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Notice regarding the Introduction of Performance-Linked Stock Compensation Plan

Elecom Co., Ltd. (the “Company”) hereby announces that during a meeting held on May 16, 2024, its Board of Directors reached the decision to revise its executive compensation system and introduce a performance-linked stock compensation plan (the “Plan”). During the same meeting, the Board of Directors also resolved to submit a proposal for the Plan during the Company’s 39th General Meeting of Shareholders scheduled for June 26, 2024 (the “General Meeting of Shareholders”).

1. Purpose and conditions of this Plan’s introduction

(1) Purpose of Plan’s introduction

This Plan will be introduced to strengthen the correlation between the Company’s performance and director compensation and enhance incentives for eligible directors (excludes external directors) to generate sustainable improvement in the Company’s corporate value and further promote the sharing of value with shareholders.

(2) Conditions of Plan’s introduction

This Plan will provide monetary compensation claims for the issuance of shares as compensation to eligible directors. Therefore, the introduction of this Plan is subject to approval regarding the payment of such compensation from shareholders during the General Meeting of Shareholders.

During the Company’s 21st General Meeting of Shareholders held on June 27, 2006, participants resolved that the annual amount of director compensation should be no higher than ¥600 million (excluding employee salaries for directors concurrently serving as employees). Additionally, during the 34th General Meeting of Shareholders held on June 26, 2019, approval was obtained to provide monetary compensation claims of up to ¥99 million annually to eligible directors as compensation for the grant of restricted stock under the Company’s Restricted Stock Compensation Plan. During its 39th General Meeting of Shareholders, the Company plans to seek shareholder approval for the establishment under this Plan of a separate compensation range for eligible directors that differs from those indicated above.

2. Summary of this Plan

Under the Plan, the Company will grant Performance Share Units (PSUs) convertible to common shares of the Company to directors as compensation based on the degrees to which performance targets are achieved during a predetermined evaluation period. The number of shares to be allocated to each individual director, evaluation periods, performance indicators for use during these periods, and the target performance levels for these indicators shall be determined by the Board of Directors following consultations and reporting from the Company’s Nomination and Compensation Committee, which consists of a majority of independent external directors. Common shares to be granted as compensation

will be calculated based on the levels to which performance targets are achieved.

When determining the performance indicators to be adopted under the Plan, the Board of Directors shall refer to recommendations and opinions provided by the Nomination and Compensation Committee and ensure that chosen indicators, including those concerning profitability and revenue performance, reflect the Company's management policies.

Under this Plan, the total number of common shares to be allocated to directors through the issue or disposal of shares shall not exceed 20,000 shares per year. However, if a stock split (including any split involving the gratis allocation of common shares) or a consolidation of common shares is carried out after the approval of the proposal associated with this Plan, the maximum number of shares to be allocated to directors shall be adjusted in accordance with the split ratio or the consolidation ratio. The total annual amount of compensation and other benefits to be provided to eligible directors under this Plan shall not exceed ¥50 million, an amount that has been deemed appropriate based on the objectives of the Plan.

An overview of the Plan has been included below.

(1) Method of allocating shares under this Plan

In accordance with resolutions adopted by the Company's Board of Directors, allocation of common shares through the issue or disposal of shares under the Plan shall be performed using one of the following methods.

- ① Allocating common shares to eligible directors without requiring monetary payment or contribution in kind of non-monetary assets
- ② A method according to which the Company shall issue monetary compensation claims to all eligible directors who may then use these claims to acquire common shares in the Company by contributing them as non-monetary assets. The price per share to be applied under this method shall be determined by the Company's Board of Directors based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the trading day immediately preceding the date upon which the Board of Directors resolved to issue the shares to which this price shall be applied (if no trades for the Company's shares are executed on that date, the closing price on the immediately preceding trading day). The Board of Directors shall set this price within a reasonable range that is not unduly advantageous to eligible directors.

(2) Requirements for stock allocation

Under this Plan, upon conclusion of the evaluation period, the Company shall grant common shares to eligible directors (including eligible directors newly appointed after the start of the corresponding evaluation period), provided that the following requirements have been met.

- ① No acts of misconduct, etc. determined by the Company's Board of Directors have been committed
- ② Other requirements, which have been prescribed by the Board of Directors as necessary for the achievement of the performance-linked stock compensation plan's objectives and for other related purposes, have been fulfilled

The Company's Board of Directors may grant an amount of common shares and/or cash that it considers reasonable at a time that it has determined to be appropriate in the following three cases:

(i) following the start of the corresponding evaluation period and prior to the issuance of corresponding shares, an eligible director resigns or retires from his or her position as a director of the Company or from any other position recognized as legitimate by the Company's Board of Directors due to death or any other reason deemed justifiable by the Company's Board of Directors; (ii) following the start of the corresponding evaluation period and prior to the issuance of corresponding shares, participants in the General Meeting of Shareholders of the Company (or, when approval from this body is not required, members of the Company's Board of Directors) approve a merger agreement under which the Company becomes defunct, a share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary, or any other

agreements or actions related to organizational restructuring; or (iii) if the Company's Board of Directors deems the grant of common shares and/or cash advisable.

(Note)

The Company plans to introduce a performance-linked stock compensation plan similar to this Plan for both its own directors, executive officers, and senior employees and those of its subsidiaries, subject to approval of proposals relating to the Plan during the General Meeting of Shareholders.