



May 24, 2024

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(Securities code: 4516 [Tokyo Stock Exchange Prime Market])
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Notice Regarding Introduction of a Restricted Stock Compensation Plan

Nippon Shinyaku Co., Ltd. (the “Company”) announced that, at the meeting held on May 24, 2024, its Board of Directors reviewed the executive compensation system of the Company and resolved to propose that the Company introduce a restricted stock compensation plan (the “Plan”) for its Directors (excluding outside Directors, “Eligible Directors”), and that the Board also decided to submit the proposal regarding the Plan to the 161st Annual General Meeting of Shareholders scheduled for June 27, 2024 (the “General Meeting of Shareholders”).

1. The purposes and conditions of the Plan

(1) Purposes of introducing the Plan

The Plan is designed to grant shares of the Company's common stock to eligible directors as compensation, subject to terms and conditions that define the period of restriction on transfer, requirements for purchase by the Company without consideration, etc. (“Restricted Stock”). With the introduction of this at the time our 7th Five-Year Medium-term Management Plan starts, the Company aim to provide the Eligible Directors with incentives to work to continually enhance the Company’s corporate value and to further promote the alignment of interests between the Eligible Directors and shareholders.

(2) Conditions for the introduction of the Plan

Since this plan involves the payment of monetary compensation claims as remuneration to the Eligible Directors for the grant of Restricted Stock, the introduction of this plan is subject to the approval of shareholders at the upcoming General Meeting of Shareholders.

At the 154th General Meeting of Shareholders held on June 29, 2017, it was approved that the total amount of compensation for the Company’s Directors shall be no more than 600 million yen per year. At the upcoming General Meeting of Shareholders, the Company plans to propose the introduction of the Plan and the payment of monetary claims for the award of shares of Restricted Stock to Eligible Directors within the compensation limits described above.

2. Overview of the Plan

Under the Plan, Eligible Directors shall make in-kind contribution of all monetary compensation claims paid by the Company and shall in turn receive shares of the Company's common stock to be issued or disposed of.

The total amount of monetary compensation claims to be paid to Eligible Directors under the Plan shall be within the abovementioned compensation limit, and the total number of shares of the Company's common stock to be newly issued or disposed of ("Allotted Shares") shall not exceed 100,000 per year. In the event of a split, a gratis allotment of shares, or a reverse split of the Company's common stock, or any other circumstance that requires adjustment of the number of shares, the number of Allotted Shares may be reasonably adjusted. To ensure the alignment of interests between the Eligible Directors and shareholders over the medium to long term, which is one of the purposes of the introduction of the Plan, the transfer restriction period for an Eligible Director shall start on the date of issuance of shares of Restricted Stock and end on the date of his/her retirement or resignation from the position of Director.

The amount of monetary compensation claims to be paid to each Eligible Director for the award of shares of Restricted Stock shall be deliberated and determined by the Remuneration Committee based on entrustment from the Board of Directors. Other details, including the specific timing of claim payment to each Eligible Director, shall be determined by the Company's Board of Directors.

The amount of payment per share of the Company's common stock to be issued or disposed of under the Plan shall be equal to the closing price per share of the Company's common stock at the Tokyo Stock Exchange on the date before the Company's Board of Directors passes a resolution on allotment of Allotted Shares (or, if no stock price quotation is available on that date, the closing price per share on the nearest trading day).

When the Company issues or disposes of Allotted Shares under the Plan, the Company and the relevant Eligible Director shall conclude an agreement to allot Restricted Stock (the "Allotment Agreement"), which includes the following provisions:

- ① Each Eligible Director shall not, for the prescribed period, transfer, create a security interest in, or otherwise dispose of the shares of the Company's common stock allotted to him/her pursuant to the Allotment Agreement, and
- ② If certain specified events occur, the Company shall acquire the Allotted Shares without consideration.

Please note that a similar restricted stock compensation plan for the Company's corporate officers will be considered, subject to approval for the introduction of the Plan at the upcoming General Meeting of Shareholders.