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For Immediate Release

Ryosan Company, Limited

Representative: Kazuhiko Inaba

Representative Director, President

Listing Code No.: 8140

Listing: Prime Market, Tokyo Stock Exchange

Inquiries: Norihiko Takahashi

Executive Officer

General Manager, Corporate Planning

Headquarters

TEL: +81-3-3862-3816

Notice Concerning Determination of Details of the Performance-Based Stock Remuneration System and Disposal of Treasury Shares Through Third-Party Allocation

At a May 13, 2022 meeting of the Board of Directors, Ryosan Company, Limited (“the Company”) resolved to introduce a performance-based stock remuneration system (hereinafter “the System”), using a trust established for the purpose of introducing the System (hereinafter “the Trust”). At today’s meeting of the Board of Directors, the Board decided the details of the System. This decision includes the method by which the Trust acquires Company shares, namely the disposal of treasury shares by third-party allocation (hereinafter “the Treasury-Share Disposal”). The Company hereby gives notice of the details of the System as follows.

1. Details of the System

(1) Overview of the System using introduction of the Trust

1) Name of the Trust	Share Issuance Trust for Officers
2) Consignor	The Company
3) Consignee	Sumitomo Mitsui Trust Bank, Ltd. (Trust re-consignee: Custody Bank of Japan, Ltd.)
4) Beneficiaries	Directors (not including Directors who are Audit and Supervisory Committee Members or Outside Directors) and Executive Officers of the Company who satisfy the conditions for beneficiaries
5) Trustee	A third party to be nominated, who is independent of the Company and its officers
6) 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.
7) Type of trust	Trust of money other than money trust (third-party benefit trust)
8) Date of trust agreement	August 18, 2022
9) Date of entrustment of money	August 18, 2022
10) End date of trust period	August 31, 2024 (to be confirmed)

(2) Details of acquisition of Company shares by the Trust

1) Type of shares acquired	Common shares
2) Funds entrusted by the Company to acquire the shares	63,448,000 yen
3) Total number of shares acquired	28,000 shares
4) Method of acquisition of shares	Acquisition by disposal of treasury shares
5) Period of acquisition of shares	August 18, 2022

2. Disposal of Treasury Shares by Third-Party Allocation

(1) Overview of disposal

1) Disposal date	August 18, 2022
2) Type and number of shares disposed of	28,000 common shares of the Company
3) Disposal price	2,266 yen per share
4) Total expenditure on disposal	63,448,000 yen
5) Expected recipient of disposal	Sumitomo Mitsui Trust Bank, Ltd. (trust account) (Trust re-consignee: Custody Bank of Japan, Ltd. (trust account))
6) Other	The Company has submitted a Marketable Securities Notice regarding the Treasury-Share Disposal, in accordance with the Financial Instruments and Exchange Act.

(2) Purpose of and reason for disposal

At the May 13, 2022 meeting of the Board of Directors, the Company resolved to introduce the System for the Company's Directors and Executive Officers (hereinafter collectively "Directors, etc."). The System aims to clarify further the interconnectedness of remuneration for the Directors, etc., the Company's business results and share value. It is hoped that, by ensuring that Directors, etc. share with shareholders the benefits and risks of fluctuations in the share price, Directors, etc. 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, etc. can transfer the shares issued to them before their retirement is limited. This measure is aimed at incentivizing Directors, etc. to strive toward sustainable improvement in corporate value even after their shares have been issued to them. The agenda item regarding introduction of the System for the Company's Directors was approved at the 66th Ordinary General Shareholders' Meeting, held on June 24, 2022.

For an overview of the System, please refer to "Notice Concerning Introduction of a Performance-Based Stock Remuneration System for Officers," published May 13, 2022.

The recipient of Treasury-Share Disposal is the consignee of the Trust, Sumitomo Mitsui Trust Bank, Ltd. (trust account) (Trust re-consignee: Custody Bank of Japan, Ltd. (trust account)).

The number of shares disposed is equivalent to the number of shares expected to be transferred to the Directors, etc., based on the rules for issuance of shares established by the Company when the System is introduced and in consideration of changes in the positions and composition of Company Directors, etc. during the trust period. The scale of dilution with respect to the currently issued number of shares, which is 25,000,000 shares as of March 31, 2022, is 0.11% (0.12% of total voting rights of 234,047 votes as of March 31, 2022). All figures are rounded to the second digit after the decimal point.

Reference: Overview of the trust agreement governing the Trust

Consignor	The Company
Consignee	Sumitomo Mitsui Trust Bank, Ltd. (Trust re-consignee: Custody Bank of Japan, Ltd.)
Beneficiaries	Directors, etc. 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 18, 2022
Trust period	From August 18, 2022 to August 31, 2024 (to be confirmed)
Purpose of the Trust	Issuance of Company Shares to beneficiaries based on the rules for issuance of shares

(3) Grounds for and details of calculation of disposal price

To eliminate arbitrariness and reflect the most recent trends in share prices in the assignment of disposal price of shares, the disposal price was fixed as the final price of the shares on the Tokyo Stock Exchange on July 28, 2022 (the business day immediately preceding the date of the decision of the Board of Directors). The reason for choosing the business day immediately preceding the date of the decision of the Board of Directors is to capture the market value immediately preceding the date of the decision of the Board of Directors, which the Directors judged to be the most reasonable and objective grounds for calculation.

This price deviates 3.47% from the average closing price in the most recent one-month period as of the business day immediately preceding the date of the decision of the Board of Directors (June 29 to July 28, 2022), which was ¥2,190 (rounded to the nearest yen); deviates -0.40% from the average closing price in the most recent three-month period as of the business day immediately preceding the date of the decision of the Board of Directors (May 2 to July 28, 2022), which was ¥2,275 (rounded to the nearest yen); and deviates 0.31% from the average closing price in the most recent six-month period as of the business day immediately preceding the date of the decision of the Board of Directors (January 31 to July 28, 2022), which was ¥2,259 (rounded to the nearest yen; in each case the deviation rate is rounded to the second digit after the decimal).

As a result of the above consideration, the disposal price of the Treasury-Share Disposal is fixed at a level that is considered reasonable and not unduly advantageous to the expected recipient of disposal.

Moreover, the Audit and Supervisory Committee (a committee of three people, two of whom are Outside Directors) has expressed its opinion that the grounds for calculation of the above disposal price are reasonable and that it is lawful, the disposal price being not unduly advantageous to the expected recipient of disposal.

(4) Matters related to procedures on norms of corporate activity

The Treasury-Share Disposal (1) represents a dilution rate of less than 25% and (2) is not accompanied by a change of controlling shareholder(s). As such, this disposal of treasury shares does not require obtaining the opinion of an independent third party or procedures for confirming the will of shareholders, as stipulated in Article 432 of the Securities Listing Regulations of the Tokyo Stock Exchange.