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For Immediate Release

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Notice concerning Introduction of Performance-based Stock Compensation Plan for Directors, etc. of the Company and Subsidiaries

SANKYO CO., LTD. (the Company) announced that it resolved at the meeting of the Board of Directors held today to introduce a new performance-linked stock compensation plan (hereinafter referred to as the “Plan”) for Directors (excluding Outside Directors and non-residents of Japan) and Operating Officers (excluding non-residents of Japan) of the Company, and for Directors (excluding Outside Directors and non-residents of Japan) of the Company’s subsidiaries (hereinafter referred to as “Subsidiaries”) (hereinafter collectively referred to as “Directors, etc. of the Company and Subsidiaries”). The Company will submit a proposal on the introduction of the Plan to the 58th Ordinary General Meeting of Shareholders to be held on June 29, 2023 (hereinafter referred to as the “General Meeting of Shareholders”).

1. Introduction of the Plan

- (1) The Company will introduce the Plan for the purpose of clarifying the linkage between compensation of Directors, etc. of the Company and Subsidiaries and the Company’s performance and stock value, and inspiring and motivating Directors, etc. of the Company and Subsidiaries to contribute to medium- to long-term improvement of the Company’s performance and corporate value by having them share with the Company’s shareholders not only the benefits of the increase of the Company’s share price but also the risk of its decrease.
- (2) The introduction of the Plan shall be subject to the approval at the General Meeting of Shareholders concerning the determination of the amounts and details of the remuneration in connection with the introduction of the Plan.

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With regard to the compensation limit of the stock-compensation-type stock options for the Company's Directors (in an amount not exceeding ¥200 million per year), which was approved at the 49th Ordinary General Meeting of Shareholders held on June 27, 2014, the Company shall abolish such compensation limit subject to the approval of this proposal, and shall not make any allotment of share acquisition rights in the future. However, such share acquisition rights already granted to the Company's Directors shall survive unless they have been exercised.

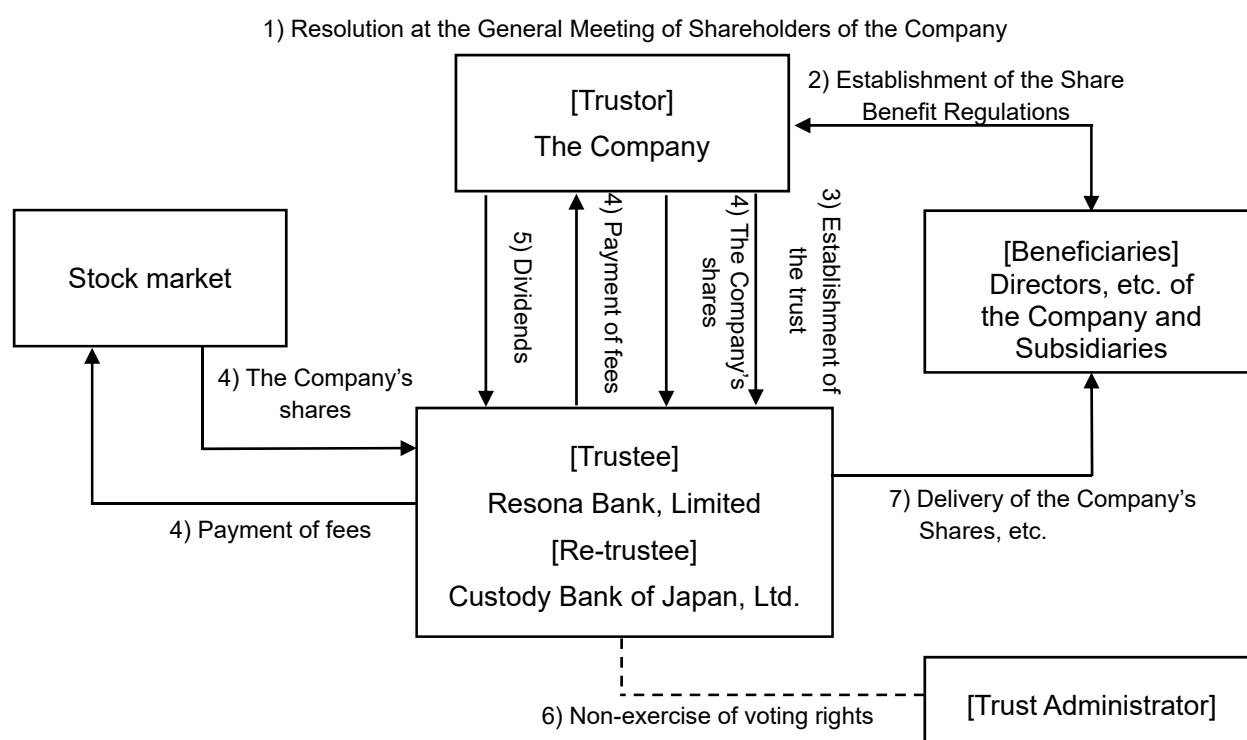
2. Amounts and Details of Compensation, Etc. Under the Plan

(1) Overview of the Plan

The Plan is a stock compensation plan under which a trust to be established through monetary contribution by the Company (hereinafter referred to as the "Trust" and the trust agreement to be concluded with Resona Bank, Limited for the establishment of the Trust is hereinafter referred to as the "Trust Agreement") acquires the Company's shares, and, in accordance with the share benefit regulations (hereinafter referred to as the "Share Benefit Regulations") established by the Board of Directors of the Company and of Subsidiaries, the Company's shares and money equivalent to their market value, corresponding to the number of points to be granted to Directors, etc. of the Company and Subsidiaries (hereinafter referred to as the "Company's Shares, etc.") shall be delivered to Directors, etc. of the Company and Subsidiaries as compensation through the Trust.

The Directors, etc. of the Company and Subsidiaries shall receive the Company's Shares, etc. upon their retirement in principle (for details, please refer to (8) below).

<The Plan's Scheme>



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- 1) The Company shall obtain a resolution at the General Meeting of Shareholders to approve the compensation of the Company's Directors with respect to the introduction of the Plan. In addition, Subsidiaries shall obtain a resolution at the general meeting of shareholders of each to approve the compensation of Directors.
- 2) The Company and Subsidiaries shall establish the Share Benefit Regulations with respect to the delivery of the Company's Shares, etc. under the Plan, at the Board of Directors of the Company and of each of Subsidiaries.
- 3) The Company shall make a monetary contribution within the scope approved at the General Meeting of Shareholders prescribed in 1) above and establish a trust (the Trust) with the persons eligible for the Plan as potential beneficiaries. Additional monetary contributions may be made to the extent approved at the General Meeting of Shareholders prescribed in 1) above.
- 4) The Trust shall acquire the Company's shares from the Company (disposal of treasury shares) or from the stock market, using the money entrusted in 3) above as the source of funds.
- 5) Dividends shall be paid for the Company's shares in the Trust in the same manner as other Company's shares.
- 6) Voting rights with respect to the Company's shares in the Trust shall not be exercised without exception throughout the trust period in order to ensure the management neutrality.
- 7) During the trust period, Directors, etc. of the Company and Subsidiaries shall be given points based on their respective positions and performance achievement rates in accordance with the Share Benefit Regulations prescribed in 2) above, and the eligible persons shall be delivered the Company's Shares, etc. based on the numbers of the accumulated points if they have satisfied certain requirements for beneficiaries stipulated in the Share Benefit Regulations at the time of their retirement, etc.

(2) Persons eligible for the Plan

Directors, etc. of the Company and Subsidiaries

(3) Applicable period of the Plan

Three fiscal years from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2026 (hereinafter referred to as the "Initial Applicable Period") and each of the three fiscal years beginning after the Initial Applicable Period, or, if the Board of Directors passed a resolution for a period exceeding three fiscal years, such period (hereinafter, each such period, together with the Initial Applicable Period shall be referred to as the "Applicable Period").

(4) Trust period

From August 2023 (scheduled) until the termination of the Trust (no specific termination date shall be set, and the Trust shall continue as long as the Plan continues).

The Plan shall be terminated in the event of delisting of the Company's shares, abolition of the Share Benefit Regulations, etc.

(5) Maximum amount of trust money to be contributed to the Trust as funds for acquiring shares

Subject to the approval of the introduction of the Plan at the General Meeting of Shareholders, the Company will contribute up to the amount calculated by multiplying ¥800 million per fiscal year (including ¥400 million for the Company's Directors) by the number of fiscal years included in the Applicable Period (¥2,400 million (including ¥1,200 million for the Company's Directors) for the three fiscal years in the Initial Applicable Period) as funds for acquiring the Company's shares in order to deliver the Company's Shares, etc. to the Directors, etc. of the Company and Subsidiaries under the Plan for the Initial Applicable Plan (Note). During the Initial Applicable Period, the Company may entrust additional funds for acquiring shares to the extent that the total amount of contribution, including the amount initially contributed, is within the amount stipulated above.

Moreover, even after the Initial Applicable Period, the Company shall make additional contributions to the Trust up to the amount stipulated above for each Applicable Period until the termination of the Plan. However, in making such additional contributions, if the Company's shares (the Company's shares corresponding to the number of points granted to Directors, etc. of the Company and Subsidiaries during each Applicable Period (including the Initial Applicable Period) preceding the said Applicable Period, and the shares undelivered to the Directors, etc. of the Company and Subsidiaries are excluded) or money (hereinafter collectively referred to as the "Remaining Shares, etc.") remain in the trust assets at the end of the Applicable Period immediately preceding the Applicable Period for which such additional contribution is to be made, the total amount of such Remaining Shares, etc. and the trust money to be additionally contributed shall be within the amount stipulated above.

(Note) The amount of money actually entrusted by the Company to the Trust shall be the sum of the above-mentioned funds for acquiring the Company's shares and the estimated amount of necessary expenses, such as the trust fee and the fee for the trust administrator.

(6) Calculation method and the maximum number of the Company's shares to be granted to Directors, etc. of the Company and Subsidiaries

During each Applicable Period, the Company shall grant Directors, etc. of the Company and Subsidiaries points calculated based on their respective position and performance achievement rate in accordance with the Share Benefit Regulations. The maximum total number of points to

be granted for the Initial Applicable Period shall be the number of points calculated by multiplying 200,000 points per fiscal year (including 100,000 points for the Company's Directors) by the number of fiscal years in the Applicable Period (600,000 points for the three fiscal years in the Initial Applicable Period (including 300,000 points for the Company's Directors)).

Moreover, the above-mentioned number of points shall be maximum also for each Applicable Period after the Initial Applicable Period.

Each of the granted points shall be converted into one share of the Company when delivering the Company's shares to Directors, etc. of the Company and Subsidiaries (any fraction less than one point shall be rounded down). However, in the event of split, gratis allotment, or consolidation of the Company's shares after the approval of the Plan at the General Meeting of Shareholders, the Company shall make reasonable adjustments to the conversion ratio from point to the Company's share based on the ratio of such split, etc.

(7) Method of acquisition of the Company's shares by the Trust and the maximum number of shares to be acquired

Acquisition of the Company's shares by the Trust shall be conducted on the stock market or by underwriting the disposal of the Company's treasury shares, up to the maximum amount of money to be contributed to the Trust stipulated in (5) above and the maximum number of shares (points) to be granted to Directors, etc. of the Company and Subsidiaries stipulated in (6) above. Details of the acquisition method shall be determined and disclosed by the Company after the General Meeting of Shareholders.

For the Initial Applicable Period, up to 600,000 shares (including 300,000 shares for the Company's Directors) shall be acquired without delay after the establishment of the Trust.

Moreover, the above-mentioned number of points shall also be maximum also for each Applicable Period after the Initial Applicable Period.

(8) Delivery of the Company's Shares, etc. to Directors, etc. of the Company and Subsidiaries

In principle, when any of Directors, etc. of the Company and Subsidiaries retires from office, etc. and satisfies the requirements for beneficiaries stipulated in the Share Benefit Regulations, the Company's shares shall be delivered to him or her based on the number of points granted up to that time subject to the procedures for determining beneficiaries stipulated in the Share Benefit Regulations.

However, with respect to a certain percentage of the points, money equivalent to the market value of the Company's shares shall be delivered in lieu of delivery of the Company's shares with the object of securing funds for tax payments. In the event that any of Directors, etc. of the Company and Subsidiaries dies or it is determined that he or she becomes a non-resident of Japan due to overseas assignment, etc., money equivalent to the market value of the Company's shares shall be delivered in lieu of delivery of the Company's shares for all the granted points. The Trust may sell the Company's shares in order for money to be delivered.

(9) Exercise of voting rights with respect to the Company's shares in the Trust

Voting rights with respect to the Company's shares in the Trust (or the Company's shares before they are delivered to Directors, etc. of the Company and Subsidiaries in accordance with (8) above) shall not be exercised without exception throughout the trust period in order to ensure the management neutrality.

(10) Handling of dividends with respect to the Company's shares in the Trust

Dividends on the Company's shares in the Trust shall be received by the Trust and shall be used as funds for acquiring the Company's shares, and for payment of the trust fee for the Trust.

(11) Treatment upon termination of the trust period

With regard to the residual assets of the Trust upon termination of the Trust, all of the Company's shares shall be acquired by the Company without consideration and then cancelled by a resolution of the Board of Directors. With regard to the residual assets of the Trust upon termination of the Trust, money shall be distributed to the Directors, etc. of the Company and Subsidiaries in office at that time based on each accumulated number of points, or shall be donated to a public interest corporation that has no relationship of interest with Directors, etc. of the Company and Subsidiaries.

(12) Other details of the Plan

Other details with respect to the Plan shall be determined by the Board of Directors upon the establishment of the Trust, an amendment to the Trust Agreement, or an additional contribution to the Trust.

[Overview of the Trust]

- 1) Name: Share Benefit Trust for Directors
- 2) Trustor: The Company
- 3) Trustee: Resona Bank, Limited
Resona Bank, Limited shall conclude a specific comprehensive trust agreement with the Custody Bank of Japan, Ltd., which will be the re-trustee.
- 4) Beneficiaries: Directors, etc. of the Company and Subsidiaries who satisfy the requirements for beneficiaries stipulated in the Share Benefit Regulations
- 5) Trust administrator: A third party that has no interest in the Company
- 6) Type of trust: Trust of money other than money trust (third-party benefit trust)
- 7) Date of execution of the Trust Agreement: August 2023 (scheduled)

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- 8) Date of entrusting money: August 2023 (scheduled)
- 9) Trust period: From August 2023 (scheduled) until the termination of the Trust
(No specific termination date will be set, and the Trust shall continue as long as the Plan continues.)

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