

November 7th, 2019

Company name: RAKSUL INC.
Representative: Yasukane Matsumoto
Representative Director, President and CEO
(TSE First Section Code No. 4384)
Contact: Yo Nagami
Director, CFO

Announcement of issuance of new shares as restricted stock-based compensation

We hereby announce that a resolution was passed to issue new shares as restricted stock-based compensation (hereinafter referred to as the “New Share Issuance”) at the Board of Directors meeting held today. The details are as follows.

1. Overview of the issuance

(1)	Payment due date	November 29th, 2019
(2)	Class and number of shares to be issued	77,130 common shares of RAKSUL INC.
(3)	Issue price	3,590 yen per share
(4)	Total amount of issuance	276,896,700 yen
(5)	Allotees	10 directors: 23,600 shares 75 employees: 53,530 shares
(6)	Others	The New Share Issuance is conditioned upon the securities registration statement taking effect in accordance with the Financial Instruments and Exchange Act.

2. Purpose and reason for issuance

With an aim to enhance their motivation more than ever before to contribute to increasing our share price and enterprise value by giving the Directors (excluding Directors who are audit and supervisory committee members) incentives aligned with the sustainable improvement of enterprise value, and an aim to ensure the appropriate supervisory function of making objective judgments on the adequacy of business execution by giving Directors who are Audit and Supervisory Committee members (together with Directors who are not Audit and Supervisory Committee members, hereinafter collectively referred to as “Eligible Directors”) incentives aligned with the prevention of loss of enterprise value, shared interests with shareholders and the sustainable improvement of enterprise value, we passed a resolution at the Board of Directors meeting held on September 12th, 2019, to introduce a restricted stock-based compensation plan for our Eligible Directors (hereinafter referred to as the "Plan").

Based on the Plan, we also obtained the approval of shareholders at the 10th General Meeting of Shareholders held on October 17th, 2019, to set the total amounts of monetary compensation receivables to be granted to Eligible Directors as restricted stock-based compensation, etc.

Specifically, the total amount of such monetary compensation receivables for Directors, excluding Directors who are audit and supervisory committee members, shall be up to 500 million yen a year (of which up to 50 million yen for Outside Directors provided, however, that employee salaries of Directors who concurrently serve as employees are not to be included); and that for Directors who are audit and supervisory committee members up to 50 million yen a year. Approval was also secured for the stipulation that the maximum amount of restricted stock to be allotted in each fiscal year shall be 133,000 shares (of which 13,000 shares to Outside Directors) for Directors who are not audit and supervisory committee members and 13,000 shares for Directors who are audit and supervisory committee members; and that the restriction period of the restricted stock shall be a period of three years or more as stipulated by the Board of Directors.

Today, by a resolution of the Board of Directors, the Eligible Directors resolved to allocate 10 Eligible Directors and 75 employees (hereinafter referred to as "Allotees") 77,130 common shares as designated restricted stock as restricted share-based compensation for the period between the 10th General Meeting of Shareholders and the 13th General Meeting of Shareholders by granting the Allotees monetary receivables of 276,896,700 yen and the Allotees' making an in-kind contribution of the said monetary receivables. This is in line with the plan described in the "Strengthen Equity Incentive System" section of the 4th quarter financial results material released on September 12, 2019. To align both the incentive and commitment of officers and employees with the maximization of long-term shareholder value, we plan to issue restricted stock of up to 10% of the total number of shares outstanding over the next 10 years. The amount of such monetary receivables to the Allotees is determined based on a comprehensive consideration of various matters including the level of contribution by Eligible Directors to the Company. The aforementioned monetary receivables shall be provided on the condition that Allotees have entered into a restricted stock allotment agreement as defined below with RAKSUL INC. (hereinafter referred to as "Allotment Agreement"). For the purpose of the Plan, the restriction period is set to a period of three years.

3. Overview of the Allotment Agreement

(i) Restriction period

November 29th, 2019, through November 28th, 2022

During the restriction period stipulated above (hereinafter referred to as "Restriction Period"), the Allotees shall not dispose of the restricted stock allocated (hereinafter referred to as the "Allotted Stock") by means of transfer, creation of a pledge or mortgage, inter vivos gift, bequest, or any other method to a third party. Notwithstanding the foregoing, the transfer restrictions shall be lifted in stages for Allotees who are not Directors.

(ii) Acquisition of restricted stock without contribution

If an Allotee retires or resigns from any position of director, advisor or employee of RAKSUL INC. or its subsidiaries and associates before the expiration of the Restriction Period, we shall automatically acquire the Allotted Stock without contribution upon such retirement or resignation except if there are reasons deemed legitimate by the Board of Directors. We shall also automatically acquire the Allotted Stock without contribution for which the transfer restrictions have not been lifted at the expiration of the Restriction Period (hereinafter referred to as "Restriction Expiration") pursuant to reasons for lifting of transfer restrictions stipulated in (iii) below.

(iii) Lifting of transfer restrictions

We shall lift transfer restrictions of all the Allotted Stock at the time in possession of an Allottee upon the Expiration, provided that an Allottee has remained in any position of director, advisor or employee of RAKSUL INC. or its subsidiaries or associates during the Restriction Period. If, however, an Eligible Director retires from the position of director, advisor, or employee of RAKSUL INC. or its subsidiaries or associates before the expiration of the Restriction Period for reasons deemed legitimate by our Board of Directors, the transfer restrictions shall be lifted immediately after such retirement or resignation for the number of Allocated Shares, which shall be calculated by dividing the number of months in which the Eligible Director was in the position of director, advisor, or employee of RAKSUL INC. or its subsidiaries or associates starting with November 2019 and including the month in which he/she retires/resigns by 36 (if the result is larger than 1, it shall be deemed to be 1) multiplied by the number of Allocated Shares in possession of the Eligible Director at the time (any fraction less than 1 share shall be rounded off). The transfer restrictions shall be lifted for Allotees who are not Eligible Directors according to the term of service as stipulated in the Allotment Agreement with RAKSUL INC.

(iv) Provisions on management of shares

Allotees shall open an account at SMBC Nikko Securities Inc. to state or record the Allocated Shares in a way designated by RAKSUL INC. and keep and retain the Allocated Shares in the said account until the transfer restrictions are lifted.

(v) Treatment upon organizational restructuring

If, during the Restriction Period, a proposal regarding a merger agreement under which RAKSUL INC. becomes the dissolving company, a share exchange agreement or share transfer plan under which RAKSUL INC. becomes a wholly owned subsidiary, or any other organizational restructuring is approved at our General Meeting of Shareholders (or approved by our Board of Directors if an approval regarding the aforementioned organizational restructuring at a General Meeting of Shareholders is not required), the transfer restrictions shall be lifted by a resolution of the Board of Directors immediately before the business day preceding the effective date of such organizational restructuring for the number of Allocated Shares calculated by dividing the number of months from November 2019 until the said approval, including the month of the approval, by 36 (if the result is larger than 1, it shall be to be deemed 1) multiplied by the number of Allocated Shares in possession of the Eligible Director at that time (any fraction less than 1 share shall be rounded off).

In such a case, on the business day preceding the effective date of such organizational restructuring for which transfer restrictions have not been lifted as of the said day, we shall automatically acquire the Allotted Stock without making a contribution. Notwithstanding the foregoing, the transfer restrictions shall be lifted for Allotees who are not Eligible Directors according to the term of service as stipulated in the Allotment Agreement with RAKSUL INC, and we shall automatically acquire all the Allotted Stock without making a contribution for which transfer restrictions have not been so lifted.

4. Basis of calculation of paid-in amount and details thereof

To eliminate arbitrariness in the determination of the issue price, the issue price is set to 3,590 yen, the closing price per common share of RAKSUL INC. on the business day preceding the said resolution of the Board of Directors (November 6, 2019) in the first section of the Tokyo Stock

Exchange. As this is the market price on the day immediately preceding the day of the resolution of the Board of Directors, we believe it is reasonable and does not represent a particularly favorable price.