December 20, 2022

To whom it may concern:

Company name:	Shinnihonseiyaku Co., Ltd.
Representative name:	Takahiro Goto, President & Representative Director of the Board and Chief Executive Officer (Securities Code: 4931, TSE Prime)
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Notice Concerning Disposal of Treasury Shares as Transfer Restricted Stock Compensation

Shinnihonseiyaku Co., Ltd. (the Company) announces that at the Board of Directors meeting held on December 20, 2022, the Company resolved to dispose of treasury shares as transfer-restricted stock compensation ("Disposal of Treasury Shares"). Details are as follows.

1. Outline of the Disposal

(1) Disposal date	January 19, 2023
(2) Class and number of shares to be disposed of	Common stock of the Company: 11,699 shares
(3) Disposal price	1,371 yen per share
(4) Total value of the disposal price	16,039,329 yen
(5) Method of performance of contribution	By way of in-kind contribution of the monetary compensation receivables
(6) Allottees of shares, the number thereof, and the number of shares to be allotted	Three Directors of the Board (excluding Outside Directors) 11,699 shares

2. Purposes and Reasons for the Disposal

At the Board of Directors meeting held on November 17, 2020, the Company resolved to introduce a restricted stock system (hereinafter referred to as the "RS System") that distributes the Company's transfer-restricted common stock to eligible Directors as a stock compensation system that replaces the retirement benefits system for directors and other officers, for the purposes of providing the Company's Directors (excluding Outside Directors; hereinafter referred to as the "Eligible Directors") with an incentive that encourages them to sustainably increase the Company's corporate value and, at the same time, further promoting shared value between the Eligible Directors and shareholders. It was approved at the 32nd Annual General Meeting of Shareholders, held on December 23, 2020, that, based on the RS System, the Company shall grant monetary compensation of not more than 30,000,000 yen per year to the Eligible Directors as the monetary compensation that is used as the fund for making capital contributions in order to acquire transfer-restricted stock (hereinafter referred to as the "Monetary Compensation Receivables Subject to Capital Contribution in Kind") and that the transfer restriction period of such transfer-restricted stock shall be the period specified by the Board of Directors of the Company, which is a period between 5 and 30 years.

An outline of the RS System and other details are as follows.

Purpose of Introducing the RS System

The RS System is intended to provide the Eligible Directors with an incentive that encourages them to sustainably increase the Company's corporate value, and to enable such Directors to further promote shared value with shareholders.

Under the RS System, the Eligible Directors shall pay the Monetary Compensation Receivables Subject to Capital Contribution in Kind by way of in-kind capital contribution and subscribe to common stock of the Company that will be issued or disposed of by the Company.

Accordingly, the total number of shares of common stock of the Company to be issued or disposed of shall not exceed 15,000 shares per year, and the amount to be paid in per share shall be determined by the Board of Directors of the Company to the extent that it is not particularly advantageous to the Eligible Directors who subscribe to the common stock and based on the closing price of the shares of common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution by the Board of Directors (or the closing price on the transaction day immediately prior thereto if no transaction is made on such business day).

Also, a restricted stock allocation agreement (hereinafter referred to as the "Allocation Agreement") shall be made between the Company and the Eligible Directors for issuance or disposal of shares of common stock of the Company under the RS System, which will include clauses such as (1) the Eligible Directors cannot transfer, establish security interest for, or otherwise dispose of the common stock of the Company allocated by the Allocation Agreement (hereinafter referred to as the "Allocated Stock") for a certain period of time (hereinafter referred to as the "Transfer Restriction"), and (2) the Company may acquire the Allocated Stock free of charge if certain events arise.

In order to make this system work as an incentive to sustainably enhance the Company's corporate value over multiple years, the Board of Directors has decided to set 30 years as the transfer-restricted period after having the Nomination and Compensation Committee deliberate on this matter and reflecting the opinions thereof.

3. Outline of the Allocation Agreement

The following is an outline of the Allocation Agreement that the Company will conclude with the Eligible Directors in connection with the Disposal of Treasury Shares.

(1) Transfer-restricted period From January 19, 2023 to January 19, 2053

(2) Acquisition without compensation

In the event that the Eligible Directors retire during the transfer-restricted period, or that certain illegal acts, such as violations of laws and regulations or internal rules of the Company, have occurred, etc., that fall under the grounds for acquisition without compensation (determined by the Board of Directors of the Company) necessary to maintain the purpose of the stock compensation system, the Company will rightfully acquire the Allocated Stock without compensation.

(3) Cancellation of Transfer Restriction

Notwithstanding the provision of (1) above, the Transfer Restriction of all of the Allocated Stock will be cancelled at the time of expiration of the transfer-restricted period, given that the Eligible Directors continue to be in the position of director, executive manager, executive officer or employee of the Company or a subsidiary thereof throughout the period from the commencement date of the transfer-restricted period until the date of the Annual General Meeting of Shareholders related to the reporting or determination of financial results of the fiscal year containing the commencement date of the transfer-restricted period (hereinafter referred to as the "Duty Execution Period"). However, if the Eligible Directors retire before the expiration of the Duty Execution Period without falling under any event for acquisition without compensation prescribed in (2) above, the number of the Allocated Stock for which the Transfer Restriction is to be lifted and the timing at which the Transfer Restriction is to be lifted shall be reasonably adjusted as necessary.

(4) Acquisition of residual stock without compensation

The Company will rightfully acquire the Allocated Stock for which the Transfer Restriction has not been lifted in accordance with the provision of (3) above at the time of expiration of the transfer restriction period, free of charge.

(5) Treatment in case of reorganization

In case that matters related to reorganization, etc. are approved at the Ordinary General Meeting of Shareholders of the Company (or at a the Board of Directors meeting in case that approval at the Ordinary General Meeting of Shareholders of the Company is not required concerning the reorganization, etc.), the Transfer Restriction on the part of the Allocated Stock to be reasonably provided by resolution at a the Board of Directors meeting of the Company, based on the period from the commencement date of the transfer-restricted period to the approval date of the reorganization, etc., will be cancelled prior to the effective date of the reorganization, etc. In this case, the Company will rightfully acquire the Allocated Stock for which the Transfer Restriction still has not been cancelled right after the cancellation of the Transfer Restriction, free of charge.

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

The Disposal of Treasury Shares will be made as a disposal of treasury shares based on the RS System. Therefore, the disposal price shall be 1,371 yen, which is the closing price of the common stock of the Company on the Tokyo Stock Exchange on December 19, 2022 (the business day prior to the date of resolution of the Board of Directors), to eliminate arbitrariness. As this is the market stock price of the day immediately preceding the date of resolution of the Board of Directors concerning the Disposal of Treasury Shares, the Company believes that this price is reasonable and is not an especially favorable amount.