Representative: Toshikazu Tanaka, President
(Securities code: 6331, TSE Prime Market)
Inquiries: Tomonari Miyamoto, General Manager, General Affairs and Personnel Department
Telephone: +81-44-333-5354

# Notice Concerning Continuation and Partial Amendments to Performance-Linked Stock-Based Remuneration System

MITSUBISHI KAKOKI (hereinafter, the "Company") hereby announces that, at a meeting of the Board of Directors held today, it resolved to continue and make partial amendments to the performance-linked stock-based remuneration system (hereinafter, the "System") introduced in fiscal year 2017. Accordingly, the Company also resolved to submit a proposal regarding the System, seeking approval at the 101st Annual General Meeting of Shareholders, which is scheduled to be held on June 27, 2025 (hereinafter, the "General Meeting of Shareholders").

1. Continuation of the System

(1) The Company has put in place a performance-linked stock-based executive compensation system that is strongly linked to the performance of the Group and which is both highly transparent and objective. The System is applicable to the Company's Directors (excluding External Directors and Directors who are Audit and Supervisory Committee Members; the same shall apply hereinafter). The aim of the System is to motivate executive level employees to contribute to improving the Group's performance and enhancing corporate value over the medium/long term. The Company plans to continue the System through and beyond fiscal year 2025.

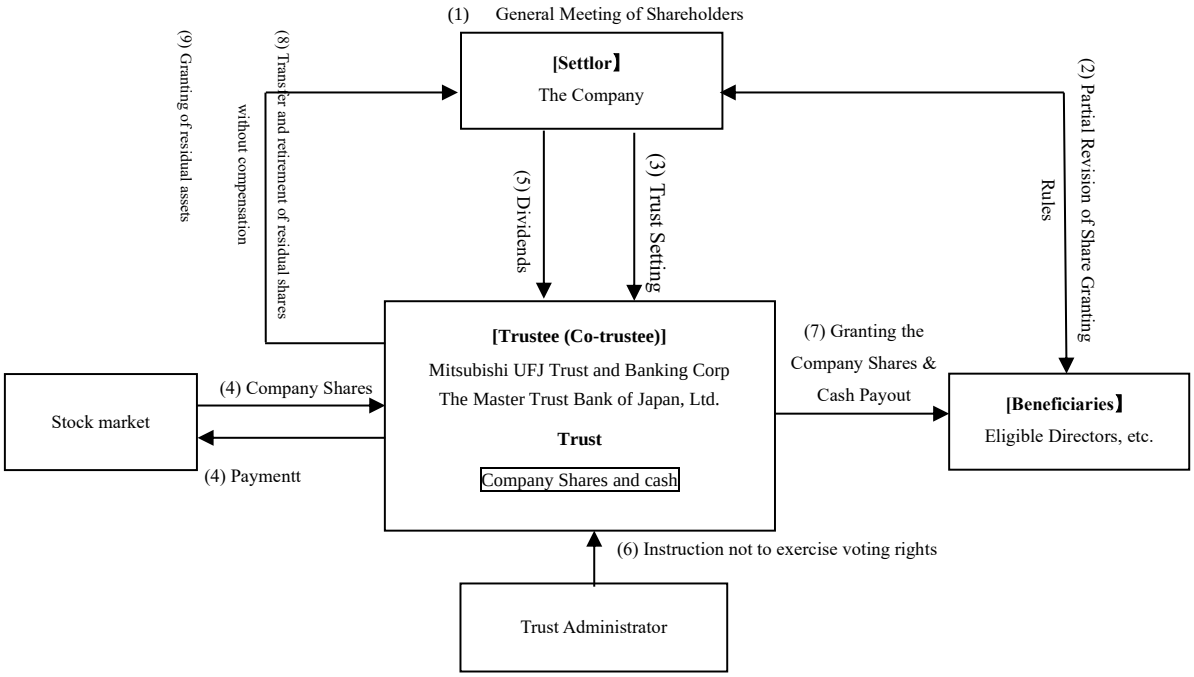
(2) The partial revisions to the System shall be subject to approval at the General Meeting of Shareholders.

(3) A system called the BIP (Board Incentive Plan) trust for executive compensation (hereinafter, "BIP Trust") has been adopted as the basis for the performance-linked stock-based executive compensation system. BIP Trust is similar to performance share unit and restricted stock unit based systems in the United States and Europe. In this system, Company shares or monetary amounts equivalent to the sale value of the same (hereinafter, "Company Shares, etc.") are granted or paid (hereinafter, "Grant(ed), etc.") to Directors in accordance with their position within the Company, progress toward performance targets set out in the Medium-Term Management Plan, and other metrics. In the event that a Director leaves or retires from the Company (or, in the event that said Director dies, in the event of their death; the same shall apply hereinafter), the Company shall Grant the Company Shares, etc., based on progress toward performance targets, etc.

2. Partial Amendments to the System

In order to further increase awareness of how Directors can contribute to improving the Group's performance and enhancing corporate value over the medium/long term, the Company intends to add Executive Officers acting under quasi-service agreements who are not Directors of the Company (excluding non-residents (of Japan); hereinafter, collectively referred to in combination with Directors as "Eligible Directors, etc.") to the list of persons eligible for the System. Furthermore, the Company plans to make some partial amendments to the System by changing the metrics used to evaluate progress toward performance targets and the ratio used when calculating the monetary amount to be paid in equivalence to the sale value of the Company shares while also adding a clawback provision. No other changes to the Plan shall be made.

3. Overview of the System




(1) Approval for the Board Incentive Plan as it relates to the continuation of the System and the partial amendments thereto shall be obtained at the General Meeting of Shareholders.

(2) The Company shall make partial amendments to its share granting rules as they pertain to the Board Incentive Plan by a resolution of the Board of Directors.

(3) The Company shall entrust additional funds, within the scope approved by the General Meeting of Shareholders, and extend the term of the trust (hereinafter, the “Trust”) to which Eligible Directors, etc. who meet the beneficiary requirements shall be the beneficiaries.

(4) The Trust shall acquire the Company shares from the stock market using the entrusted funds (including those entrusted in (3) above) in accordance with the instructions of the trust administrator. The number of shares acquired by the Trust shall be within the scope approved by the General Meeting of Shareholders.

(5) Dividends on the Company Shares under the Trust shall be paid in the same manner as those on other shares of the Company.

(6) Voting rights pertaining to the Company Shares under the Trust shall not be exercised during the trust period.

(7) During the trust period, a certain number of points shall be awarded to Eligible Directors, etc., according to Company performance across each fiscal year. Eligible Directors, etc., who meet certain beneficiary requirements shall be Granted Company Shares in proportion to their accumulated points after their retirement or leaving of the Company. Company Shares at a number equivalent to the remaining points shall be converted into a monetary amount in the Trust in accordance with the trust agreement and the beneficiaries shall receive the monetary equivalent accordingly.

(8) If there are residual shares at the expiry of the trust period due to, for example, a failure to meet performance targets for the fiscal years comprising the trust period, the Company plans to either continue the Trust by making amendments to the trust agreement and additional contributions to the Trust, or the said residual shares shall be transferred from the Trust to the Company without compensation, and the Company will then retire the said residual shares by a resolution of the Board of Directors.

(9) Upon the termination of the Trust, residual assets remaining after distribution to beneficiaries shall belong to the Company within the range of the reserve for trust expenses, calculated by deducting the funds for acquiring shares from the trust money. With regard to any portion in excess of the reserve for trust expenses, the Company plans to donate to organizations that have no interest in the Company and/or Eligible Directors, etc.

(Note)

If, during the trust period, there is a possibility that the number of shares under the Trust will fall short of the number of Company Shares corresponding to the accumulated points (as stipulated in (4) below) designated for Eligible Directors, etc., during the trust period, or there is a possibility that the monetary funds in the trust property will be insufficient to pay fees and/or expenses under the trust, additional funds may be added to the Trust within the maximum trust amount set out in (6) below.

(1) Overview of the System

The System was created to have a strong link to the Company's Medium-Term Management Plan and shall cover three consecutive years corresponding to the period of the Medium-Term Management Plan (hereinafter, the “Corresponding Period”). It Grants Company Shares, etc., to Eligible Directors, etc., following their retirement or leaving of the Company in accordance with Company performance for each of the fiscal years under the Corresponding Period. Following the continuation of the System, the Corresponding Period shall comprise a three-year period starting from the fiscal year ending March 31, 2026 to the fiscal year ending March 31, 2028.

Further, if the Trust is continued in future pursuant to (3) (b) below, the respective Corresponding Periods shall comprise the subsequent three years.

(2) Eligibility for the System (Requirements for Beneficiaries)

Upon retiring or leaving the Company, Eligible Directors, etc. will be Granted Company Shares, etc., by the Trust in amounts equivalent to the points that they accumulated across their term in office until retiring/leaving the Company (as stated in (4) below), provided they meet the beneficiary requirements and have completed the specified procedures to be a designated beneficiary.

The beneficiary requirements are as follows:

1) The beneficiary has served as an Eligible Director, etc. in the period since the System launched (including persons who became Eligible Directors for the first time in the period since the System launched);
2) The beneficiary is a resident of Japan;
3) The beneficiary has retired from the position of Eligible Director, etc. (Note);

4) The beneficiary has not resigned for personal reasons, been fired (except where they have been forced into leaving their position whether due to illness or injury), engaged in certain illegal conduct while in office, or worked for another company within the same industry without prior permission of the Company;
5) The beneficiary's accumulated points (as stated in (4) below) have been confirmed; and
6) Any other requirements deemed necessary to fulfill the purpose of the System as a performance-linked stock-based executive compensation system

(Note)

If the trust period is extended as described in (3) c. below, and the beneficiaries of the System are still serving as Eligible Directors, etc., as of the end of the extended trust period, the Trust will terminate at that point, and the Eligible Directors, etc. will be Granted Company Shares, etc., while still serving as Eligible Directors, etc.

(3) Trust Period

a. Trust period after continuation

Approximately three years, covering November 2025 to October 2028.

b. Continuation of the Trust

Upon expiry of the trust period, the Company may continue the Trust by making amendments to the trust agreement and by making additional contributions to the Trust. In such a case, the trust period covering the Trust will be extended by three years. The Company will make additional contributions to the Trust within the upper limit of trust money for which approval by resolution of the General Meeting of Shareholders has been obtained for each extended trust period and will continue awarding points to Eligible Directors, etc., during the trust period However, in cases where such additional contributions are to be made when there are Company shares (excluding Company Shares equivalent to the number of points granted to Eligible Directors, etc., that are yet to be Granted) and money remaining in the trust property (hereinafter, “Residual Shares, etc.”) on the last day of the trust period prior to the extension, the sum of the amount of Residual Shares, etc. and additional trust money to be contributed shall be within the upper limit of trust money for which approval by resolution of General Meeting of Shareholders has been obtained. Extension of this trust period is not a one-time action. The trust period may be subsequently re-extended in the same manner.

c. Termination of the Trust (extension of the trust period not accompanied by additional contributions)

If Eligible Directors, etc., who may meet the beneficiary requirements remain in office at the expiry of the trust period (if the Trust is continued as per (b.) above, then the expiry of the trust period post-extension), the Company will not immediately terminate the Trust, but extend the trust period for a certain period of time. However, in such a case, the Company will not award new points to the said Eligible Directors, etc.

(4) Company Shares, etc. to be Granted to Eligible Directors

Eligible Directors, etc., shall be awarded points every June throughout the trust period. The points are calculated by multiplying the base points, which are the sum-total of the basic amount determined in advance by position within the Company, by a performance-linked coefficient.

The points awarded each fiscal year may vary within a range of 0 to 150% of the base points in accordance with the level of progress toward the goals set out in the Medium-Term Management Plan for the fiscal year under review (ending March 31 of the respective year). The indicators used to measure the level of progress toward performance targets shall include consolidated operating income, ROE, and net sales for the GX segment. Bu adopting consolidated performance indicators to measure the level of progress toward performance targets, the Group hopes to provide an incentive for Eligible Directors, etc., to work toward improving the performance of the Group as a whole.

Eligible Directors, etc., who retire/leave the Company during a period in which they have duties to perform corresponding to a fiscal year within the trust period (excluding Eligible Directors, etc., who retire/leave due to the expiration of their term of service at the end of a fiscal year or at the conclusion of the General Meeting of Shareholders) shall be awarded base points in accordance with their term of service, from the start of their most recent term of service in which they have duties to perform to their retirement/leaving of the Company. Eligible Directors, etc., who retire/leave the Company due to the expiration of their term of service at the end of the fiscal year or conclusion of the General Meeting of Shareholders shall be awarded points calculated by multiplying their base points based on their last period of having duties to perform by a performance-linked coefficient. This coefficient varies according to the level of progress toward performance targets in the corresponding fiscal year in the case of retirement/leaving at the end of the fiscal year or in the immediately preceding fiscal year to the holding of the General Meeting of Shareholders in the case of retiring/leaving at the conclusion of the General Meeting of Shareholders.

(Base point calculation formula)

Basic amount based on position in Company ÷ Average closing price of the Company's shares on the Tokyo Stock Exchange in August of the fiscal year in which the corresponding period begins (rounded down to nearest whole number) ÷ 3

(Awarded point calculation formula)

Base points × Performance-linked coefficient

Upon an Eligible Director, etc., retiring/leaving the Company, the accumulated number of awarded points (hereinafter, the "Accumulated Points") shall be calculated, with Company Shares, etc., equivalent to the Accumulated Points Granted accordingly. One point equates to three Company Shares (reflecting the three-for-one stock split effective April 1, 2025). Any fractions less than one point shall be rounded down. In the event of a stock split or consolidation of the Company's shares during the trust period, the base point calculation formula and the number of Company shares per point shall be adjusted in accordance with the ratio of the said split or consolidation.

(5) Method and Timing for Granting Company Shares, etc. to Eligible Directors, etc.

Eligible Directors, etc., who meet the beneficiary requirements and retire or leave the Company (except in the case of death) must complete the required procedures to become a designated beneficiary. Once this is done, they will receive 50% of their Accumulated Points in Company shares calculated as of the point of their retirement/leaving (rounded down for shares less than one unit). The remaining

Accumulated Points will be converted into a monetary amount within the Trust, and they will receive that amount as a cash payment.

If an Eligible Director, etc. who meets the beneficiary requirements during the trust period should die before the end of the trust period, the legal heir(s) of the said Eligible Director, etc. shall receive money equivalent to the Company's shares corresponding to the number of Accumulated Points at that time that have been converted into cash under the Trust.

(6) Upper Limit of Trust Money to be Contributed to Trust and the Maximum Number of Points to be Granted to Eligible Directors, etc., under the System

The upper limits of the total amount of trust money to be contributed to the Trust and the total number of points to be granted to Eligible Directors, etc., under the System during the trust period shall be as follows, provided they are approved by a resolution of the General Meeting of Shareholders.

Upper limit of trust money to be contributed to Trust during trust period

1. 800 million yen

(Note)

This amount if the combined amount of funds used to acquire shares under the Trust during the trust period and the amounts required to cover trust fees and/or expenses.

Upper limit of total number of points to be awarded to Eligible Directors, etc., per fiscal year

32,000 points

The upper limit of the number of Company shares to be acquired under the Trust during the trust period (hereinafter, the "Number of Shares to be Acquired") shall be 288,000 shares, which is equivalent to 96,000 points (calculated by multiplying the upper limit of the total number of points to be awarded to Eligible Directors, etc., per fiscal year by three, which is the number of years corresponding to the trust period) (reflecting the three-for-one stock split effective April 1, 2025).

(7) Method for Trust to Acquire Company Shares

The Trust plans to acquire Company shares from the stock market to the extent of the upper limit of the funds used for acquiring Company shares and the Number of Shares to be Acquired, as stated in (6) above.

(8) Exercising Voting Rights Related to Company Shares under the Trust

To ensure neutrality for the Company's management, voting rights shall not be exercised with regard to the Company's shares held in the Trust during the trust period.

(9) Clawback

In the event of a material revision of the Company's financial statements due to a significant error or fraud in the accounting process, or in the event of serious fraud or a violation of laws unrelated to the accounting process that could possibly affect the Company's corporate value, the Company may request that Eligible Directors, etc., return a part or all of the amounts that they have received, calculated by multiplying the number of shares already granted under the System (including the number of shares sold to fund tax payments) by the closing price of the Company's shares on the Tokyo Stock Exchange on the day that the notice requesting the return is issued. The compensation subject to such return requests shall be the performance-linked stock-based compensation received as

consideration in the fiscal year in which the event in question is recognized and the three years immediately preceding such. This treatment shall apply to the performance-linked stock-based compensation granted as consideration for the fiscal year ending March 31, 2026 and to all subsequent periods thereafter.

(10) Treatment of Dividends of the Company Shares under the Trust

Dividends on the Company shares under the Trust will be first paid to the Trust and then allocated to trust fees and trust expenses of the Trust.

(11) Treatment at the Expiry of the Trust Period

If residual shares remain at the expiry of the trust period due to under-achievement of performance targets or other factors during the corresponding period, the Trust may be continued for use with the System or for a similar incentive plan by making amendments to the trust agreement and making additional contributions to the Trust. But in the case in which the Trust is to be terminated at the expiry of the trust period, the said residual shares will be transferred from the Trust to the Company without compensation, and the Company will retire said shares by a resolution of the Board of Directors of the Company as a way to return value to shareholders.

Any residual dividends on the Company shares in the Trust that remain at the expiry of the trust period shall be used to fund the acquisition of shares if the Trust is to be continued. However, in the event that the Trust is terminated upon the expiry of the trust period, any portion in excess of the reserve for trust expenses shall be donated to organizations that have no interest in the Company and/or Eligible Directors, etc.

(Reference)

[Details of Trust Agreement]

| | |
|---|---|
| (1) Trust type | Monetary trust other than an individually operated designated money trust |
| (2) Purpose of trust | Provide Eligible Directors, etc. with incentives |
| (3) Settlor | The Company |
| (4) Trustee | Mitsubishi UFJ Trust and Banking Corporation<br>(Co-trustee: The Master Trust Bank of Japan, Ltd.) |
| (5) Beneficiary | Eligible Directors, etc., who meet beneficiary requirements |
| (6) Trust administrator | A third party who has no interest in the Company (e.g., certified public accountant) |
| (7) Date of trust agreement | August 2, 2017 |
| (8) Trust period | August 2, 2017 to October 31, 2028 (Tentatively to be extended to October 31, 2028 by the amended trust agreement dated August 5, 2025) |
| (9) Commencement of System | September 1, 2017 |
| (10) Exercise of voting rights | No voting rights will be exercised |
| (11) Type of shares to be acquired | Common shares of the Company |

| | |
|---|---|
| (12) Amount of additional trust money | 150 million yen (including trust fees and expenses) |
| (13) Time period for acquiring additional shares | August 8, 2025 (tentative) to September 12, 2025 (tentative) |
| (14) Method of share acquisition | To be acquired from the stock market |
| (15) Rights holder | The Company |
| (16) Residual assets | The Company, as the rights holder, may receive residual assets within the extent of the reserve for trust expenses, which is calculated by deducting the funds to acquire shares from trust money. |