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To whom it may concern

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Notice Concerning Introduction of a Stock-Based Compensation Plan (Executive Compensation BIP Trust)

Stanley Electric Co., Ltd. (hereinafter, the “Company”) hereby announces that it has resolved at a meeting of the Board of Directors held today to revise its executive compensation system and introduce an Executive Compensation BIP Trust as a new stock-based compensation plan (hereinafter, the “Plan”) for the Company’s directors (excluding outside directors and non-residents of Japan; hereinafter, “Eligible Directors”) to take the place of the current restricted stock compensation plan (hereinafter, the “Former Plan”) and to submit a proposal concerning the Plan for consideration by the 121st Annual General Meeting of Shareholders scheduled to be held on June 25, 2026 (hereinafter, the “General Meeting of Shareholders”).

1. Purpose of Introducing the Plan, etc.

(1) The Company is newly introducing the Plan to revise its system of executive compensation, abolish the Former Plan, raise the motivation of the Company’s Eligible Directors to increase the stock price, enhance shareholder value, and raise corporate value, and to share further value with shareholders.

(2) Introduction of the Plan is contingent on approval by the General Meeting of Shareholders.

(3) The Plan adopts a system called an executive compensation board incentive plan (BIP) trust. Under the Plan, the Company will grant and distribute (hereinafter, “grant, etc.”) to Eligible Directors, depending on their position and other factors, shares of the Company and cash equivalent to the value of such shares (hereinafter, “Company Shares, etc.”).

(4) The Company has established the Governance Committee made up primarily of outside executives and chaired by an outside director to serve as an advisory body to the Board of Directors. It is a voluntary committee that is equivalent to a nomination and remuneration committee. Introduction of the Plan has been deliberated on by this committee.

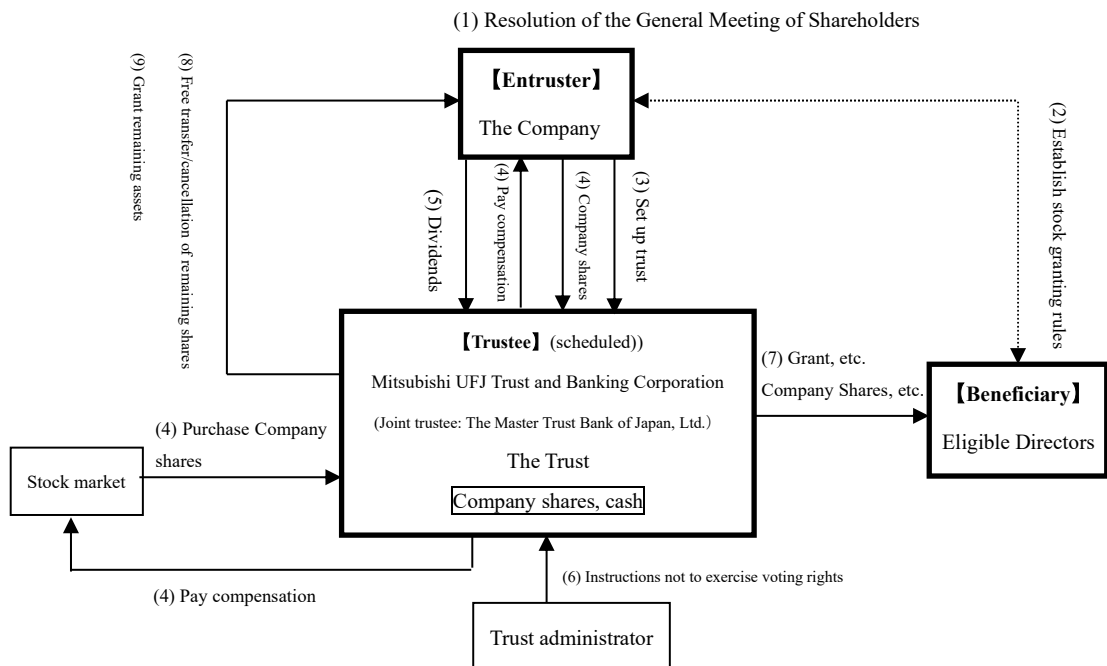
(5) Contingent on approval of the proposal concerning introduction of the Plan by the General Meeting of Shareholders, the Company will not make new allotments of restricted stock based on the Former Plan.

2. Details of the Plan

(1) Overview of the Plan

The Plan is a stock-based compensation plan under which a trust acquires shares of the Company using funds equivalent to the compensation paid by the Company to Eligible Directors, and the trust then grants, etc. Company Shares, etc. to Eligible Directors in accordance with their positions and other factors (Details are as follows in (2) below). The Plan covers the fiscal years subject to the Company’s Medium-term Management Plan (hereinafter, “Target Period”). It begins in the fiscal year ending March 31, 2027 and ends in the fiscal year ending March 31, 2030 (hereinafter, “four fiscal years”).

<Plan Framework>



- (1) Regarding introduction of the Plan, the Company obtains the necessary resolution concerning executive compensation from the General Meeting of Shareholders.
- (2) By resolution of its Board of Directors, the Company establishes stock granting rules as rules related to the Plan.
- (3) The Company contributes funds to serve as the source of compensation for Eligible Directors, within the scope approved by the resolution of the General Meeting of Shareholders referred to in (1), and establishes a trust (hereinafter, the "Trust") with Eligible Directors who satisfy the beneficiary requirements as beneficiaries.
- (4) In accordance with the instructions of the trust administrator, the Trust acquires Company shares from the stock market or the Company (disposition of treasury stock) using cash contributed in (3) as the source of funds. The number of shares acquired by the Trust shall be within the scope approved by the resolution of the Company's General Meeting of Shareholders in (1).
- (5) Dividends on Company shares held in the Trust shall be conducted the same as with other Company shares.
- (6) Voting rights on Company shares held in the Trust shall not be exercised during the trust period.
- (7) Points are awarded to Eligible Directors depending on their positions and other factors during the trust period in accordance with the stock granting rules. Eligible Directors are granted Company shares equivalent to a certain percentage of the points they have been awarded at the end of each fiscal year in principle. As a general rule, a transfer restriction period of thirty-five years (the "Transfer Restriction Period") is imposed on the Company's shares granted to Eligible Directors, and such restrictions will be lifted upon the expiration of the Transfer Restriction Period. However, if an Eligible Director retires from the position of director prior to the expiration of the Transfer Restriction Period due to the expiration of the term of office or for any other reason deemed justifiable by the Board of Directors, or due to death, the transfer restrictions shall, in principle, be lifted at that time. In addition, in general, upon the lifting of transfer restrictions, the holder receives a cash payment equivalent to the proceeds from the sale of the Company's shares corresponding to the remaining points, which are liquidated within the Trust in accordance with the terms of the trust agreement. Furthermore, dividends paid on Company shares within the Trust will generally be paid to the Eligible Directors upon their retirement, in an amount corresponding to the cumulative total of points held by that director as of each dividend record date occurring during the trust period.
- (8) Shares remaining when the trust period expires will be granted, etc. to Eligible Directors if the Trust is to continue as part of the Plan or a similar incentive system. If the Trust is to end when the trust period expires, the remaining shares will be transferred to the Company for no compensation. After acquiring the shares for no compensation, the Company plans to cancel them.

(9) Any remaining dividends on the Company's shares held in the Trust at the end of the trust period will be used as funds for acquiring shares if the Trust continues to be utilized; however, if the Trust is terminated rather than continued, the amount attributable to the Company is expected to be within the total of the remaining funds for the acquisition of shares and the trust expense reserve (hereinafter, the "trust retention funds"). In addition, the portion exceeding the trust retention funds is expected to be granted to Eligible Directors.

*If the Company's shares are no longer held in the Trust as a result of the granting, etc. of Company Shares, etc. to Eligible Directors who satisfy the beneficiary requirements, the Trust will terminate prior to the expiration of the trust period. The Company may make additional cash contributions to the Trust, within the limits approved at the General Meeting of Shareholders, to fund the acquisition of Company shares to be granted, etc. to Eligible Directors.

(2) Trust period

The initial trust period is the approximately four years from July 2026 (planned) to August 2030 (planned). However, when the trust period expires, it may be extended in accordance with (3) below.

(3) Trust amount and method of acquiring Company shares through the Trust

The Company will contribute trust funds for the purpose of acquiring Company shares to be granted, etc. to Eligible Directors. The maximum amount of such trust funds to be contributed for each Target Period shall be the product of 250 million yen and the number of years in that Target Period (1 billion yen for the initial Target Period, which consists of four fiscal years). The Company will contribute such trust funds and establish the Trust with a term corresponding to the Target Period of approximately four years, designating the Eligible Directors as beneficiaries. In accordance with the instructions of the trust administrator, the Trust will acquire Company shares from the stock market or the Company (disposition of treasury stock) using the trust funds as the source of funds. During the Target Period, the Company will assign points to Eligible Directors (as stated in (4) below), and the Trust will grant, etc. Company Shares, etc.

When the trust period of the Trust expires, the Trust may be continued by changing the trust agreement or making an additional trust contribution. In this case, the new Target Period will be the fiscal years of the Medium-term Management Plan that the Company has established at this time, and the trust period of the Trust will be extended for the number of years corresponding to this period. For each extended period, the Company will make additional contributions within the maximum amount of trust funds to be contributed to the Trust as approved by a resolution of the General Meeting of Shareholders. During the extended trust period, the Company will continue to grant points to Eligible Directors, and the Trust will continue to grant, etc. Company Shares, etc. However, if such an additional contribution is made, and there are shares of the Company remaining in the trust property as of the last day of the trust period prior to the extension

(excluding shares of the Company corresponding to points granted to Eligible Directors for which granting, etc. has not yet been completed) and cash (hereinafter referred to as the "Remaining Shares, etc."), the total amount of the Remaining Shares, etc. and the additional trust funds contributed by the Company shall not exceed the maximum amount of trust funds to be contributed to the Trust as approved by resolution at the General Meeting of Shareholders. This extension of the trust period is not limited to a single instance and may be repeated thereafter. Please note that the maximum amount of trust funds contributed to the Trust is the same as the maximum amount of compensation under the Former Plan.

Furthermore, if no amendments to the trust agreement or additional contributions are made upon the expiration of the trust period (or, if the trust period has been extended as described above, upon the expiration of the extended trust period), no new points will be awarded to Eligible Directors thereafter; however, the trust period may be extended for a limited period until the granting, etc. of Company Shares, etc., to Eligible Directors who may meet the beneficiary requirements is completed.

(4) Method for calculating the number of Company Shares, etc., to be granted, etc. to Eligible Directors, and the upper limit

The number of Company Shares, etc. to be granted, etc. to Eligible Directors is determined based on the number of points awarded according to their position and other factors.

One point shall be equivalent to one share of the Company's common stock. If a stock split, reverse stock split, or similar event occurs with respect to the Company's shares held in the Trust during the trust period, the number of shares of the Company's stock per point and the maximum number of shares of the Company's stock to be granted, etc. from the Trust shall be adjusted in accordance with the split ratio, reverse split ratio, or similar ratio applicable to the Company's shares.

The maximum number of points to be awarded to Eligible Directors during the trust period of the Trust shall be 70,000 points per fiscal year, and the maximum number of Company Shares, etc. that Eligible Directors may receive from the Trust per fiscal year shall be the number of shares corresponding to such maximum number of points (hereinafter referred to as the "Maximum Number of Shares to be Granted").

If the Trust is continued pursuant to (3) above, the Maximum Number of Shares to be Granted per fiscal year during the extended trust period shall be the same. This Maximum Number of Shares to be Granted has been determined based on the maximum amount of cash to be contributed by the Company as described in (3) above, taking into account the most recent stock price and other factors. The maximum number of points to be awarded each fiscal year is the same as the maximum number of restricted shares allotted under the Former Plan.

(5) Method and timing of granting, etc. Company Shares, etc. to Eligible Directors

Eligible Directors who meet the beneficiary requirements will, in principle, be granted a number of shares of the Company equivalent to a certain percentage of the points calculated in accordance with (4) above,

following the completion of the prescribed procedures for determining beneficiary rights after the end of each fiscal year. As a general rule, a transfer restriction period shall be imposed, and such restrictions shall be lifted upon the expiration of the Transfer Restriction Period. However, if an Eligible Director retires from the position of director prior to the expiration of the Transfer Restriction Period due to the expiration of the term of office, for any other reason deemed justifiable by the Board of Directors, or due to death, the transfer restrictions shall, in principle, be lifted at that time.

The Company's shares subject to transfer restrictions are scheduled to be held in a dedicated account opened in advance by Eligible Directors at a securities firm, so that during the restricted period, the shares cannot be transferred to third parties, pledged, encumbered as security for a transfer, gifted during the director's lifetime, bequeathed, or otherwise disposed of in any manner.

If the Company's Board of Directors determines that an Eligible Director has committed a material breach during the restricted period, the Company shall be entitled to automatically acquire, without compensation, the shares issued to such director.

In addition, as a general rule, upon the lifting of the transfer restrictions described above, the beneficiary shall, as a means of raising funds for tax payment, complete the prescribed procedures for determining beneficial ownership; upon doing so, the Company's shares equivalent to the remaining points shall be liquidated within the Trust, and the beneficiary shall receive a cash payment equivalent to the proceeds from such liquidation.

If an Eligible Director becomes a non-resident of Japan during the trust period, as a general rule, all Company shares equivalent to the number of points granted at that time shall be converted into cash within the Trust, and the Eligible Director shall receive a cash payment equivalent to the proceeds from such conversion.

In addition, if an Eligible Director dies during the trust period, as a general rule, all Company shares equivalent to the number of points granted at that time shall be liquidated within the Trust, and the heirs of the Eligible Director shall receive a cash payment equivalent to the proceeds from such liquidation.

(6) Voting rights on Company shares in the Trust

Voting rights on Company shares held in the Trust shall not be exercised during the trust period to maintain neutrality with respect to management.

(7) Handling of dividends on Company shares in the Trust

Dividends paid on Company shares in the Trust will be applied to the Trust's management fees and expenses upon receipt by the Trust. In addition, an amount equivalent to the dividends, calculated based on the cumulative total of points held by Eligible Directors as of each dividend record date during the trust period, will generally be paid to the Eligible Director upon his or her retirement.

(8) Handling of remaining shares and dividends at the expiration of the trust period

If there are any remaining shares at the expiration of the trust period, the Company plans to either continue the Trust by amending the trust agreement and making additional trust contributions, or transfer such remaining shares to the Company without consideration and cancel them by resolution of the Board of Directors.

In addition, any remaining dividends on the Company's shares held in the Trust at the end of the trust period will be used as funds for acquiring shares if the Trust continues; however, if the Trust is terminated, any amount exceeding the trust retention funds will be distributed to Eligible Directors in proportion to their beneficial ownership interests.

(For Reference)

[Contents of the Trust Agreement]

(1) Trust type	Money trust other than specific discretionary money trusts (trust for the benefit of third parties)
(2) Trust purpose	To provide incentives to Eligible Directors
(3) Entruster	The Company
(4) Trustee	Mitsubishi UFJ Trust and Banking Corporation (planned) (Joint trustee: The Master Trust Bank of Japan, Ltd. (planned))
(5) Beneficiaries	Eligible Directors who meet beneficiary requirements
(6) Trust administrator	Third-party with no vested interest in the Company (certified public accountant)
(7) Trust agreement period	July 2026 (planned)
(8) Trust period	July 2026 (planned) to August 2030 (planned)
(9) Plan start period	July 2026 (planned)
(10) Voting rights exercise	Not exercised
(11) Type of acquired stock	Common shares in the Company
(12) Trust upper limit	1,000 million yen (planned) (including trust fees and expenses)
(13) Method of stock acquisition	Acquired from the stock market or the Company (disposition of treasury stock)
(14) Rights holder	The Company
(15) Remaining assets	Remaining assets received by the Company as the rights holder shall be within the scope of the trust retention funds.

Note: The periods planned above may be changed to appropriate periods in light of applicable laws and regulations, etc.