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June 14, 2024

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Trading Name: IPS, Inc.
President/CEO: Koji Miyashita
Code Number : 4390 Prime Market of the
Tokyo Stock Exchange
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Notice Regarding the Issuance of Stock Acquisition Rights (Paid Stock Options and Tax-Qualified Stock Options)

We hereby announce that at the Board of Directors meeting held on June 14, 2024, the Company resolved to issue stock acquisition rights to our directors, employees, and employees of our subsidiaries in accordance with the provisions of Articles 236, 238, and 240 of the Companies Act. This issuance is as detailed below. Note that the paid stock options will be issued at a fair price to the recipients and are not intended to be on particularly advantageous terms, thus not requiring approval at the General Meeting of Shareholders. Additionally, the paid stock options are not issued as remuneration but will be acquired based on the individual investment decisions of the recipients.

I. Purpose and Reason for Issuing Stock Acquisition Rights

To aim for the long-term growth of our company's performance and corporate value, we will issue paid stock options to our directors and employees of our subsidiaries, and tax-qualified stock options to our employees at no cost. If all the 9th and 10th stock acquisition rights are exercised, the total number of shares issued will be up to 200,000 shares, which is 1.6% of the total number of issued shares as of the resolution date (12,878,200 shares). The 9th stock acquisition rights can only be exercised if predetermined performance criteria are met, contributing to the enhancement of our corporate value and shareholders' interests. We think the size of the issuance of these stock acquisition rights will be within a reasonable range.

II. Issuance Terms of Stock Acquisition Rights

[1] Terms for Issuance of the 9th Stock Acquisition Rights

1. Number of Stock Acquisition Rights:

1,100 rights

The total number of shares that can be acquired upon exercise of these rights is 110,000 ordinary shares of the company. If the number of shares to be granted per stock acquisition right is adjusted as stated in item 3(1) below, the adjusted number will be multiplied by the number of stock acquisition rights.

2. Amount to Be Paid in Exchange for Stock Acquisition Rights:

The issuance price per stock acquisition right is 2,200 yen. This amount was determined based on the results of calculations using the Monte Carlo simulation model, a standard option pricing model, considering the stock price information of the company by a third-party evaluation organization, Plutus Consulting Co., Ltd.

3. Content of Stock Acquisition Rights:

(1) Type and Number of Shares Underlying Stock Acquisition Rights:

Each stock acquisition right entitles the holder to 100 ordinary shares of the company. If there is a stock split or reverse stock split after the allocation date of the stock acquisition rights, the number of shares will be adjusted as follows. The adjustment will be made only for unexercised stock acquisition rights at that time, and any fractional shares resulting from the adjustment will be discarded.

$$\text{Adjusted number of shares granted} = \text{Pre-adjustment number of shares granted} \times \text{Split (or reverse split) ratio}$$

If mergers, corporate splits, stock exchanges, or stock transfers occur after the allocation date, the number of shares granted will be adjusted as deemed necessary by the company within a reasonable range.

(2) Value of Assets Contributed Upon Exercise of Stock Acquisition Rights:

The value of assets contributed upon exercise is the amount obtained by multiplying the exercise price of 2,135 yen per share by the number of shares granted. If there is a stock split or reverse stock split after the allocation date, the exercise price will be adjusted as follows, with any fraction less than one yen being rounded up.

$$\text{Adjusted exercise price} = \text{Pre-adjustment exercise price} \times 1 / \text{Split (or reverse split) ratio}$$

If new shares are issued or treasury shares are disposed of at a price below the market value (excluding cases of issuance of new shares or disposal of treasury shares based on the exercise of subscription rights, and mergers, company splits, stock exchanges, and issuance of new shares or delivery of treasury shares based on stock exchanges or issuances), the exercise price will be adjusted as follows, with any fraction less than one yen being rounded up.

$$\text{Adjusted exercise price} = \text{Pre-adjustment exercise price} \times (\text{Issued shares} + \text{New shares issued} \times \text{Payment amount per share}) / (\text{Issued shares} + \text{New shares issued})$$

Note: "Issued shares" refers to the total number of issued ordinary shares of the company minus the number of treasury shares. In cases where treasury shares of our common stock are disposed of, "Number of New Shares" should be interpreted as "Number of Treasury Shares to be Disposed of." Additionally, in situations where our company conducts mergers, company splits, stock exchanges, or stock deliveries, or any similar cases requiring adjustment of the exercise price after the allotment date of these subscription rights, our company may adjust the exercise price reasonably as deemed appropriate.

(3) Exercise Period for Stock Acquisition Rights:

The exercise period is from July 1, 2027, to July 18, 2034 (or the previous business day if the final day is not a banking business day).

(4) Increase in Capital Stock and Capital Reserve:

(i) The increase in capital stock upon issuance of shares through the exercise of stock acquisition rights will be half of the upper limit of the increase in capital stock as calculated according to the Companies Calculation Rules, Article 17, Paragraph 1, with any fraction less than one yen rounded up.

(ii) The increase in capital reserve upon issuance of shares through the exercise of stock acquisition rights will be the upper limit of the increase in capital stock minus the increase in capital stock as described in (i) above.

(5) Restrictions on Acquisition of Stock Acquisition Rights by Transfer:

Acquisition by transfer requires approval by a resolution of the Board of Directors.

(6) Conditions for Exercising Stock Acquisition Rights:

(i) Stock acquisition rights holders can exercise their allocated stock acquisition rights only if the conditions stated in (a) and (b) are met:

(a) If the company's operating profit in the consolidated statement of income exceeds 6,050 million yen for the fiscal year ending March 2027: 50% exercisable

(b) If the company's operating profit in the consolidated statement of income exceeds 8,100 million yen for the fiscal year ending March 2029: 100% exercisable

If the Board of Directors deems it inappropriate to judge based on the performance figures due to changes in applicable accounting standards or significant events affecting the company's performance, reasonable adjustments can be made. The determination of operating profit will exclude stock compensation expenses related to these stock acquisition rights. Any fractional number of stock acquisition rights exercisable will be rounded down.

(ii) Stock acquisition rights holders must be directors, auditors, or employees of the company or its affiliates at the time of exercise. Exceptions apply for retirement due to expiration of term, retirement age, or other justifiable reasons as approved by the Board of Directors.

(iii) The exercise of stock acquisition rights by heirs is not allowed.

(iv) If the total number of issued shares at the time of exercise exceeds the authorized number of shares, the exercise cannot be conducted.

(v) Fractional stock acquisition rights cannot be exercised.

(vi) Other conditions for exercise are stipulated in the Stock Acquisition Rights Allocation Agreement.

4. Allocation Date of Stock Acquisition Rights:

July 22, 2024

5. Matters Related to Acquisition of Stock Acquisition Rights:

(1) If the company becomes a wholly-owned subsidiary due to a merger, split, stock exchange, stock transfer, or other reorganization, the company can acquire all stock acquisition rights without charge on a date separately specified by the Board of Directors.

(2) If stock acquisition rights become non-exercisable as stipulated in item 3(6), the company can acquire the affected stock acquisition rights without charge on a date separately specified by the Board of Directors.

6. Handling of Stock Acquisition Rights in Organizational Restructuring:

If the company engages in organizational restructuring (merger, split, stock exchange, or stock transfer), the stock acquisition rights holders will receive stock acquisition rights of the reorganized company under the following conditions, as specified in the reorganization agreement.

(1) Number of stock acquisition rights to be delivered: Equal to the number of stock acquisition rights held.

(2) Type of shares underlying stock acquisition rights: Ordinary shares of the reorganized company.

(3) Number of shares underlying stock acquisition rights: Determined according to item 3(1).

(4) Value of assets contributed upon exercise: Determined according to item 3(2), adjusted for reorganization conditions.

(5) Exercise period: From the later of the start date specified in item 3(3) or the effective date of reorganization, to the end date specified in item 3(3).

(6) Increase in capital stock and capital reserve: Determined according to item 3(4).

(7) Restrictions on acquisition by transfer: Approval by the Board of Directors of the reorganized company.

(8) Other exercise conditions: Determined according to item 3(6).

(9) Reasons and conditions for acquisition: Determined according to item 5.

(10) Other conditions: Determined according to the conditions of the reorganized company.

7. Matters Regarding Stock Acquisition Rights Certificates for Stock Acquisition Rights

The Company shall not issue stock acquisition rights certificates for these stock acquisition rights.

8. Payment Date for the Cash in Exchange for Stock Acquisition Rights

July 22, 2024

9. Application Deadline

July 16, 2024

10. Allottees and Number of Stock Acquisition Rights

Director of the Company: 1 person, 500 rights

Employees of the Company's subsidiaries: 6 persons, 600 rights

[2] Terms for Issuance of the 9th Stock Acquisition Rights

1. Number of Stock Acquisition Rights:

900 rights

The total number of shares that can be acquired upon exercise of these rights is 90,000 ordinary shares of the company. If the number of shares to be granted per stock acquisition right is adjusted as stated in item 3(1) below, the adjusted number will be multiplied by the number of stock acquisition rights.

2. Amount to Be Paid in Exchange for Stock Acquisition Rights:

No monetary payment shall be required in exchange for these stock acquisition rights. Since these stock acquisition rights are granted as incentive compensation, the fact that no monetary payment is required does not constitute an advantageous issuance.

3. Content of Stock Acquisition Rights:

(1) Type and Number of Shares Underlying Stock Acquisition Rights:

Each stock acquisition right entitles the holder to 100 ordinary shares of the company. If there is a stock split or reverse stock split after the allocation date of the stock acquisition rights, the number of shares will be adjusted as follows. The adjustment will be made only for unexercised stock acquisition rights at that time, and any fractional shares resulting from the adjustment will be discarded.

$$\text{Adjusted number of shares granted} = \text{Pre-adjustment number of shares granted} \times \text{Split (or reverse split) ratio}$$

If mergers, corporate splits, stock exchanges, or stock transfers occur after the allocation date, the number of shares granted will be adjusted as deemed necessary by the company within a reasonable range.

(2) Value of Assets Contributed Upon Exercise of Stock Acquisition Rights:

The exercise of these subscription rights shall be based on the product of the number of allotted shares and the exercise price per share (hereinafter referred to as the "exercise price"), determined as follows: The exercise price shall be the average closing price of our common stock on the Tokyo Stock Exchange for each day of the month receding the month to which the allotment date of the subscription rights belongs (excluding days without transactions), multiplied by 1.05. Any resulting amount shall be rounded up to the nearest yen. However, if this amount is lower than the closing price of our common stock on the Tokyo Stock Exchange on the allotment date (or the latest preceding closing price if no transactions were made), then that closing price shall be the exercise price. If there is a stock split or reverse stock split after the allocation date, the exercise price will be adjusted as follows, with any fraction less than one yen being rounded up.

$$\text{Adjusted exercise price} = \text{Pre-adjustment exercise price} \times 1 / \text{Split (or reverse split) ratio}$$

If new shares are issued or treasury shares are disposed of at a price below the market value (excluding cases of issuance of new shares or disposal of treasury shares based on the exercise of subscription rights, and mergers, company splits, stock exchanges, and issuance of new shares or delivery of treasury shares based on stock exchanges or issuances), the exercise price will be adjusted as follows, with any fraction less than one yen being rounded up.

Adjusted exercise price = Pre-adjustment exercise price × (Issued shares + New shares issued × Payment amount per share) / (Issued shares + New shares issued)

Note: "Issued shares" refers to the total number of issued ordinary shares of the company minus the number of treasury shares. In cases where treasury shares of our common stock are disposed of, "Number of New Shares" should be interpreted as "Number of Treasury Shares to be Disposed of." Additionally, in situations where our company conducts mergers, company splits, stock exchanges, or stock deliveries, or any similar cases requiring adjustment of the exercise price after the allotment date of these subscription rights, our company may adjust the exercise price reasonably as deemed appropriate.

(3) Exercise Period for Stock Acquisition Rights:

The exercise period is from July 1, 2027, to July 18, 2034 (or the previous business day if the final day is not a banking business day).

(4) Increase in Capital Stock and Capital Reserve:

(i) The increase in capital stock upon issuance of shares through the exercise of stock acquisition rights will be half of the upper limit of the increase in capital stock as calculated according to the Companies Calculation Rules, Article 17, Paragraph 1, with any fraction less than one yen rounded up.

(ii) The increase in capital reserve upon issuance of shares through the exercise of stock acquisition rights will be the upper limit of the increase in capital stock minus the increase in capital stock as described in (i) above.

(5) Restrictions on Acquisition of Stock Acquisition Rights by Transfer:

Acquisition by transfer requires approval by a resolution of the Board of Directors.

(6) Conditions for Exercising Stock Acquisition Rights:

(i) Stock acquisition rights holders must be directors, auditors, or employees of the company or its affiliates at the time of exercise. Exceptions apply for retirement due to expiration of term, retirement age, or other justifiable reasons as approved by the Board of Directors.

(ii) The exercise of stock acquisition rights by heirs is not allowed.

(iii) If the total number of issued shares at the time of exercise exceeds the authorized number of shares, the exercise cannot be conducted.

(iv) Fractional stock acquisition rights cannot be exercised.

(v) Other conditions for exercise are stipulated in the Stock Acquisition Rights Allocation Agreement.

4. Allocation Date of Stock Acquisition Rights:

July 22, 2024

5. Matters Related to Acquisition of Stock Acquisition Rights:

(1) If the company becomes a wholly-owned subsidiary due to a merger, split, stock exchange, stock transfer, or other reorganization, the company can acquire all stock acquisition rights without charge on a date separately specified by the Board of Directors.

(2) If stock acquisition rights become non-exercisable as stipulated in item 3(6), the company can acquire the affected stock acquisition rights without charge on a date separately specified by the Board of Directors.

6. Handling of Stock Acquisition Rights in Organizational Restructuring:

If the company engages in organizational restructuring (merger, split, stock exchange, or stock transfer), the stock acquisition rights holders will receive stock acquisition rights of the reorganized company under the following conditions, as specified in the reorganization agreement.

(1) Number of stock acquisition rights to be delivered: Equal to the number of stock acquisition rights held.

(2) Type of shares underlying stock acquisition rights: Ordinary shares of the reorganized company.

(3) Number of shares underlying stock acquisition rights: Determined according to item 3(1).

(4) Value of assets contributed upon exercise: Determined according to item 3(2), adjusted for reorganization conditions.

(5) Exercise period: From the later of the start date specified in item 3(3) or the effective date of reorganization, to the end date specified in item 3(3).

(6) Increase in capital stock and capital reserve: Determined according to item 3(4).

(7) Restrictions on acquisition by transfer: Approval by the Board of Directors of the reorganized company.

(8) Other exercise conditions: Determined according to item 3(6).

(9) Reasons and conditions for acquisition: Determined according to item 5.

(10) Other conditions: Determined according to the conditions of the reorganized company.

7. Matters Regarding Stock Acquisition Rights Certificates for Stock Acquisition Rights

The Company shall not issue stock acquisition rights certificates for these stock acquisition rights.

8. Application Deadline

July 16, 2024

9. Allottees and Number of Stock Acquisition Rights

Employees of the Company: 9 persons, 900 rights

End