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May 14, 2026

To whom it may concern:

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Notice Concerning Introduction of a Performance-linked Stock-based Remuneration Plan

Showa Sangyo Co., Ltd. (the “Company”) hereby announces that, at a meeting of the Board of Directors held on May 14, 2026, it has resolved to introduce a performance-linked stock-based remuneration plan, “Board Benefit Trust-Restricted Stock (BBT-RS)” (hereinafter, the “Plan”), and will submit a proposal regarding the Plan to the 125th Annual General Meeting of Shareholders to be held on June 25, 2026 (hereinafter, the “General Meeting of Shareholders”), as described below.

1. Background and purpose of the introduction

The Board of Directors of the Company has resolved to introduce the Plan, subject to the approval of shareholders at the General Meeting of Shareholders regarding officer remuneration, for the purpose of further clarifying the linkage between remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors from among other Directors; hereinafter, the same shall apply unless otherwise specified) and Officers (hereinafter, the “Directors, etc.”) and the Company’s business performance and share value, and to raise awareness among Directors, etc. of contributing to the improvement of the Company’s medium- to long-term business performance and the enhancement of its corporate value by sharing not only the benefits arising from increases in the Company’s share price but also the risks associated with decreases in the share price with shareholders. Accordingly, the Company has decided to submit a proposal regarding the Plan to the General Meeting of Shareholders.

Furthermore, the introduction of the Plan is also consistent with the Company’s Policy on Determination of Details of Remuneration, etc. for Directors, the amendment of which was resolved at the meeting of the Board of Directors held today, subject to the approval of the proposal regarding the Plan by shareholders at the General Meeting of Shareholders.

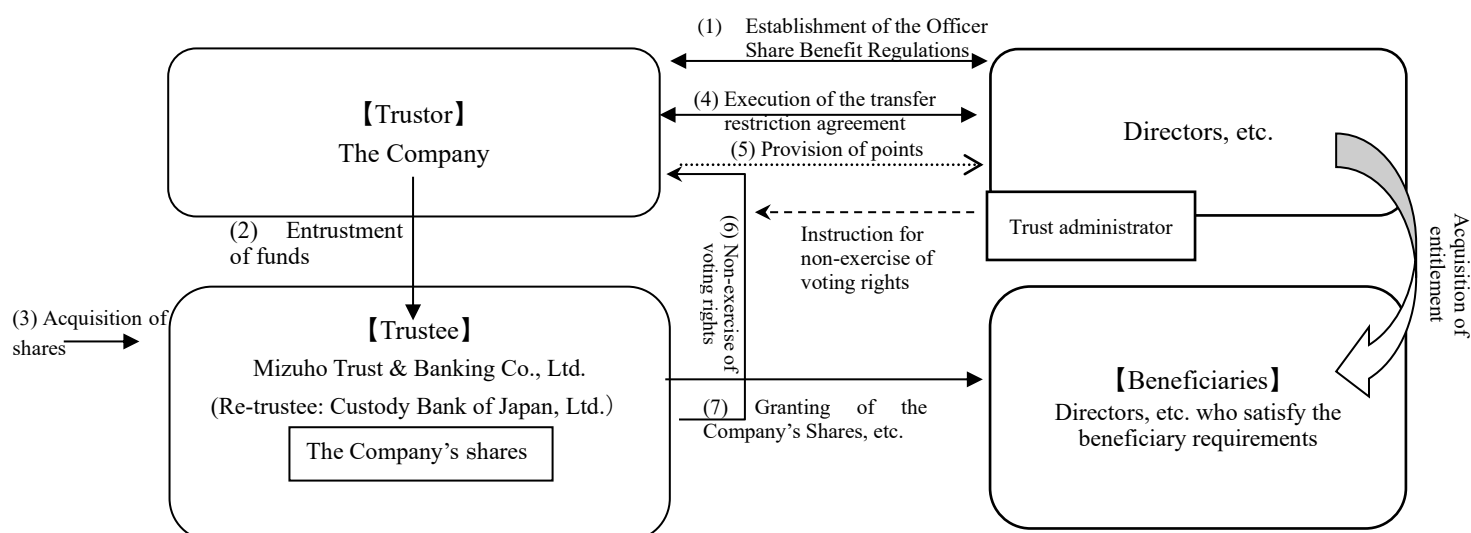
At the 116th Annual General Meeting of Shareholders held on June 28, 2017, the Company received approval, separate from the maximum amount of remuneration for the Company’s Directors, to set the amount of monetary remuneration claims to be paid to the Company’s Directors corresponding to contributions in kind for the provision of restricted shares at not more than 100 million yen annually, and also received approval for specific details for the provision of said restricted shares, and this has applied until now. However, subject to the approval of this General Meeting of Shareholders, the Company shall abolish the remuneration limits for the provision of restricted shares to Directors established under the above resolution, and shall not allot any new restricted shares in the future. However, restricted shares that have already been allotted to Directors shall remain in effect.

2. Overview of the Plan

(1) Overview of the Plan

The Plan is a performance-linked stock-based remuneration plan under which the Company's shares are acquired through a trust established using funds contributed by the Company (the trust established under the Plan is hereinafter referred to as the "Trust"), and the Company's shares and cash equivalent to the market value of the Company's shares (hereinafter, the "Company's Shares, etc.") are granted to Directors, etc. through the Trust in accordance with the Officer Share Benefit Regulations established by the Company. As a general rule, Directors, etc. are granted the Company's shares at a fixed time each year, while cash equivalent to the market value of the Company's shares shall, in principle, be granted upon their retirement or resignation. In cases where Directors, etc. are granted the Company's shares during their term of office, they shall, prior to such grant, enter into a transfer restriction agreement with the Company as set forth in 3. below. As a result, the Company's shares granted to Directors, etc. during their term of office shall be subject to restrictions on transfer or other disposition until their retirement or resignation.

Structure of the Plan



- (1) At the General Meeting of Shareholders, the Company shall obtain a resolution regarding officer remuneration under the Plan and establish the Officer Share Benefit Regulations within the framework approved at the General Meeting of Shareholders.
- (2) The Company shall entrust funds within the framework approved by resolution of the General Meeting of Shareholders set forth in (1).
- (3) The Trust shall use the funds entrusted in (2) to acquire the Company's shares, either through the stock exchange market or by subscribing to the disposition of the Company's treasury shares.
- (4) Directors, etc. shall enter into the transfer restriction agreement with the Company, which shall restrict the disposal of the Company's shares granted to them during their term of office by transfer or other means until their retirement or resignation, and which includes certain provisions for the Company's acquisition of shares without consideration.
- (5) The Company shall provide points to Directors, etc. based on the Officer Share Benefit Regulations.
- (6) The Trust shall not exercise voting rights with respect to the Company's shares held in the Trust account, in accordance with instructions from the trust administrator who is independent from the Company.
- (7) The Trust shall, at a fixed time each year, grant the Company's shares to Directors, etc. who satisfy the

beneficiary requirements stipulated in the Officer Share Benefit Regulations (hereinafter, the “Beneficiaries”), in accordance with the number of points provided to said Beneficiaries. However, in the event that Directors, etc. satisfy the requirements stipulated in the Officer Share Benefit Regulations, a certain proportion of the points shall be granted as cash equivalent to the market value of the Company’s shares upon their retirement or resignation.

(2) Eligibility under the Plan

Directors (Directors who are Audit and Supervisory Committee Members and Outside Directors from among other Directors are excluded from the Plan.) and Officers

(3) Trust period

The trust period shall extend from August 2026 (scheduled) until the termination of the Trust (no specific termination date has been set for the period of the Trust, and the Trust shall continue as long as the Plan remains in effect. The Plan shall terminate upon the delisting of the Company’s shares or the abolition of the Officer Share Benefit Regulations, among other circumstances).

(4) Trust amount

Subject to the approval of the introduction of the Plan at the General Meeting of Shareholders, the Company shall introduce the Plan for a period of three fiscal years from the fiscal year ending March 31, 2027 to the fiscal year ending March 31, 2029 (hereinafter, said period of three fiscal years shall be referred to as the “Initial Applicable Period,” and the Initial Applicable Period and each period of three fiscal years commencing after the Initial Applicable Period shall each be referred to as the “Applicable Period”), and for each subsequent Applicable Period. For the purpose of granting the Company’s Shares, etc. to Directors, etc., the Company shall contribute the following funds to the Trust as the source of funds for the acquisition of the Company’s shares through the Trust.

As the initial step, the Company shall contribute funds in an amount estimated to be required for the Initial Applicable Period upon the establishment of the Trust (scheduled for August 2026), and shall establish the Trust. As set forth in (6) below, the maximum number of points to be provided to Directors, etc. under the Plan is 36,000 points each fiscal year; therefore, at the time of establishment of the Trust, the Company shall contribute to the Trust funds reasonably expected to be necessary to acquire the maximum number of 108,000 shares, taking into consideration the closing price of the Company’s common shares in regular trading on the Tokyo Stock Exchange immediately prior to the establishment of the Trust. For reference, assuming the closing price on May 13, 2026 of 3,020 yen is applied, the abovementioned necessary funds would amount to approximately 326 million yen.

Furthermore, even after the expiration of the Initial Applicable Period, until such time that the Plan is terminated, the Company shall, in principle, reasonably estimate the number of shares necessary to provide grants to Directors, etc. for each Applicable Period under the Plan, and shall make additional contributions to the Trust of the funds reasonably deemed necessary for the Trust to acquire such shares in advance. However, in the event of such additional contributions, if there remain within the trust assets the Company’s shares (excluding the Company’s shares equivalent to the number of points provided to Directors, etc. with regard to each Applicable Period up to the immediately preceding Applicable Period, for which grants to Directors, etc. have not yet been completed) and cash (hereinafter, the “Remaining Shares, etc.”), such Remaining Shares, etc. shall be used as the source of funds for grants under the Plan in subsequent Applicable Periods, and the amount of additional contributions shall be calculated taking into account such Remaining Shares, etc. In the event that the Company decides to make additional contributions, this shall be disclosed in a timely and appropriate manner.

(Note) The actual amount of funds that the Company shall contribute to the Trust shall be the sum of the abovementioned share acquisition funds and the estimated amount of necessary expenses, such as trust fees.

(5) Method of acquisition of the Company's shares and number of shares to be acquired through the Trust
The Trust shall acquire the Company's shares using the funds contributed pursuant to (4) above, either through the stock exchange market or by subscribing to the disposition of the Company's treasury shares.

In addition, since the maximum number of points to be provided to Directors, etc. is 36,000 points per fiscal year, as set forth in (6) below, the maximum number of the Company's shares to be acquired by the Trust for each Applicable Period shall be 108,000 shares. Details of the acquisition of the Company's shares by the Trust shall be disclosed in a timely and appropriate manner.

(6) Maximum number of the Company's Shares, etc. to be granted to Directors, etc.

For each fiscal year, Directors, etc. shall be provided with the number of points determined in accordance with the Officer Share Benefit Regulations, taking into account factors such as their position and level of performance achieved. The total number of points that may be provided to Directors, etc. for a single fiscal year shall be a maximum of 36,000 points (of which 29,000 points are attributable to Directors). This limit has been determined based on a comprehensive consideration of the current level of Director remuneration, trends in the number of Directors, etc., and future projections, and is considered appropriate.

When granting the Company's Shares, etc., as set forth in (7) below, each point shall be converted into one share of the Company's common shares (however, in the event that after approval by resolution of shareholders at the General Meeting of Shareholders, the Company's shares are subject to a stock split, share allotment without consideration, share consolidation, or any similar action, the maximum number of points and the number of points already provided or the conversion ratio shall be reasonably adjusted).

The ratio of the number of voting rights relating to shares corresponding to the maximum number of points provided to Directors, etc. in a single fiscal year; namely, 290 voting rights, to the total number of voting rights of the issued shares of the Company; namely, 324,155 voting rights (as of March 31, 2026), is approximately 0.09%.

The number of points for Directors, etc., used as the basis for granting Company's Shares, etc. set forth in (7) below shall, in principle, be the number of points provided to said Directors, etc. until the determination of beneficiary requirements set forth in (7) below (hereinafter, the points thus calculated shall be referred to as the "Determined Number of Points").

(7) Granting the Company's Shares, etc.

Directors, etc. who satisfy the beneficiary requirements shall, upon completing the prescribed beneficiary requirement procedures, in principle, receive from the Trust at a fixed time each year the grant of the Company's shares in the number corresponding to the Determined Number of Points determined in accordance with (6) above. However, if the requirements stipulated in the Officer Share Benefit Regulations are satisfied, Directors, etc. shall, with respect to a certain percentage of the points, in principle receive cash equivalents of the Company's shares at market value upon their retirement or resignation, in lieu of the granting of the Company's shares. The Trust may sell the Company's shares in order to make such monetary payments.

In cases where Directors, etc. are granted the Company's shares during their term of office, they shall, prior to such grant of the Company's shares, enter into a transfer restriction agreement with the Company as set forth in 3. below. As a result, the Company's shares granted to Directors, etc. during their term of office shall be subject to restrictions on transfer or other disposition until the time of their retirement or resignation.

In addition, even if Directors, etc. are provided with points, they shall not be entitled to receive the grant of the Company's shares in cases where they are dismissed by resolution of a general meeting of shareholders, retire or resign due to certain misconduct during their term of office, or where they have

engaged in inappropriate conduct or similar acts during their term of office that cause damage to the Company.

(8) Exercise of voting rights

Voting rights associated with the Company's shares held in the Trust account shall not be exercised under any circumstances, in accordance with instructions from the trust administrator. This is intended to ensure the neutrality of the Company's management with respect to the exercise of voting rights pertaining to the Company's shares held in the Trust account.

(9) Treatment of dividends

Dividends from the Company's shares held in the Trust account shall be received by the Trust and applied to the acquisition cost of the Company's shares, the trust fees of the trustee in relation to the Trust, and other fees. In the event of the termination of the Trust, any dividends and other amounts remaining in the Trust shall be distributed to Directors, etc. who are in office at the time, proportionally to the number of points held by each such individual, in accordance with the provisions of the Officer Share Benefit Regulations.

(10) Treatment upon termination of the trust

The Trust shall be terminated in the event of the delisting of the Company's shares or the abolition of the Officer Share Benefit Regulations, among other circumstances.

Upon the termination of the Trust, all the Company's shares remaining in the Trust shall be acquired by the Company without consideration and subsequently cancelled by resolution of the Board of Directors. With respect to the remaining property within the Trust at the time of termination, the balance remaining after the payment of cash benefits to Directors, etc. pursuant to (9) above shall be granted to the Company.

3. Overview of the transfer restriction agreement related to the Company's shares to be granted to Directors, etc.

In cases where Directors, etc. are granted the Company's shares during their term of office, they shall, prior to such grant, enter into a transfer restriction agreement with the Company (hereinafter, the "Transfer Restriction Agreement"), containing, in outline, the following terms (The granting of the Company's shares to Directors, etc. is contingent upon them entering into this Transfer Restriction Agreement.).

However, if, at the time of the share grant, Directors, etc. have already retired or resigned, the Company may grant the Company's shares without requiring them to enter into the Transfer Restriction Agreement.

a. Details of transfer restrictions

Directors, etc. may not transfer, establish a security interest on, or otherwise dispose of the Company's shares they have been granted from the date of receipt of the Company's shares until the date of their retirement or resignation from all positions as officers of the Company.

b. Acquisition by the Company without consideration

In the event of certain misconduct or failure to satisfy the requirements for removing the transfer restrictions set forth in c. below, the Company shall acquire said shares without consideration.

c. Removal of transfer restrictions

In the event that Directors, etc. retire or resign from all positions as officers of the Company for justifiable reasons or in the event of death, the transfer restrictions shall be removed at that time.

d. Treatment in the event of organizational restructuring, etc.

If, during the transfer restriction period, a merger agreement in which the Company becomes defunct, or any other matter relating to organizational restructuring is approved at the Company's

general meeting of shareholders, etc., transfer restrictions may, by resolution of the Board of Directors of the Company, be removed as of the time immediately prior to the business day preceding the effective date of such organizational restructuring.

The Company's shares subject to the transfer restrictions under the Transfer Restriction Agreement shall be managed during the transfer restriction period in a dedicated account opened by relevant Directors, etc. at a securities company designated by the Company, so that a transfer, establishment of a security interest, or other disposition cannot be conducted during the transfer restriction period.

In addition to the above, the methods of expressing intent and providing notice under the Transfer Restriction Agreement, the methods of revising the Transfer Restriction Agreement, and other matters determined by the Board of Directors shall also form part of the Transfer Restriction Agreement.

(Overview of the Trust)

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| 1) Name | : | Board Benefit Trust-Restricted Stock (BBT-RS) |
| 2) Trustor | : | The Company |
| 3) Trustee | : | Mizuho Trust & Banking Co., Ltd.
(Re-trustee: Custody Bank of Japan, Ltd.) |
| 4) Beneficiaries | : | Directors, etc. who satisfy the beneficiary requirements stipulated in the Officer Share Benefit Regulations |
| 5) Trust administrator | : | The Company plans to appoint a third party with no conflict of interest with the Company |
| 6) Type of trust | : | A trust of money other than a specified monetary trust (third-party benefit trust) |
| 7) Date of execution of the trust agreement | : | August 2026 (scheduled) |
| 8) Date of entrustment of funds to the Trust | : | August 2026 (scheduled) |
| 9) Trust period | : | From August 2026 (scheduled) until the termination of the Trust
(No specific termination date has been set, and the Trust shall continue as long as the Plan remains in effect.) |