

This Notice is a translation of the original; “Gyoseki Rendogata Kabushiki Hoshu Seido no Ichibu Kaitei Oyobi Keizoku ni Kansuru Oshirase” written in Japanese, for convenience purpose only, and in the event of any discrepancy, the original in Japanese shall prevail.



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For Immediate Release

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Notice Regarding Partial Amendment and Continuation of Performance-linked Stock Compensation Plan

NIPPON SHOKUBAI CO., LTD. (the “Company”) hereby announces that the Company has resolved, at the Board of Directors meeting held today, to partially amend and continue the Performance-linked Stock Compensation Plan (hereinafter the “Plan” and the “Trust Agreement” for a trust agreement pertaining to the Plan entered into with Resona Bank, Limited), which was introduced in 2022 for the Company’s Directors of the Board (excluding Outside Directors of the Board and non-residents of Japan; the same applies hereinafter) and Executive Officers (excluding non-residents of Japan; the same applies hereinafter, and collectively with Directors of the Board, “Directors of the Board etc.”). The Company has also resolved to submit a proposal regarding the amendment to the Plan for Directors of the Board to the 113th Ordinary General Meeting of Shareholders scheduled to be held on June 19, 2025 (hereinafter the “General Meeting of Shareholders”). Details are as follows.

1. Partial amendment and continuation of the Plan

The Company introduced the Plan in 2022 for the purpose of motivating Directors of the Board etc. to contribute to the medium- and long-term growth of the Company’s performance and corporate value by clarifying the linkage between remuneration of Directors of the Board etc. and the Company’s business performance and stock value and enabling Directors of the Board etc. not only to enjoy the benefits of higher stock prices, but also to share the risk of stock price declines with shareholders.

In line with the launch of the new mid-term management plan starting in FY2025, the Company has resolved at the Board of Directors meeting to partially amend the Plan and continue it as a share benefit trust for officers (BBT-RS) with transfer restrictions on the Company shares to be delivered, and also resolved to submit a proposal at the General Meeting of Shareholders. The purpose of the amendment is to further motivate Directors of the Board etc. to contribute to the medium- and long-term growth of the Company’s performance and corporate value by more explicitly clarifying the linkage between remuneration of Directors of the Board etc. and the Company’s business performance and stock value, and also to provide an incentive for sustainably enhancing corporate value by delivering the Company shares during their term of office as Directors of the Board etc. and imposing transfer restrictions until their resignation or retirement. For details of the previous Plan, please refer to the “Notice Regarding Introduction of Performance-linked Stock Compensation Plan for Directors of the Board etc. of the Company” dated May 12, 2022 (in Japanese language only).

2. Key amendments to the Plan

Subject to approval at the General Meeting of Shareholders, the previous Plan will be amended as follows. For further details, please refer to “3. Amounts and details of remuneration etc. under the Plan after amendment.”

Key amendments to the Plan

Item	Before amendment	After amendment
Name	Share benefit trust for officers	Share benefit trust for officers (<u>BBT-RS</u>)
Maximum amount of money contributed by the Company	<ul style="list-style-type: none"> • For Directors of the Board, the amount obtained by multiplying 63 million yen by the number of fiscal years included in the target period. The maximum amount for the target period of three fiscal years is 189 million yen. • For Executive Officers, the amount obtained by multiplying 43 million yen by the number of fiscal years included in the target period. The maximum amount of the target period of three fiscal years is 129 million yen. 	<ul style="list-style-type: none"> • For Directors of the Board, the amount obtained by multiplying <u>77 million yen</u> by the number of fiscal years included in the target period. The maximum amount for the target period of three fiscal years is <u>231 million yen</u>. • For Executive Officers, the amount obtained by multiplying <u>46 million yen</u> by the number of fiscal years included in the target period. The maximum amount of the target period of three fiscal years is <u>138 million yen</u>.
Maximum number of the Company shares to be delivered to Directors of the Board etc.	<ul style="list-style-type: none"> • For Directors of the Board, the number of shares equivalent to the number of points obtained by multiplying 9,600 points by the number of fiscal years included in the target period. The maximum number of points to be granted in the target period of three fiscal years is 28,800 points (equivalent to 28,800 shares). • For Executive Officers, the number of shares equivalent to the number of points obtained by multiplying 6,600 points by the number of fiscal years included in the target period. The maximum number of points to be granted in the target period of three fiscal years is 19,800 points (equivalent to 19,800 shares). 	<ul style="list-style-type: none"> • For Directors of the Board, the number of shares equivalent to the number of points obtained by multiplying <u>35,100 points</u> by the number of fiscal years included in the target period. The maximum number of points to be granted in the target period of three fiscal years is <u>105,300 points</u> (equivalent to 105,300 shares). • For Executive Officers, the number of shares equivalent to the number of points obtained by multiplying <u>20,800 points</u> by the number of fiscal years included in the target period. The maximum number of points to be granted in the target period of three fiscal years is <u>62,400 points</u> (equivalent to 62,400 shares).
Calculation method of the Company shares to be delivered to Directors of the Board etc.	<ul style="list-style-type: none"> • Directors of the Board etc. are granted “fixed points,” which are determined according to their position in the Company, and “performance-linked points,” which are determined according to the degree of achievement of performance targets as stated in the mid-term management plan, will be granted. • The key performance indicators (KPIs) shall be “operating profit” and “consolidated ROE (return on equity attributable to owners of parent)” as stated in the mid-term management plan, and the performance-linked coefficient varies from 0% to 150% depending on the degree of achievement of performance targets. 	<ul style="list-style-type: none"> • <u>Directors of the Board etc. are granted points, which are determined according to their position in the Company and the degree of achievement of performance targets for each fiscal year as stated in the mid-term management plan. (Change to performance-linked points only)</u> • The key performance indicators (KPIs) shall be <u>“ROE (return on equity attributable to owners of parent),” “profit,” and “ROIC (return on invested capital)” as stated in the mid-term management plan</u>, and the performance-linked coefficient varies from <u>30% to 100%</u> depending on the degree of achievement of performance targets.

Item	Before amendment	After amendment
Timing of delivery of the Company shares to Directors of the Board etc.	In principle, delivered to Directors of the Board etc. upon his/her resignation or retirement.	<u>In principle, after the finalization of business performance for each fiscal year, the Company shares corresponding to the number of points granted will be delivered upon execution of a transfer restriction agreement, except in certain cases.</u> <u>(Transfer restrictions will be lifted upon resignation or retirement of Directors of the Board etc.)</u>

3. Amounts and details of remuneration etc. under the Plan after amendment

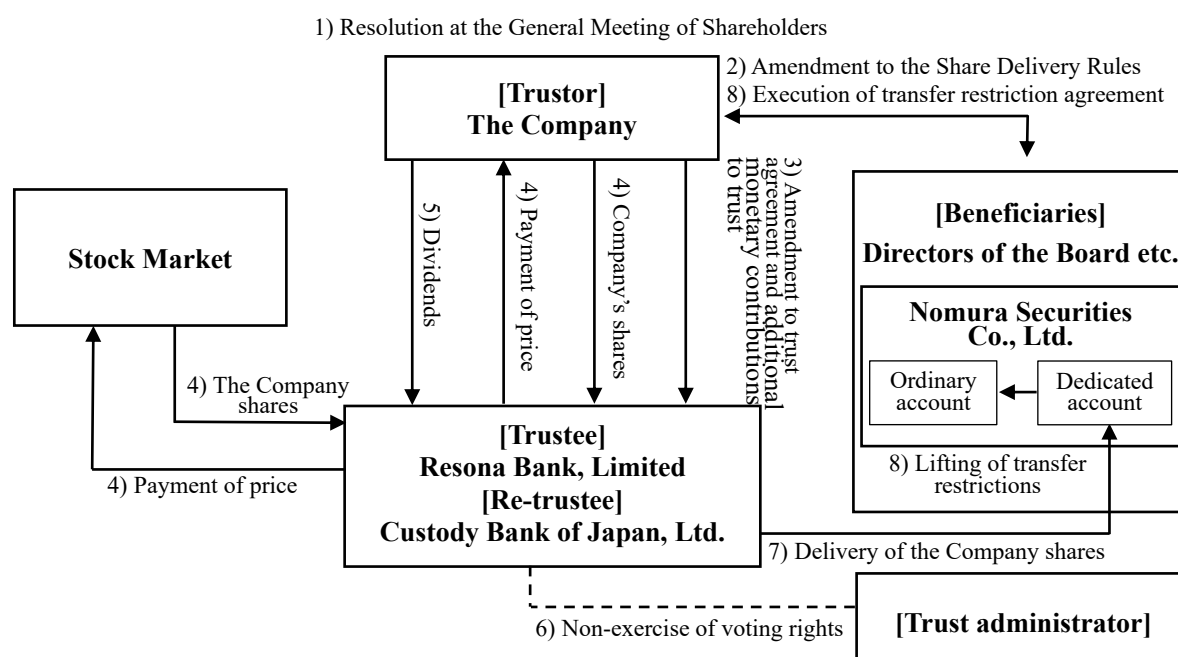
(1) Outline of the Plan

This is a stock-based compensation plan under which a trust established by monetary contributions by the Company (hereinafter the “Trust”) acquires the Company shares as compensation for Directors of the Board etc. and through the Trust the Company makes delivery and grant to Directors of the Board etc. the Company shares and cash equivalent to the market value of the Company shares (hereinafter the “Company’s shares etc.”) (hereinafter the “Delivery of the Company shares etc.”) corresponding to the number of points granted to Directors of the Board etc. in accordance with the share delivery rules stipulated by the Company (hereinafter the “Share Delivery Rules”).

The timing of delivery of the Company shares to Directors of the Board etc. shall, in principle, be after the finalization of business performance for each fiscal year. When the Company shares are delivered to Directors of the Board etc. during their term of office, a transfer restriction agreement shall be executed between the Company and the Directors of the Board etc. prior to the delivery, so that the shares shall be subject to transfer restrictions until their resignation or retirement. (For details, see (7) below.)

With respect to the points already granted to Directors of the Board etc. under the Plan before the amendment, subject to approval at the General Meeting of Shareholders, the Company shares equivalent to the number of points already granted shall be delivered at the timing separately determined by the Company after the General Meeting of Shareholders. The Company shares delivered in this case shall also be subject to transfer restrictions until the resignation or retirement of the Directors of the Board etc., with a transfer restriction agreement to be executed between the Company and the Directors of the Board etc. prior to delivery.

<Structure of the Plan>



- (1) The Company will obtain approval at the General Meeting of Shareholders regarding the partial amendment to the Plan.
- (2) The Company will amend the Share Delivery Rules based on the Plan.
- (3) The Company will amend the existing Trust Agreement and, as necessary, make additional monetary contributions to the Trust within the scope approved at the General Meeting of Shareholders.
- (4) The Trust will acquire the Company shares from the Company (through the disposal of treasury stock) or from the stock market, using the money entrusted in (3) above as the source of funds.
- (5) Dividends will be paid to the Company shares in the Trust in the same manner as other Company shares.
- (6) Voting rights pertaining to the Company shares held in the Trust will not be exercised throughout the trust period in order to ensure neutrality in management.
- (7) During the trust period, points will be granted to Directors of the Board etc. each fiscal year according to their position and the degree of achievement of performance targets in accordance with the Share Delivery Rules described in (2) above. After the finalization of business performance for each fiscal year, the Company shares corresponding to the number of points granted will be delivered to Directors of the Board etc. who satisfy certain beneficiary requirements stipulated in the Share Delivery Rules (including the execution of a transfer restriction agreement described in (8) below) and will be managed in a dedicated account opened with Nomura Securities Co., Ltd.
- (8) A transfer restriction agreement for the Company shares delivered will, in principle, be executed between the Company and the Directors of the Board etc., setting the period from the date of delivery until the date of resignation or retirement as the transfer restriction period. The transfer restrictions on the Company shares will be lifted upon the resignation or retirement of the Directors of the Board etc. (The Company shares for which the transfer restrictions are not lifted will be acquired by the Company free of charge.)

(2) Persons eligible for the Plan

Directors of the Board of the Company (excluding Outside Directors of the Board) and Executive Officers (delegated and employed) (*Note)

(*Note) Excluding non-residents of Japan.

(3) Period covered by the Plan

In principle, the period covered by the Plan shall correspond to the period covered by the mid-term management plan set forth by the Company (hereinafter the “Target Period”), and the initial period under the amended Plan shall be the fiscal year ending March 31, 2026 to the fiscal year ending March 31, 2028 (hereinafter the “Applicable Target Period”).

Furthermore, the Target Period that starts after the Applicable Target Period will be the three fiscal years corresponding to each new mid-term management Plan (or the period separately determined by resolution of the Board of Directors if a period exceeding three fiscal years is set).

(4) Trust period

The Trust period shall be from August 16, 2022 until the termination of the Trust. (No specific termination date shall be set, and the Trust shall continue as long as the Plan continues.) The Plan shall terminate in the event of delisting of the Company shares, abolition of the Share Delivery Rules, or other circumstances.

(5) Maximum amount of trust funds to be contributed to the Trust as share acquisition fund

Subject to approval of the amendment to the Plan at the General Meeting of Shareholders, the Company will contribute to the Trust as funds for the acquisition of the Company shares to be delivered to Directors of the Board etc. under the Plan, an amount up to the total obtained by multiplying 77 million yen by the number of fiscal years included in the Target Period for Directors of the Board (231 million yen for the three fiscal years of the Applicable Target Period) and 46 million yen by the number of fiscal years included in the Target Period for Executive Officers (138 million yen for the three fiscal years of the Applicable Target Period). (Note)

After the Applicable Target Period, the Company shall make additional contributions to the Trust, per the Target Period, up to an amount for Directors of the Board obtained by multiplying 77 million yen by the number of fiscal years included in the Target Period and an amount for Executive Officers obtained by multiplying 46 million yen by the number of fiscal years included in the Target Period until the termination of the Plan.

However, in the event of such additional contribution, if there are any Company shares (excluding the Company shares equivalent to the number of points granted to Directors of the Board etc. during each of the Target Period up to and including the Applicable Target Period prior to such Target Period, but not yet delivered to the Directors of the Board etc.) and money remaining in the trust assets of the Trust (hereinafter collectively the “Remaining Shares etc.”) immediately prior to the commencement date of the Target Period, the total amount of the Remaining Shares etc., and the trust fund to be additionally contributed shall be within the respective maximum amounts.

During the Target Period, including the Applicable Target Period, the Company may additionally contribute to funds for the acquisition of shares in the Trust to the extent that the total amount of contributions during the Target Period is equal to each of the aforementioned maximum amounts.

(Note) The actual amount of money to be contributed to the Trust by the Company will be the sum of the above-mentioned funds for acquisition of the Company shares and the estimated amount of necessary expenses such as trust fees and trust administrator fees.

- (6) Calculation method and maximum number of the Company shares to be granted to Directors of the Board etc. During each Target Period, Directors of the Board etc. are granted points for each fiscal year according to their position and the degree of achievement of performance targets for each fiscal year set forth in the mid-term management plan in accordance with the Share Delivery Rules.

The total number of points granted to Directors of the Board etc. during the Target Period shall be limited to the number of points for Directors of the Board obtained by multiplying 35,100 points by the number of fiscal years included in the Target Period (105,300 points for the Applicable Target Period) and the number of points for Executive Officers obtained by multiplying 20,800 points by the number of fiscal years included in the Target Period (62,400 points for the Applicable Target Period).

Each point is converted into one share of the Company at the time of share delivery to Directors of the Board etc. (Fractions less than one point shall be rounded down.) Therefore, the total number of shares to be acquired by the Trust in each Target Period and delivered to Directors of the Board etc. will be limited to the number shares for Directors of the Board obtained by multiplying 35,100 shares by the number of fiscal years included in the Target Period (105,300 shares for the Applicable Target Period) and the number of shares for Executive Officers obtained by multiplying 20,800 shares by the number of fiscal years included in the Target Period (62,400 shares for the Applicable Target Period). However, in the event of a stock split, allotment of shares without contribution, or reverse stock split of the Company shares after the approval of the Plan at the General Meeting of Shareholders, the Company will make reasonable adjustments to the conversion ratio of the Company shares per point in accordance with such ratio and other factors.

(Point Calculation Formula)

Base number of shares (Note 1) × Number of months in office (Note 2) / 12 months × Performance-linked coefficient (Note 3)

(Note 1) In principle, the points shall be commensurate with the position of Directors of the Board etc. as of the end of March of each fiscal year. However, in the event of a change in position during the fiscal year, points shall be allocated proportionally to the number of months in office for each position.

(Note 2) If there are days in the tenure of office that are less than one month, the tenure shall be rounded up to one full month.

(Note 3) The performance-linked coefficient shall vary between 30% to 100% depending on the degree of achievement of performance targets set in accordance with the mid-term management plan. Key performance indicators (KPIs) to evaluate the achievement of performance targets are determined for each subject mid-term management plan. The KPIs for the Applicable Target Period will be “ROE (return on equity attributable to owners of parent),” “profit,” and “ROIC (return on invested capital),” as stated in the mid-term management plan.

(7) Delivery of the Company Shares, etc., to Directors of the Board etc.

In principle, after the finalization of business performance for each fiscal year, if the beneficiary requirements stipulated in the Share Delivery Rules, including the execution of the transfer restriction agreement described in “4. Transfer restriction agreement pertaining to the Company Shares Delivered to Directors of the Board etc.” below, are satisfied, the Company shares corresponding to the number of points granted under the Plan will be delivered to Directors of the Board etc. by completing the procedures to determine the beneficiary as stipulated in the Share Delivery Rules.

However, if Directors of the Board etc. resign or retires during any of the fiscal years or is scheduled to resign or retire after the end of each fiscal year but before the delivery of shares, the Company will deliver shares corresponding to the number of points granted through the procedures for confirming beneficiaries without imposing transfer restrictions. In such cases, 70% of the shares of the Company corresponding to the granted points will be delivered, and for the remaining 30%, cash equivalent to the market value of the shares will be paid from the Trust in lieu of delivery of the Company shares. In the event of the death of Directors of the Board etc. during the Target Period, or if it is reasonably expected that Directors of the Board etc. will become non-residents of Japan due to overseas assignment or similar circumstances, cash equivalent to the market value of the shares corresponding to the number of points granted will be paid from the Trust without imposing transfer restrictions. In either case, the Company shares may be sold within the Trust in order to provide cash payment.

(8) Method of acquisition of the Company shares by the Trust

The Trust will acquire the Company shares through the stock market or by subscribing to the Company’s disposal of treasury stock within the maximum amount of trust money mentioned in (5) above, and the maximum number of shares to be granted to Directors of the Board etc. mentioned in (6) above.

(9) Exercise of voting rights with respect to the Company shares in the Trust

The voting rights of the Company shares held in the Trust (in other words, the Company shares prior to the delivery to the Directors of the Board etc. in accordance with (7) above) shall be uniformly non-exercisable during the Trust period in order to ensure neutrality toward the Company’s management.

(10) Handling of dividends pertaining to the Company shares in the Trust

The dividends pertaining to the Company shares in the Trust will be received by the Trust and used as funds for the acquisition of the Company shares and trust fees related to the Trust.

(11) Treatment upon termination of the Trust period

Of the residual assets of the Trust at the time of termination of the Trust, all of the Company shares will be acquired by the Company free of charge and then canceled by a resolution of the Board of Directors meeting. Cash in the residual assets of the Trust at the time of termination of the Trust will be distributed to the Directors of the Board etc. in office at that time on a pro-rata basis according to the number of points accumulated by each of them or will be donated to a public benefit corporation, etc., that have no interest in the Directors of the Board etc.

(12) Other details of the Plan

Other details of the Plan will be determined at the Board of Directors meeting each time the Trust is established, the Trust Agreement is amended, or additional contributions are made to the Trust.

4. Transfer restriction agreement pertaining to the Company Shares Delivered to Directors of the Board etc.

When Directors of the Board etc. receive the delivery of Company shares during their term of office, they shall enter into a transfer restriction agreement (hereinafter the “Transfer Restriction Agreement”) with the Company prior to the delivery, including the terms described below. (Directors of the Board etc. shall receive the delivery of Company shares on the condition that they execute the Transfer Restriction Agreement.)

However, if certain conditions stipulated in the Share Delivery Rules are satisfied at the time of delivery, the Company may deliver Company shares without imposing transfer restrictions (for details, please refer to 3. (7) above).

(Major provisions of the Transfer Restriction Agreement)

- (1) Directors of the Board etc. shall not transfer to a third party, create any security interest over, or otherwise dispose of the Company shares delivered under the Plan during the period from the date of delivery until the date they resign or retire (including resignation or retirement due to death; the same applies hereinafter) and cease to hold any position as an officer, employee, or any other worker of the Company (hereinafter the “Transfer Restriction Period”).
- (2) During the Transfer Restriction Period, if Directors of the Board etc. resign or retire due to expiration of term of office or other legitimate reasons, and in the case of Directors of the Board (excluding Outside Directors of the Board and non-residents of Japan) and Executive Officers (delegated) (excluding non-residents of Japan) resigning from all such positions (including resignation due to death), and in the case of Executive Officers (employed) retiring from all positions as an employee (including retirement due to death), the transfer restrictions on the Company shares held by Directors of the Board etc. at the time of resignation or retirement shall be lifted immediately after such resignation or retirement.
- (3) If certain events occur (such as if Directors of the Board etc. are dismissed or if the Company recognizes that certain misconduct occurred during their term of office), the Company shall acquire the relevant Company shares free of charge.
- (4) If, during the Transfer Restriction Period, matters related to a merger agreement in which the Company becomes the disappearing company or other organizational restructuring are approved at the General Meeting of Shareholders or the Board of Directors meeting of the Company, the Company may, by resolution of the Board of Directors, lift the transfer restrictions on the relevant Company shares held by Directors of the Board etc. as of immediately before the business day preceding the date of such approval.

The Company shares subject to transfer restrictions under the Transfer Restriction Agreement shall be managed in a dedicated account opened by Directors of the Board etc. with Nomura Securities Co., Ltd., so that they cannot be transferred, pledged, or otherwise disposed of during the Transfer Restriction Period. Matters such as the method of declaration and notices under the Transfer Restriction Agreement, the method of amendments to the Transfer Restriction Agreement, and other matters determined by resolution of the Board of Directors shall also constitute part of the content of the Transfer Restriction Agreement.

[Outline of the Trust]

(1) Name (after amendment):	Share benefit trust for officers (BBT-RS)
(2) Trustor:	The Company
(3) Trustee:	Resona Bank, Limited Resona Bank, Limited entered into a specific comprehensive trust agreement with Custody Bank of Japan, Ltd., under which Custody Bank of Japan, Ltd. serves as a re-trustee.
(4) Trustee:	Directors of the Board etc. who meet the requirements for beneficiaries as stipulated in the Share Delivery Rules
(5) Trust administrator:	A third party with no conflict of interest with the Company
(6) Type of trust:	Trust of money other than monetary trusts (third-party benefit trust)
(7) Date of execution of the Trust Agreement:	August 16, 2022
(8) Trust period:	From August 16, 2022 until the termination of the Trust
(9) Date of amendment to the Trust Agreement	July 2025 (scheduled)