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To All

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LTD.
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Notice Concerning Disposal of Treasury Shares by Third-Party Allotment as a Transfer-Restricted Share Incentive for the Employee Shareholding Association

Kyokuto Kaihatsu Kogyo Co., Ltd. (hereinafter, the “Company”) hereby announces that it decided at a meeting of the Board of Directors held on November 12, 2025 to implement a transfer-restricted share incentive plan for the employee shareholding association (hereinafter, the “Plan”) and passed a resolution based on the Plan as follows to dispose of treasury shares through a third-party allotment as transfer-restricted shares (hereinafter, the “Disposal of Treasury Shares” or “Disposal”), with the Kyokuto Kaihatsu Employee Shareholding Association (hereinafter, the “Shareholding Association”) as the planned allottee.

1. Outline of the Disposal

(1) Date of Disposal	February 2, 2026
(2) Type and number of shares to be disposed of	Common stock of the Company 68,200 shares (note)
(3) Disposal price	2,655 yen per share
(4) Total amount of Disposal	181,071,000 yen (note)
(5) Disposal method (planned allottee)	Third-party allotment (Kyokuto Kaihatsu Employee Shareholding Association 68,200 shares) Partial applications for the number of shares to be granted will not be accepted from the Company employees.
(6) Other	The Company has submitted an extraordinary report based on the Financial Instruments and Exchange Act with regard to this Disposal of Treasury Shares.

(Note) “Type and number of shares to be disposed of” and “Total amount of Disposal” means the number of shares to be disposed of and the total amount of the disposal price calculated assuming that the Company will grant shares to 1,113 of its employees, the maximum number of people who could be subject to application of the Plan in accordance with the number of shares to be granted to each employee determined by the Company in accordance with employee grade (pattern A: 300 shares to a maximum of 10 employees, pattern B: 200 shares to a maximum of 54 employees, pattern C: 100 shares to a maximum of 153 employees, pattern D: 50 shares to a maximum of 413 employees, pattern E: 40 shares to a maximum of 396 employees and pattern F: 30 shares to a maximum of 87 employees), with the number of shares to be disposed of and the total amount of the disposal of the Disposal of Treasury Shares to be determined in accordance with the number of employees of the Company who consent to the Plan (hereinafter, the “Subject Employees”) after completion of the promotion of membership to employees who have not yet joined the Shareholding Association and the confirmation of consent to the Plan by the members of the Shareholding Association.

2. Purpose and Reasons for the Disposal

In addition to promoting the welfare of Subject Employees and helping them to build wealth, the Company resolved to implement this Plan to give Subject Employees an incentive for the sustained improvement of the Company’s corporate value and to promote Subject Employees’ further sharing of value with the shareholders of the Company by creating opportunities for those employees of the Company who join the Shareholding Association and are Subject Employees to acquire transfer-restricted shares (common shares of the Company) issued or disposed of by the Company through the Shareholding Association as part of its efforts to enhance human capital.

The overview of the plan, etc., is as follows.

[Outline of the Plan and other related matters]

Under the Plan, monetary claims (hereinafter, the “Special Incentives”) will be provided to Subject Employees as a special incentive for the grant of transfer-restricted shares, with Subject Employees to contribute the Special Incentives to the Shareholding Association. And the Shareholding Association will receive the issue or disposal of common shares in the Company as transfer-restricted shares by making an in-kind contribution to the Company of the Special Incentives contributed by the Subject Employees.

If common shares of the Company are newly issued or disposed of based on the Plan, the amount to be paid per common share will be determined by the Board of Directors based on the closing price for common shares of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of each resolution of the Board of Directors related to that issue or disposal (if no transaction is established on that date, on the most recent day of trading preceding that date) within a range that is not particularly favorable to the Shareholding Association (and ultimately, to Subject Employees).

In the issue or disposal of common shares of the Company under the Plan, the Company and the Shareholding Association will conclude an agreement on the allotment of transfer-restricted shares

that includes matters such as: [1] a prohibition on the transfer, establishment of a security interest or other disposition of the allotted shares to a third party for a certain period (hereinafter, the “Transfer Restriction”); and [2] the Company’s acquisition free-of-charge of the allotted shares if certain events occur. In addition, the payment of Special Incentives to Subject Employees will be conditional on this agreement on the allotment of transfer-restricted shares being executed between the Company and the Shareholding Association.

Further, with regard to individual member holdings related to the transfer-restricted shares that the Shareholding Association receives the issue or disposal of (hereinafter, the “Transfer-Restricted Shareholdings” or “RS Holdings”) based on the shareholding association’s rules and detailed rules for operation (hereinafter, the “Shareholding Association Rules”) (note), Subject Employees will be restricted from withdrawing the transfer-restricted shares corresponding to their Transfer-Restricted Shareholding until the transfer restriction on those transfer-restricted shares is cancelled.

(Note) The Administrative Board of the Shareholding Association plans to pass a resolution at a meeting to be held promptly after the date of the resolution by the Board of Directors of the Company to amend the Shareholding Association Rules to accommodate the Plan prior to receiving the Disposal of Treasury Shares, with those amendments scheduled to take effect two weeks after the date of the meeting of the Administrative Board if objections are made by less than one-third of the members of the Shareholding Association.

In the Disposal of Treasury Shares, the Company will dispose of common shares (hereinafter, the “Allotted Shares”) to the Shareholding Association, the planned allottee, with the Shareholding Association paying all of the Special Incentives contributed by Subject Employees as investment property contributed in kind based on the Plan. The overview of the agreement on the allotment of transfer-restricted shares (hereinafter, the “Allotment Agreement”) to be concluded between the Company and the Shareholding Association in the Disposal of Treasury Shares is as described in “3. Outline of the Allotment Agreement” below. The number of shares to be disposed of in the Disposal of Treasury Shares is expected to be determined at a later date as described in the note to 1. above, but the Company is planning to dispose of a maximum of 68,200 shares to the Shareholding Association. Assuming that maximum value, the scale of the dilution due to the Disposal of Treasury Shares will be 0.17% (rounded to two decimal places; same applies below in the calculation of allotment) of 40,150,000 shares, the total number of shares outstanding as of September 30, 2025, and 0.18% of 383,726, the total number of voting rights as of September 30, 2025.

The Disposal of Treasury Shares will be implemented conditional on the amended Shareholding Association Rules taking effect by the day before the date of the Disposal of Treasury Shares.

3. Outline of the Allotment Agreement

- (1) Transfer Restriction period: February 2, 2026 (hereinafter, the “Date of Disposal”) to November 30, 2028

(2) Conditions for cancellation of the Transfer Restriction

Conditional on a Subject Employee being in the position of an employee (excluding contract employee) of the Company or a subsidiary of the Company continuously during the period from April 1, 2025 to March 31, 2026 (hereinafter, the “Vesting Period”), the Company will cancel the Transfer Restriction on the business day following the expiry of the Transfer Restriction period for all of those Allotted Shares held by the Shareholding Association in the number corresponding to the Transfer-Restricted Shareholdings held by Subject Employees who satisfy the condition.

(3) Handling if a Subject Employee resigns from the Shareholding Association

If a Subject Employee resigns from the Shareholding Association (meaning cases where they lose eligibility for membership or apply for resignation, and including resignation due to death) during the Transfer Restriction period due to mandatory retirement or another legitimate reason (not including resignation for personal reasons not based on unavoidable circumstances), the Company will cancel the Transfer Restriction as of the date of resignation for the number of shares calculated by multiplying the number of Allotted Shares corresponding to the Transfer-Restricted Shareholdings held by the Subject Employee on the date the Shareholding Association received the application for resignation from the Subject Employee (hereinafter, the “Date of Receipt of the Resignation Application”) by the number calculated by dividing the number of months from April 2025 to the month including the Date of Receipt of the Resignation Application by the number of months related to the Vesting Period (12) (if that number exceeds one, the number will be deemed to be one) (however, if a fraction of one share occurs as a result of calculation, this fraction will be discarded).

(4) Acquisition by the Company free-of-charge

The Company will naturally acquire Allotted Shares whose Transfer Restriction has not been cancelled free-of-charge on the business day following the expiry of the Transfer Restriction period or at the time of cancellation of the Transfer Restriction established in (3) above.

(5) Share management

During the Transfer Restriction period, Allotted Shares will be managed in an exclusive account that the Shareholding Association opens with Nomura Securities Co., Ltd., so that Allotted Shares cannot be transferred, pledged as collateral, or otherwise disposed of during the Transfer Restriction period. In addition, the Shareholding Association will register and manage Transfer-Restricted Shareholdings to be held by Subject Employees with respect to the Allotted Shares separately from the ordinary holdings held by Subject Employees with respect to the shares acquired by the Shareholding Association based on the Plan in accordance with the provisions of the Shareholding Association Rules.

(6) Handling in organizational restructuring, etc.

If, during the Transfer Restriction period, a merger agreement under which the Company will be the absorbed entity, a share exchange agreement or a share transfer plan under which the Company will become a wholly owned subsidiary, or any other matter relating to organizational restructuring, etc., is approved at a general meeting of shareholders of the Company (however, if approval by a general meeting of shareholders of the Company is not required with respect to such organizational restructuring, etc., by the Board of Directors of the Company), by a resolution of the Board of Directors, the Company will cancel the Transfer Restriction on Allotted Shares as of the business day immediately preceding the effective date of the reorganization, etc., for all Allotted Shares in the number corresponding to the Transfer-Restricted Shareholdings held by Subject Employees of the Allotted Shares held by the Shareholding Association on the date of that approval.

4. Grounds for and Specifics of the Calculation of the Disposal Price

The Disposal of Treasury Shares to the Shareholding Association, the planned allottee, will be carried out by Subject Employees contributing the Special Incentives paid to Subject Employees for the grant of transfer-restricted shares to the Shareholding Association as the investment property. The disposal price is set at 2,497 yen, the closing price of common shares in the Company on the Tokyo Stock Exchange Prime Market on November 11, 2025 (the business day prior to the date of the resolution by the Board of Directors) to set a price that eliminates arbitrariness. This is the market share price immediately prior to the date of the resolution by the Board of Directors, which we think is reasonable and not a particularly favorable price.

The rate of deviation of this price from the average closing price of the shares of the Company on the Tokyo Stock Exchange Prime Market (rounded to two decimal places) is as follows.

Period	Average closing price (rounded down to the nearest yen)	Rate of deviation
1 month (October 14, 2025 - November 11, 2025)	2,647 yen	0.30%
3 months (August 12, 2025 - November 11, 2025)	2,700 yen	-1.67%
6 months (May 12, 2025 - November 11, 2025)	2,644 yen	0.42%

All four corporate auditors (including two outside corporate auditors) who attended the Board of Directors meeting held on November 12, 2025 expressed the opinion that the disposal price above does not fall under the category of a particularly favorable price for the Shareholding Association, the allottee and is legal, considering that the Disposal of Treasury Shares is aimed at implementation of the Plan and the disposal price is the closing price of the common shares of the Company on the Tokyo Stock Exchange Prime Market on the business day preceding the date of the resolution by the Board of Directors.

(Reference)

[The Plan mechanism]

- [1] The Company will grant monetary claims as Special Incentives to employees who are eligible to join the Shareholding Association.
- [2] Subject Employees who consent to the Plan will contribute the monetary claims of [1] above to the Shareholding Association.
- [3] The Shareholding Association will consolidate the monetary claims contributed in [2] above and pay them to the Company.
- [4] The Company will allocate the Allotted Shares to the Shareholding Association.
- [5] The Allotted Shares will be deposited into the Shareholding Association's RS Holdings account through Nomura Securities Co., Ltd., and their withdrawal will be restricted during the Transfer Restriction period.
- [6] After the cancellation of the Transfer Restriction, the Allotted Shares can be withdrawn in the same manner as the ordinary holdings of the Shareholder Association.

