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Listing: Tokyo Stock Exchange
Securities code: 4414
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Notice Regarding the Revision of the Stock-Based Compensation Plan (Board Incentive Plan (BIP) Trust and Stock Granting ESOP Trust)

At a meeting of the Board of Directors held today, FLECT Co., Ltd. (the "Company") resolved to extend the trust period of the Board Incentive Plan (BIP) Trust ("BIP Trust"), a stock-based compensation plan established on August 22, 2024. The Company also resolved to submit to the 21st Annual General Meeting of Shareholders scheduled to be held in June 2026 (the "General Meeting") (i) a proposal for the transition to a performance-linked type with respect to Directors who are not Audit and Supervisory Committee Members, and (ii) a proposal for raising the upper limit on the number of shares with respect to Directors who are Audit and Supervisory Committee Members. The Company hereby announces these matters.

In addition, with respect to the Stock Granting ESOP Trust ("ESOP Trust") established on August 22, 2024, the Board of Directors today also resolved to extend the trust period and to change the plan to a performance-linked type.

Details

1. Overview of the Revisions

(1) Purpose of the Revisions

To further enhance awareness of contributing to the medium- to long-term enhancement of corporate value among Directors who are not Audit and Supervisory Committee Members, executive officers, and managerial employees (collectively, the "Eligible Persons for Performance-Linked Stock Compensation"), and to strengthen the sharing of interests with shareholders, the Company will transition the contents of the BIP Trust and the ESOP Trust from the current fixed-point type to a performance-linked type in which the number of shares granted varies in accordance with the level of achievement of annual performance conditions. Furthermore, with respect to the ESOP Trust covering executive officers and managerial employees, the scope of eligible managerial employees will be expanded in order to heighten company-wide engagement in enhancing corporate value. On the other hand, with respect to Directors who are Audit and Supervisory Committee Members, grants will continue to be made based on positions and other factors as before; however, in consideration of recent economic conditions, the upper limit on the number of shares will be raised. In addition, the current trust period, which expires on August 31, 2026, will be extended by two years, and the BIP Trust and the ESOP Trust will continue to be implemented on an ongoing basis.

(2) Outline of the Revisions

The contents of the revisions are as follows.

(i) Extension of the Trust Period

Following the expiration of the current trust period (August 22, 2024 to August 31, 2026), the period will be extended by an additional two years. The new trust period will run from August 2026 (planned) to the end of August 2028 (planned).

(ii) Transition to a Performance-Linked Type (excluding Directors who are Audit and Supervisory Committee Members)

During the extended trust period, with respect to the Eligible Persons for Performance-Linked Stock Compensation, the plan will transition to a performance-linked type in which the number of the Company's shares to be granted will vary depending on the level of achievement of performance conditions for each fiscal year. The specific indicators, target values, and evaluation methods for the performance conditions will be determined separately by the Board of Directors.

(iii) Raising the Upper Limit on the Number of Shares for Directors who are Audit and Supervisory Committee Members

With respect to Directors who are Audit and Supervisory Committee Members, grants will continue to be made based on positions and other factors as before; however, in consideration of recent economic conditions, the upper limit on the number of shares will be raised.

(3) Submission of the BIP Trust Revisions to the General Meeting of Shareholders

As stated above, in connection with the transition of the BIP Trust to the performance-linked type and the raising of the upper limit on the number of shares for Directors who are Audit and Supervisory Committee Members, proposals concerning the amount and details thereof will be submitted to the General Meeting. At the General Meeting, the Company will seek approval of the maximum amount of trust money to be contributed during the extended trust period, the maximum number of shares to be delivered to directors and other eligible persons, and other necessary matters. The revisions, including the transition of the BIP Trust to the performance-linked type and the raising of the upper limit on the number of shares, will be implemented only if approval is obtained at the General Meeting.

2. Details of the BIP Trust Revisions

(1) Extended Trust Period

The extended trust period will be approximately two years, from August 2026 (planned) to the end of August 2028 (planned). In extending the trust period, the trust agreement of the existing BIP Trust will be amended and additional trust money will be contributed.

(2) Transition to the Performance-Linked Type (excluding Directors who are Audit and Supervisory Committee Members)

During the extended trust period, for Directors who are not Audit and Supervisory Committee Members, a multiplier (within a range of 0% to 200%) applied to the base grant points will be determined in accordance with the level of achievement of the Company's performance conditions for each fiscal year, and the actual number of points granted (number of shares to be delivered) will vary accordingly.

The specific indicators, target values, and evaluation methods for the performance conditions will be determined separately by the Board of Directors.

(3) Maximum Amount of Trust Money and Maximum Number of Shares to be Delivered during the Extended Trust Period

The total amount of trust money to be contributed to the BIP Trust during the extended trust period and the total number of shares to be delivered to directors and other eligible persons will be subject to the following limits, conditional upon approval at the General Meeting:

Category	Maximum Trust Amount	Maximum Number of Shares to be Delivered	Grant Conditions
Directors (excluding Directors who are Audit and Supervisory Committee Members)	JPY 70 million <i>(for 2 fiscal years)</i>	73,000 shares <i>(for 2 fiscal years)</i>	Performance-linked (0%–200%)
Directors who are Audit and Supervisory Committee Members	JPY 7 million <i>(for 2 fiscal years)</i>	7,300 shares <i>(for 2 fiscal years)</i>	Fixed type (unchanged)

Note 1: The maximum number of shares for Directors (excluding Directors who are Audit and Supervisory Committee Members) corresponds to the maximum value assuming a performance-linked coefficient of 200% (the cap). In the case of a performance-linked coefficient of 100% (the standard), the grant ceiling for two fiscal years would be 36,500 shares.

Note 2: Directors who are Audit and Supervisory Committee Members are not subject to the performance-linked type, and grants will continue to be made based on positions and other factors as before.

(4) Method of Acquiring Company Shares through the BIP Trust

The acquisition of the Company's shares through the BIP Trust is planned to be made from the stock market or from the Company (through the disposal of treasury stock or the issuance of new shares), within the limits of the funds for share acquisition and the maximum number of shares to be delivered as set out in (3) above.

(5) Other Conditions

The other principal conditions (eligible persons (beneficiary requirements); method and timing of delivery of the Company's shares to directors and other eligible persons; transfer restriction period; clawback provisions; non-exercise of voting rights on the Company's shares held in the BIP Trust, etc.) shall remain the same as those under the current plan.

(Reference) [Principal Terms of the BIP Trust Agreement after the Revisions]

Type of Trust	Money trust other than specified money trust under sole management (third-party benefit trust)
Purpose of Trust	Granting incentives to directors and other eligible persons
Settlor	The Company
Trustee	Mitsubishi UFJ Trust and Banking Corporation (Co-trustee: The Master Trust Bank of Japan, Ltd.)
Beneficiaries	Directors and other eligible persons who satisfy the beneficiary requirements
Trust Administrator	A third party with no interest in the Company (Certified Public Accountant)
Trust Period	From August 2026 (planned) to the end of August 2028 (planned)
Plan Commencement	September 2026 (planned)

Exercise of Voting Rights	Voting rights will not be exercised
Type of Shares Acquired	Common shares of the Company
Maximum Trust Amount	Directors (excluding Audit and Supervisory Committee Members): JPY 70 million (planned) (including trust fees and trust expenses) Directors who are Audit and Supervisory Committee Members: JPY 7 million (planned) (including trust fees and trust expenses)
Method of Acquiring Shares	Acquisition from the stock market or from the Company (disposal of treasury stock or issuance of new shares)
Residual Beneficiary	The Company

3. Details of the ESOP Trust Revisions

(1) Extended Trust Period

The extended trust period will be approximately two years, from August 2026 (planned) to the end of August 2028 (planned). In extending the trust period, the trust agreement of the existing ESOP Trust will be amended and additional trust money will be contributed. The revisions to the ESOP Trust will be implemented pursuant to a resolution of the Board of Directors.

(2) Transition to the Performance-Linked Type

As with the BIP Trust, during the extended trust period, the plan will transition to a performance-linked type in which the number of the Company's shares to be granted varies in accordance with the level of achievement of the Company's performance conditions for each fiscal year. The specific indicators, target values, and evaluation methods for the performance conditions will be determined separately by the Board of Directors.

(3) Method of Acquiring Company Shares through the ESOP Trust

The acquisition of the Company's shares through the ESOP Trust is planned to be made from the stock market or from the Company (through the disposal of treasury stock or the issuance of new shares).

(4) Other Conditions

The other principal conditions shall be equivalent to those of the current plan. The exercise of voting rights during the trust period will be carried out by the trustee in accordance with the instructions of the trust administrator.

(Reference) [Principal Terms of the ESOP Trust Agreement after the Revisions]

Type of Trust	Money trust other than specified money trust under sole management (third-party benefit trust)
Purpose of Trust	Granting incentives to executive officers and managerial employees
Settlor	The Company
Trustee	Mitsubishi UFJ Trust and Banking Corporation (Co-trustee: The Master Trust Bank of Japan, Ltd.)
Beneficiaries	Executive officers and managerial employees of the Company who satisfy the beneficiary requirements
Trust Administrator	A third party with no interest in the Company

Trust Period	From August 2026 (planned) to the end of August 2028 (planned)
Plan Commencement	September 2026 (planned)
Exercise of Voting Rights	The trustee will exercise voting rights on the Company's shares in accordance with instructions from the trust administrator, which reflect the intentions of the prospective beneficiaries.
Type of Shares Acquired	Common shares of the Company
Total Value of Shares Acquired	Undetermined (to be determined by the Company and disclosed separately)
Method of Acquiring Shares	Acquisition from the stock market or from the Company (disposal of treasury stock or issuance of new shares)
Residual Beneficiary	The Company