

February 14<sup>th</sup>, 2022

To whom it may concern:

Company Name: HORIBA, Ltd.  
Representative: Atsushi Horiba,  
Chairman & Group CEO  
(Securities code: 6856)  
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## Notice Regarding the Revision of the Amount and the Scheme of Remuneration for the Company's Directors <sup>1</sup>

HORIBA, Ltd. ("the Company") hereby announces that the board of directors' meeting held on February 14<sup>th</sup>, 2022 passed a resolution that the Company will submit the agenda regarding the revision of the amount and the scheme of remuneration for the Company's directors to the 84<sup>th</sup> ordinary general meeting of shareholders ("the Meeting"), which will be held on March 26<sup>th</sup>, 2022.

### 1. The purpose of the revision

The management environment surrounding the Company is changing promptly, such as the rapid expansion of the semiconductor industry, the arrival of hydrogen society amid the trend of decarbonization, and technological innovation in the area of life science, and accordingly the Company's operations become increasingly globalized so as to respond to these changes. In order to further strengthen the supervisory functions and to accelerate the decision making in global operations, the Company will appoint an additional member to the Board of Directors who has extensive experience in global management. The purpose of the revision is to secure talented management personnel as well as to add incentives to achieve the current Mid-Long Term Management Plan "MLMAP2023".

### 2. The company's view on the change to the directors' remuneration scheme

The Company's basic policy is that shareholders, management and employees work as one to develop the Company, and the outcome from the operation are evaluated and distributed to those stakeholders in open and fair manner.

Since its initial stock listing in the stock exchange market, the Company has distributed dividends to shareholders based on net income, and performance-based remuneration has been paid to the management based on net income and dividends. (At present, dividends = approximately 30% of consolidated net income; bonuses for directors = approximately 20% of dividends). In fiscal 2013, the Company announced that the total amount of shareholder returns including dividends and share buybacks would be around 30% of consolidated net income, in order to provide shareholder returns directly linked to consolidated performance, and an earnings-based remuneration scheme was also introduced for Directors (excluding Non-executive directors). Since then, the Company's performance has steadily expanded that consolidated net income grew to 2.9 times, share price reached 2.7 times (closing price on December 30, 2021) and total dividends reached 3.0 times in 2021 respectively compared with fiscal 2012. Shareholder returns has also increased significantly in this period (refer to Figure 1. below).

On the other hand, the Company has decided to revise the amount and the scheme of remuneration for Directors as shown in Figure 2, taking into consideration the fact that the maximum amount of earnings-based remuneration has been reached since the past fiscal year. Through this revision, the Company will provide incentives to ensure the achievement of the targets set forth in the current Mid-Long Term Management Plan "MLMAP2023". The Company will set the appropriate amount and the scheme of remuneration for Directors in light of the targets in the Mid-Long Term Management Plans to be formulated in the future.

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<sup>1</sup> This Notice is a translation of the Japanese original for reference purposes only, and in the event of any discrepancy, the Japanese original shall prevail.

Figure 1. The Trend of Consolidated Net Income, Total Dividends, Stock Price

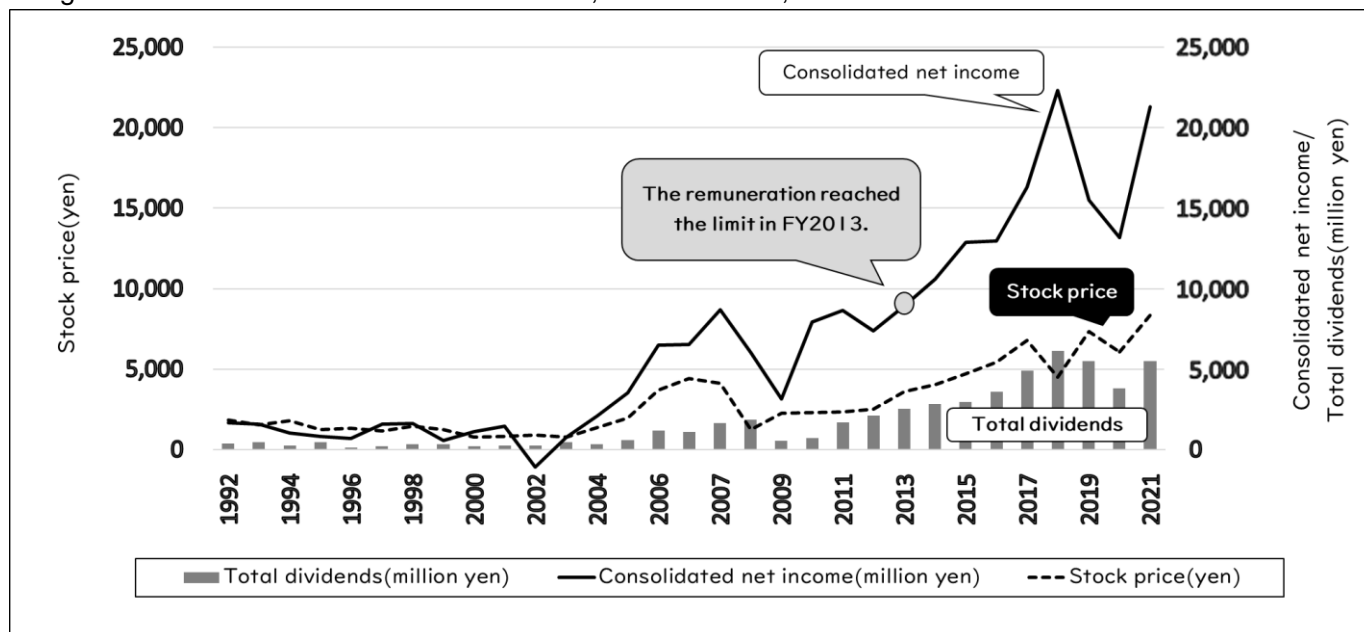


Figure 2. Overview of Change to the Director's Remuneration Scheme

	Current remuneration system and maximum amounts		Remuneration system and maximum amounts after revision	
	Type of remuneration	Maximum amount	Type of remuneration	Maximum amount
Base remuneration	Fixed term / amount salary, etc.	200 million yen (including 20 million yen for Non-executive directors)	Fixed term / amount salary, etc.	300 million yen (including 40 million yen for Non-executive directors)
Performance-based remuneration	Earnings-based remuneration	500 million yen	Earnings-based remuneration	1,000 million yen
Long-term incentive	Stock Compensation-type Stock Options	70 million yen	Restricted stock, Restricted stock unit	200 million yen
Total	—	770 million yen	—	1,500 million yen

### 3. The major changes

- **Amount of base remuneration (fixed-amount salary, etc.)**

With regard to base remuneration (fixed term / amount salary, etc.), the purpose of revision is to respond to the increase of the number of Directors by one to further strengthen the management system, and the maximum remuneration amount will be raised to 300 million yen based on current performance levels. The fixed term / amount salary, etc. of current Directors (excluding Non-executive directors) are planned to remain at the current level.

The maximum amount of remuneration for Non-executive directors will be increased to 40 million yen responding to its expanding role and responsibilities of strengthening corporate governance and enhancing corporate value. The base remuneration will be the only remuneration for non-executive directors made up of fixed term / amount salary, etc., which eliminate the linkage to performance as applied in the past.

● **Amount of performance-based remuneration (earnings-based remuneration)**

The amount of earnings-based remuneration will be changed for the sake of strengthening incentives for further enhancement of corporate value and securing talented management personnel, taking into consideration that the maximum amount of remuneration has been reached in previous years. The maximum amount of performance-based remuneration is set to 1,000 million yen based on current performance levels.

The indicator applied to determine the earnings-based remuneration for the Directors is consolidated net income, which has been deemed to be appropriate for earnings-based remuneration from the perspective of clarifying the link between Directors' remuneration and the Company's performance, and further increasing the incentive to enhance the performance of Directors.

The following change will be made to the method of calculation of earnings-based remuneration.

Current: "Consolidated net income x 6%," with an upper limit of 500 million yen and a lower limit of 0 yen.
Proposed change: "Consolidated net income x 5% - 500 million yen (*1)," with an upper limit of 1,000 million yen (*2) and a lower limit of 0 yen.

- \*1. The total amount of the maximum amount of 300 million yen for fixed term / amount salary, etc., and the maximum amount of 200 million yen for long-term incentives.
- \*2. Some Directors will receive remuneration based on the profit of the Semiconductor segment (consolidated), however the total amount shall not exceed the aforementioned upper limit.

● **Introduction of share-based remuneration as a long-term incentive (restricted stock and restricted stock unit)**

A share-based remuneration system allotting restricted stock and restricted stock unit will be newly introduced in lieu of Stock Compensation-type Stock Options (with a maximum amount of 200 million yen) for the purpose of providing an incentive to the Company's Directors excluding Non-executive directors ("eligible Directors,") to pursue sustained enhancement of the Company's corporate value, and also proceed with further sharing of value between the eligible Directors and shareholders.

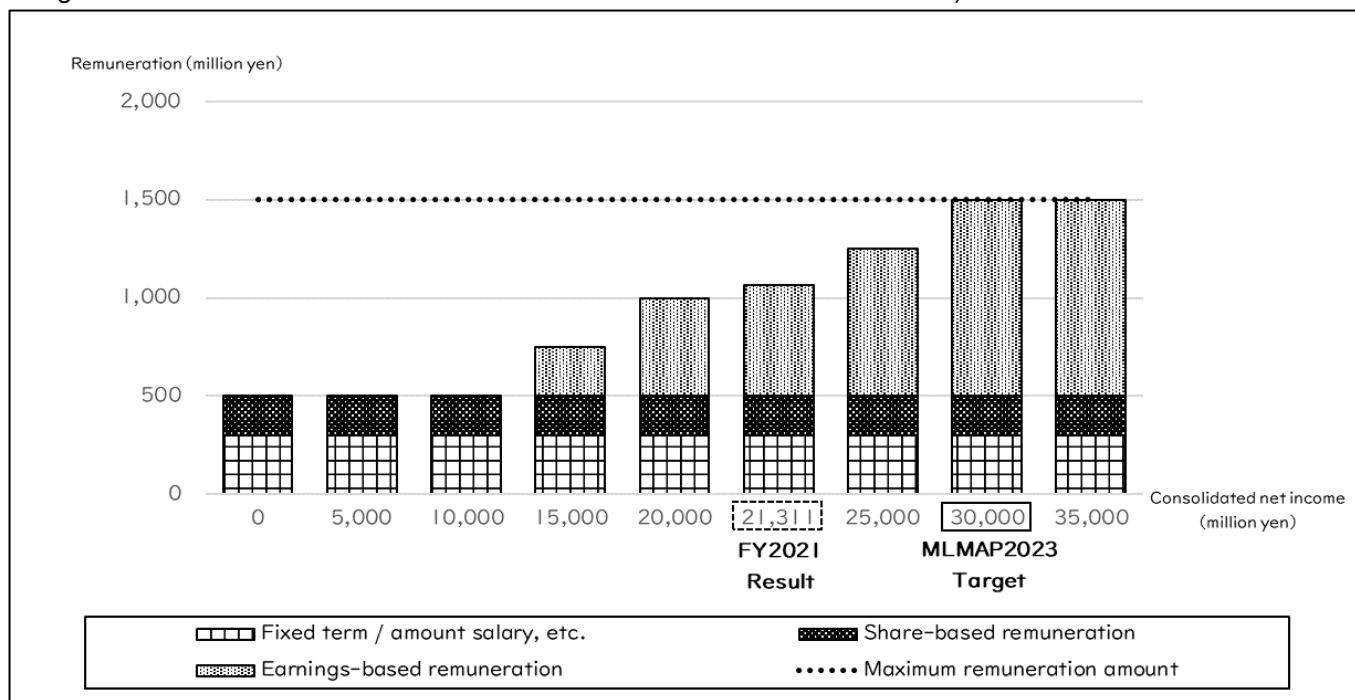
The maximum amount of remuneration is set to 200 million yen in order to further promote value sharing with shareholders with the aim of enhancing performance from a mid-long term perspective through shareholdings, in addition to the appointment of a non-Japanese Director.

Figure 3. Share-based Remuneration – Outline of Share-based Remuneration (Restricted stock and Restricted stock unit)

	Restricted stock	Restricted stock unit
Persons eligible for grant *1	Directors (residents of Japan)	Directors (non-residents of Japan)
Maximum grant amount *2	To be determined by the Company's Board of Directors within the range of 200 million yen per year	
Maximum number of shares to be granted	To be determined by the Company's Board of Directors within the range of 50,000 shares per year.	
Conditions for grant *3	The period of transfer restriction shall be determined by the Board of Directors within the range of three (3) to five (5) years from the date of the issuance of shares.	The period of service shall be determined by the Board of Directors within the range of three (3) to five (5) years.

- \*1. Non-executive directors are not eligible.
- \*2. Both restricted stock and restricted stock unit shall be calculated based on the amount recorded as expenses for accounting purposes (in principle, the amount of stock and unit granted at the start of service provision).
- \*3. In case of resignation without legitimate reasons or with certain misconducts, eligible Directors will lose the shares (for Restricted stock) or units (for Restricted stock unit).

Figure 4. Outline of Directors' remuneration linked to the consolidated net income)



\*In the case that consolidated net income is 10,000 million yen or less, the amount of earnings-based remuneration will be 0 yen.

#### 4. Process for determining Directors' remuneration

To ensure the objectivity and transparency of the process to determine Directors' remuneration, the Company has established the Nomination and Remuneration Committee, of which the majority of members consists of Non-executive directors, and the chairman is assigned to one of the Non-executive directors. This proposed revision on the amount and the scheme of Directors' remuneration was determined by the Board of Directors based on the report made after deliberation in the Company's Nomination and Remuneration Committee.