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To whom it may concern

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# Notice Regarding Introduction of Restricted Stock Compensation Plan

Onward Holdings, Co., Ltd. (Headquarters: Chuo-ku, Tokyo; President and CEO: Michinobu Yasumoto; hereinafter referred to as the "Company") resolved at today's Board of Directors meeting to revise its officer compensation system and introduce a Restricted Stock Compensation Plan (hereinafter referred to as "the Plan"). Accordingly, the Company has decided to submit a proposal regarding the Plan to the 78th Annual General Meeting of Shareholders (hereinafter referred to as the "Shareholders' Meeting"), scheduled to be held on May 22, 2025. Details are provided below.

1. Purpose, etc., of introduction of the Plan

The objective of the Plan is to provide an incentive for the Company's Directors (excluding Outside Directors, hereinafter referred to as the "Eligible Directors") to drive the sustainable enhancement of corporate value while also promoting greater value sharing with its shareholders. Since June 2015, the Company has been providing compensation for the purpose of acquiring company stock instead of the conventional stock compensation-type stock options, but it will now transition to a compensation system that provides restricted stock.

As the introduction of this Plan involves granting monetary claims as compensation to the Eligible Directors for the allocation of restricted stock, its implementation is subject to shareholder approval for such compensation at the Shareholders' Meeting. The amount of compensation paid to the Directors of the Company was set at ¥500 million or less per year at the 60th Annual General Meeting of Shareholders held on May 24, 2007 (¥30 million or less for Outside Directors; this was revised to ¥50 million or less per year at the 74th Annual General Meeting of Shareholders held on May 27, 2021). At the Shareholders' Meeting, we plan to ask for approval from shareholders to newly introduce the Plan and set a compensation limit for Eligible Directors within the above compensation limit.

Furthermore, subject to approval of the proposal regarding the Plan at the Shareholders' Meeting, the Company will abolish the provisions regarding compensation, etc. for stock acquisition rights as stock compensation-type stock options and compensation for the purpose of acquiring Company stock and will not issue stock acquisition rights as stock compensation-type stock options thereafter. In addition, those Directors who currently hold unexercised stock compensation-type stock options will waive their rights to the unexercised stock options.

2. Outline of the Plan

The total amount of monetary claims to be paid to Eligible Directors under the Plan shall be ¥100 million yen per year or less (excluding employee-portion salaries for Directors who concurrently serve as employees), and the total number of common stock newly issued or disposed of by the Company shall be 200,000 shares or less per year (however, if a stock split (including a gratis allotment of common stock of the Company) or a reverse stock split of common stock of the Company is carried out with an effective date on or after the date of resolution of the Shareholders' Meeting, the total number shall be adjusted within a reasonable range as necessary in accordance with the split ratio, reverse split ratio, etc. after the effective date).

Furthermore, as a transitional measure for the stock compensation-type stock options for the fiscal year ending February 28, 2026, the Company may grant restricted stock in the number of shares equivalent to the number of stock acquisition rights that have been waived in addition to the annual amount of ¥100 million and 200,000 shares mentioned above, within an annual amount of ¥40 million and 80,000 shares.

The Eligible Directors will pay all monetary claims granted by the Company under the Plan as property contributed in kind in exchange for the newly issued or disposed shares of the Company's common stock. The per-share payment amount will be determined by the Board of Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of each Board resolution (or, if no transaction occurred on that day, the closing price on the most recent prior trading day) and within a range that does not confer a particular advantage to the Eligible Directors receiving the Company's common stock. The specific timing and allocation of payments to each Eligible Director will be decided by the Board of Directors after consulting with the Nomination and Compensation Committee.

Furthermore, the issuance or disposal of the Company's common stock under the Plan (hereinafter referred to as the "Shares") will be subject to the execution of a Restricted Stock Allotment Agreement between the Company and the Eligible Directors. This agreement will include provisions such as: (i) a specified period (hereinafter referred to as the "Restricted Period") during which the Shares may not be transferred to a third party, pledged as collateral, or otherwise disposed of in any manner; and (ii) the Company's right to acquire the Shares without compensation under certain conditions. During the Restricted Period, the Shares will be managed in a dedicated account opened by Eligible Directors with Nomura Securities Co., Ltd. to prevent the Shares from being transferred, pledged as collateral, or otherwise disposed of during the Restricted Period.

Furthermore, subject to approval of the proposal concerning the Plan at the Shareholders' Meeting, we plan to introduce a similar Restricted Stock Compensation Plan for Executive Officers who do not concurrently serve as Directors of the Company.