September 12th, 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 introduction of restricted stock-based compensation plan

RAKSUL INC. hereby announces that, following the revision of its executive compensation plan at the Board of Directors meeting held today, a resolution was passed to introduce a restricted stock-based compensation plan (hereinafter referred to as the "Plan") and submit a proposal on the Plan to the 10th Annual General Meeting of Shareholders to be held on October 17, 2019 (hereinafter referred to as the "General Meeting of Shareholders"). The details are as follows.
It is noted that, as announced today in the "Announcement of shift to a company with an audit and supervisory committee, changes in executives and partial amendments to the Articles of Incorporation," we also plan to submit a proposal on the partial amendments to the Article of Incorporation including those on the shift to a company with an audit and supervisory committee to the General Meeting of Shareholders.

## 1. Purposes of introducing the Plan

By giving the Directors (excluding Directors who are audit and supervisory committee members) incentives aligned with the sustainable improvement of enterprise value, we aim to enhance their motivation more than ever before to contribute to increasing our share price and enterprise value. 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 aim to ensure the appropriate supervisory function of making objective judgments on the adequacy of business execution.

## 2. Overview of the Plan

The Plan is designed to grant monetary compensation receivables to allot common shares subject to the provisions set forth in 3.(3) (hereinafter referred to as "Restricted Stock") to Eligible Directors and to have the Eligible Directors make an in-kind contribution of the said monetary compensation receivables in order to issue or dispose of the common shares.
Upon approval at the 9th Annual General Meeting of Shareholders held on October 18, 2018, the amounts of compensation for our Directors and Audit & Supervisory Board Members were determined to be up to 300 million yen a year for Directors (of which up to 30 million yen for Outside Directors) and up to 50 million yen a year for Audit & Supervisory Board Members, respectively. In line with the shift to a company with an audit and supervisory committee, we have decided to revise the compensation system for Eligible Directors. In that regard, we plan to request the shareholders' approval at the General Meeting of Shareholders for the proposal 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. We will propose to set these amounts separately from the amounts of basic remuneration for Eligible Directors. The total amount of such monetary compensation

receivables was, in principle, calculated assuming that the amount equivalent to the consideration for the execution of duties over three fiscal years will be paid in a lump sum in the first year.
Furthermore, in line with the revision of the compensation system, we also plan to request the shareholders' approval at the General Meeting of Shareholders for the proposal to set the amounts of basic compensation for Eligible Directors. Specifically, the total amount of such basic compensation for Directors (excluding Directors who are audit and supervisory committee members) shall be up to 300 million yen a year (of which up to 30 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.

3. Specifics of the Plan

The specifics and the maximum numbers of Restricted Stock to be alloted to Eligible Directors are as follows:

(1) Allotment and payment of Restricted Stock

Pursuant to a resolution of the Board of Directors, we shall provide monetary compensation receivables to Eligible Directors as Restricted Stock compensation, within the annual amount as described above. Each Eligible Director shall receive an allotment of Restricted Stock by making an in-kind contribution of all of the said monetary compensation receivables.

The paid-in amount for the Restricted Stocks shall be determined by the Board of Directors within a range that is not particularly advantageous to Directors subscribing to said Restricted Stocks, based on the closing price of the our common shares on the Tokyo Stock Exchange on the business day prior to the resolution of the Board of Directors concerning the issuance or disposition thereof (or at the closing price on the immediately preceding trading day, if no trading is made on that day)

The aforementioned monetary compensation receivables shall be provided on the condition that Eligible Directors have agreed to the in-kind contribution stated above and have entered into a Restricted Stock allotment agreement as defined in (3) below.

(2) Total number of Restricted Stock

The maximum amount of Restricted Stock to be alloted 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.
However, the said total number of Restricted Stock may be reasonably adjusted if a share split (including allotment of shares without contribution) or a share consolidation of our common shares is conducted, or any other similar event arises necessitating an adjustment to the total number of the Restricted Stock to be allotted on or after the day when this proposal is resolved.

(3) Details of the Restricted Stock allotment agreement

Upon the allotment of the Restricted Stock, the Restricted Stock allotment agreement to be concluded with Eligible Directors receiving allotments based on a resolution of our Board of Directors, shall include the following details:

(i) Details of transfer restrictions

Eligible Directors receiving allotments of Restricted Stock 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 (hereinafter referred to as "Transfer Restrictions") during a period of three years or more as stipulated by the Board of Directors (hereinafter referred to as the "Restriction Period").

(ii) Acquisition of Restricted Stock without contribution

We shall automatically acquire the Allotted Stock without contribution if an Eligible Director who has received an allotment of Restricted Stock 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, except if there are reasons deemed legitimate by the Board of Directors.

(iii) Lifting of Transfer Restrictions

We shall lift Transfer Restrictions of all the Allotted Stock upon expiration of the Restriction Period, provided that an Eligible Director has remained in any position of director, advisor or employee of RAKSUL INC. or its subsidiaries or associates during the Restriction Period. If, however, said Director retires from the position of Director before the expiration of the Restriction Period for reasons deemed legitimate by our Board of Directors, the number of the Allotted Stock for which the Transfer Restrictions will be lifted and the timing of the lifting of Transfer Restrictions shall be reasonably adjusted as necessary. In such a case, we shall automatically acquire the Allotted Stock without contribution for which the Transfer Restrictions have not been lifted at the expiration of the Restriction Period pursuant to the provision above.

(iv) 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), we shall lift the Transfer Restrictions on a reasonably determined number of the Allotted Stock prior to the effective date of said organizational restructuring by a resolution of the Board of Directors, taking into consideration the period between the start of the Restriction Period and the date of approval of said organizational restructuring. In such a case, we shall automatically acquire the Allotted Shares without contribution for which the Transfer Restrictions have not been lifted at the expiration of the Restriction Period pursuant to the provision above.

In order to prevent Eligible Directors during the Restriction Period from transferring, creating a mortgage on or otherwise disposing of Ristricted Stock to be alloted to them under the Plan, such Ristrected Stock are planned to be managed during the Restriction Period in their dedicated accounts to be opened by Eligible Directors at SMBC Nikko Securities Inc.

(Reference)

Following the conclusion of the General Meeting of Shareholders, we also plan to introduce a compensation plan by utilizing the Restricted Stock for some of our employees for the same purpose as that for which the Plan is introduced.