

## **Notice Regarding Revisions to Stock Compensation Plan for Directors**

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STAR MICRONICS CO., LTD. (“the Company”) has announced that at a meeting of the Board of Directors on February 21, 2025, the Company reviewed its Stock Compensation Plan and approved a resolution to revise the Restricted Stock Compensation Plan (“Plan I”) and introduce a Performance-linked Restricted Stock Compensation Plan (“Plan II”) for Directors (excluding Directors who serve as Audit and Supervisory Committee Members and Outside Directors; “Eligible Directors”). The Company also approved a resolution to submit proposals on these plans (the “Proposal”) to the 100th Ordinary General Meeting of Shareholders scheduled for March 27, 2025 (the “Shareholders’ Meeting”).

At the 96th Ordinary General Meeting of Shareholders held on March 25, 2021, it was approved that Eligible Directors shall receive compensation of no more than ¥20 million annually for stock options (total number of shares to be issued upon exercise of stock options within one year from the date of the Ordinary General Meeting of Shareholders for each fiscal year shall not exceed 60,000 shares), and compensation of no more than ¥80 million annually as compensation for the grant of restricted stock (total number of shares of the Company’s common stock to be issued or disposed relating to the restricted stock acquisition rights shall not exceed 200,000 shares annually).

The Company has decided to review its stock compensation plan and revise the maximum amount and the maximum number of shares of restricted stock to be granted to Eligible Directors under the Plan I, and to introduce the Plan II, a new Performance-linked Restricted Stock Compensation Plan. If the Proposal is approved at the Shareholders’ Meeting, compensation plan for the grant of stock options shall be abolished and no new stock options will be granted, excluding those already granted.

In addition to the existing method in which the Company grants monetary compensation receivables to Eligible Directors, who contribute all such monetary compensation claims gratis for the issuance or disposal of shares of common stock of the Company, the revised plan also allows the Company to issue or dispose shares of common stock of the Company as remuneration for Directors without requiring the payment of money or the delivery of assets.

### 1. Revisions to the Plan I

Considering the circumstances of restricted stock grants to date and the impact on stock dilution, etc. total amount of monetary compensation to be paid for the grant of restricted stock shall not exceed ¥35 million annually, while the total number of shares of the Company’s common stock to be issued or disposed shall not exceed 20,000 shares annually (however, in the event of a reverse stock split or stock split [including gratis allotment of shares] of the Company’s common stock after the approval of this proposal, the total number of shares shall be adjusted according to such ratio).

Regarding Plan I, other than the proposed revisions to the maximum amount and the maximum number of shares, and the addition of gratis allotment as a share delivery method, there are no changes to the existing plan.

## 2. Introduction of Plan II

The Company proposes the introduction of the Plan II to provide Eligible Directors with incentives to continuously improve the Company's corporate value, further promote the sharing of value with shareholders, and create a clearer link between Director compensation and the Company's business performance.

Plan II is a performance-linked stock compensation plan, under which the Company's Board of Directors shall determine the base number of shares, the performance evaluation period (the "Evaluation Period"), and the performance targets during the Evaluation Period. Performance share units shall be granted to Eligible Directors in the form of shares of the Company's common stock, calculated in accordance with the degree of achievement, etc. against the performance targets. Common stock granted will be subject to certain transfer restrictions. The Company's Board of Directors shall set the performance targets, including profit benchmarks and other indicators based on the Company's management policy. The Company intends to set the initial Evaluation Period as January 1, 2025 to December 31, 2027, with ROE and operating cash flow and business segment ROA and operating margins as performance targets during the period.

Under Plan II, the total amount of monetary compensation to be paid to Eligible Directors for the grant of restricted stock shall not exceed ¥65 million annually, which the Company believes is a reasonable amount for the above purposes, while the total number of shares of the Company's common stock to be issued or disposed shall not exceed 57,000 shares annually (however, in the event of a reverse stock split or stock split [including gratis allotment of shares] of the Company's common stock after the approval of this proposal, the total number of shares shall be adjusted according to such ratio).

Under Plan II, shares of the Company's common stock shall be delivered to the Eligible Directors (including Eligible Directors newly appointed after the start of the Evaluation Period) upon completion of the Evaluation Period and fulfillment of the following requirements.

(1) Confirmation that certain acts of misconduct as determined by the Company's Board of Directors have not been committed.

(2) Fulfillment of other requirements determined by the Board of Directors as necessary to achieve the goals of the Performance-linked Restricted Stock Compensation Plan.

In addition, after the start of the Evaluation Period and before the delivery of the Company's shares, if the Eligible Director dies or any other event determined by the Board of Directors of the Company occurs, the Board of Directors may, as necessary, pay cash in an amount reasonably determined instead of the Company's shares of common stock at a time reasonably determined by the Board of Directors.

In addition, the Company has introduced a clawback clause, whereby if it is found that the Eligible Director has committed misconduct or that there is a material error in performance on which the stock grant was premised, etc., the Company may, by a resolution of the Board of Directors, demand that the Eligible Director return all or part of the shares or money within a certain period after the lifting of transfer restrictions.

The Restricted Stock Allocation Agreement to be entered into between the Company and the Eligible Director upon the issuance or disposal of the Company's common stock under Plan II shall include, in outline, the following content.

### (1) Transfer restriction period

The Eligible Director shall neither transfer the Company's common stock allocated under the Restricted Stock Allocation Agreement (the "Allocated Stock"), nor use it as collateral or for any other disposition of the Allocated Stock ("Transfer Restriction") for a period from the date of payment on which the Company's common stock is

allocated under the Allocation Agreement to the time immediately after the Eligible Director retires from the position predetermined by the Company's Board of Directors ("Transfer Restriction Period").

(2) Lifting of transfer restriction

The Company shall lift Transfer Restriction on all of the Allotted Stock upon the expiration of Transfer Restriction Period.

(3) Gratis acquisition

The Company shall automatically receive Allotted Stock gratis if, during the Transfer Restriction Period, the Eligible Director violates laws or regulations, internal rules, or the Allocation Agreement, or meets certain criteria determined by the Board of Directors deeming it appropriate for the Company to receive Allotted Stock gratis.

(4) Treatment upon reorganization, etc.

Notwithstanding the provisions in (1) above, if, during the Transfer Restriction Period, a merger agreement in which the Company becomes a non-surviving company, a share exchange agreement or a share transfer plan under which the Company becomes a wholly-owned subsidiary of another company, or any other matters related to reorganization, etc. are approved at the Company's Ordinary General Meeting of Shareholders (or by the Board of Directors, if the approval of the Ordinary General Meeting of Shareholders is not required), then the Company shall lift Transfer Restriction Period on all of the Allocated Stock by a resolution of the Board of Directors, prior to the effective date of the organizational restructuring.

(5) Other matters

Other matters concerning the Allotment Agreement shall be determined by the Company's Board of Directors.

(Reference)

Subject to the approval of the proposal concerning the Plan at the Shareholders' Meeting, the Company intends to grant restricted stock under the Plan II to the Executive Officers of the Company as well.