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For Immediate Release

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Notice Concerning Introduction of a Performance-Based Stock Remuneration System for Officers

At the meeting of the Board of Directors convened today, Ryosan Company, Limited (“the Company”) resolved to introduce a performance-based stock remuneration system (hereinafter “the System”), using a trust, for the Company’s Directors (here and hereinafter, “Directors” does not include Directors who are Audit and Supervisory Committee Members or Outside Directors). The agenda item regarding introduction of the System will be proposed at the 66th Ordinary General Shareholders’ Meeting, scheduled for June 24, 2022 (hereinafter “the GSM”). The Company hereby provides notice of the agenda item as follows.

1. Introduction of the System

The remuneration of the Directors of the Company consists of two components: fixed remuneration and performance-based remuneration. At this time the Company wishes to introduce a new system that incorporates performance-based remuneration using stock.

The System aims to clarify further the interconnectedness of Directors’ remuneration, the Company’s business results and share value. It is hoped that, by ensuring that Directors share with shareholders the benefits and risks of fluctuations in the share price, Directors will be made more fully aware of their contributions to the improvement of business results and expansion of corporate value over the medium-to-long term. Moreover, in principle the degree to which Directors can transfer the shares issued to them before their retirement is limited. This measure is aimed at incentivizing Directors to strive toward sustainable improvement in corporate value even after their shares have been issued to them.

With the introduction of the System, the remuneration of the Directors of the Company will consist of three components: fixed remuneration, performance-based remuneration and, under the System, stock-based remuneration.

The introduction of the System is conditional on the approval of the GSM.

If the GSM approves the introduction of the System, the Company plans to introduce a performance-based stock remuneration system for Executive Officers who have concluded mandate agreements with the Company (hereinafter “Executive Officers”), similar to the System for Directors.

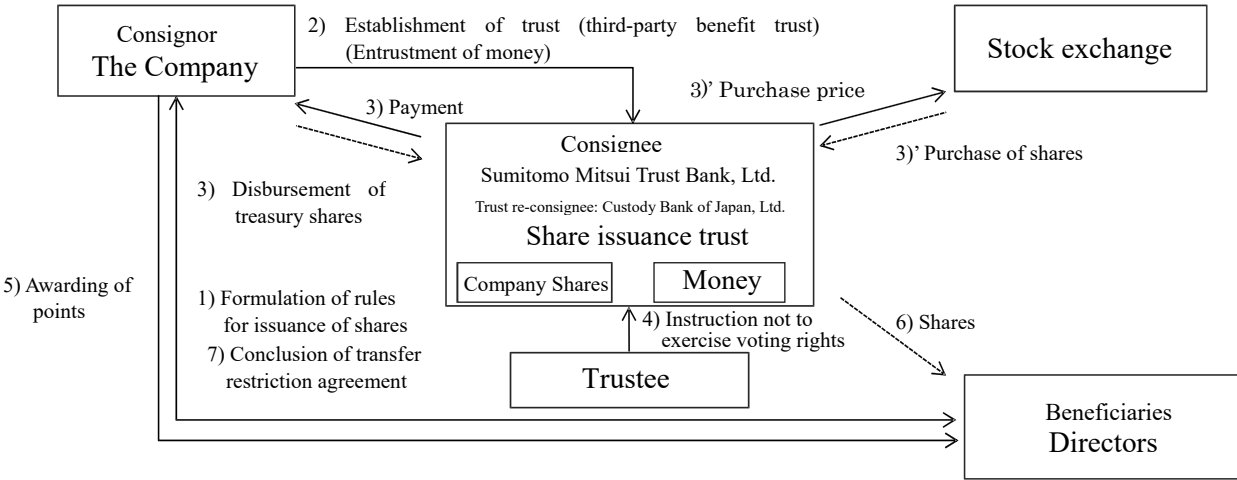
2. Overview of the System

(1) Structure of the System

In the System, which is a performance-based stock remuneration system, a trust created using money contributed by the Company (hereinafter “the Trust”) acquires common shares of the Company (hereinafter “Company Shares”). The Company awards a number of points to each Director based on performance. Through the Trust, the Company issues to each Director the number of Company Shares that corresponds to the number of points awarded to that Director. (However, as discussed in 3 below, the Company concludes with each Director a transfer restriction agreement that restricts Directors’ ability to transfer said Company Shares.)

Company Shares will be issued based on the System to Directors in office during the two-business-year period comprising the business year ending March 31, 2023 and the business year ending March 31, 2024 (hereinafter “the Applicable Period”). Please note, however, that the period in which Directors can receive issuance of Company Shares is in principle restricted to a specific period of each business year during the trust period.

Overview of the Structure of the System



- 1) The Company formulates rules for issuance of shares to Directors.
- 2) The Company establishes a share issuance trust (third-party benefit trust; hereinafter “the Trust”) with the Directors who acquire beneficial rights in the Trust as the beneficiaries, as described in 6) below. At this time the Company entrusts to the consignee an amount of money equivalent to the funds for acquisition of shares (however, the amount of the funds for acquisition of shares for issuance to Directors is limited to the amount approved by the General Shareholders’ Meeting).
- 3) The consignee acquires in a single transaction the number of Company Shares equivalent to the number of Company Shares expected to be issued (by receiving disbursement of treasury shares and/or by acquiring the Company Shares from the stock exchange (including off-floor transactions)).
- 4) A trustee (someone who is independent of the Company and its officers) is appointed to protect the interests of the beneficiaries to whom the rules for issuance of shares apply and to supervise the consignee, throughout the trust period. The trustee instructs the consignees not to exercise their voting rights with

respect to the Company Shares in the Trust. Based on this instruction, the consignees do not exercise their voting rights at any time during the trust period.

- 5) Based on the rules for issuance of shares, the Company awards points to the Directors.
- 6) Directors who satisfy the requirements (including conclusion of the transfer restriction agreement described in 7) below) stipulated in the trust agreement with respect to the rules for issuance of shares and the Trust acquire beneficial rights in the Trust and, as beneficiaries of the Trust, receive from the consignee Company Shares equivalent to the points awarded.
- 7) The Company and the Directors conclude a transfer restriction agreement with respect to the Company Shares issued. This agreement establishes the period from the date the shares are issued to the date the Director retires as a period of restriction on transfer of Company Shares. When the Director retires, the Company releases the Director from the restriction on transfer of the issued Company Shares (Company Shares that are not released from the restriction on transfer are reacquired by the Company without compensation).

When the Trust is wrapped up, any Company Shares remaining in the residual assets of the Trust are reacquired by the Company without compensation and are subsequently expected to be cancelled by resolution of the Board of Directors.

The consignee in the System, Sumitomo Mitsui Trust Bank, Ltd., entrusts management of the trust assets to Custody Bank of Japan, Ltd., which serves as the Trust's re-consignee.

(2) Establishment of trusts

Assuming that the GSM approves the introduction of the System, the Company will establish the Trust by contributing the funds necessary for the Trust to acquire in advance for a certain period the number of Company Shares reasonably expected to be required for issuance in accordance with (6) below. As described in (5) below, the Trust uses the funds contributed by the Company as capital to acquire the Company Shares.

The consignee of the System, Sumitomo Mitsui Trust Bank, entrusts management of the trust assets to Custody Bank of Japan, which serves as the Trust's re-consignee.

(3) Trust period

The trust period is a period of about two years, from August 2022 to August 2024 (both dates tentative). However, the trust period can be extended as described in (4) below.

(4) Upper limit on trust funds that can be contributed to the Trust as funds for purchasing Company Shares

During the Applicable Period, the Company will contribute money to an upper limit of 80 million yen in total as funds for the acquisition of the Company Shares necessary to issue Company Shares through the System as remuneration to serving Directors during the Applicable Period, establishing the Trust with Directors who satisfy certain conditions as the beneficiaries. Using the money entrusted to it by the Company as capital, the Trust acquires Company Shares, either through disbursement of treasury shares from the Company or by purchasing them on the stock market (including off-floor transactions).

Note: The money actually entrusted to the Trust by the Company includes not only funds for the acquisition of the Company Shares necessary to issue Company Shares to Directors through the System but also the expected amount for necessary expenses such as trust and trustee remuneration.

The Company may, by resolution of the Board of Directors at any time, stipulate an extension to the Applicable Period by a period of no more than five business years, extending in tandem the trust period of the Trust (here and hereinafter, such extension includes effective extension of the trust period by transferring

the trust assets of the Trust to another trust with the same objectives as the Trust established by the Company), thereby continuing the System. In such cases, the Company will contribute additional money to the Trust during the extension of the Applicable Period, to a maximum of 40 million yen multiplied by the number of business years of the extension of the Applicable Period. This additional money will serve as additional funds for acquisition of the Company Shares necessary to issue Company Shares to Directors through the System. In this way the Company will continue to award points and issue Company Shares as described in (6) below.

(5) Method of acquisition of Company Shares by the Trust, etc.

The original acquisition of Company Shares by the Trust is expected to be conducted either through disbursement of treasury shares from the Company or by purchasing them on the stock market, within the scope of the upper limit on funds for acquisition of shares as described in (4) above. The details of the methods of acquisition will be decided after the GSM and disclosed.

In some cases, for example if the number of Directors is increased during the trust period, the number of Company Shares in the Trust may be insufficient for the number of shares corresponding to the points awarded to Directors during the trust period. In such cases, additional money may be entrusted to the Trust, within the scope of the upper limit on trust funds as described in (4) above, for the acquisition of additional Company Shares.

(6) Method of calculation and upper limit of Company Shares to be issued to Directors

1) Method of awarding points to Directors, etc.

Based on the rules for issuance of shares as stipulated by the Board of Directors, on the date for awarding points during the trust period as stipulated in the rules for issuance of shares, the Company awards points in accordance with each Director's position, degree of achievement of business-result targets and other metrics.

However, the upper limit on the total number of points awarded to Directors by the Company is 9,000 points per business year.

2) Issuance of Company Shares corresponding to the number of points awarded

Directors receive issuance of Company Shares corresponding to the number of points awarded as described in 1) above, in accordance with the procedure described in 3) below. One point is redeemable for one Company Share. However, if circumstances arise in which it would be reasonable to adjust the number of Company Shares issued for each point awarded, such as share splits or share mergers, the Company will conduct a reasonable adjustment in accordance with the share-split ratio, share-merger ratio, etc.

3) Issuance of Company Shares to Directors

In principle, each business year during the trust period, each Director acquires beneficial rights in the Trust and receives issuance of Company Shares from the Trust, provided said Directors have completed certain procedures, such as concluding the transfer restriction agreement described in 3 below.

However, if the Company Shares in the Trust are settled by tender offer, such that the Company Shares in the Trust are converted into cash, the Directors may be issued money (the amount converted) in lieu of Company Shares.

(7) Exercise of voting rights

Based on the instructions of the trustee, who is independent of the Company and the Company’s officers, none of the voting rights of the Company Shares in the Trust may be exercised. By using this method, the Company intends to ensure neutrality of the Company's management with respect to the exercise of voting rights in the Company Shares in the Trust..

(8) Handling of dividends

Dividends arising from the Company Shares in the Trust are received by the Trust. They are used to defray the cost of acquisition of the Company Shares, remuneration of the consignee and other costs.

(9) Handling of the Company’s Shares and money when the Trust is wrapped up

When the Trust is wrapped up, any Company Shares remaining in the residual assets of the Trust are reacquired by the Company without compensation and are subsequently expected to be cancelled by resolution of the Board of Directors.

Also, a certain amount of the money remaining in the residual assets of the Trust when the Trust is wrapped up is expected to be donated to a specified public-service promotion corporation with which the Directors have no conflict of interest, as stipulated in advance in the rules for issuance of shares and the trust agreement.

3. Transfer Restriction Agreement Regarding Company Shares Issued to Directors

With respect to the issuance of Company Shares as described in 2. (6) 3) above, the Company and the Directors conclude a transfer restriction agreement that includes the details listed below.

- 1) A Director may not transfer, promise as collateral or otherwise dispose of Company Shares issued to said Director by the System at any time from the date on which the Company Shares are issued to the date of the Director’s retirement.
- 2) For certain causes, the Company may reacquire the Company Shares without compensation.
- 3) If items related to a merger agreement that makes the Company a merged company or other reorganization of the Company are approved by the General Shareholders' Meetings, etc. and come into force, the restriction on transfer may be released at that point, in accordance with the transfer restriction agreement.
- 4) The transfer restriction agreement specifies details, etc. of conditions for release of transfer restrictions established in advance by the Board of Directors of the Company.

Reference: Overview of the trust agreement with respect to the Trust

Consignor	The Company
Consignee	Sumitomo Mitsui Trust Bank (Trust re-consignee: Custody Bank of Japan)
Beneficiary	Directors and Executive Officers of the Company who satisfy the conditions for beneficiaries
Trustee	A third party to be nominated, who is independent of the Company and its officers
Exercise of voting rights	The voting rights of the Company Shares in the Trust may not be exercised at any time during the trust period.
Type of trust	Trust of money other than money trust (third-party benefit trust)
Date of trust agreement	August 2022 (expected)
Trust period	From August 2022 to August 2024 (expected)
Purpose of trust	Issuance of Company Shares to beneficiaries based on the rules for issuance of shares