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Company name: ISHIHARA SANGYO KAISHA, LTD.
Representative: Hiroshi Okubo
Executive Director, President
(Code number: 4028,
Prime Market of the Tokyo Stock Exchange)
Contact: Yasunobu Kawazoe
Director of Finance & Accounting Headquarters
(Phone: +81-6-6444-1850)

Notice Concerning the Introduction of a Performance-Linked Stock Compensation Plan (RS Trust) for Directors

ISHIHARA SANGYO KAISHA, LTD. (the “Company”) hereby announces that it has resolved, at the meeting of the Board of Directors held today, to introduce a performance-linked stock compensation plan using a trust structure (the “RS Trust”) for the Company’s Directors, excluding Outside Directors, as described below. The Company plans to submit a proposal to introduce the RS Trust to the 102nd Ordinary General Meeting of Shareholders to be held on June 26, 2025 (the “General Meeting of Shareholders”).

1. Introduction of the RS Trust

Compensation for the Company’s Directors is composed of “basic compensation,” “performance-linked compensation (annual performance-linked compensation and long-term performance-linked compensation),” and “restricted stock compensation” as non-monetary compensation. The Company has now decided to cease any new delivery of restricted stock compensation and introduce a new stock compensation plan for the Company’s Directors through the RS Trust.

The RS Trust is designed to more clearly link the remuneration of Directors to the Company’s performance and the value of its stock and to encourage Directors to contribute to improving medium- to long-term business performance and maximizing corporate value by ensuring that they share with stockholders the benefits and risks of stock price movements. Transfer restrictions are attached to the shares delivered to Directors, effective throughout the period ending immediately after the time of retirement (meaning the time when a person ceases to hold any of the offices of Director, Executive Officer not concurrently serving as Director, Executive Fellow, Adviser, or other equivalent position at the Company; the same applies hereinafter), to impart an incentive for Directors to strive for the sustained improvement of corporate value, even after receiving the shares.

With the introduction of the RS Trust, compensation for Directors of the Company will be composed of “basic compensation,” “annual performance-linked compensation,” and “stock compensation through the RS Trust as long-term performance-linked compensation.”

The introduction of the RS Trust will be subject to the approval of the General Meeting of Shareholders.

If the introduction of the RS Trust is approved at the General Meeting of Shareholders, the Company plans to introduce a similar performance-linked stock compensation plan for Executive Officers, Executive Fellows, and Advisors who have concluded delegation contracts with the Company (hereinafter collectively referred to as “Delegated Executive Officers, etc.”), as well as the Directors and Delegated Executive Officers, etc. of some of its subsidiaries. This will result in the Company’s Delegated Executive Officers, etc., becoming beneficiaries of the RS Trust in the same way as the Company’s Directors. The Company will likewise entrust funds for the purchase of shares to deliver to the Delegated Executive Officers, etc.

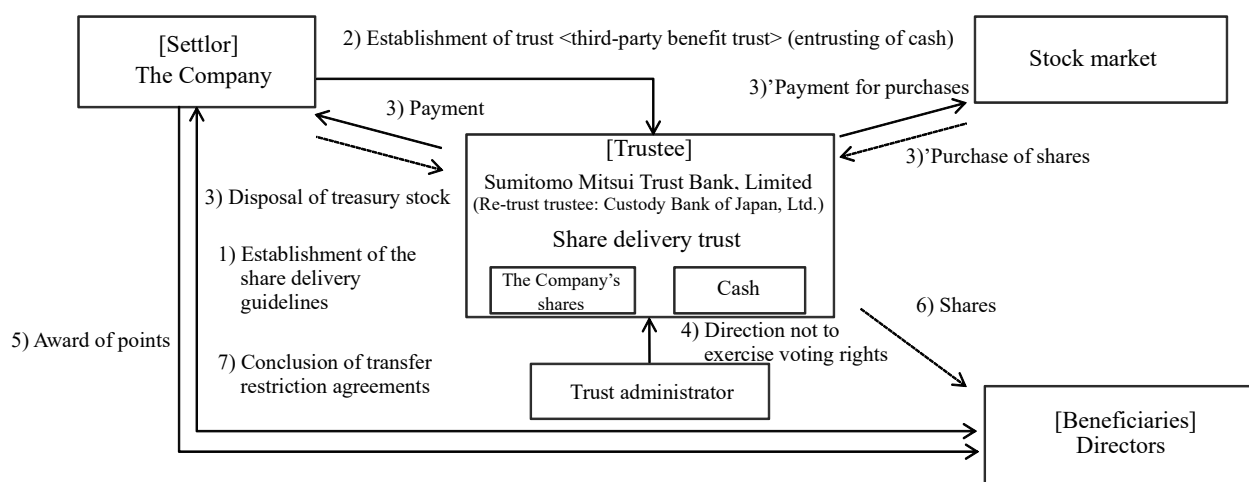
2. Overview of the RS Trust

(1) Structure of the RS trust

The RS Trust is a stock compensation plan under which the Company establishes a trust (hereinafter, the “Trust”) through a monetary contribution and the Trust acquires shares of the Company’s common stock (hereinafter, the “Company’s shares”) for delivery by the Trust to each Director, in a number corresponding to the number of points awarded by the Company to that Director. (However, the shares delivered to each Director will carry transfer restrictions based on a transfer restriction agreement concluded between each Director and the Company, as described in 3. below.)

The Company’s shares will be delivered to the Directors who are in office during the five-year period from the day following the day on which the Ordinary General Meeting of Shareholders concludes to the day on which the Ordinary General Meeting of Shareholders to be held in June 2030 concludes (hereinafter, the “Period of Eligibility”). Directors will receive deliveries of the Company’s shares, in principle, at a predesignated time each fiscal year during the trust period.

<Outline of the RS Trust Structure>



- 1) The Company establishes the share delivery guidelines for Directors.
- 2) The Company establishes a share delivery trust (third-party benefit trust; the “Trust”) with Directors as its beneficiaries. The Company contributes to the Trust an amount of money corresponding to the funds needed to acquire shares (within the limits approved by the General Meeting of Shareholders for funding the acquisition of shares for delivery to Directors).
- 3) The trustee acquires, in gross, a number of the Company’s shares corresponding to the number expected to be delivered in the future (these shares are acquired through the disposal of treasury stock or acquisition via stock markets, including off-floor trading).
- 4) A trust administrator (independent from the Company and its officers) is designated, who will protect the interests of beneficiaries stated in the share delivery guidelines throughout the trust period and supervise the trustee. Voting rights associated with shares of the Company held in the Trust are not exercised throughout the duration of the trust period, in accordance with the instructions of the trust administrator to the trustee.
- 5) The Company awards points to Directors based on the share delivery guidelines.
- 6) Directors who have satisfied the conditions stipulated in the share delivery guidelines and the trust agreement for the Trust receive the delivery of the Company’s shares, in a number corresponding to the number of points awarded, from the trustee as beneficiaries of the Trust.
- 7) Directors conclude transfer restriction agreements with the Company concerning the Company’s shares delivered, covering the period from the date of delivery to the date of retirement from the office of Director of the Company.

At the time of the termination of the Trust, it is planned that all the Company’s shares among the residual assets of the Trust will be acquired by the Company for no consideration and canceled by resolution of the Board of Directors.

Among the residual assets of the Trust, the Company intends to donate a certain amount of cash to specified public service promotion corporations that do not have any special relationships of interest with the Company’s Directors, based on the provisions pre-established in the share delivery guidelines and the trust agreement.

Sumitomo Mitsui Trust Bank, Limited, the trustee for the RS Trust, will entrust (re-entrust) management of the trust assets to Custody Bank of Japan, Ltd.

(2) Establishment of the Trust

Subject to approval of the RS Trust at the General Meeting of Shareholders, the Company will establish the Trust by contributing the funds needed to acquire the number of the Company's shares reasonably expected to be needed for delivery by the Trust, in accordance with (6) below, for a certain period of time into the future. The Trust will use the money contributed by the Company to fund the acquisition of the Company's shares as described in (5) below.

Sumitomo Mitsui Trust Bank, Limited, the trustee for the RS Trust, will entrust (re-entrust) management of the trust assets to Custody Bank of Japan, Ltd.

(3) Trust period

The trust period will be the five years from August 2025 (planned) to August 2030 (planned). However, the Company may extend the trust period as described in (4) below.

(4) Maximum amount of money to be contributed to the Trust to fund the acquisition of shares

During the Period of Eligibility, the Company will contribute a total amount of money not exceeding 500 million yen as compensation for Directors in office during the Period of Eligibility to fund the acquisition of the number of the Company's shares necessary to deliver the Company's shares to Directors by the RS Trust. This contribution will establish the Trust, of which the beneficiaries will be the Directors who satisfy the designated conditions. The Trust will use the money contributed by the Company to acquire the Company's shares through the disposal of treasury stock by the Company or acquisition via stock markets (including off-floor trading).

Note: The amount of money that the Company contributes to the Trust will be the total of necessary expenses, such as trust fees and compensation for the trust administrator, in addition to the funds required for the acquisition of the Company's shares, as set forth above. If, as described above, a similar performance-linked stock compensation plan is introduced for the Delegated Executive Officers, etc., then the Company will likewise contribute to the Trust the funds necessary to acquire the number of the Company's shares needed to deliver to the Delegated Executive Officers, etc. under that plan.

The Company's Board of Directors may decide to continue the RS Trust by extending the Period of Eligibility for up to five (5) years at a time, and extending the trust period for a corresponding period (or effectively extending the term of the Trust through the establishment of another trust with the same purpose, to which the assets of the Trust are transferred; the same applies hereinafter). In such a case, the Company will contribute an additional amount of money not exceeding 100 million yen multiplied by the number of years extended to the Trust during the period by which the Period of Eligibility is extended, as funds for the acquisition of the Company's shares to be delivered to Directors through the RS Trust. The Company will then continue to award points and deliver the Company's shares as set forth in (6) below.

(5) Method used to acquire the Company's shares by the Trust

It is planned to make the initial acquisition of the Company's shares by the Trust through the disposal of treasury stock by the Company or acquisition via stock markets, within the maximum amount of

funds for the acquisition of shares set forth in (4) above. The details of the acquisition method will be decided and disclosed after the resolution by the General Meeting of Shareholders.

If, during the trust period, the number of the Company's shares held in the Trust fall short of the number corresponding to the number of points awarded to Directors during the trust period, the Company may contribute additional funds to the Trust for the additional acquisition of the Company's shares, within the maximum amount of funds for the acquisition of shares set forth in (4) above.

(6) Calculation method and maximum number of the Company's shares to be delivered to Directors

1) Method used to award points to Directors

Based on the share delivery guidelines established by the Board of Directors, the Company will award points to each Director on the days designated for the award of points under the share delivery guidelines (once each fiscal year, in principle) during the trust period, based on factors such as rank and the degree of achievement of performance targets.

The total number of points that the Company awards to Directors will not exceed 106,800 points per fiscal year.

2) Delivery of the Company's shares in accordance with the number of points allocated

The number of shares delivered will correspond to the number of points awarded, as described in 1) above. Directors will follow the procedures set forth in 3) below to accept delivery of the Company's shares. Each point shall correspond to one (1) of the Company's shares. However, the number of the Company's shares to be delivered per point may be reasonably adjusted, where adjustment is deemed reasonable due to an event such as a stock split or stock consolidation of the Company's shares, in accordance with the stock split ratio, consolidation ratio, etc.

3) Delivery of the Company's shares to Directors

Each Director will gain beneficiary rights to the Trust and receive delivery of the number of the Company's shares described in 2) above from the trust each fiscal year during the trust period, in principle, subject to the conclusion of the transfer restriction agreement with the Company set forth in 3. below and the completion of other designated procedures.

However, where the Company's shares held in the Trust have been converted to cash, such as where it has accepted and settled a tender offer for the Company's shares, money (the amount converted to cash) may be delivered in place of the Company's shares.

(7) Exercise of voting rights

Based on the instructions of the trust administrator, who is independent from the Company and its officers, no voting rights pertaining to the Company's shares held in the Trust will be exercised. This method is designed to ensure the neutrality of the exercise of voting rights held in the Trust with regard to the Company's management.

(8) Treatment of dividends

Dividends pertaining to shares of the Company held in the Trust will be received by the Trust and allocated to pay for the acquisition of the Company's shares, as well as for trust fees payable to the trustee of the Trust.

(9) Treatment of the Company's shares and cash on termination of the Trust

At the time of the termination of the Trust, it is planned that all the Company's shares among the residual assets of the Trust will be acquired by the Company for no consideration and canceled by resolution of the Board of Directors.

Among the residual assets of the Trust, the Company intends to donate a certain amount of cash to specified public service promotion corporations that do not have any special relationships of interest with the Company's Directors, based on the provisions pre-established in the share delivery guidelines and the trust agreement.

3. Transfer restriction agreement concerning the Company's shares delivered to Directors

When the Company's shares are delivered to Directors, as described in 2. (6) 2), above, each Director will conclude a transfer restriction agreement containing the content summarized below (hereinafter, the "Transfer Restriction Agreement") with the Company. (The delivery of the Company's shares to each Director will be conditional on the conclusion of the Transfer Restriction Agreement.)

However, the Company may deliver shares of its common stock without transfer restrictions to a Director on or after the relevant retirement date, if the Director has retired for a reason deemed proper, or in equivalent cases.

(1) Transfer restriction period

Directors must not transfer, pledge or otherwise dispose of the shares received through the RS Trust (hereinafter, the "Delivered Shares") during the period from the date on which they receive delivery (or the respective date of each delivery, in the case of multiple deliveries) until immediately after retirement (hereinafter, the "Transfer Restriction Period"). These restrictions are hereinafter referred to as the "Transfer Restrictions."

During the Transfer Restriction Period, it is planned to hold the Delivered Shares in accounts at a securities company nominated by the Company for the purpose of managing these shares separately from shares already held by each Director.

(2) Acquisition of the Delivered Shares for no consideration

- 1) If a Director transfers, pledges, or otherwise disposes of all or some of the Delivered Shares in violation of (1) above, the Company will automatically acquire all of the Delivered Shares for no consideration.
- 2) The Company will automatically and immediately acquire all of the Delivered Shares for no consideration if the relevant Director falls under any of the following cases during the Transfer Restriction Period.
 - i) If the Director has been sentenced to imprisonment or more serious punishment;

- ii) If a filing for the commencement of bankruptcy proceedings, civil rehabilitation proceedings, or other similar proceedings has been made concerning the Director;
 - iii) If the Director receives a petition for attachment, provisional attachment, provisional disposition, compulsory execution, or auction, or receives a disposition for delinquent public taxes and duties;
 - iv) If the Director leaves office for any reason other than the expiration of the relevant term of office, age limit, death, or other reasonable grounds; or
 - v) If the Board of Directors deems that the Director has significantly violated laws, regulations, the Company's internal rules, or this agreement.
- 3) The Company will automatically acquire all of the Delivered Shares for no consideration upon the delivery of a written notification to the Director regarding this acquisition of the Delivered Shares for no consideration, if the relevant Director falls under any of the following cases during the Transfer Restriction Period.
- i) If the Board of Directors determines that the Director is engaged in business activities that compete with the Company or the Group, or has assumed a position as an officer or employee of a competing corporation or other organization (except when prior written consent has been obtained from the Company); or
 - ii) If the Company's Board of Directors determines that it is appropriate for the company to acquire all of these shares for no consideration.

(3) Treatment in the case of organizational restructuring, etc.

The Transfer Restrictions will be removed from the Delivered Shares regardless of the provisions of (1), above, if the Company's General Meeting of Shareholders (or the Company's Board of Directors, for matters in ii) that do not require the approval of the General Meeting of Shareholders and matters in vi)) approves any of the following items during the Transfer Restriction Period, and if the relevant date in the items below (hereinafter, the "Effective Date of Organizational Restructuring, etc.") falls before the expiration of the Transfer Restriction Period. In this case, the Transfer Restrictions will be removed immediately prior to the business day before the Effective Date of Organizational Restructuring, etc.

- i) A merger agreement under which the Company will be the non-surviving company:
The effective date of the merger agreement;
- ii) A company split based on an absorption-type company split agreement or an incorporation-type company split plan (limited to cases where the Company distributes all or part of the consideration received from the company split to shareholders on the effective date of the company split):
The effective date of the company split;
- iii) A share exchange agreement or share transfer plan under which the Company will become a wholly owned subsidiary:
The effective date of the share exchange agreement or share transfer plan;
- iv) A consolidation of shares (limited to cases where the consolidation will result in a fractional shareholding of less than one share by the Director):
The effective date of the consolidation of shares;

- v) The acquisition of all the shares of the Company's common stock subject to the acquisition clause set forth in Article 108, Paragraph 1, Item 7 of the Companies Act:

The acquisition date prescribed in Article 171, Paragraph 1, Item 3 of the Companies Act; or

- vi) A request for the sale of shares of the Company's common stock (a request for the sale of shares as defined in Article 179, Paragraph 2 of the Companies Act):

The acquisition date prescribed in Article 179-2, Paragraph 1, Item 5 of the Companies Act.

(4) Other matters to be determined by the Board of Directors

The Transfer Restriction Agreement will contain other matters to be determined by the Board of Directors, including the methods used for indicating intention and notification under the Transfer Restriction Agreement and amending the Transfer Restriction Agreement.

(Reference) Overview of the trust agreement for the Trust

Settlor	The Company
Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trust trustee: Custody Bank of Japan, Ltd.)
Beneficiaries	Directors of the Company who satisfy the beneficiary requirements
Trust administrator	Selection of a third-party independent of the Company and its officers is planned
Exercise of voting rights	Voting rights pertaining to shares held in the Trust will not be exercised throughout the trust period
Type of trust	Monetary trust (third-party benefit trust) that is not a money trust
Trust agreement date	August 2025 (scheduled)
Trust period	From August 2025 to August 2030 (planned)
Purpose of trust	To deliver the Company's shares to beneficiaries based on the share delivery guidelines