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Notice Concerning Partial Revision of Stock-Based Compensation Plan and Establishment of Basic Policy on Compensation for Officers

NHK SPRING CO., LTD. (“the Company”) hereby announces that at the Board of Directors meeting held today, the Company resolved to partially revise the Board Benefit Trust (BBT), a stock-based compensation plan that was approved at the 102nd General Meeting of Shareholders held on June 28, 2022 (“the current BBT plan”), and to introduce a stock-based compensation plan called Board Benefit Trust-Restricted Stock (BBT-RS) (“the Plan”), which imposes restrictions on the transfer of shares to be provided until retirement.

The Company plans to submit a proposal to introduce the Plan to the 105th General Meeting of Shareholders scheduled to be held on June 25, 2025 (“the General Meeting of Shareholders”), and the introduction of the Plan is subject to the approval of the compensation for Directors (excluding External Directors) by the shareholders at the General Meeting of Shareholders. Further details will be announced as soon as they are determined.

In addition, the Company has established a Basic Policy on Compensation for Officers that sets out the Company’s approach to compensation for Officers, etc., as described in the attachment, upon the introduction of the Plan.

1. Background and purpose of the revision

The Board of Directors of the Company has resolved to partially revise the current BBT plan to make the plan applicable to Directors (excluding External Directors) and Corporate Officers (hereinafter collectively referred to as “Directors, etc.”) and to revise the current BBT plan to the Plan. The aim of the revision is to make the connection between the compensation for Directors, etc., and the value of the Company’s shares much clearer, and to raise the motivation of Directors, etc., to contribute to the improvement of medium- to long-term business performance and the increase of corporate value by having them share not only the benefits of an increase in the share price, but also the risk of a decrease in the share price with all shareholders.

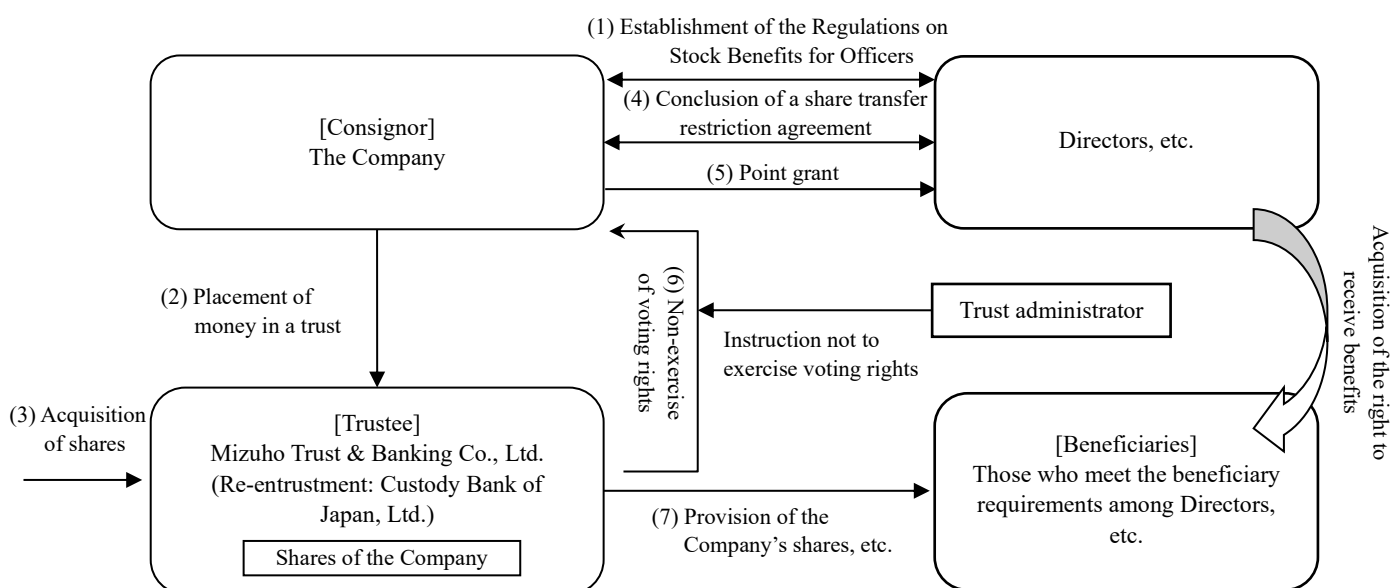
In introducing this plan, the Company intends to optimize the balance among the various compensation items through an increase in the existing share-based compensation ratio.

Despite this revision, the provision of the Company’s shares based on the points given to Directors by the end of June 2025 shall be made at the time of their retirement, as before, in principle.

2. Outline of the Plan

The Plan is a stock-based compensation plan in which the Company’s shares are acquired through a trust (hereinafter, the trust established under the current BBT plan shall be referred to as “the Trust”) using the funds contributed by the Company, and the Company’s shares and cash equivalent to the amount calculated by converting the Company’s shares into market value (“the Company’s shares, etc.”) are provided to Directors, etc., through the Trust in accordance with the Regulations on Stock Benefits for Officers established by the Company. The timing of the provision of the Company’s shares to Directors, etc., shall be at the specified time each year in principle, and the timing of the provision of money equivalent to the amount calculated by converting the Company’s shares into market value to Directors, etc., shall be at the time of their retirement in principle. In the event that Directors, etc., receive the Company’s shares during their term of office, they shall conclude a share transfer restriction agreement with the Company beforehand. Accordingly, the Company’s shares received by Directors, etc., during their term of office shall be restricted from being disposed of by transfer, etc., until the retirement of the said Directors, etc.

<Outline of the Plan>



- (1) The Company will obtain approval for the resolution on the compensation for Officers at the General Meeting of Shareholders, and will establish the Regulations on Stock Benefits for Officers within the framework approved at the General Meeting of Shareholders.
- (2) The Company will put money in the Trust within the limit approved by the resolution at the General Meeting of Shareholders described in (1).
- (3) The Trust will acquire the Company's shares using the money entrusted described in (2), either through the stock exchange market or by underwriting the disposal of the Company's treasury shares.
- (4) Directors, etc., will conclude a share transfer restriction agreement with the Company that includes a provision that restricts the transfer of the Company's shares received during their tenure of office until their retirement, as well as a provision that allows the Company to acquire a certain number of shares without compensation.
- (5) The Company will grant points to Directors, etc., in accordance with the Regulations on Stock Benefits for Officers.
- (6) The Trust will follow the instructions of the trust administrator, who is independent of the Company, and will not exercise the voting rights related to the Company's shares included in the Trust Account.
- (7) The Trust will provide the Company's shares to those who meet the beneficiary requirements stipulated in the Regulations on Stock Benefits for Officers among the Directors, etc. ("beneficiaries") at the specified time each year in accordance with the number of points granted to said beneficiaries. Note that if the Directors, etc., meet the requirements stipulated in the Regulations on Stock Benefits for Officers, the Company will provide monetary compensation equivalent to the market value of the Company's shares at the time of their retirement to a certain percentage of the points.

Basic Policy on Compensation for Officers

1. Outline

The Company has established the following basic policy for determining the details of compensation, etc., as a means to strengthen the Company's group governance and to enhance the Company's corporate value over the medium to long term.

<Directors (excluding External Directors)>

- Establish a compensation plan that contributes to the sustainable growth of the Company and the improvement of its corporate value over the medium to long term.
- Set the compensation level at a competitive level that can attract and retain excellent managerial talent.
- Establish a compensation plan commensurate with the role and extent of responsibility of Directors and their contribution to the performance of the Company.
- Establish a compensation composition ratio that fosters a sense of sharing value with shareholders.

<External Directors>

- Fixed compensation only, given their position of overseeing the management of the Company and the Company Group from an independent and objective standpoint

<Audit & Supervisory Board Members>

- Fixed compensation only, given the role of auditing the execution of duties by Directors from an objective standpoint

2. Compensation structure and payment ratio, etc.

The compensation for the Company's Officers consists of three components, namely, fixed compensation as basic remuneration, performance-linked compensation as short-term performance-linked compensation, and stock-based compensation as incentives for medium- to long-term performance. The following table shows an outline of the compensation structure and the percentage used as a benchmark.

Types of compensation for Officers and its recipients, etc.

Types of compensation		Outline	Eligible recipients		
			Directors (excluding External Directors)		External Directors and Audit & Supervisory Board Members
			Applicable or not	Percentage to be used as a guide	
Monetary remuneration	Fixed compensation	• Fixed compensation based on rank and position	○	40-60%	○
	Performance-linked compensation (Bonus)	• Performance-based compensation (bonus) that motivates employees to achieve annual targets and take initiatives for future growth • Paid in a lump sum after the end of the fiscal year, in accordance with a certain calculation formula that uses the level of consolidated ordinary profit, etc., as an indicator	○	20-30%	-
Non-monetary remuneration	Stock-based compensation	• A stock-based compensation plan that utilizes the structure of a stock benefit trust plan to serve as an incentive for medium- to long-term improvement in corporate value • Grant of shares with transfer restrictions based on the points granted in accordance with the title and position held in the previous fiscal year	○	20-30%	-

Note 1) Regarding the amount of compensation for the Company's Directors, at the 104th General Meeting of Shareholders held on June 25, 2024, the Company resolved that the total amount of basic remuneration and performance-linked compensation shall be within 600 million yen per year (of which, the amount for External Directors shall be within 100 million yen per year).

Note 2) At the 104th General Meeting of Shareholders held on June 25, 2024, the Company resolved to limit the amount of compensation to the Company's Audit & Supervisory Board Members to 120 million yen per year.

3. Process for determining compensation for Officers

The compensation, etc., for Directors is determined by a resolution at the Board of Directors meeting within the total amount of compensation, etc., that was resolved in advance at the General Meeting of Shareholders.

When deciding on compensation, etc., at the Board of Directors meeting, the Company ensures a fair process by enhancing transparency and objectivity, etc., through means such as having the Voluntary Nomination and Compensation Committee, which is composed of a majority of External Directors/Auditors and serves as an advisory body to the Board of Directors, review the details and refer to external data on compensation as necessary.

4. Method of determining individual compensation, etc.

With regard to the amount of individual remuneration, the details are decided with a discussion between the Representative Directors, based on the results of a report by the Voluntary Nomination and Compensation Committee, in accordance with a resolution of the Board of Directors.