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Notice Regarding Disposal of Treasury Stock as Restricted Stock Compensation

Nippon Shinyaku Co., Ltd. (the “Company”) hereby announces that at the meeting of the Board of Directors held today, a resolution was passed to dispose of its treasury stock as restricted stock compensation (the “Disposal”) as follows:

1. Overview of the Disposal

(1)	Disposal date	August 20, 2024
(2)	Type and total number of shares to be disposed of	26,267 shares of common stock of the Company
(3)	Disposal price	3,460 yen per share
(4)	Total value of shares to be disposed of	90,883,820 yen
(5)	Planned allottees	Eight Directors of the Company, excluding Outside Directors, will receive 26,267 shares in total.

2. Purpose of and reason for the Disposal

As announced in the “Notice Regarding Introduction of a Restricted Stock Compensation Plan” dated May 24, 2024, at the meeting of the Board of Directors held on the same day, a resolution was passed to introduce a restricted compensation plan (the “Plan”) whereby shares of the Company’s common stock would be granted to its Directors (excluding Outside Directors, the “Eligible Directors”), subject to terms and conditions that define the period of restriction on transfer, requirements for purchase by the Company without consideration, etc. The Plan is intended as a new compensation plan that enables the Company 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.

In addition, on June 27, 2024, the 161st Annual General Meeting of Shareholders (the “161st AGM”) approved that under the Plan, the Company shall pay monetary compensation claims up to 600 million yen per year, which is the upper limit of compensation for the Company’s Directors, as monetary compensation to be used as contributions to acquire restricted stock and shall issue or dispose of up to 100,000 shares of its common stock per year and that the period of restriction on transfer of restricted stock shall start on the date of allotment and end on the retirement of the relevant Eligible Director from his/her position of the Company’s Director.

[Overview of the Plan]

Under the Plan, Eligible Directors shall make an 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 current compensation limit (the upper limit of compensation for the Company's Directors), and the total number of shares of the Company's common stock to be newly issued or disposed of under the Plan ("Restricted Stock") shall not exceed 100,000 per year. (However, in the event of a split, a gratis allotment of shares, a reverse split of the Company's common stock, or any other circumstance that requires adjustment of the number of shares, the number of shares of Restricted Stock may be reasonably adjusted.)

The amount of payment per share of the Company's common stock to be issued or disposed of under the Plan shall be determined by the Company's Board of Directors, within the scope of an amount that is not particularly advantageous to the Eligible Director who subscribes to the allotted shares of common stock, based on the closing price per share of the Company's common stock on the Tokyo Stock Exchange one day before the Company's Board of Directors passes a resolution on allotment of shares of Restricted Stock (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 shares of its common stock under the Plan, the Company and the relevant Eligible Director shall conclude a restricted stock allotment agreement (the "Allotment Agreement"), which includes the following provisions:

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

At the Board of Directors meeting held today, it was resolved that total monetary compensation claims of 90,883,820 yen (the "Monetary Compensation Claims") be paid to the eight Eligible Directors who are planned allottees as restricted stock compensation for the period from the 161st AGM to next year's Annual General Meeting of Shareholders and that the Eligible Directors make an in-kind contribution of all the Monetary Compensation Claims paid so that 26,267 shares of the Company's common stock will be allotted as shares of Restricted Stock. The amount of monetary compensation claims to be paid to each Eligible Director is determined through deliberations by the Compensation Committee pursuant to delegation from the Board of Directors in comprehensive consideration of various factors, such as the Company's performance and the responsibilities of each Eligible Director. The Monetary Compensation Claims are paid on the condition that an Eligible Director and the Company conclude the Allotment Agreement, which includes the following provisions:

3. Overview of the Allotment Agreement

(1) Period of restriction on transfer

From August 20, 2024 to his/her retirement from his/her position of the Company's Director

During the period stipulated above (the "Transfer Restriction Period"), the Eligible Director shall not transfer to a third party, establish the right of pledge to, create a mortgage interest in, offer as a living gift, make a bequest of, or otherwise dispose of any shares of Restricted Stock allotted to him/her (the "Allotted Shares"). (Hereinafter, this restriction is referred to as the "Transfer Restriction.")

(2) Removal of the Transfer Restriction

The Company shall remove the Transfer Restriction on all Allotted Shares upon the expiration of the Transfer Restriction Period, provided that an Eligible Director who has received the Allotted Shares has continuously served as the Company's Director during the period from the date of the 161st AGM to the date of the following year's Annual General Meeting of Shareholders (the "Term of Service").

(3) Handling in the event of the resigning of an Eligible Director due to expiration of his/her term of office or other legitimate reasons during the Term of Service

If an Eligible Director resigns from the above-mentioned position for a reason that the Company's Board of Directors recognizes as legitimate during the Term of Service, the number of Allotted Shares from which the Transfer Restriction will be removed and the time of removal of the Transfer Restriction shall be reasonably adjusted as necessary.

(4) Acquisition of Restricted Stock without consideration

If an Eligible Director who has received the Allotted Shares resigns from his/her position of the Company's Director before the expiration of the Transfer Restriction Period, the Company shall automatically acquire the Allotted Shares without consideration, unless there is a reason that its Board of Directors recognizes as legitimate. In addition, if the Transfer Restriction on any of the Allotted Shares has not been removed pursuant to the grounds for removal of the Transfer Restriction stipulated in the second section of this chapter at the time of the expiration of the Transfer Restriction Period stipulated in the first section of this chapter, the Company shall automatically acquire those shares without consideration.

(5) Handling in the event of organizational restructuring

If any proposal for organizational restructuring, such as a merger agreement in which the Company will be a merged company or a stock exchange agreement or share transfer plan in which the Company will become a wholly owned subsidiary, is approved by a General Meeting of Shareholders of the Company (or by the Company's Board of Directors if that organizational restructuring does not require approval from a General Meeting of Shareholders) during the Transfer Restriction Period, the Company shall remove the Transfer Restriction from a certain number of Allotted Shares prior to the effective date of the organizational restructuring. The number of Allotted Shares from which the Transfer Restriction will be removed shall be reasonably determined in consideration of the period from the start date of the Term of Service to the date of approval of the organizational restructuring. In this case, the Company shall automatically acquire Allotted Shares without consideration from which the Transfer Restriction is not yet removed even immediately after the removal of the Transfer Restrictions.

(6) Management of the Allotted Shares

To ensure that the Allotted Shares cannot be disposed of in any way, such as transfer or the establishment of mortgage interests, during the Transfer Restriction Period, the Eligible Directors shall open a dedicated account with a financial instruments business operator designated in advance by the Company and manage the shares in that account until the Transfer Restriction is removed. In addition, the Company has obtained consent from the Eligible Directors for the handling of the shares in the abovementioned way of management in the account.

4. Basis and details of the calculation of the disposal price

To eliminate arbitrariness, 3,460 yen is used as the disposal price, which is the closing price for the common stock of the Company on the Tokyo Stock Exchange on July 19, 2024. As it is the market price of one day prior to the day of the resolution of its Board of Directors, the Company believes that the price is reasonable and not particularly favorable.