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## **Notice Regarding Adoption of Performance-linked Stock Compensation System for Directors, etc.**

Information Services International-Dentsu, Ltd. (ISID) hereby announces that its Board of Directors today resolved to adopt a performance-linked stock compensation system (hereinafter, the Compensation System) with respect to its Members of the Board (excluding non-executive directors, outside directors, and domestic non-residents; hereinafter referred to as "Executive Directors") and Executive Officers (including fellows but excluding employees seconded to ISID and domestic non-residents; hereinafter the same). ISID plans to submit for approval a proposal regarding the adoption of the Compensation System at ISID's 47th Ordinary General Meeting of Shareholders (hereinafter, Shareholders Meeting) scheduled to be held on March 23, 2022, as described below.

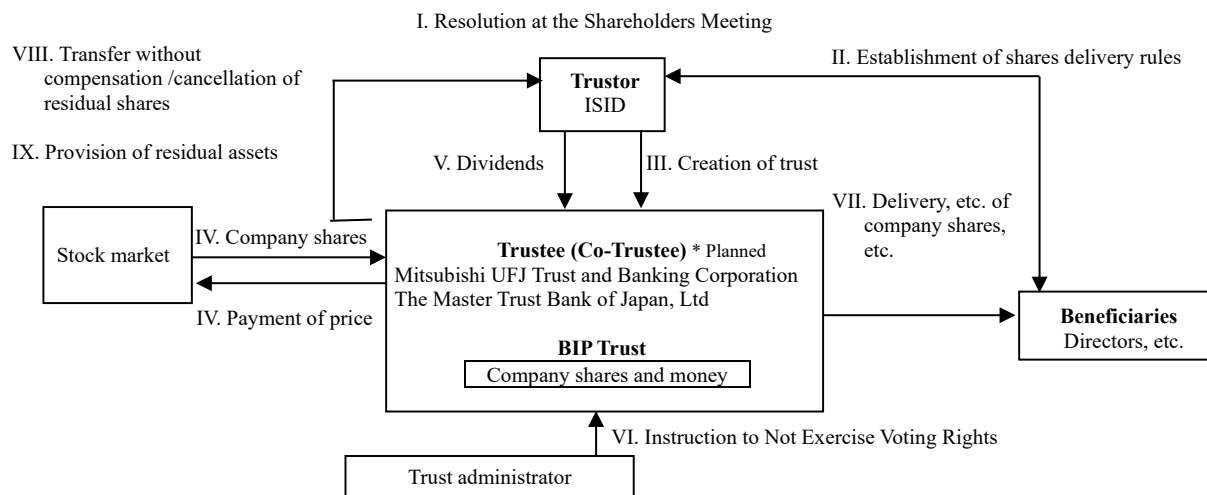
### **1. Introduction of the Compensation System**

(1) ISID has formulated "Vision 2030," a long-term management vision focused on FY2030, and "ISID X Innovation 2024," a medium-term management plan for the three-year period covering the period FY2022–2024. Vision 2030 depicts the ISID Group's ideal positioning in 2030 and its path toward the realization of its corporate philosophy. Also, the new medium-term management plan is positioned as the first of three medium-term management plans spanning the nine years from 2022 to 2030, in order to realize Vision 2030.

The Compensation System will be introduced with the aim of further clarifying the link between the compensation of directors and Executive Officers (hereinafter, Directors, etc.) and corporate value, increasing their motivation to achieve the performance targets of the medium-term management plan, and further promoting the sharing of interests with shareholders by encouraging Directors, etc. to hold ISID shares.

- (2) The adoption of the Compensation System is subject to receiving approval at the Shareholders Meeting.
- (3) The Compensation System will adopt an executive compensation structure referred to as a BIP (Board Incentive Plan) trust (hereinafter, BIP Trust). The BIP Trust, like performance-linked stock compensation (Performance Shares) and restricted stock compensation (Restricted Stock) in Europe and the United States, is a system for granting and providing (hereinafter, delivery) to Directors, etc., company shares or funds in amounts equivalent to the conversion price of such shares (hereinafter, Company Shares) in accordance with position held and degree of performance target achievement.
- (4) In order to ensure transparency and objectivity in the compensation determination process, ISID has established a Nomination and Remuneration Committee comprising a majority of independent outside directors. The introduction of the Compensation System has been deliberated by the committee.

## 2. Compensation System Overview



- I. ISID will obtain an approval for resolution on compensation for Directors, etc. regarding the adoption of the Compensation System at the Shareholders Meeting.
- II. ISID will establish the share delivery rules of the Compensation System at a meeting of the Board of Directors.
- III. ISID will entrust to trustees cash to the extent approved by the resolution of the Shareholders Meeting described in (I) above, and establish the Trust with the Directors, etc. who meet requirements for beneficiaries, as beneficiaries.
- IV. The BIP Trust will acquire Company shares from the stock market using cash contributed as described in (III) above in accordance with the instructions of the trust administrator. The number of shares that the BIP Trust acquires shall be within the range approved by resolution of the Shareholders Meeting described in (I) above.
- V. Dividends will be paid for ISID shares within the BIP Trust in the same manner as for the other Company shares.
- VI. The voting rights of ISID shares within the BIP Trust shall not be exercised throughout the trust period.
- VII. During the delivery period, Directors, etc. will receive certain points pursuant to the stock delivery rules of ISID and, if they satisfy the beneficiary requirements, will receive company shares equivalent to 50% of points from the BIP trust. Company shares equivalent to any residual points will be converted into cash within the trust pursuant to the trust agreement, and Directors, etc. will receive money equivalent to the converted value of ISID shares.
- VIII. With respect to any residual shares at the expiration of the trust period due to non-achievement of performance targets or other reasons during the target period (defined in 1 below), in the event that the trust agreement is changed, an additional trust is created or the trust continues to be used under the Compensation System or an equivalent stock compensation system, such shares will be eligible for delivery to Directors, etc. In the event that the BIP Trust is terminated upon expiration of the trust period, as a means of shareholder returns, the BIP Trust will transfer such shares to ISID without compensation, and it is expected that ISID would cancel such shares pursuant a resolution of the Board of Directors.
- IX. Any residual dividends on Company shares held by the BIP Trust at the expiration of the trust period will be used as funds to acquire shares if the BIP Trust continues to be utilized. In the event that the BIP Trust is terminated upon the expiration of the trust period, the amount will be returned to ISID within the limits of the trust expense reserve after deducting from the trust money the funds for share acquisition, and the portion exceeding the reserve for trust expenses will be donated to organizations that have no interests with ISID or Directors, etc.

Note: During the trust period, if the number of shares held by the BIP Trust is likely to be insufficient for the number of Company shares equivalent to the number of points to grant shares to Directors, etc., (in each case such continuation is referred to herein, the number of points granted as set forth in 5 below), or if the funds consisting of trust assets is likely to be insufficient for the payment of the trust fees and expenses,

additional funds may be contributed to the BIP Trust within the maximum limit of the trust fund in 7 below, and additional Company shares may be acquired.

(1) Overview

The Compensation System is applicable to the three fiscal years subject to the medium-term management plan (hereinafter, Target Period). and is a system for delivery of Company shares as executive compensation depending on the position of Directors, etc., and the degree to which management targets under the medium-term management plan have been achieved, among other factors. At the Board of Directors meeting held today, ISID resolved to execute a new medium-term management plan for the fiscal 2022–2024, which was publicly disclosed today. Furthermore, in the event of the continuation of the BIP Trust thereafter (in each case such continuation is referred to herein, as set forth in 4-b below), the fiscal years that correspond to subsequent medium-term management plans will be set as the Target Periods.

(2) Shareholders Meeting with Respect to the Adoption of the Compensation System

Matters including the maximum amount of funds that are to be contributed to the BIP trust for the purposes of acquiring shares for delivery to the Members of the Board, the maximum aggregate amount of Company Shares to be subject to delivery from the BIP trust and other necessary matters will be resolved at the Shareholder Meetings. In the event of the continuation of the BIP trust, with respect to the executive compensation of the Members of the Board who are eligible under the Compensation System, the trust agreement will be amended at the end of the Trust Period and additional contributions will be made to the BIP trust pursuant to board resolutions, to the extent approval is received at General Shareholder Meetings.

(3) Persons Eligible for the Compensation System (Beneficiary Requirements)

Directors, etc., subject to meeting the beneficiary requirements described below and upon completing the required beneficiary verification procedures, will be able to have Company shares delivered from the BIP Trust in an amount corresponding to the number of stock delivery points.

(4) Trust Period

I. Initial Trust Period

An approximately three-year period planned from April 2022 to May 2025.

II. Continuation of the BIP Trust

Upon the expiration of the Trust Period, the BIP Trust may be continued by means of amendment of the trust agreement or creation of an additional trust.

In this event, the Trust Period will be extended a further three years, and for each extended Trust Period, ISID will make additional contributions within the maximum amount of trust money approved by the Shareholders Meeting and will continue to grant share delivery points to Directors, etc., during the extended Trust Period. In the event that such additional contributions are made, however, if there are any Company shares (excluding Company shares corresponding to points granted to Directors, etc., for which delivery has not been completed) or funds that remain in the BIP Trust's property on the last day of the Trust Period prior to the extension (hereinafter, Residual Shares), the total amount of Residual Shares, plus additional contributions of funds to the BIP Trust, will be within the scope of the maximum amounts approved at Shareholders Meeting. Extensions of the Trust Period will not be limited to one extension; the Trust Period may also be re-extended thereafter in the same manner.

(5) Company Shares to be Provided for the Delivery to Directors, etc.

At a specified time each year during the Trust Period, points calculated in accordance with the monthly compensation amount for each position (hereinafter, Reference Points) will be granted to Directors, etc.

At a specified time following the last day of the final fiscal year of the Target Period (expected to be around March 2025 for the initial Target Period), the number of Company shares to be delivered will be determined based on the number of Reference Points accumulated during the Trust Period (hereinafter, Accumulated Points) multiplied by the performance-linked co-efficient (hereinafter, Share Delivery Points). The performance-linked co-efficient will be based on the degree of performance target achievement (\*1) in the final fiscal year of the Target Period (ending December 2024) determined within a range of 0–4.0 of monthly compensation.

The performance-linked coefficient will be determined in the range of 0 - 4.0 months for the initial coverage period, based on the level of achievement of performance targets (\*1) for the final fiscal year of the coverage period (ending December 31, 2024), and as a result, the number of stock delivery points will generally be in the range equivalent to 0 - 12 months of monthly compensation (\*2).

\*1 Businesses plan to use consolidated net sales, consolidated operating income and consolidated ROE as performance measures for the periods ending December 31, 2024. Periods subsequent to the fiscal year ending December 31, 2025 will be determined separately by the Board of Directors based on the current medium-term management plan.

\*2 The performance-linked coefficient shall be set within a range of 0 - 4.0 for the period up to and including the fiscal year ending December 31, 2024, and the performance-linked coefficient upon the achievement of the target values specified in the performance evaluation index shall be 2.4. Periods subsequent to the fiscal year ended December 31, 2025 will be determined by the Board of Directors separately. The average number of share issuance points over a three-year period is generally equivalent to 0-4 months per fiscal year.

The number of Company shares that will be subject to delivery to Directors, etc., through the BIP Trust will be one Company share per one point, with any fraction less than one point rounded down. If, however, a stock split or reverse stock split occurs with respect to Company shares during the Trust Period, the number of Company shares per point and the total maximum number of Company shares, etc., delivered from the BIP Trust will be adjusted in accordance with the stock split ratio or reverse stock split ratio, as applicable (defined in 7 below).

In addition, in the event that Directors, etc., retire (or pass away) or become a non-resident of Japan during the Trust Period, the number of shares to be delivered will be determined using the number of Accumulated Points at such time as Share Delivery Points.

(6) Method and timing for Delivery, etc. of the Shares, etc. of ISID to the Directors, etc.

For Directors, etc., who meet beneficiary requirements, around May (the initial Target Period is around May 2025. However, if Directors, etc., retire during the Trust Period, the time) immediately after the end of the last fiscal year of the Target Period, of the number of shares to be delivered, the number of Company shares equivalent to 50% of the number of Share Delivery Points (rounded down for shares amounting to less than one unit) shall be delivered from the BIP Trust. The number of Company shares equivalent to the remaining share delivery points shall be converted into cash within the BIP Trust and then paid as a monetary benefit equivalent to the amount of the exchange payment.

If Directors, etc., who meet the beneficiary requirements pass away during the Trust Period, Company shares corresponding to the number of Share Delivery Points calculated at such time will be redeemed within the BIP Trust, and the heirs of said Directors, etc., shall receive benefits from the BIP Trust for the amount equivalent to the exchange price after conversion in the BIP Trust. If Directors, etc., who meet the beneficiary requirements become non-residents of Japan during the Trust Period, Company shares corresponding to the number of Share Delivery Points calculated at such time will be redeemed within the BIP Trust, and said Directors, etc., shall receive benefits from the BIP Trust for the amount equivalent to the exchange price after conversion in the BIP Trust.

- (7) Maximum Total Amount of Funds to be Contributed to the BIP Trust and Maximum Number of Company Shares, etc., to be Delivered, etc., from the BIP Trust

The maximum total amount of funds to be contributed to the BIP Trust and the maximum number of Company shares, etc., to be delivered, etc., from the BIP Trust during the Trust Period are subject to a resolution by the Shareholders Meeting, with the following upper limits.

- I. Maximum total amount of funds to be contributed to the BIP Trust during the Trust Period

¥600,000,000\*

(\* Represents the aggregate amount of funds for stock acquisitions by the BIP Trust and for trust fees and expenses for the duration of the Trust Period.

- II. Maximum number of Company shares, etc., to be delivered, etc., from the BIP Trust during the initial Trust Period

195,000 shares\*

(\* The maximum number of Company shares, etc., to be delivered, etc., from the BIP Trust is determined based on the maximum amount of trust funds listed above and by reference to the current stock price and other factors.

- (8) Acquisition method of Company Shares by the BIP Trust

The acquisition of Company Shares by the BIP Trust is planned to be made by way of acquisitions from the stock market within the range of the maximum amount of trust money and maximum number of shares to be acquired as described in (7) above.

Further, during the trust period, if there is a possibility that the number of shares in the BIP Trust may fall short of the number of shares corresponding to points granted to the Directors, etc., additional money may be contributed to the BIP Trust and additional ISID shares may be acquired to the extent it is within the maximum amount of trust money and the maximum number of shares to be acquired as described in (7) above.

- (9) Exercise of Voting Rights of Company Shares within the BIP Trust

In order to maintain the neutrality of management, voting rights with respect to Company shares held within the BIP Trust (i.e., Company shares held before delivery to Directors, etc., as described in 6 above) will not be exercised during the Trust Period.

- (10) Handling of Dividends on Company Shares within the BIP Trust

Dividends on Company shares held within the BIP Trust will be received by the BIP Trust and applied to the BIP Trust's fees and expenses.

- (11) Handling of the Expiration of the Trust Period

With respect to any Residual Shares at the expiration of the Trust Period due to non-achievement of ISID's performance targets or other reasons, in the event that the BIP Trust continues to be used under the Compensation System or an equivalent stock compensation system, such shares will be eligible for delivery to Directors, etc. In the event that the BIP Trust is terminated upon expiration of the Trust Period, as a means of shareholder returns, the BIP Trust will transfer such shares to ISID without compensation, and it is expected that ISID would cancel such shares pursuant a resolution of the Board of Directors.

In addition, any residual dividends on Company shares held by the BIP Trust that exist at the expiration of the Trust Period will be used as funds to acquire shares if the BIP Trust will continue to be used. If, however, the BIP Trust is terminated due to the expiration of the Trust Period, the residual dividends will vest in ISID within the extent of reserves for trust expenses, which are calculated by

deducting funds for acquiring shares from the trust money, and the portion exceeding the reserves for trust expenses will be donated to organizations that have no interests with ISID and Directors, etc.

(Reference)

**Details of the Trust Agreement**

- |                                                |                                                                                                                                                                                                                   |
|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Type of trust:                             | Money trust other than the specific individually operated money trust (third-party benefit trust)                                                                                                                 |
| (2) Purpose of trust:                          | Providing incentives to Directors, etc.                                                                                                                                                                           |
| (3) Settlor:                                   | ISID                                                                                                                                                                                                              |
| (4) Trustee:                                   | Mitsubishi UFJ Trust and Banking Corporation*<br>(Joint Trustee: The Master Trust Bank of Japan, Ltd.*)                                                                                                           |
| (5) Beneficiary:                               | Directors, etc., who meet the requirements as beneficiaries                                                                                                                                                       |
| (6) Trust administrator:                       | Third party with no interests with ISID (certified public accountant)                                                                                                                                             |
| (7) Date for execution of the trust agreement: | April 2022*                                                                                                                                                                                                       |
| (8) Trust period:                              | April 2022–May 2025*                                                                                                                                                                                              |
| (9) Start date of Plan:                        | April 2022*                                                                                                                                                                                                       |
| (10) Exercise of voting rights:                | Not to be exercised.                                                                                                                                                                                              |
| (11) Class of shares to be acquired:           | Ordinary shares of ISID                                                                                                                                                                                           |
| (12) Maximum amount of trust money:            | ¥600,000,000* (including trust fees and trust expenses)                                                                                                                                                           |
| (13) Stock acquisition period:                 | May 9, 2022–May 31, 2022*<br>(excluding the period from five business days before the last day of the accounting period (including interim period and quarterly period) to the last day of the accounting period) |
| (14) Stock acquisition method:                 | To be acquired from the stock market                                                                                                                                                                              |
| (15) Holder of a vested right:                 | ISID                                                                                                                                                                                                              |
| (16) Residual property:                        | The residual property that ISID, the holder of a vested right, is entitled to receive shall be within the range of the reserve for trust                                                                          |

\* Planned

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