



December 19, 2023

To whom it may concern:

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Representative name: Takahiro Goto, President & Representative Director
of the Board and Chief Executive Officer
(Securities Code: 4931, TSE Prime)
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Notice Concerning Disposal of Treasury Shares as Transfer Restricted Stock Compensation
and as Performance-Based Stock Compensation

Shinnihonseiyaku Co., Ltd. (the Company) announces that at the Board of Directors meeting held on December 19, 2023, the Company resolved to dispose of treasury shares as transfer-restricted stock compensation (“Disposal of Treasury Shares (I)”) and to dispose of treasury shares as performance-based stock compensation (“Disposal of Treasury Shares (II)”). Details are as follows.

1. Outline of the Disposal

- (1) Disposal of treasury shares as transfer-restricted stock compensation (“Disposal of Treasury Shares (I)”)
 - a. Disposal date January 18, 2024
 - b. Class and number of shares to be disposed of Common stock of the Company: 9,313 shares
 - c. Disposal price 1,639 yen per share
 - d. Total value of the disposal price 15,264,007 yen
 - e. Method of performance of contribution By way of in-kind contribution of the monetary compensation receivables
 - f. Allottees of shares, the number thereof, and the number of shares to be allotted Two Directors of the Board*
9,313 shares
 - g. Other Regarding the Disposal of Treasury Shares (I), the Company has submitted a securities notice pursuant to the Financial Instruments and Exchange Act.
- (2) Disposal of treasury shares as performance-based stock compensation (“Disposal of Treasury Shares (II)”)
 - a. Disposal date January 18, 2024
 - b. Class and number of shares to be disposed of Common stock of the Company: 3,124 shares
 - c. Disposal price 1,639 yen per share
 - d. Total value of the disposal price 5,120,236 yen
 - e. Method of performance of contribution By way of in-kind contribution of the monetary compensation receivables
 - f. Allottees of shares, the number thereof, and the number of shares to be allotted Two Directors of the Board*
3,124 shares
 - g. Other Regarding the Disposal of Treasury Shares (II), the Company has submitted a securities notice pursuant to the Financial Instruments and Exchange Act.

*Excluding Outside Directors and Directors of the Board who are Audit and Supervisory Committee Members

2. Purposes and Reasons for the Disposal

At the Board of Directors meeting held on November 17, 2020, the Company resolved to introduce a restricted stock system (hereinafter referred to as the “RS System”) that distributes the Company’s transfer-restricted stock to eligible Directors of the Board as a stock compensation system, and a performance share unit system (hereinafter referred to as the “PSU System”) as a performance-based stock compensation system. They are to replace the retirement benefits system for directors and other officers. The purposes are to provide the Company’s Directors of the Board (excluding Outside Directors) with an incentive that encourages them to sustainably increase the Company’s corporate value and, at the same time, further promote shared value between the eligible Directors of the Board and shareholders.

It was approved at the 32nd Annual General Meeting of Shareholders, held on December 23, 2020, that the upper limit of compensation for the purpose of granting transfer-restricted stock to Directors of the Board (excluding Outside Directors) as the RS System shall be 30,000,000 yen (30 million yen) per year separately from the monetary compensation amount, the total number of shares of common stock of the Company to be issued or disposed of shall not exceed 15,000 shares per year, and the upper limit of compensation for the purpose of granting common stock to Directors of the Board (excluding Outside Directors) as the PSU System shall not exceed the amount calculated by multiplying 60,000 shares of common stock of the Company by the stock price as of the distribution every three fiscal years that is the eligible period.

In addition, due to the transition to a company with an Audit and Supervisory Committee, it was approved at the 35th Annual General Meeting of Shareholders held on December 19, 2023, that the existing compensation range relevant to the RS System and the PSU System shall be abolished, the total amount of the monetary compensation receivables for the purpose of granting transfer-restricted stock to Directors of the Board relevant to the RS System after the transition to a company with an Audit and Supervisory Committee (excluding Outside Directors and Directors of the Board who are Audit and Supervisory Committee Members; hereinafter referred to as “Eligible Directors”) shall be 30,000,000 yen (30 million yen) per year, the total number of shares of common stock of the Company to be issued or disposed of shall be 15,000 shares per year, and the total amount of the monetary compensation receivables for the purpose of granting common stock to Directors of the Board relevant to the PSU System after the transition to a company with an Audit and Supervisory Committee (excluding Outside Directors and Directors of the Board who are Audit and Supervisory Committee Members; hereinafter referred to as “Eligible Directors”) shall not exceed the amount calculated by multiplying 60,000 shares of common stock of the Company by the stock price as of the distribution every three fiscal years that is the eligible period, and the specific distribution to Eligible Directors under the RS System and the PSU System shall be determined by the Board of Directors meeting.

An outline of the RS System and the PSU System and other details are as follows.

[Outline of the RS System and other details]

(1) Outline of the RS System and the Allocation Agreement

The RS System is a stock compensation system that provides Eligible Directors with the number of shares of common stock of the Company (hereinafter referred to as the “Allocated Stock”) equivalent to an amount determined in accordance with the Eligible Director’s position. The specific amount of and conditions for payment shall be agreed upon with each Eligible Director in an Allocation Agreement to be executed between the Company and the Eligible Directors (hereinafter referred to as the “Allocation Agreement”).

(2) Transfer-Restricted Period

From January 18, 2024, to January 18, 2054

Eligible Directors shall not transfer, establish security interest for or otherwise dispose of the Allocated Stock of the Company allocated to them pursuant to the Allocation Agreement (hereinafter referred to as “Transfer Restriction”) for a period specified by the Board of Directors meetings of the Company between 5 and 30 years (hereinafter referred to as the “Transfer-Restricted Period”).

(3) Acquisition without compensation

In the event that the Eligible Directors retire during the Transfer-Restricted Period, or that certain illegal acts, such as violations of laws and regulations or internal rules of the Company, have occurred, etc., that fall under the grounds for acquisition without compensation (determined by the Board of Directors meeting of the Company) necessary to maintain the purpose of the stock compensation system, the Company shall rightfully acquire the Allocated Stock without compensation.

(4) Cancellation of Transfer Restriction

Notwithstanding the provision of (2) above, the Transfer Restriction of all of the Allocated Stock shall be cancelled at the time of expiration of the Transfer-Restricted Period, given that the Eligible Directors continue to be in the position of director of the board, executive manager, corporate officer or employee of the Company or a subsidiary thereof throughout the period from the commencement date of the Transfer-Restricted Period until the commencement date of the Annual General Meeting of Shareholders related to the reporting or determination of financial results of the fiscal year containing the commencement date of the Transfer-Restricted Period (hereinafter referred to as the “Duty Execution Period”). However, if the Eligible Directors retire before the expiration of the Duty Execution Period without falling under any event for acquisition without compensation prescribed in (3) above, the number of the Allocated Stock for which the Transfer Restriction is to be lifted and the timing at which the Transfer Restriction is to be lifted shall be reasonably adjusted as necessary.

(5) Acquisition of residual stock without compensation

The Company shall rightfully acquire the Allocated Stock for which the Transfer Restriction has not been lifted in accordance with the provision of (4) above at the time of expiration of the Transfer-Restricted Period, free of charge.

(6) Treatment in case of business reorganization

In case that matters related to reorganization, etc. are approved at the Annual General Meeting of Shareholders of the Company (or at the Board of Directors meeting in case that approval at the Annual General Meeting of Shareholders of the Company is not required concerning the reorganization, etc.), the Transfer Restriction on the part of the Allocated Stock to be reasonably provided by resolution at a the Board of Directors meeting of the Company, based on the period from the commencement date of the Transfer-Restricted Period to the approval date of the reorganization, etc., shall be cancelled prior to the effective date of the reorganization, etc. In this case, the Company shall rightfully acquire the Allocated Stock for which the Transfer Restriction still has not been cancelled right after the cancellation of the Transfer Restriction, free of charge.

[Outline of the PSU System and other details]

(1) Outline of the PSU System

The PSU System is a performance-based stock compensation system that sets three consecutive fiscal years as a performance evaluation period (hereinafter referred to as the “Eligible Period”; the initial Eligible Period was from the fiscal year ended September 2024 (from October 1, 2023, to September 30, 2024) to the fiscal year ended September 2026 (from October 1, 2025, to September 30, 2026), and the System will continue to the extent approved by this Annual General Meeting of Shareholders with three consecutive fiscal years after the fiscal year ending September 2027 (from October 1, 2026, to September 30, 2027) as the Eligible Period), sets numerical targets of the Company’s performance, etc. for the entire Eligible Period and for each fiscal year at the Board of Directors meetings of the Company, and distributes the number of shares of common stock of the Company in accordance with the achievement rate of such numerical targets to Eligible Directors after the end of the Eligible Period.

(2) Structure of the PSU System

The specific structure of the PSU System is as follows.

- a. Eligible directors shall be Directors of the Board of the Company (excluding Outside Directors and Directors of the Board who are Audit and Supervisory Committee Members; hereinafter referred to as “Eligible Directors”).
- b. The Company shall determine, at the Board of Directors meetings of the Company, the amount of standard compensation paid according to the position of the Eligible Directors, and the calculation methods including numerical targets such as the performance achievement rate and the qualitative evaluation multiplier, which serve as the basis for the specific calculation of the number of shares of common stock of the Company to be distributed to the Eligible Directors.
- c. After the end of the Eligible Period, the Company shall determine the number of shares of common stock of the Company that serves as the basis for the compensation to be paid to each Eligible Director in accordance with certain coefficients determined according to the achievement rate of numerical targets such as the Company’s performance for each fiscal year in the applicable Eligible Period.
- d. The Company shall provide each Eligible Director with monetary compensation receivables to be made available for in-kind capital contribution in accordance with the number of shares of common stock of the Company and the market value of common stock of the Company as of the distribution, which are the basis for the compensation to be paid to each Eligible Director as determined above. Each Eligible Director shall receive the allocation of common stock of the Company by way of in-kind capital contribution of all of the said monetary compensation receivables.

(3) Method of calculating the number of shares of common stock of the Company to be distributed to the Eligible Directors and the amount of monetary receivables pertaining to such share acquisition

The Company shall calculate the number of shares of common stock of the Company to be distributed to each Eligible Director and the amount of monetary compensation receivables based on the following formula.

- a. Amount of monetary compensation receivables to be paid to each Eligible Director
Number of shares of common stock of the Company to be distributed to each Eligible Director × Stock price as of the distribution (*1)
- b. Number of shares of common stock of the Company to be distributed to each Eligible Director (hereinafter referred to as “Referential Number of Shares Distributed”)
The total of the following shall apply.
 - (i) Total number of units determined after the end of the fiscal year for each fiscal year during the Eligible Period (for three consecutive fiscal years)
 - (ii) Number of units determined after the end of the Eligible Period for the entire Eligible Period
- c. Formula for calculating the number of units

- (i) Number of units determined for each fiscal year
 $\text{Number of units based on the amount of standard compensation paid} \times \text{Payment rate according to the performance achievement rate for each fiscal year (*2)} \times \text{Qualitative evaluation multiplier (*3)}$
- (ii) Number of units determined for the entire Eligible Period
 $\text{Average number of units based on the amount of standard compensation paid per fiscal year within the Eligible Period} \times \text{Payment rate according to the performance achievement rate for the entire Eligible Period (*2)} \times \text{Qualitative evaluation multiplier (*3)}$
- d. Number of units based on the amount of standard compensation paid
 $\text{Amount of standard compensation paid (*4)} \div \text{Referential stock price (*5)}$
 In the calculation of the number of units for any fiscal year, if the calculation results in a fraction of less than one unit, it shall be rounded down.

*1 The stock price as of the distribution shall be the closing price of the regular trade of the Company's shares on the Tokyo Stock Exchange on the business day preceding the day of the resolution of the Board of Directors meeting to decide on the issuance of shares or disposal of treasury shares for the said distribution that is to be held within two months after the conclusion of the Annual General Meeting of Shareholders pertaining to the reporting or determination of financial results for the final fiscal year of the Eligible Period (if a trade was not concluded on that day, the closing price on the trading day immediately preceding that day shall apply).

*2 The payment rate in accordance with performance achievement shall be calculated in the range between -100% and 400% (per annum) by a method determined by the Board of Directors meetings of the Company in accordance with the achievement rate of targets such as net sales and operating profit of the Company as a whole and of each individual for each fiscal year during the Eligible Period or for the entire Eligible Period.

*3 The qualitative evaluation multiplier shall be determined by the Board of Directors meetings of the Company in line with organizational evaluation, human resource development, contribution to the future, and other evaluation items.

*4 The amount of standard compensation paid shall be determined by the Board of Directors meetings of the Company in consideration of the position of each Eligible Director.

*5 The referential stock price shall be the closing price of the regular trading of the Company's shares on the Tokyo Stock Exchange on the first trading day of the Eligible Period (if a trade was not concluded on that day, the closing price on the trading day immediately preceding that day shall apply).

However, the upper limit of the total of the Referential Numbers of Shares Distributed for all the Eligible Directors shall be 60,000 shares of common stock of the Company for each Eligible Period. If the total of the Referential Numbers of Shares Distributed for all the Eligible Directors exceeds the upper limit mentioned above, the Referential Number of Shares Distributed for each Eligible Director shall be the number obtained by multiplying the said upper limit by the ratio of the Referential Number of Shares Distributed for the applicable Eligible Director to the total of the Referential Numbers of Shares Distributed for all the Eligible Directors.

(4) Conditions for Payment of Compensation to Eligible Directors under the PSU System

In the event that an Eligible Director falls under the grounds of forfeiture (to be determined by the Board of Directors meetings of the Company) necessary to maintain the purpose of the stock compensation system, no monetary compensation receivables shall be provided to the said Eligible Director under the PSU System, and therefore, no shares of common stock of the Company shall be distributed.

3. Basis for Calculating the Amount to Be Paid in and Its Specific Details

The Disposal of Treasury Shares (I) and the Disposal of Treasury Shares (II) are made as disposal of treasury shares under the RS System and the PSU System. For that reason, in order to eliminate arbitrariness, the disposal price shall be 1,639 yen, which is the closing price of common stock of the Company on the Tokyo Stock Exchange on December 18, 2023 (the business day preceding the date of the resolution of the Board of Directors meeting). This is the market stock price immediately prior to the date of the resolution of the Board of Directors meeting pertaining to the Disposal of Treasury Shares (I) and the Disposal of Treasury Shares (II), and the Company believes that this amount is reasonable and is not particularly advantageous.