



Issuance of Stock-Based Compensation and Performance Target Linked Stock Options

RAKSUL INC. (TSE PRIME: 4384)

November 17, 2022



Overview of Issuance

- 1. and 2. are stock-based compensation as an incentive issued annually (1-yen SO instead of RS has been implemented for employees from the current fiscal year)
- 3. and 4. (collectively called Quality Growth Stock Option 2022) are stock-based compensation linked to performance targets and serve as medium-term incentives. Trust SO was introduced in anticipation of granting it not only to current executives and employees but also to executives and employees who will join the company in the future

Name	Format	Number of Shares (Dilution % ⁽¹⁾)	Allotees	Conditions of Exercise, etc.
1. Restricted Stock-Based Compensation (RS)	Stock-Based Compensation	11,260 shares (0.04%)	Directors	Restriction on transfers lifted in a lump sum after 3 years
2. Stock Acquisition Rights No.13 (1-yen SO)⁽²⁾	Stock-Based Compensation	42,370 shares (0.15%)	Employees	Exercisable in one sixth increments every 6 months
3. Stock Acquisition Rights No.14 (Paid-in SO)	Performance Target Linked (Quality Growth Stock Option 2022)	192,500 shares (0.66%)	Directors Employees	When EBITDA (non-GAAP) ⁽³⁾ a) Exceeds JPY 2.8Bn in FY2023 or FY2024: 50% exercisable b) Exceeds JPY 4.0Bn in FY2024 or FY2025: 50% exercisable
4. Stock Acquisition Rights No.15 (Trust SO)⁽⁴⁾	Performance Target Linked (Quality Growth Stock Option 2022)	167,500 shares (0.58%)	Directors Employees New hires	Same as above
Total		413,630 shares (1.42%)		

Notes

(1) Based on 29,080,100 shares (29,801 voting rights) of the total number of outstanding shares of the Company as of July 31, 2022

(2) Stock Acquisition Rights described in the "Announcement of Issuance of Stock-based Compensation Stock Options (Stock Acquisition Rights No.13)" disclosed on November 17, 2022

(3) EBITDA (non-GAAP) = Operating Profit + Depreciation + Amortization of goodwill + Stock compensation expenses

(4) Stock Acquisition Rights described in the "Announcement of Issuance of Stock Acquisition Rights No.15 Using a Third-party Allotment Collectively Called "Quality Growth Stock Option 2022", and Introduction of a Market Value Issued Stock Acquisition Rights Trust" disclosed on November 17, 2022



Performance Target Linked Stock Options

- Gross profit, the condition of exercise for the Stock Acquisition Rights No.12 issued in July 2020, was substantially achieved
- In accordance with the Quality Growth policy, EBITDA (non-GAAP) has been set as the condition of exercise, with aim of the need to generating profit while continuing to grow

Purpose

With the intention of increasing our business performance and corporate value over the medium to long term, we aim to further enhance the motivation and morale of our directors and employees and further strengthen company cohesiveness

Condition of Exercise

Issued in July 2020
Stock Acquisition Rights No.12
 (Paid-in SO)

Gross Profit
 FY2022 - FY2024
JPY 7.7Bn

Achieved

FY2022 Result
JPY 9.8Bn

Issued in December 2022
Quality Growth Stock Option 2022
 (Paid-in SO/Trust SO)

EBITDA(non-GAAP)
 a)FY2023 or FY2024

JPY 2.8Bn (50% Exercisable)

b)FY2024 or FY2025

JPY 4.0Bn (50%Exercisable)



Strengthening Equity Incentives

- Our basic purpose and approach to equity incentives have remained the same since the disclosure of our RS system implementation in FY2019 4Q

<p>Purpose</p>	<ul style="list-style-type: none"> • To align the incentives and commitment of directors and employees with the maximization of long-term shareholder value • To ensure the competitiveness of our compensation level in order to attract and retain talent which is the foundation of our competitive advantage
<p>Structure</p>	<ul style="list-style-type: none"> • Structure: restricted stock (RS) and stock options • Simple design that both investors and recipients can expect
<p>Dilution</p>	<ul style="list-style-type: none"> • Expected dilution of max. 10% over 10 years from FY2019 (around 1% per year) • Designed with flexibility for variation in each year • Our percentage of dilutive shares was 7.3% at IPO and 4.4% as of the end of the fiscal year ended July 2022 - lower than other growing companies
<p>Impact on P&L/CF</p>	<ul style="list-style-type: none"> • Stock-based compensation expense for FY2022 was JPY 695MM per year • Stock-based compensation expense for FY2023 will be around JPY 650-700MM per year ⁽¹⁾ • As the impact is neutral in terms of cash flow, we disclose non-GAAP profits, excluding the impact of RS

Notes

(1) Estimated as of September 2022. The amount will be affected by stock price



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Disclaimer

Handling of this material

This material includes forward-looking statements. These forward-looking statements were created based on the information available at the time they were created. They do not guarantee our future results and involve certain risks and uncertainties. Please note that actual results may differ materially from those discussed in the forward-looking statements due to changes in environments surrounding RAKSUL or any other factors.

The factors which may affect actual results include but are not limited to: Japanese and global economic conditions, and conditions of markets in which RAKSUL operates.

RAKSUL is not obligated to update or revise any content of the forward-looking statements within this material, even in cases such as where new information becomes available or future events take place.

Information contained within this material on other topics besides RAKSUL is quoted from published information and other sources. As such, the accuracy, appropriateness, etc. of such information has not been verified, nor do we guarantee them thereof.

Contact Us

IR Group
E-mail: ir@raksul.com
IR Information: <https://corp.raksul.com/en/>