



May 15, 2024

Name of company: Nippon Light Metal Holdings Company, Ltd.
Name of representative: Ichiro OKAMOTO,
President & Chief Executive Officer
(Stock Code: 5703 Tokyo Stock Exchange, Prime Market)
Contact: Chizu ISHIKAWA,
Public Relations and IR Director, Planning & Supervision
Office
(TEL: +81-03-6810-7160)

Notice Concerning the Introduction of Performance-Based Stock Compensation Plan for Directors and Officers

Nippon Light Metal Holdings Company, Ltd. (the “Company”), hereby announces that, at a meeting of its Board of Directors held today, the Company resolved to introduce a performance-based stock compensation plan (the “Plan”) using a trust for its Directors (excluding Outside Directors as stated below) and decided to submit a proposal regarding the introduction of the Plan to the 12th Annual General Meeting of Shareholders (the “Meeting”) to be held on June 25, 2024. Details are as follows.

1. Introduction of the Plan

Previously, the compensation for directors of the Company (“Directors”) consisted of “base compensation,” “performance-based compensation” and “restricted stock-based compensation.” However, the Company will not grant any new “restricted stock-based compensation” and it has decided to introduce a new stock remuneration system under the Plan.

The Plan is intended to further clarify the link between Director’s compensation and the Company’s business performance and share value, and by sharing benefits and risks of share price fluctuations with our shareholders, enhance Directors’ awareness of the need to contribute to improving medium- to long-term business performance and increasing corporate value, as well as provide an incentive to Directors aiming at continuing to increase corporate value even after the delivery of shares by restricting the transfer of shares until the retirement of the Director (i.e. ceasing to be either a Director, an Officer of the Company or a director of certain subsidiaries of the Company; the same applies hereinafter).

Specifically, the compensation under the Plan will be paid to Directors (excluding Outside Directors; the same applies hereinafter), apart from the maximum amount of compensation for Directors approved at the 1st Annual General Meeting of Shareholders held on June 27, 2013 (up to 396 million yen per year; however, this does not include the employee salary portion of Directors who concurrently serve as employees).

Following the introduction of the Plan, the compensation for Directors will consist of “base compensation,” “performance-based compensation” and “stock remuneration” under the Plan.

The Plan will be introduced on the condition that the proposal for the introduction of the Plan is approved at the Meeting.

If the introduction of this Plan is approved at the Meeting, the same performance-based stock compensation plan as that for Directors will be introduced for Officers of the Company or directors of certain subsidiaries of the Company (collectively, the “Officers, etc.”). In this case, the Officers, etc. will be beneficiaries of the trust under the Plan in the same manner as for Directors. In addition, the Company will also entrust funds for the acquisition of shares to be delivered to the Officers, etc.

2. Summary of the Plan

(1) Structure of the Plan

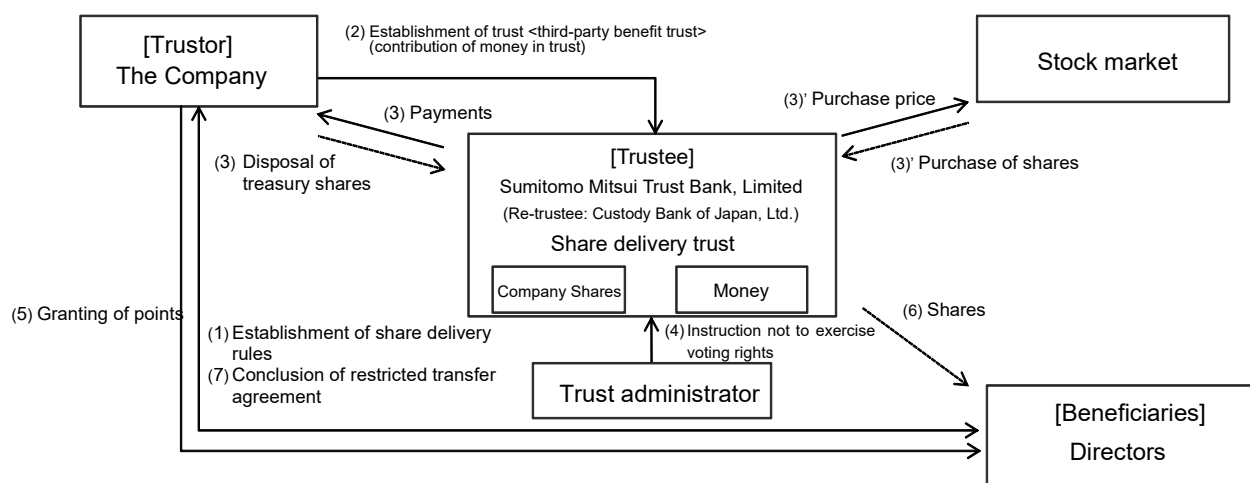
The Plan is a share compensation plan, under which, a trust that the Company establishes by contributing money (the “Trust”) will acquire the shares of common stock of the Company (the “Company Shares”), and the number of the Company Shares equivalent to the number of points granted to each Director by the Company will be delivered to each Director through the Trust; however, as stated in 3 below, such shares shall be subject to transfer restrictions by entering into a restricted transfer agreement between the Company and each Director.

There are two types of points granted under the Plan: base points and performance-linked points.

Directors, who are in office during the period of approximately two years from the day following the date of conclusion of the Meeting to the date of conclusion of the Annual General Meeting of Shareholders in June 2026 (the “eligible period for base points”), will be granted the base points and delivered the shares equivalent to the base points that have been granted to Directors. Directors, who are in office during the period of two years from the fiscal year ending March 31, 2025, to the fiscal year ending March 31, 2026 (the “eligible period for performance-linked points”), will be granted the performance-linked points and delivered the shares equivalent to the performance-linked points that have been granted to Directors. (The eligible period for performance-linked points mentioned above and the eligible period for base points to which the end date of the eligible period for performance-linked points belongs are, collectively or individually, referred to as the “Eligible Period”; however, the Eligible Period may be extended as specified in (4) below.)

In principle, the Company Shares equivalent to either type of points are delivered to Directors at a certain time in each fiscal year during the trust period.

Overview of the structure of the Plan



- (1) The Company establishes share delivery rules for Directors.
- (2) The Company establishes a share delivery trust (third-party benefit trust) with Directors who acquire the beneficiary rights, as described in (6) below, as beneficiaries (the “Trust”). At that time, the Company entrusts the amount of money to the trustee, equivalent to the funds for the acquisition of shares; provided, however, that the funds for the acquisition of shares to be delivered to Directors shall be within the amount approved by a general meeting of shareholders.
- (3) The trustee acquires in a lump sum, an equivalent number of the Company Shares expected to be delivered in the future (acquisition shall be through the disposal of treasury shares or via a stock market (including off-floor trading)).
- (4) A trust administrator (who shall be independent of the Company and its Directors and Officers) is appointed to safeguard the interests of the beneficiaries subject to the share delivery rules throughout the trust period and to supervise the trustee. With respect to Company Shares held by the Trust, the trust administrator instructs the trustee not to exercise any voting rights, and the trustee shall not exercise any voting rights throughout the trust period in accordance with these instructions.
- (5) The Company grants points to Directors in accordance with the share delivery rules.
- (6) Directors who satisfy the requirements stipulated in the share delivery rules and the trust agreement pertaining to the Trust, as beneficiaries of the Trust, acquire the beneficiary rights of the Trust and receive from the trustee the delivery of Company Shares in proportion to the points they have been granted.
- (7) With regard to the Company Shares delivered, the Company and such Director enter into a restricted transfer agreement during the restricted stock transfer period from the date of delivery to the date of such Director's retirement.

All Company Shares constituting residual assets in the Trust at the time of the Trust's termination are to be acquired free of charge by the Company and then cancelled by resolution of the Board of Directors.

In addition, a certain amount of money constituting residual assets in the Trust at the time of the Trust's termination is to be donated to a special public interest promotion corporation with which the Company's Directors have no conflict of interest, as provided for in the share delivery rules and the trust agreement in advance.

Sumitomo Mitsui Trust Bank, Limited, which will be the trustee under the Plan, will entrust (re-trust) the administration of the trust assets to the Custody Bank of Japan, Ltd.

(2) Establishment of the Trust

On the condition that the introduction of the Plan is approved at the Meeting, the Company will establish the Trust by contributing the funds necessary for the Trust to acquire in advance for a certain period of time, the number of the Company Shares that are reasonably expected to be required for the delivery of the Company Shares in accordance with (6) below. The Trust will acquire the Company Shares with funds contributed by the Company as described in (5) below.

Sumitomo Mitsui Trust Bank, Limited, which will be the trustee under the Plan, will entrust (re-trust) the administration of the trust assets to the Custody Bank of Japan, Ltd.

(3) Trust period

The trust period will be approximately two years, from August 2024 (planned) to August 2026 (planned). However, the trust period may be extended as described in (4) below.

(4) Maximum amount of money to be contributed to the Trust as funds for the acquisition of shares

The Company will contribute money up to a total of 300 million yen (44 million yen as funds for the acquisition of the Company Shares equivalent to the total number of base points to be granted for the eligible period for base points, and 256 million yen as funds for the acquisition of the Company Shares equivalent to the total number of performance-linked points to be granted for the eligible period for performance-linked points) as compensation to Directors while in office to fund the acquisition of the Company Shares necessary for the delivery of such shares to Directors under the Plan, and will establish the Trust with Directors who satisfy certain requirements as beneficiaries. The Trust will be funded by money entrusted by the Company and acquire the Company Shares through the disposal of treasury shares from the Company or via a stock market (including off-floor trading).

Note: The money actually entrusted by the Company to the Trust will be the sum of the funds for the acquisition of the Company Shares mentioned above, as well as the estimated amount of necessary expenses such as trust fees and trust administrator fees. In the event that a stock compensation plan for Officers, etc. similar to the above is introduced, the funds required for the acquisition of Company Shares to be delivered to the Officers, etc. under such plan will also be entrusted to the Trust.

In addition, by decision of the Board of Directors of the Company, the Eligible Period may be extended one or more times, (i) up to approximately five years in the case of the eligible period for base points and (ii) up to five fiscal years in the case of the eligible period for performance-linked points, and the Trust period may be extended accordingly to continue the Plan (including the transfer of the trust assets of the Trust to a trust established by the Company for the same purpose as the Trust, thereby effectively extending the Trust period; the same applies hereinafter). In this case, the Company will additionally contribute money in the Trust as funds for the additional acquisition of the Company Shares necessary to deliver the Company Shares to Directors under the Plan and continue to grant points and deliver the Company Shares as described in (6) below. However, the amount of such additional contribution shall be limited to (i) an amount equal to 22 million yen multiplied by the number of years of extension as funds for the acquisition of the Company Shares equivalent to the total number of base points to be granted for the extended eligible period for base points, and (ii) 128 million yen multiplied by the number of years of extension as funds for the acquisition of the Company Shares equivalent to the total number of performance-linked points to be granted for the extended eligible period for performance-linked points, respectively (and the same applies thereafter).

(5) Method of acquisition of Company Shares by the Trust, etc.

The initial acquisition of Company Shares by the Trust is planned to be made through the disposal of treasury shares from the Company or via a stock market within the upper limit of the funds for the acquisition of shares specified in (4) above, and the details of the method of acquisition shall be determined and disclosed after the resolution of the Meeting.

If, during the Trust period, the number of the Company Shares held by the Trust is likely to fall short of the number of shares corresponding to the number of points to be granted to Directors in the Trust due to an increase in the number of Directors or other reasons, additional Company Shares may be acquired by contributing money within the limit of contributions to the Trust as mentioned in (4) above.

(6) Calculation method and maximum number of Company Shares to be delivered to Directors

<1> Method of granting points to Directors, etc.

In accordance with the share delivery rules established by the Board of Directors of the Company, the Company shall, during the Trust period (in principle, every fiscal year), grant each Director on the point granting date specified in the share delivery rules: (i) the base points and (ii) the performance-linked points.

(i) The base points shall be granted in accordance with the position, etc. and (ii) the performance-linked points shall be granted by multiplying the number of the points determined in accordance with the position, etc. by a performance-linked coefficient that varies in proportion to the actual value of the performance-linked indices. Such performance-linked indices and the range of such performance-linked coefficients shall be decided by the Company's Board of Directors, however, the performance-linked indices during the initial target period for performance-linked points are to be the "stock price (TOPIX ratio)," "non-financial index (greenhouse gas reduction),"

“individual target achievement level,” etc., and the range of performance-linked coefficients is to be between 0% and 200%.
However, the total number of points to be granted to Directors by the Company shall be limited to 112,900 points per fiscal year.

<2> Delivery of the Company Shares in proportion to the number of points granted

Directors will receive the Company Shares in proportion to the number of points granted in <1> above by following the procedure described in <3> below. One point shall be equal to one Company Share. However, in the event of a stock split, reverse stock split, or other event in which it is deemed reasonable to adjust the number of Company Shares per point, the number of the Company Shares per point shall be adjusted reasonably in accordance with such split ratio, reverse stock split ratio, or other factors.

<3> Delivery of the Company Shares to Directors

Each Director shall, in principle, acquire beneficiary rights of the Trust and receive the Company Shares from the Trust every fiscal year during the Trust period, on the condition that the Director enters into a restricted transfer agreement with the Company as stated in 3. Below and follows other prescribed procedures.

However, in the event that the Company Shares held by the Trust are converted into cash for reason such as settlement after submission to a tender offer for the Company Shares held by the Trust, the Company Shares may instead be delivered in cash (said amount converted).

(7) Exercise of voting rights

No voting rights pertaining to the Company Shares held by the Trust shall be exercised based on the instructions from the trust administrator, who is independent of the Company and its Directors and Officers. With this method, the Company intends to ensure neutrality toward its management in connection with the exercise of voting rights pertaining to the Company Shares held by the Trust.

(8) Handling of dividends

Dividends pertaining to the Company Shares held by the Trust will be received by the Trust and used to pay for the acquisition of the Company Shares, trust fees paid to the trustee and other costs related to the Trust.

(9) Treatment of the Company Shares and money at the time of termination of the Trust

All Company's Shares constituting residual assets in the Trust at the time of the Trust's termination are to be acquired free of charge by the Company and then cancelled by resolution of the Board of Directors.

In addition, a certain amount of money constituting residual assets in the Trust at the time of the Trust's termination is to be donated to a special public interest promotion corporation with which the Company's Directors have no conflict of interest, as provided for in the share delivery rules and the trust agreement in advance.

3. Restricted transfer agreement for the Company Shares to be delivered to Directors

In delivering the Company Shares pursuant to 2.(6) <2> above, a restricted transfer agreement shall be entered into between the Company and the Director, which shall include the following.

However, if at the time of delivery of the shares, the Director has retired or is expected to cease to be a resident of Japan, the Company Shares not subject to transfer restrictions may be delivered without entering into the restricted transfer agreement. Additionally, in such cases, a certain percentage of the Company Shares out of the number of the Company Shares specified in 2.(6) <2> above may be sold and converted into cash by the Trust for the purpose of the Company withholding funds to pay withholding income taxes, etc. and then delivered in cash in place of the Company Shares.

- (1) Directors shall not transfer, grant a security interest in, or otherwise dispose of any Shares of the Company delivered under the Plan during the period from the date of delivery to the date of their retirement.
- (2) Upon the occurrence of certain events, the Company shall acquire such Company Shares free of charge.
- (3) In the event that a merger agreement in which the Company becomes an extinct company or other matter relating to reorganization, etc. is approved by a general meeting of shareholders of the Company, etc. and becomes effective, the transfer restrictions may be cancelled at that time as provided in the restricted transfer agreement.
- (4) Details, etc. of the conditions for the cancellation of the transfer restrictions set forth in advance by the Board of Directors of the Company

(Reference) Outline of the trust agreement for the Trust

Trustor	Nippon Light Metal Holdings Company, Ltd.
Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trustee: Custody Bank of Japan, Ltd.)
Beneficiaries	Directors and Officers, etc. of the Company who satisfy the beneficiary requirements
Trust administrator	A third party to be selected, independent of the Company and its Directors and Officers
Exercise of voting rights	No voting rights pertaining to shares held by the Trust will be exercised during the trust period.
Type of trust	Money deposited other than money in trust (third-party benefit trust)
Date of trust agreement	August 2024 (planned)
Trust period	From August 2024 to August 31, 2026 (planned)

Purpose of the Trust

Delivery of Company Shares to beneficiaries in accordance with the share delivery rules.