



February 14, 2024

For immediate release

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Notice of issue of Stock Options

The Board of Directors of Ultrafabrics Holdings Co., Ltd. decided on February 14, 2024, to set the subscription criteria for stock options for the directors and employees of Ultrafabrics Holdings (excluding members of the Audit & Supervisory Committee) and its subsidiaries, and to solicit subscribers for the issue of stock options, based on the approval granted at the General Meeting of Shareholders on March 28, 2023.

1. The rationale for issuing stock options with particularly favorable conditions

The company directors (excluding members of the Audit & Supervisory Committee) and employees do not have retirement benefits. The issue of stock options is intended to ensure the directors and employees of the company and its subsidiaries have a longer-term commitment to the group, and to give management a greater focus on improving earnings, increasing corporate value, and prioritizing shareholders.

2. Nature of the stock option issue

(I) Naming of the stock options: Ultrafabrics Holdings Co., Ltd. ninth round of stock options

(II) Amount to be paid in for stock options

No payment will be required.

(III) Allotment date for stock options

March 22, 2024

(IV) Details of stock options

(1) Class and number of shares underlying the stock options

The nature of the shares underlying each stock option will be common stocks, and the number of shares underlying each stock option will be 100 shares.

In the event that the Company carries out a share split or reverse share split, the following formula will be used to adjust the number of shares underlying the stock options. However, the adjustment will be applied to the number of shares underlying only those stock options that have not yet been exercised at the time of the share split or reverse share split. The number of shares will be rounded down to the nearest whole number.

$$\text{Adjusted number of shares} = \text{unadjusted number of shares} \times \text{split/reverse-split ratio}$$

In the event of a merger, company split, share exchange, or share transfer (“merger”), or in the event of an allotment of shares without contribution, or any other event requiring an adjustment to equity, the number of shares can be adjusted rationally taking account of the terms of the merger or allotment without contribution.

(2) Total number of stock options

4,610

(3) The value of assets to be contributed when the stock options are exercised

The exercise of the stock option will require a monetary contribution. The total value of the contribution will be the product of the contribution per share to be paid in upon exercise of the stock option (“exercise price”) and the total number of underlying shares.

The exercise price will be 1.05 times the average close price for ordinary transactions on the Tokyo Stock Exchange (“close price”) for every day of the month prior to the month that contains the allotment date for the stock options (“allotment date”), excluding those days on which no transactions were made, rounded up to the nearest whole yen. However, in the event that the exercise price is less than the close price on the allotment date (or the most recent close price prior to the allotment date if there is no close price on the allotment date), the exercise price will be equal to the close price on the allotment date.

If the company carries out a stock split or reverse stock split for common stock after the allotment date, the above exercise price shall be adjusted according to the following formula in accordance with the stock split or reverse stock split ratio, rounded up to the nearest whole yen.

$$\text{Adjusted exercise price} = \text{Unadjusted exercise price} \times \frac{1}{\text{Split/reverse-split ratio}}$$

In addition, the above exercise price shall be adjusted by the following formula, and rounded up to the nearest whole yen, in the event that (a) Ultrafabrics issues new common stocks or disposes of treasury stocks at a price below the market price (excluding the transfer of treasury stocks in accordance with Article 194 of Companies Act [Demand for Sale to Holder of Shares Less than One Unit] or the conversion or exercise of securities that can be converted into common stocks or of stock options (including bonds with stock acquisition right) that permit the holder to demand the transfer of common stocks); or (b) Ultrafabrics solicits share options, bonds with stock acquisition right, shares with a put option, or shares subject to call with a paid-in value per ordinary share to be offered in exchange for the acquisition that is lower than the exercise price; or (c) Ultrafabrics grants stock options (including bonds with stock acquisition right) that would have a paid-in amount per common stock issued when exercised that is below the exercise price.

$$\text{Adjusted exercise price} = \frac{\text{Unadjusted exercise price} \times \text{Already issued shares} + \frac{\text{Newly issued shares} \times \text{Paid-in value per share}}{\text{Market price}}}{\text{Already issued shares} + \text{newly issued shares}}$$

In the above formula, “already issued shares” denotes the total number of issued common stocks less the number of common stocks held by the Company (i.e., treasury stocks). “Newly issued shares” denotes the number of common stocks stipulated in sections (a) through (c) above or the number of common stocks to be issued due to the exercise or acquisition of stock options. In the event of a disposal from treasury shares, “newly issued shares” can be read as “number of treasury stocks to be disposed of”.

Moreover, in the event that the Company carries out a reverse share split, an allotment of shares without contribution, or other events that would require an adjustment to the above exercise price, the exercise price can be adjusted rationally in consideration of the terms of the reverse share split or allotment without contribution.

(4) The period during which the stock options can be exercised

From March 23, 2027 through June 30, 2029

(5) The capital and capital reserves that will increase if shares are issued as a result of the exercise of the stock options

(i) The increase in capital resulting from the issue of new shares accompanying the exercise of the stock options will be one half of the maximum increase in capital calculated based on the Regulations on Company Accounting, Article 17, Paragraph 1, rounded up to the nearest whole yen.

(ii) The increase in capital reserves resulting from the issue of new shares accompanying the exercise of the stock options will be the maximum increase in capital outlined in (i) above, less the increase in capital outlined therein.

(6) Conditions for the exercise of the stock options

(i) No partial exercise of the stock options is permitted

(ii) The rights shall be forfeited immediately if circumstances arise that mean the exercise of the stock options would be contrary to their intended purpose, including the following: if the holder of the stock option is a director who is dismissed from his/her post; if the holder of the stock option is a director who resigns for personal reasons (excluding resignations related to illness or disability); if the holder of the stock option is an employee who is subject to disciplinary dismissal or resigns for personal reasons (excluding resignations related to unavoidable circumstances such as illness or disability); if the holder, whether a director or employee, is sentenced to imprisonment or more serious criminal punishment; or if the holder is appointed as a director of, advisor of, or employee with an important position in a company in a competitive relationship with Ultrafabrics or its subsidiaries. However, this shall not apply if the Board of Directors concludes there is an appropriate rationale for the holder of the stock option to exercise their rights following resignation or termination of employment.

(iii) In event of death of the holder of the stock option, one person among the holder’s legal heirs (“option successor”) can exercise the stock option up to one year from the date of the holder’s death. In the event of death of the option successor, the stock option cannot be passed on to the successor’s heir.

(iv) If applicable foreign laws and regulations require that exercise of the stock options by a person located in the jurisdiction governed by those laws and regulations be conditional upon (i) the performance of certain procedures, or (ii) compliance with certain conditions (including periods in which the rights cannot be exercised, or the submission of specified documents), or (iii) both of the above (“governing procedures and conditions”), the person located in the jurisdiction can only exercise the stock option if

all such governing procedures and conditions are met. However, Ultrafabrics is not obligated to perform or meet any governing procedures required of Ultrafabrics in order that the person located in the jurisdiction is able to exercise the stock options. Moreover, if the laws and regulations do not permit the person located in the jurisdiction to exercise the stock options, that person may not exercise the stock options.

(7) Conditions for the acquisition of the stock options

- (i) The Company can acquire the stock options without compensation if the conditions for the exercise of the stock options laid out in section (6) above are no longer met.
- (ii) The Company can acquire the stock options without compensation in the following cases: if a meeting of the shareholders passes a resolution approving a merger agreement in which the company ceases to exist as a separate entity; or if a meeting of the shareholders passes a resolution approving a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary.

(8) Restrictions on acquisition of the stock options by transfer

Acquisition of the stock options by transfer must be approved by resolution of the Board of Directors.

(9) Treatment of the stock options in the event of an organizational restructuring

If in the process of organizational restructuring, an agreement or restructuring plan sets out the granting of stock options in the stock companies to be defined below, the stock options of the stock company defined below will be granted in accordance with the ratio of the organizational restructuring.

However, this shall not apply if otherwise stipulated in the agreement or plan.

(i) A merger in which Ultrafabrics ceases to exist as a separate entity

The stock company that continues to exist after the merger, or the stock company established by the merger.

(ii) An absorption-type split

The stock company that succeeds to all or part of the rights and obligations related to the operations of the stock company making the absorption-type split.

(iii) An incorporation-type company split

The stock company established by the incorporation-type company split.

(iv) Share exchange

The stock company that acquires the entirety of the equity issued by the stock company that conducts the share exchange.

(v) Share transfer

The stock company established by the share transfer.

(10) The rounding down of fractional shares arising from the exercise of the stock options

Any fractional shares less than one whole share that arise from the exercise of the stock options will be rounded down to the nearest whole number.

(11) The non-issuance of certificates for the stock options

Ultrafabrics will not issue any stock option certificates related to the stock options.

(12) Persons eligible to be granted stock options and number of stock options to be granted

Persons eligible	Number of persons	Number of stock options to be granted
Ultrafabrics Directors (excluding members of Audit & Supervisory Committee)	6	2,728
Ultrafabrics employees	10	826
Officers of Ultrafabrics subsidiaries	15	1,056