June 25, 2021

NEWS RELEASE

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(Code number: 9143 TSE 1st Section)
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Notice of Disposal of Treasury Shares as Company Performance-Linked Stock Compensation

SG Holdings Co., Ltd. ("the Company") resolved in the meeting of the Board of Directors held today to dispose of treasury shares ("disposal of treasury shares") as company performance-linked stock compensation as described below.

1. Overview of disposal

(1) Disposal date	July 30, 2021
(2) Class and number of shares to be disposed of	26,727 of the Company's common shares
(3) Disposal price	2,841 yen per share
(4) Total disposal amount	75,931,407 yen
(5) Scheduled recipients	Persons who retired as director of the Company (excluding outside directors): 1 person (26,727 shares)

2. Purpose and reasons for disposal of shares

As part of the review of the compensation system for officers, at the Board of Directors meeting held on May 11, 2018, the Company passed a resolution to introduce a company performance-linked stock compensation system ("the System") for directors (excluding part-time directors, outside directors and non-residents of Japan; the same applies hereinafter) and executive officers (excluding non-residents of Japan; hereinafter collectively referred to as "Officers, etc.") for the purpose of better clarifying the linkage between the compensation of Officers, etc. and the value of the Company's shares and encouraging contribution to the medium- to long-term enhancement of performance and increasing corporate value. The amount and details of the company performance-linked stock compensation for Officers, etc. based on the System were approved in the 12th Ordinary General Meeting of Shareholders ("the General Meeting of Shareholders") held on June 28, 2018.

This disposal of treasury shares is being carried out pursuant to a resolution of the meeting of the Board of Directors held today to issue the Company's common shares to an Officer, etc. who retired ("Recipient") based on the System.

The Company's common shares subject to this disposal of treasury shares shall be issued by disposal of treasury shares by requiring the monetary compensation claim granted to the Recipient to be provided as the property used as an in-kind contribution.

Furthermore, the amount of the monetary compensation claim granted to the Recipient of this disposal and the number of the Company's common shares subject to disposal of treasury shares have been determined by the Board of Directors to be a monetary compensation claim of 75,931,407 yen and a total number of 26,727 shares of the Company's common shares. The Board of Directors also decided to grant the Recipient a total of 32,543,655 yen in cash pursuant to the System. (The total amount along with the monetary compensation claim above is 108,475,062 yen.)

3. Outline of the System

An outline of the System is provided below. Please see the "Notice of Introduction of a Company Performance-Linked Stock Compensation System" announced on May 11, 2018 for details of the System.

(1) Outline of the System

The System is a scheme wherein the Officers, etc. of the Company are issued or paid ("issuance, etc.") in common shares of the Company and cash ("the Company's common shares, etc.") as officer compensation for the three fiscal years corresponding to the Company's medium-term management plan ("the Applicable Period"; however, the Company was promoting a medium-term management plan that covered the three fiscal years from the year ended March 20, 2017 to the year ended March 31, 2019 ["the Current Medium-Term Management Plan"], when the System was introduced in 2018, so in order to make it correspond to the period of the medium-term management plan, the Applicable Period will be the four fiscal years consisting of the one fiscal year remaining in the Current Medium-Term Management Plan, which ended on March 31, 2019 and the three fiscal years of the next medium-term management plan) according to the level of achievement of the Company's performance indicators, and the like. When the initial Applicable Period comes to an end, the Company's Board of Directors may approve continuation of the System for each subsequent three fiscal year period of the medium term management plans as long as it is approved at the General Meeting of Shareholders. In this case, subsequent Applicable Periods will be three fiscal years.

The timing at which the Company's Officers, etc. will receive issuance, etc. of the Company's common shares, etc. will be after their retirement (including retirement due to passing away; the same applies hereinafter).

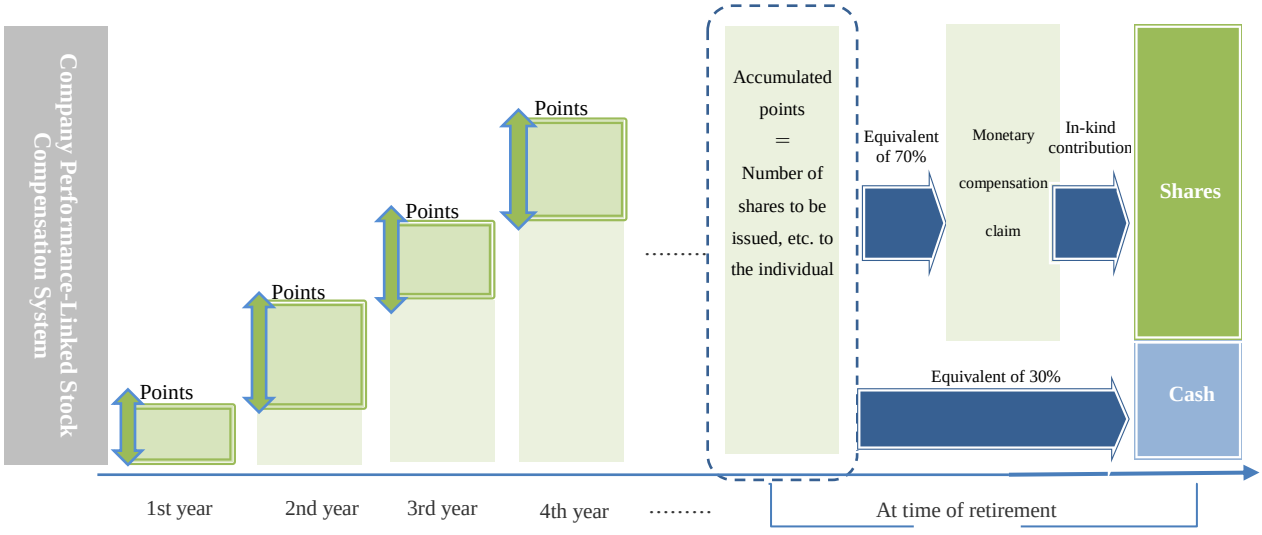
(2) Working of the System

(1) The Company has obtained a resolution approving officer compensation at the General Meeting of Shareholders in relation to introduction of the System.
(2) At the Board of Directors meeting, the Company has established rules for the issuance of shares in relation to the details of the System and defined the method of calculating the amount of the Company's common shares to be issued and money to be paid to Officers, etc. and other matters.
(3) During the Applicable Period, each of the Officers, etc. shall be assigned points calculated by multiplying the standard number of points (set forth in (3) 1) below) by a performance-linked coefficient according to the level of achievement of the Company's performance indicators, and these points shall accumulate.
(4) The number of the Company's common shares, etc. corresponding to the accumulated number of points at the time the Officers, etc. retire (number of shares to be issued, etc. to the individual [set forth in (3) 1) below]) shall be issued, etc. In consideration of the income tax of the Officers, etc., the number of the

Company's common shares corresponding to 70% of the number of shares to be issued, etc. to the individual shall be issued, and the monetary amount equivalent to the remainder shall be paid in lieu of the Company's common shares.

(5) Issuance of the Company's common shares to Officers, etc. shall be carried out by the Company's issuing shares or by disposal of treasury stock. In this case, the Company shall grant the Officers, etc. a monetary compensation claim, and the Officers, etc. shall acquire the Company's common shares by in-kind contribution of said monetary compensation claim when the Company issues the shares or disposes of the treasury stock. The monetary amount of the monetary compensation claim shall be decided by the Board of Directors within a range that will not be especially advantageous for the Officers, etc. subscribing for the Company's common shares.

(Illustration of the System)



(3) Resolution of General Meeting of Shareholders on Introduction of the System

During the Applicable Period of the System, the monetary compensation claim to be granted to Officers, etc. for issuance of the Company's common shares, the method of calculating the monetary amount to be paid to Officers, etc. and the maximum number of the Company's common shares to be issued to Officers, etc. shall be as set forth in 1) and 2) below, and other necessary matters related to introduction of the System have been determined by resolution at the General Meeting of Shareholders. Additionally, in the event that the System is to be continued as set forth in (1) above, it shall be within the scope approved by the General Meeting of Shareholders, and a resolution shall be passed by the Board of Directors.

1) Method of calculating the number of the Company's common shares to be issued, etc. to Officers, etc. and maximum number thereof

The method of calculation of the number of the Company's common shares to be issued, etc. (including the portion for which an equivalent amount of cash is paid in lieu of the Company's common shares) to each Officer, etc. ("the number of shares to be issued, etc. to the individual") shall be as set forth below (rounded down to the nearest integer), and the maximum total number ("maximum number of shares to be issued") shall be 125,000 shares per fiscal year, and 500,000 shares in the initial Applicable Period (four fiscal years)(*3)(*4)(*5).

*3. Even in the event that the System is to be continued as set forth in (1) above, the maximum number of shares to be issued per fiscal year shall remain unchanged, and the maximum number for each Applicable Period (three fiscal years) shall be 375,000 shares.

*4. Out of the maximum number of shares above, the maximum number of the Company's common shares that can be allocated when the Officers, etc. make in-kind contribution of their monetary compensation claims during the initial Applicable Period is 350,000 shares or 70% of the maximum number of shares. Additionally, that number shall be 262,500 for subsequent Applicable Periods (three fiscal years).

*5. The Company performed a 1:2 share split of the Company's common shares effective November 1, 2020, and has adjusted the maximum number of shares according to the ratio of the split.

[Method of calculating number of shares to be issued, etc. to the individual]

During the Applicable Period, at the designated time each year, the standard number of points for each of the Officers, etc. shall be multiplied by the level of achievement of the Company's performance indicators (consolidated operating income, etc.), and the like, to calculate the number of points to be given to each of the Officers, etc. (refer to [Formula] below). Upon retirement of the Officers, etc., the Company's common shares, etc. shall be issued, etc. according to the accumulated value of the points granted ("the cumulative number of points"). At this time, the number of the Company's common shares corresponding to 70% of the number of shares to be issued, etc. to the individual shall be issued, and the monetary amount equivalent to the remainder shall be paid in lieu of the Company's common shares. However, in the event that an Officer, etc. passes away (and thus retires) during the Applicable Period, the full number of shares to be issued, etc. to the individual shall be paid in cash, and the Company's common shares shall not be issued.

One point shall equal two of the Company's common shares(*6), and in the event that there is an increase or decrease in the Company's common shares due to a split, reverse split allotment without contribution or the like during the Applicable Period, the number of the Company's common shares to be issued, etc. per point shall be adjusted according to the ratio of the increase or decrease. Additionally, for Officers, etc. who retire or are promoted during the Applicable Period, the standard number of points for the fiscal year in question shall be adjusted proportionally based on the rules for issuance.

[Formula]

[Standard number of points for each of the Officers, etc. = monthly base compensation of Officer, etc. / reference stock price (*7)]

[Number of points for each of the Officers, etc. to be assigned in each fiscal year = standard number of points x performance linked coefficient (*8)]

[Number of shares to be issued = Number of shares to be issued, etc. to the individual x 70%]

*6. The Company performed a 1:2 share split of the Company's common shares effective November 1, 2020, and has adjusted the number of the Company's common shares issued per point according to the ratio of the split.

*7. The reference stock price shall be the closing price (rounded down to the nearest integer) of ordinary transactions of shares of the Company's common stock on the Tokyo Stock Exchange, Inc. ("Tokyo Stock Exchange") on the business day prior to the date of the resolution by the Board of Directors establishing rules for the issuance of shares related to the System. In the event that the System is continued as set forth in (1) above, it shall be the closing price of ordinary transactions of shares of the Company's common stock on the Tokyo Stock Exchange on the business day prior to the date of the resolution by the Board of Directors to continue the System.

*8. The performance-linked coefficient is calculated based on the level of achievement of the Company's performance indicators such as consolidated operating income, and the like, in each fiscal year and will vary from 0% to 200%.

2) Method of calculating amount of monetary compensation claims to be granted to Officers, etc. and cash to be paid to Officers, etc. based on the System

The amount of monetary compensation claims to be granted to Officers, etc. for issuance of the Company's common shares based on the System shall be 70% of the number of shares to be issued, etc. to the individual as set forth in 1) above multiplied by the amount paid per share (rounded down to the nearest integer).

[Calculation formula]

[Amount of monetary compensation claims to be granted to Officers, etc. for issuance of the Company's common shares = number of shares to be issued x amount paid per share (*10)]…(A)

The amount paid per share shall be a fair price for the Company's common shares on the payment date such as the closing price (rounded down to the nearest integer) of ordinary transactions of shares of the Company's common stock on the Tokyo Stock Exchange on the business day prior to the date of the resolution by the Board of Directors to issue the Company's common shares so that it is not especially advantageous to the Officers, etc. subscribing for them, and it shall be decided by the Board of Directors with the maximum amount below as the upper limit.

Additionally, the amount of cash paid to each Officer, etc. based on the System shall be as set forth below.

[Calculation formula]

[Amount of cash paid to each Officer, etc. = number of shares to be issued, etc. to the individual (*9) x amount paid per share (*10) - (A)]

However, in the event that an Officer, etc. passes away (and thus retires) during the Applicable Period, the cumulative number of points as of that time shall be finalized to calculate the number of shares to be issued, etc. to the individual, and the monetary amount obtained by multiplying it by the market value of the

Company's common shares as of that time shall be paid to the successor(s) of the Officer, etc.

*9. Number of shares to be issued, etc. to the individual

Refer to 1) above for the maximum number of shares to be issued, etc. to the individual

*10. Maximum amount paid per share

The maximum value of the closing price of ordinary transactions of shares of the Company's common stock on the Tokyo Stock Exchange in the six-month period beginning from the time that the Officers, etc. subject to payment meet the requirements for issuance of shares set forth in (4) below.

(4) Eligibility for the System

Upon retirement, Officers, etc. may receive issuance, etc. of the Company's common shares, etc. by completing the designated procedures set forth in the rules on issuance of shares on the condition that they meet the requirements below.

The requirements for issuance, etc. of the Company's common shares, etc. are as follows:

1) The individual was an Officer, etc. of the Company during the Applicable Period following the launch of the System (including those who became directors for the first time after the launch of the System)
2) The individual is a resident of Japan
3) The individual has retired from their position as Officer, etc. of the Company
4) The cumulative number of points set forth in (3) 1) above has been finalized
5) The individual did not commit a serious violation of the agreement, and the like, signed between the Company and its Officers, etc. during their duties as Officer, etc. and did not retire on their own against the wishes of the Company
6) Other requirements deemed necessary to achieve the purpose of a stock compensation system

4. Basis of calculation and specific details of the amount paid in

The disposal price has been set at 2,841 yen, which was the closing price of the Company's shares on the Tokyo Stock Exchange on the trading day (June 24, 2021) immediately preceding the resolution of the Board of Directors pertaining to the disposal of the treasury shares to make it an amount that is not arbitrary, in light of recent share price movements. The reason the closing price of the Company's shares on the trading day immediately preceding the resolution of the Board of Directors was used is that it is the market price immediately before the resolution of the Board of Directors and was determined to be rational and highly objective as the basis for calculation.

The four Audit & Supervisory Board Members (three of whom are Outside Audit & Supervisory Board Members) who attended the meeting of the Board of Directors have expressed that the above disposal price is not an especially advantageous disposal price.