



February 10, 2022

Company: C. Uyemura & Co., Ltd.
 Stock Code: 4966
 Listing: Second Section of the Tokyo Stock Exchange
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Notice Regarding Disposal of Treasury Shares as Restricted Stock Incentive Plan for Employee Shareholding Association

C. Uyemura & Co., Ltd. (hereinafter the “Company”) hereby announces that at the Board of Directors meeting held today, it resolved to adopt the Restricted Stock Incentive Plan (hereinafter the “Incentive Plan”) for the Company’s employees in order for granting them restricted stocks through the C. Uyemura Employee Shareholding Association (hereinafter the “ESA”), and to dispose of the Company’s treasury shares as restricted stocks (hereinafter the “Disposal of Treasury Shares” or the “Disposal”), with the ESA as the scheduled allottee based on the Incentive Plan as follows.

1. Overview of the Disposal

(1) Disposal Date	March 25, 2022
(2) Class and number of shares subject to disposal	1,270 shares of common shares of the Company (Note)
(3) Disposal price	JPY 5,800 per share
(4) Total value of disposal	JPY 7,366,000 (Note)
(5) Method of disposal (scheduled allottee)	Third party allotment (C. Uyemura Employee Shareholding Association: 1,270 shares) Note that the Company will not accept any application from the Company’s employees for subscribing for only a part of the shares to be granted.

(Note) The “number of shares subject to disposal” and “total value of disposal” are indicated as maximum amount, and the actual number of shares subject to disposal and the actual total value of disposal are expected to be fixed according to the number of the Company’s employees (up to 222 employees) after conducting the membership promotion to employees who have not yet joined the ESA and confirming the consent of members of the ESA regarding the Incentive Plan, and according to the number of shares to be granted per person (4th grade: up to 2 shares for 38 persons; 5th grade: up to 3 shares for 45 persons; 6th grade: up to 4 shares for 46 persons; 7th grade: up to 5 shares for 51 persons; 8th grade: up to 10 shares for 27 persons; 9th grade: up to 20 shares for 10 persons; 10th grade: up to 30 shares for 5 persons) prescribed according to the employee grade set forth by the Company.

2. Purpose and Reasons for the Disposal

At the Board of Directors meeting held today, the Company resolved to adopt the Incentive Plan, as a measure for promoting the benefits of those among the Company’s employees who are members of the ESA and who have agreed to the Incentive Plan (hereinafter the “Eligible Employees”), to provide the Eligible Employees with opportunities for acquiring the restricted stock (the Company’s common share) to be issued or disposed by the Company through the ESA so as to support property accumulation of the Eligible Employees, as well as to provide them with incentives for seeking the sustainable enhancement of the Company’s corporate value and to promote the further value sharing with the Company’s shareholders.

An overview of the Incentive Plan is as follows:

[Overview of the Incentive Plan]

In the Incentive Plan, the Company will pay monetary claims as an incentive bonus for granting restricted stock (hereinafter the “Incentive Bonus”) to the Eligible Employees, and the Eligible Employees will contribute their Incentive Bonus to the ESA. Subsequently, the Eligible Employees can receive the issuance or disposal of the Company’s common share as the restricted stock through the ESA by the ESA contributing in-kind, to the Company, the Incentive Bonus contributed by the Eligible Employees.

The amount per share to be paid for the Company’s common share in cases where such common share is to be newly issued or disposed of based on the Incentive Plan shall be determined by the Board of Directors to the extent that it is not particularly favorable for the ESA (and by extension for the Eligible Employees) based on the closing price of the Company’s common share 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).

In issuing or disposing of the Company’s common share based on the Incentive Plan, the Company and the ESA will execute a restricted stock allotment agreement, the outline of which includes (1) the ESA are prohibited from transferring, creating any security interest on, or otherwise disposing of the allotted share to a third party during a certain restriction period (hereinafter the “Restriction”), and (2) the Company shall make acquisition of the allotted share without payment of any contribution if certain events occur. Furthermore, the Incentive Bonus will be paid to the Eligible Employees on the condition that the restricted stock allotment agreement is executed between the Company and the ESA.

Moreover, with regard to one’s member equity interest pertaining to the restricted stock acquired by the ESA (hereinafter the “Restricted Stock Equity Interest” or “RS Equity Interest”) through issuance or disposal, an Eligible Employee will be restricted from withdrawing the restricted stock corresponding to the Restricted Stock Equity Interest until the Restriction of the restricted stock is lifted based on the ESA Rules, the ESA Detailed Operation Rules and other rules of the ESA (hereinafter collectively the “ESA Rules, etc.”) (Note).

(Note) The ESA is scheduled to resolve for amendment to the ESA Rules, etc. in order to comply with the Incentive Plan prior to receiving the Treasury Share Disposal at the meeting of the ESA’s governing body to be held promptly after the date of resolution of the Company’s Board of Directors’ meeting. Such amendment is scheduled to become effective when two weeks pass from the date of notification to the ESA member pursuant to the ESA Rules, etc., to be sent after such meeting of the ESA’s governing body, and the number of objections from the ESA members is less than one third of the total number of the ESA members.

In the Treasury Share Disposal, the Company’s common share (hereinafter the “Allotted Shares”) will be disposed to the ESA as a result of the ESA as the scheduled allottee contributing all of the Incentive Bonus contributed from the Eligible Employees as contribution in-kind to the Company based on the Incentive Plan. In the Treasury Share Disposal, the overview of the restricted stock allotment agreement to be executed between the Company and the ESA (hereinafter the “Allotment Agreement”) is as described in “3. Overview of Allotment Agreement” below. While the number of shares to be disposed in the Treasury Share Disposal is expected to become fixed in due course as indicated in (Note) of 1. above, 1,270 shares are scheduled to be disposed to the ESA as the maximum amount. Note that the scale of dilution based on the Treasury Share Disposal is, when based on the foregoing maximum amount, 0.01% (rounded off to two decimal places; hereinafter the same in the calculation of percentages) against 19,756,080 shares as the total number of issued shares as of September 30, 2021, and is 0.01% against 172,266 voting rights as the total number of voting rights as of September 30, 2021.

Note that the Treasury Share Disposal will be implemented on the condition that the revised ESA Rules, etc. become effective by the day before the date of disposal of the Treasury Share Disposal.

3. Overview of Allotment Agreement

(1) Transfer Restriction period

During the Period from March 25, 2022 to the day that the Eligible Employee retires from one’s status as an employee of the Company or the Company’s subsidiary having the member qualification of the ESA

(2) Condition for lifting of Restriction

On the condition that an Eligible Employee had been a member of the ESA on a continuing basis during the Restriction period, the Restriction will be lifted at the time that the Restriction period expires for the total number of Allotted Shares according to the Restricted Stock Equity Interest held by the Eligible Employee who satisfied the foregoing condition. In the foregoing case, the Company shall notify the ESA regarding the lifting of the Restriction and the number of Allotted Shares for which the Restriction will be lifted, and the ESA shall, pursuant to the provisions of the ESA Rules, etc., transfer the portion according to the Allotted Shares for which the Restriction was lifted out of the Restricted Stock Equity Interest held by the Eligible Employee who satisfied the foregoing condition to the member equity interest (hereinafter the “Ordinary Equity Interest”) held by the Eligible Employee in relation to the share acquired by the ESA not based on the Incentive Plan.

(3) Acquisition without contribution by the Company

The Company will automatically acquire through acquisition without contribution the Allotted Shares for which the Restriction is not lifted as of the expiration of the Restriction period. In the foregoing case, the Company shall notify the ESA and the Eligible Employees regarding its acquisition without contribution of the Allotted Shares and the number of Allotted Shares to be acquired through the acquisition, and the ESA shall deduct the portion according to the Allotted Shares to be acquired through the acquisition out of the Restricted Stock Equity Interest held by the Eligible Employees at such point in time according to the provisions of the ESA Rules, etc.

(4) Management of shares

During the Restriction period, the Allotted Shares shall be managed in a dedicated account opened by the ESA at Nomura Securities Co., Ltd. in order to ensure that the ESA neither transfer, create any security interest on, nor otherwise dispose of the Allotted Shares during that period. Furthermore, the ESA shall register and manage, pursuant to the provisions of the ESA Rules, etc., the Restricted Stock Equity Interest to be held by the Eligible Employees in relation to the Allotted Shares separately from the Ordinary Equity Interest held by the Eligible Employees in relation to the share acquired by the ESA not based on the Incentive Plan.

(5) Treatment upon Reorganization, etc.

In cases where, during the Restriction period, a general meeting of shareholders of the Company (however, in cases where the reorganization, etc., in question does not require approval from a general meeting of shareholders of the Company, the Board of Directors of the Company) approves a merger agreement wherein the Company becomes the extinct company, or a share exchange agreement or a share transfer plan wherein the Company becomes a wholly-owned subsidiary, or other matters regarding reorganization, etc., based on the resolution of the Board of Directors, the Restriction may be lifted for the total number of the Allotted Shares according to the Restricted Stock Equity Interest held by the Eligible Employees among the Allotted Shares held by the ESA on the date of the approval in question immediately before the business day preceding the effective date of the reorganization, etc.

4. Basis of Calculation and Specific Details of the Disposal Amount

The Treasury Share Disposal to the ESA as the scheduled allottee is conducted by the Eligible Employees contributing the Incentive Bonus to the ESA for the granting of restricted stock as property contributed in kind. To eliminate any arbitrariness in the disposal amount, the closing price for the Company's common share on February 9, 2022 (the business day prior to the day of resolution of the Board of Directors) on the Second Section of the Tokyo Stock Exchange of JPY 5,800 is used as the disposition value. As this is the market share price immediately prior to the day of resolution of the Board of Directors, the Company believes it is rational and not particularly favorable amount.

Note that the deviation rate (rounded off to two decimal places) of this price from the average closing price of the Company's share in the Second Section of the Tokyo Stock Exchange is as follows.

Period	Average closing price (any amount less than 1 yen shall be rounded off)	Deviation rate
1 month (January 11, 2022 to February 9, 2022)	5,836 yen	-0.62%
3 months (November 10, 2021 to February 9, 2022)	5,436 yen	6.70%
6 months (August 10, 2021 to February 9, 2022)	5,012 yen	15.72%

All three of the auditors (among which two are outside auditors) that attended the meeting of the Company's Board of Directors held today have expressed their opinion that the Company's process of determining that the foregoing disposal amount will not be particularly favorable to the ESA as the allottee is reasonable, and that such determination is appropriate, in light of the fact that the purpose of the Treasury Share Disposal is implemented based on the Incentive Plan, and that the disposal amount is the closing price on the business day immediately preceding the date of the resolution by the Board of Directors.

5. Matters related to procedures under the Company's Code of Conduct

With regard to the Treasury Share Disposal, since (1) the dilution rate is less than 25% and (2) it does not involve the change of the controlling shareholder, there is no need to take procedures for acquiring the opinion of an independent third party and confirming the intention of shareholders as set forth in Article 432 of the listing regulations prescribed by the Tokyo Stock Exchange.

(Reference)

[Scheme of the Incentive Plan]

- (1) The Company will grant monetary claims as the Incentive Bonus to certain members who are eligible to join the ESA.
- (2) The members who agreed to the Incentive Plan will contribute the monetary claims of (1) above to the ESA.
- (3) The ESA will contribute the monetary claims contributed in (2) above to the Company.
- (4) The Company will allot the Allotted Shares to the ESA.
- (5) The Allotted Shares will be deposited in the ESA's RS Equity Interest account through Nomura Securities Co., Ltd.
- (6) After lifting of the Restriction, the Eligible Employees will be able to withdraw the Allotted Shares in the same manner as the ESA's Ordinary Equity Interest account.

