

April 20, 2023

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Name of representative: Takuro2 Wakabayashi, Chief Executive Officer
(Securities code: 4891; Growth Market)
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Notice regarding the remuneration for Granting Stock Option to Board Members and Audit & Supervisory Board Members

TMS Co., Ltd. (the “Company”) hereby announces that the Company, at the meeting of the Board of Directors held on April 20, 2023, resolved that the Company makes a proposal on determination of the remuneration provided as stock option to Board Members and Audit & Supervisory Board Members of the Company at the 19th general meeting of shareholders to be held on May 30, 2023.

Details of the Items for the General Meeting of Shareholders

I. Purpose of granting stock acquisition rights as stock option

The Company requests approval for a remuneration (including its amount) relating to the share acquisition rights as stock options to be provided to Board Members and Audit & Supervisory Board Members of the Company, with the purpose of sharing the benefits and risks of share price fluctuations with the Board Members and providing them with incentives to motivate and inspire themselves to improve the Company’s performance, thereby enhancing the sound management, its corporate value, and social trust. This is also for the purpose of sharing the value of shareholders with the Audit & Supervisory Board Members and thereby increasing their motivations to contribute to the prevention of damage to the Company’s corporate value and the maintenance of its credibility.

II. Summary of the remuneration for granting stock acquisition rights as stock option

1. Amount of remuneration relating to the share option

The amount of remuneration for Board Members of the Company was approved at the 17th Annual General Meeting of Shareholders held on May 28, 2021, to be no more than ¥200 million per year (excluding the salaries of the Board Members who concurrently serve as employees to the extent such salaries are given based on the status as employee) and the amount of remuneration for Audit & Supervisory Board Members was approved to be no more than ¥50 million per year.

The Company hereby requests approval that the amount of remuneration related to share acquisition rights as stock options, which is separate from the above existing amount of monetary remuneration, shall be up to ¥135 million per year for Board Members (of which, up to ¥15 million per year for outside Board Members) excluding the portion of employee salaries of the Board Members who concurrently serve as employees, and up to ¥15 million per year for Audit & Supervisory Board Members. Please note that the amount of such remuneration is based on, in principle, a lump-sum payment to be made once in three fiscal years to Board Members and Audit & Supervisory Board Members to represent the remuneration for their performance of their duties for three years from the date of payment. Therefore, the actual amount of remuneration will not exceed ¥45 million per year for Board Members (of which, ¥5 million per year for outside Board Members) excluding the portion of employee salaries of the Board Members who concurrently serve as employees, and ¥5 million per year for Audit & Supervisory Board Members.

The specific date and number of share acquisition rights to be granted as remuneration will be determined by a resolution of the Board of Directors for Board Members, and by a discussion among the Audit & Supervisory Board Members for the Audit & Supervisory Board Members, each within the total amount of remuneration mentioned above. The Company has established the “Internal Regulations on Executive Remuneration” approved by the Board of Directors as the policy for determining remuneration for each Board Member. The share acquisition rights to be granted as remuneration to Board Members, including

the specific grantees, the timing of payment and number of share acquisition rights to be allotted, will be determined by the Board of Directors after consulting the Compensation Committee, based on the aforementioned policy and taking into consideration such factors as the Company's performance, business environment, job responsibilities, and contribution level.

The amount of share acquisition rights to be issued as stock options is the fair value per share acquisition right calculated as of the allotment date of the share acquisition rights multiplied by the total number of share acquisition rights to be allotted.

The fair value per share acquisition right as of the allotment date mentioned above will be calculated using the method commonly used to calculate the fair value of share acquisition rights.

Payment for the allotment of share acquisition rights as stock options will be made by offsetting the paid-in amount determined based on the fair value at the time of the allotment against the equivalent amount of the remuneration for Board Members and Audit & Supervisory Board Members to be paid by the Company based on the remuneration relating to the share acquisition rights as stock options under this proposal.

This remuneration relating to the stock option is intended to further encouraging Board Members to conduct business operations with an emphasis on the interests of shareholders and, for Audit & Supervisory Board Members, to raise their awareness for rigorous audits, as part of the Company's efforts to motivate its Board Members for improving the Company's business performance, achieve its sound management, and increase the social trust. As such, and also in light of its procedures related to the grant, the Company has determined that the remuneration relating to the stock option is appropriate.

Currently, there are six Board Members (including two outside Board Members) and four Audit & Supervisory Board Members (including three outside Audit & Supervisory Board Members). If Proposal No. 1 is approved and adopted as proposed, there will be six Board Members (including two outside Board Members) and four Audit & Supervisory Board Members (including three outside Audit & Supervisory Board Members).

2. Details of the remuneration (principal terms for the issuance of share acquisition rights as stock options)

(1) Number of share acquisition rights

The number of share acquisition rights to be allotted to Board Members and Audit & Supervisory Board Members of the Company within one year from the date of an annual general meeting of shareholders for each fiscal year shall not exceed 1,800 (including 200 for outside Board Members) for Board Members and 200 for Audit & Supervisory Board Members. However, in principle, the allotment of share acquisition rights will be made once in three fiscal years in a lump sum to Board Members and Audit & Supervisory Board Members in a number that represents the remuneration for the performance of their duties for three years from the date of allotment. The maximum number of share acquisition rights that will be allotted to Board Members and Audit & Supervisory Board Members in one year, is 600 (including 66 to 68 for outside Board Members) and 66 to 68 for Audit & Supervisory Board Members, respectively.

(2) Class and number of shares subject to the share acquisition rights

The number of shares to be issued upon exercise of one share acquisition right (the "Number of Granted Shares") shall be 100 common shares of the Company.

The Number of Granted Shares shall be adjusted by the following formula if the Company conducts a share split (including allotment of the Company's shares without contribution; the same shall apply hereinafter) or a share consolidation after the allotment date of share acquisition rights. However, such adjustment shall be made only to the number of shares for the share acquisition rights that have not been exercised as of such time, and any fraction of less than one share resulting from the adjustment shall be rounded down.

Number of Granted Shares after adjustment = Number of Granted Shares before adjustment × Ratio of split (or consolidation)

If the Company conducts a merger, corporate split, share exchange, or share issuance, or in a similar event that necessitates the adjustment of the Number of Granted Shares after the allotment date of share acquisition rights, the Company may appropriately adjust the Number of Granted Shares to a reasonable extent.

(3) Paid-in amount for the share acquisition rights

The amount to be paid per share acquisition right (issue price) shall be an amount determined by the Board of Directors of the Company based on the fair value of the share acquisition right calculated as of the allotment date thereof.

(4) The amount of property to be contributed upon the exercise of the share subscription rights

The amount of property to be contributed upon the exercise of each share acquisition right shall be the amount obtained by multiplying the exercise price per share that can be acquired by exercising such share acquisition right (which shall be ¥1) by the Number of Granted Shares.

(5) The period in which the share acquisition rights can be exercised

This shall be a period as determined by the Board of Directors but not exceeding 15 years from the day following the date of allotment of share acquisition rights.

(6) Conditions for exercising the share acquisition rights

1) A portion of the acquisition rights to shares out of the total number of share acquisition rights allotted to the holder shall be finalized (finalization of share acquisition rights is hereinafter referred to as “vesting” or “vested”) on each of the dates specified in the items below for the number of the share acquisition rights specified in such item. The holder of the share acquisition rights may exercise only those share acquisition rights that have been vested. However, if the holder of share acquisition rights ceases to be a Board Member, Audit & Supervisory Board Member, executive officer or employee of the Company or its affiliates (except when such holder resigns from his/her position as a Board Member, Audit & Supervisory Board Member, executive officer or employee of the Company or its affiliates for reasons deemed justifiable by the Board of Directors of the Company), the vesting after such point in time shall be terminated.

i) The date one year after the allotment of the share acquisition rights

One-third of the share acquisition rights allotted (if there is a fraction of less than one unit, only the number of share acquisition rights rounded down to the nearest one unit may be exercised; the same shall apply in the following items.)

ii) The date two years after the allotment of the share acquisition rights

One-third of the share acquisition rights allotted

iii) The date three years after the allotment of the share acquisition rights

The balance of share acquisition rights that have not been vested up to the previous day to the aforementioned day

2) Any partial exercise of one unit of the share acquisition rights is not allowed.

3) In the event of the death of a holder of the share acquisition rights, his/her heir may exercise the right.

4) Other conditions shall be set forth in the share acquisition right allotment agreement to be executed between the Company and each holder of the share acquisition rights.

(7) Restrictions on the acquisition of the share acquisition rights by transfer

Acquisition of share acquisition rights by transfer shall require approval by a resolution of the Board of Directors of the Company.

(8) Matters relating to an acquisition of share acquisition rights

1) In the event that a general meeting of shareholders approves (or if approval by a general meeting of shareholders is not required, the Board of Directors resolves) a merger agreement under which the Company will become a dissolving company, a company split agreement or plan under which the Company will become a splitting company, or a share exchange agreement or share transfer plan

under which the Company will become a wholly owned subsidiary, the Company may acquire all of the share acquisition rights without contribution on a date separately determined by the Board of Directors of the Company.

- 2) If a holder of the share acquisition rights becomes unable to exercise his/her share acquisition rights pursuant to the provisions set forth in (6) above before exercising the right, the Company may acquire such share acquisition rights without contribution on a date separately determined by the Board of Directors of the Company.
- 3) In the event that a holder of share acquisition rights becomes none of the Board Members, Audit & Supervisory Board Members, executive officers or employee of the Company or its affiliates, the Company may acquire any share acquisition rights held by such holder that have not been vested without contribution, on a date separately determined by the Board of Directors of the Company.

(9) Other matters relating to the share acquisition rights

Other matters relating to the share acquisition rights shall be determined by the Board of Directors of the Company which determines the offering terms of such share acquisition rights.

Reference:

After the conclusion of this annual general meeting of shareholders, the Company will issue to its employees other share acquisition rights, the details of which are the same as described in (2) through (9) above, with the paid-in amount to be determined based on the fair value of such share acquisition rights, in the number as the Company deems necessary.

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