November 19, 2024

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 the Abolition of the Performance-Based Stock Compensation System (Performance Share Unit) and the Introduction of the Performance-Based Transfer Restricted Stock Compensation System (Restricted Stock) for Directors of the Board

Shinnihonseiyaku Co., Ltd. (the Company) announces that at the Board of Directors meeting, held on November 19, 2024, the Company resolved to submit the proposal for abolishing the performance-based stock compensation system (performance share unit, hereinafter referred to as the "PSU system") and replacing it with the performance-based transfer restricted stock compensation system (restricted stock, hereinafter referred to as the "RS system"). The latter is to function as a stock compensation system for Directors of the Board of the Company (excluding Outside Directors and Directors of the Board who are Audit and Supervisory Committee Members). The Company also resolved to submit a proposal regarding the RS system. These proposals are to be submitted to the 36th Annual General Meeting of Shareholders, scheduled for December 19, 2024 (hereinafter referred to as the "Meeting"). Details are as below.

1. Abolition of the PSU system

Provided that the Company submits the proposal for the abolition of the operation of the PSU system and the introduction of the RS system for Directors of the Board to the Meeting and this proposal is approved, the Company has decided to abolish the operation of the PSU system in the future upon the conclusion of the Meeting. The Company is to deliver shares corresponding to the performance for the period up to the fiscal year ended September 2024, which has already ended, included in the period from the fiscal year ended September 2024 to the fiscal year ending September 2026, which is the performance evaluation period for the PSU system, after the end of the fiscal year ending September 2026 in accordance with the provisions of the stock compensation regulations (performance share unit), and will not deliver shares for the subsequent periods.

2. Purposes of and conditions for the introduction of the RS System

(1) Purposes of the introduction of the RS System

The introduction of the RS system is intended to give Directors of the Board of the Company (excluding Outside Directors and Directors of the Board who are Audit and Supervisory Committee Members, hereinafter referred to as "Eligible Directors of the Board") incentives to sustainably improve corporate value of the Company, and encourage Directors of the Board to further share value with shareholders.

(2) Conditions for the introduction of the RS system

Under the RS system, the Company provides Eligible Directors of the Board with monetary compensation claims for allotment of shares of common stock of the Company (hereinafter referred to as "monetary compensation claims subject to contribution in kind"), and delivers shares of common stock of the Company through contribution in kind of the said monetary compensation claims subject to contribution

in kind. The introduction of the RS system, therefore, shall be subject to the condition that shareholders approve the payment of the said compensation in the Meeting.

The 35th Annual General Meeting of Shareholders was held on December 19, 2023. It resolved that the maximum amount of compensation under the stock compensation system of the Company for granting transfer-restricted shares of common stock to Directors of the Board (excluding Outside Directors and Directors of the Board who are Audit and Supervisory Committee Members) under the restricted stock system that is a stock compensation system replacing the retirement benefits system for directors and other officers (hereinafter referred to as "retirement-benefit-type RS system") shall be 30 million yen per year, separately from the monetary compensation amount. The meeting also resolved that the total number of shares of common stock of the Company to be issued or disposed of shall be up to 15,000 shares per year. The said General Meeting of Shareholders also resolved that the maximum amount of compensation for granting shares of common stock to Directors of the Board (excluding Directors of the Board who are Audit and Supervisory Committee Members) under the PSU system, which is a performance-based stock compensation system, shall be the amount calculated by multiplying 60,000 shares of common stock of the Company by the share price as of the time when such shares are delivered, for every three fiscal years of the eligible period, separately from the monetary compensation amount.

The Company requests approval for the proposals that the operation of the PSU system mentioned above shall be abolished in the future, the RS system for Eligible Directors of the Board shall be introduced separately from the monetary compensation limit, the total number of shares of common stock of the Company to be issued or disposed of as transfer-restricted shares of common stock shall be up to 75,000 shares per year including those for the retirement-benefit-type RS system, the total amount of monetary compensation claims for granting transfer-restricted shares of common stock shall be up to the amount calculated by multiplying 75, 000 shares of common stock of the Company by the share price as of the time when such shares are delivered, and the specific distribution to Eligible Directors of the Board shall be determined by the Board of Directors.

3. Details of the RS system

(1) Overview of the RS system

Under the RS system, shares of common stock of the Company issued or disposed of by the Company are allocated to Eligible Directors of the Board. This is done by providing Eligible Directors of the Board with monetary compensation claims to grant performance-based transfer-restricted stock compensation according to the achievement of performance targets for one or three fiscal years in principle that are determined by the Board of Directors in advance (hereinafter referred to as "performance evaluation period") after the performance evaluation period, and having Eligible Directors of the Board pay all those monetary compensation claims as property contributed in kind.

The amount of the monetary compensation claims to be provided to Eligible Directors of the Board is calculated by multiplying the number of shares to be delivered by the share price at the time of delivery.

(Note 1) "Number of shares to be delivered" is calculated by multiplying the number of shares determined in accordance with the position of the Eligible Director of the Board by the provision ratio determined in accordance with the achievement of performance targets during the performance evaluation period.

(Note 2) "Share price at the time of delivery" is based on the closing price of shares of common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of resolution by the Board of Directors of the Company regarding the issuance or disposal of those shares (if no trading was completed on that day, the closing price on the trading day immediately preceding that day).

(2) Overview of the RS system

Eligible Directors of the Board shall not transfer, grant a security interest in, or otherwise dispose of the shares allocated to the Eligible Directors of the Board under the allotment contract during the period

determined by the Board of Directors of the Company ranging from 5 to 30 years (hereinafter referred to as "transfer-restricted period") (hereinafter referred to as "transfer restriction"). However, the transfer-restricted period shall be determined by the Board of Directors of the Company after deliberation of the Nomination and Compensation Committee, respecting the opinions of the Committee.

(3) Free acquisition

If an Eligible Director of the Board falls under grounds for free acquisition that is necessary for maintaining the purpose of the stock compensation system (determined by the Board of Directors of the Company), such as retirement during the transfer-restricted period and illegal acts including violation of laws and regulations or the Company's internal rules, the Company shall acquire the allotted shares by applying the rules and without consideration.

(4) Lifting of transfer restriction

Notwithstanding the provisions of (2) above, the Company shall lift the transfer restriction for all the allotted shares upon the expiration of the transfer-restricted period, provided that the Eligible Directors of the Board have continuously been a Director of the Board, Officer, Corporate Officer, or employee of the Company or a subsidiary of the Company during the period from the start date of the transfer-restricted period to the start date of the Annual General Meeting of Shareholders for reporting or determining financial results for the fiscal year to which the transfer-restricted period belongs (hereinafter referred to as the "eligible service provision period"). However, in the event that the Eligible Director of the Board retired before the expiration of the eligible service provision period without falling under any of the grounds for free acquisition set forth in (3) above, the number of the allotted shares for which the transfer restriction is lifted and the timing of lifting the transfer restriction shall be adjusted reasonably as necessary.

(5) Free acquisition of surplus shares

The Company acquires, by applying the rules and without consideration, the allotted shares for which the transfer restriction has not been lifted as of the expiration of the transfer-restricted period in accordance with the provisions of (4) above.

(6) Treatment in the case of reorganization

In the event that the General Meeting of Shareholders of the Company has approved matters concerning reorganization, etc. (the Board of Directors of the Company in the case that such reorganization, etc. does not require approval by the General Meeting of Shareholders of the Company), the transfer restriction shall be lifted by resolution of the Board of Directors of the Company for some of the allotted shares reasonably determined based on the period from the start date of the transfer-restricted period to the day of approval for the said reorganization, etc., prior to the effective date of the said reorganization, etc. In this case, the Company acquires, by applying the rules and without consideration, the allotted shares for which the transfer restriction has not been lifted as of the time immediately after the transfer restriction is lifted.