

May 15, 2025

Announcement on Revisions to the Stock Compensation Plan

Foster Electric Company, Limited (hereinafter “the Company”) hereby announces that it has decided to submit a proposal regarding revisions to the stock compensation plan for Directors and Executive Officers (excluding Independent Directors, hereinafter “Directors and Officers”) at the 91st Ordinary General Meeting of Shareholders (hereinafter the “General Meeting of Shareholders”) scheduled for June 25, 2025. The plan was originally approved at the 83rd Ordinary General Meeting of Shareholders held on June 22, 2017 (hereinafter the “Original Resolution”) and is known as the Board Benefit Trust (BBT) (hereinafter the “Current Plan”). The proposal entails an increase in the number of shares to be granted under the Current Plan (hereinafter the “Stock Allocation Increase under the Current Plan”). It also includes a transition to the partially revised plan—the Board Benefit Trust-Restricted Stock (BBT-RS) (hereinafter the “Proposed Plan”)—under which shares granted will be subject to transfer restrictions until resignation, and other necessary changes (collectively the “Revisions to the Plan”).

1. Background and purpose of the Stock Allocation Increase under the Current Plan and the transition to the Proposed Plan

For the fiscal year ended March 31, 2025, the final year of the five-year medium-term business plan, points will be granted to Directors and Officers based on factors such as the degree of achievement of the plan’s targets. In light of this, the Board of Directors has determined that, subject to approval at the General Meeting of Shareholders, it would be appropriate to implement the Stock Allocation Increase. This involves revising the maximum number of points granted to Directors and Officers for the fiscal year noted above under the Current Plan, and, in conjunction of this change, making an additional monetary contribution to the trust established under the Current Plan (hereinafter the “Trust”) in order to provide the Company’s shares and cash equivalent to the market value of such shares (hereinafter “Stock Compensation”) to Directors and Officers.

Furthermore, to strengthen the plan’s role as an appropriate incentive for enhancing the Company’s medium- to long-term corporate value and further promote value-sharing with shareholders, the Board of Directors has determined that, subject to approval at the General Meeting of Shareholders, it would be appropriate to partially revise the Current Plan and transition to the Proposed Plan, under which shares granted will be subject to transfer restrictions until resignation.

The Company’s Remuneration Advisory Committee has reported that these revisions are appropriate in view of the purposes of the Current Plan and the Proposed Plan, as well as the effectiveness of the incentive grant in improving medium- to long-term business performance.

2. Stock Allocation Increase under the Current Plan

(1) Revision to the maximum number of points granted to Directors and Officers

Under the Original Resolution, the maximum total number of points granted to Directors and Officers is 37,000 (including 29,000 for Directors) per fiscal year. However, for the fiscal year ended March 2025, the final year of the five-year medium-term business plan, points will be granted based on factors such as the degree of achievement of the plan's targets. In light of this, the Company proposes to increase the maximum total number of points awarded to Directors and Officers for the fiscal year ended March 31, 2025 to 94,000 (including 88,000 for Directors).

(2) Additional monetary contribution to the Trust (amount of compensation)

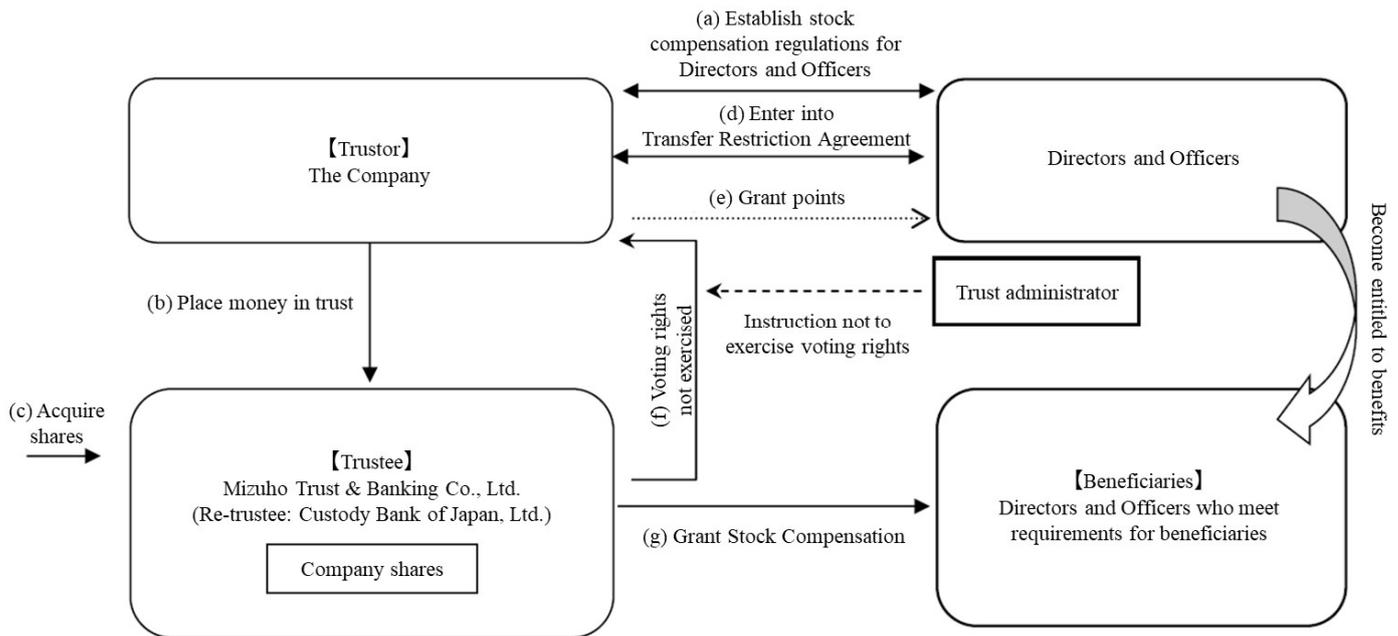
In connection with the change in the maximum number of points pursuant to (1) above, the Company proposes to make an additional contribution of up to 50 million yen to the Trust. The Company plans to make this contribution in combination with additional contributions to be implemented following the Revisions to the Plan described in Section 3 (refer to 3. (4) below).

3. Revisions to the Plan (specific calculation methods of compensation amounts and other details pertinent to the Proposed Plan)

(1) Outline of the Proposed Plan

The Proposed Plan is a stock compensation plan under which the Trust acquires shares in the Company using funds contributed by the Company and grants Stock Compensation to Directors and Officers in accordance with the stock compensation regulations for Directors and Officers determined by the Company. In principle, the Company's shares will be granted to Directors and Officers at a fixed time each year, while cash equivalent to the market value of the Company's shares will be provided to Directors and Officers upon resignation. When Directors and Officers receive the Company's shares during their term of office, they must enter into a Transfer Restriction Agreement with the Company as set out in Section 4 below prior to receiving such shares. These shares granted to Directors and Officers will be subject to restrictions on transfer and other forms of disposal until their resignation.

In connection with the transition to the Proposed Plan, points already granted under the Current Plan to Directors and Officers who remain in office at the conclusion of the General Meeting of Shareholders will be converted to points under the Proposed Plan, subject to approval of the proposal regarding the Proposed Plan at the General Meeting of Shareholders. At a time determined by the Company following the conclusion of the General Meeting of Shareholders, such Directors and Officers will receive shares based on the number of the converted points. The shares granted to such Directors and Officers will also be subject to restrictions on transfer and other forms of disposal under the Transfer Restriction Agreement above.



- (a) Subject to approval of the resolution regarding executive compensation under the Proposed Plan at the General Meeting of Shareholders, the Company will establish stock compensation regulations for Directors and Officers within the scope approved at the General Meeting of Shareholders.
- (b) The Company will place money in trust within the scope approved under the resolution at the General Meeting of Shareholders in (a).
- (c) The Trust will use funds entrusted by the Company in (b) to acquire shares in the Company either via the stock market or by subscribing to treasury shares disposed of by the Company.
- (d) Directors and Officers will enter into a Transfer Restriction Agreement with the Company. The agreement stipulates that the Company's shares received during their term of office will be subject to restrictions on transfer and other forms of disposal until their resignation, and includes provisions for free acquisition by the Company under certain conditions.
- (e) The Company will grant points to Directors and Officers in accordance with the stock compensation regulations for Directors and Officers.
- (f) In accordance with instructions from the trust administrator, an entity independent from the Company, the Trust will refrain from exercising voting rights associated with the Company's shares held within the Trust account.
- (g) At a certain time each year, the Trust will provide Directors and Officers who meet requirements for beneficiaries set forth in the stock compensation regulations for Directors and Officers (hereinafter "Beneficiaries") with the Company's shares based on the number of points they have been granted. However, If Directors and Officers meet certain requirements set forth in the stock compensation regulations for Directors and Officers, a portion of the granted points will be settled in cash equivalent to the market value of the Company's shares.

(2) Eligibility for the Proposed Plan

Directors (excluding Independent Directors) and Executive Officers (selected by the Remuneration Advisory Committee) are eligible.

(3) Trust period

From August 2017 until the termination of the Trust. (No specific termination date for the Trust is set. The Trust will continue as long as the Proposed Plan is in place. The Proposed Plan will be terminated if the Company's shares are delisted, the stock compensation regulations for Directors and Officers are abolished, or under other similar circumstances.)

(4) Amount of funds contributed to the Trust

The Company established the Trust by contributing funds to enable it to acquire in advance the number of shares reasonably deemed necessary to cover share grants for a certain period under the Current Plan. When the Trust commenced (August 2017), the Company contributed 218,892,000 yen to the Trust, which was within the scope approved under the Original Resolution. This amount was used by the Trust to acquire the Company's shares for grants to the Company's Directors and Officers over the three fiscal years from the year ended March 31, 2018 to the year ended March 31, 2020. Subsequently, the Company made additional contributions of 50,000,000 yen in February 2022 and 68,922,000 yen in February 2024. The Company will use the remaining Company shares and money held in the trust assets as funds for grants under the Current Plan and the Proposed Plan once the plan has been revised following approval of the proposal regarding the Revisions to the Plan at the General Meeting of Shareholders.

Subject to approval of the proposal regarding the Revisions to the Plan at the General Meeting of Shareholders, the Current Plan will be revised to the Proposed Plan, and the Company will make additional contributions to the Trust to enable it to acquire in advance the number of shares reasonably deemed necessary to provide grants to Directors and Officers under the Proposed Plan. In principle, these contributions will be made for each three-fiscal-year period, beginning with the period from the year ending March 31, 2026 until the year ending March 31, 2028 (hereinafter, this period and each subsequent three-fiscal-year period will be referred to individually as a "Target Period"). However, if the Company makes such additional contributions, any remaining Company shares (excluding shares that are equivalent to points awarded to Directors and Officers in the latest Target Period but have not been provided yet) and money held in the trust assets (collectively the "Residual Assets") will be used as funds for grants under the Proposed Plan in subsequent Target Periods. The Company will calculate the amount of additional contributions after taking these Residual Assets into account. The Company will disclose any decisions regarding additional contributions in a timely and appropriate manner.

(5) Method for the Trust to acquire Company shares and the number of shares to be acquired

The Trust will acquire the Company's shares using the funds contributed as specified in (4) above, either via the stock market or by subscribing to treasury shares disposed of by the Company.

The maximum number of points awarded to Directors and Officers is 80,000 per fiscal year as specified in (6) below, so the maximum number of the Company's shares to be acquired by the Trust for each Target Period is 240,000. The Company will disclose details regarding any acquisitions of the Company's shares by the Trust in a timely and appropriate manner.

(6) Upper limit on Stock Compensation for Directors and Officers

Directors and Officers will be granted points for each fiscal year based on their position, in accordance with the stock compensation regulations for Directors and Officers. The maximum total number of points granted to Directors and Officers is 80,000 (including 60,000 for Directors) per fiscal year. The Company considers this appropriate as it was determined based on a comprehensive assessment of the current level of executive compensation, trends in and expectations for the number of Directors and Officers, and other factors.

Each point granted to Directors and Officers will be converted to one share of the Company's common stock at the time of granting Stock Compensation described in (7) below. (However, if the Company's shares are subject to a split, free allotment, or consolidation following approval of the proposal at the General Meeting of Shareholders, the Company will reasonably adjust the maximum number of points, the number of points granted, or the conversion ratio, in accordance with the relevant ratios and other factors.)

The voting rights associated with the shares corresponding to the maximum number of points granted to Directors and Officers for one fiscal year total 600, representing approximately 0.27% of the total 223,975 voting rights associated with the Company's total issued shares (as of March 31, 2025).

The number of points used as the basis for Stock Compensation grants to Directors and Officers described in (7) below will, in principle, be the number of points granted to each individual by the time of confirmation of their beneficiary rights specified in (7) below (hereinafter, points calculated in this manner will be referred to as the "Number of Confirmed Points").

(7) Granting of Stock Compensation

In principle, Directors and Officers who meet the beneficiary requirements will receive the Company's shares from the Trust at a fixed time each year based on the Number of Confirmed Points set out in (6), after completion of the designated beneficiary confirmation procedures. However, if Directors and Officers meet certain requirements set forth in the stock compensation regulations for Directors and Officers, a portion of the granted points will be settled in cash equivalent to the market value of the Company's shares upon resignation, in principle, in lieu of the share grant. The Trust may sell the Company's shares in order to fund the cash payment.

If Directors and Officers receive the Company's shares during their term of office, they must enter into a Transfer Restriction Agreement with the Company prior to receiving such shares, pursuant to Section 4 below. These shares granted to Directors and Officers will be subject to restrictions on transfer and other forms of disposal until their resignation.

Further, a Director or Officer that the Remuneration Advisory Committee finds to have neglected their duties or has otherwise violated laws and regulations (not limited to those related to performance of their

duties), will not be entitled to receive Stock Compensation, even if they have been granted points.

(8) Exercise of voting rights

All voting rights associated with The Company's shares held in the Trust account will remain unexercised, in accordance with instructions from the Trust administrator. This approach is aimed at ensuring neutrality with respect to the Company's management in the exercise of the voting rights noted above.

(9) Treatment of dividends

Dividends on the Company's shares held in the Trust account will be received by the Trust and used to cover the costs of acquiring the Company's shares, compensation for the trustee, and other expenses. If the Trust is terminated, any remaining dividends or similar income in the Trust will be distributed to Directors and Officers in office at that time in proportion to the number of points each holds, in accordance with the stock compensation regulations for Directors and Officers.

(10) Treatment upon termination of the Trust

The Trust will be terminated if the Company's shares are delisted, the stock compensation regulations for Directors and Officers are abolished, or under other similar circumstances. All of the Company's shares remaining in the trust assets at the time of termination will be acquired by the Company without charge and subsequently canceled by resolution of the Board of Directors. The Company will receive any money remaining in the Trust at the time of termination, excluding amounts to be distributed to Directors and Officers as set out in (9) above.

4. Outline of the Transfer Restriction Agreement for the Company's shares granted to Directors and Officers

When Directors and Officers receive the Company's shares during their term of office under the Proposed Plan, they must enter into a Transfer Restriction Agreement with the Company (hereinafter the "Transfer Restriction Agreement") prior to receiving such shares. The Transfer Restriction Agreement will include the following provisions. (The grant of shares is conditional upon the execution of the Transfer Restriction Agreement.) However, if a Director or Officer has already resigned at the time of the grant, the shares may be granted without the execution of the Transfer Restriction Agreement.

(a) Details of transfer restrictions

Directors and Officers may not transfer, pledge, or otherwise dispose of the Company's shares granted from the date of grant until the date they resign from all executive positions at the Company.

(b) Free acquisition by the Company

In the event of certain acts of misconduct, or if the conditions for lifting the transfer restrictions set forth in (c) below are not met, the Company will acquire the relevant shares without charge.

(c) Lifting of transfer restrictions

If a Director or Officer resigns from all executive positions at the Company for a legitimate reason or due to death, the transfer restrictions will be lifted at that time.

(d) Treatment in the event of corporate reorganization

If a merger agreement in which the Company is to be dissolved or any other corporate reorganization matter is approved at a General Meeting of Shareholders or equivalent body during the transfer restriction period, the Board of Directors will, by resolution, lift the transfer restrictions immediately before the business day preceding the effective date of the reorganization.

The Company's shares subject to transfer restrictions under the Transfer Restriction Agreement will be managed in a dedicated account opened by the eligible Director or Officer at a securities company designated by the Company to ensure that such shares cannot be transferred, pledged, or otherwise disposed of during the transfer restriction period.

In addition to the above, the Transfer Restriction Agreement will include provisions regarding methods of declaration and notification under the agreement, procedures for amending the agreement, and other matters determined by the Board of Directors.

【Outline of the Trust】

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| (a) Name: | Board Benefit Trust-Restricted Stock (BBT-RS) |
| (b) Trustor: | The Company |
| (c) Trustee: | Mizuho Trust & Banking Co., Ltd.
(Re-trustee: Custody Bank of Japan, Ltd.) |
| (d) Beneficiaries: | Directors and Officers who meet the beneficiary requirements set forth in the stock compensation regulations for Directors and Officers |
| (e) Trust administrator: | A third party that has no conflict of interest with the Company is to be selected |
| (f) Type of trust: | Trust of money other than a monetary trust
(third-party beneficiary trust) |
| (g) Trust agreement execution date: | August 16, 2017 |
| (h) Date of monetary contribution to the Trust: | August 16, 2017 |
| (i) Trust period: | From August 16, 2017 until the termination of the Trust
(No specific termination date is set. The Trust will continue as long as the Proposed Plan is in place.) |