

June 25, 2024

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Notice regarding disposal of treasury stock as restricted stock compensation

SHOFU INC. (the “Company”) hereby announces that its Board of Directors at its meeting held on June 25, 2024, resolved to dispose of treasury stock (“Disposal of Treasury Stock”) as restricted stock compensation, the outline and details of which are shown as follows:

1. Outline of disposal of treasury stock

(1) Disposal date	July 16, 2024
(2) Class and number of shares to be disposed	13,187 shares of common stock of the Company
(3) Disposal price	¥4,420 per share
(4) Total value of share disposal	¥58,286,540
(5) Allottees and number thereof, number of shares to be disposed	Directors (excluding outside directors): 5, 8,573 shares Executive Officers: 8, 4,614 shares

2. Purpose and reasons for Disposal of Treasury Stock

The Company, at the meeting of its Board of Directors held on May 15, 2019, resolved to introduce a restricted stock compensation plan (“Plan”) for the Company’s directors (excluding outside directors, “Eligible Directors”) and executive officers (collectively “Eligible Directors, etc.”), to provide incentives to Eligible Directors, etc, and sustainably enhance the Company’s corporate value by promoting further value sharing between Eligible Directors, etc. and

shareholders. At the 147th Ordinary Shareholders' Meeting held on June 26, 2019, approval was given for the payment of monetary compensation of up to 50 million yen (total amount) and the transfer of up to 50,000 shares (total number) of restricted stock compensation to Eligible Directors.

Taking into consideration the purpose of the Plan, the performance of the Company, the scope of responsibilities of each of the Eligible Directors, etc. and various other circumstances, the company has resolved to pay a total of 58,286,540 yen in monetary compensation claims to the Eligible Directors, etc. on the condition that payment is made by Disposal of Treasury Stock as assets contributed in kind. To realize the purpose of the introduction of the Plan, which is to provide an incentive to achieve a sustainable enhancement of corporate value and share value gains, the period of restriction on transfer is set at 30 years, as described in section 3 below.

3. Outline of the restricted share allotment agreement

Upon allotment through the Disposal of Treasury Shares, the Company and each of the Eligible Directors, etc. will individually enter into a Restricted Stock Allotment Agreement ("Allotment Agreement"), the outline of which is as follows:

(1) Transfer restriction period: July 16, 2024-July 15, 2054

During the above period, the Eligible Directors, etc. shall not be able to transfer, grant a security interest in or otherwise dispose of the common shares of the Company allotted to them as a result of the Disposal of Treasury Shares ("Allotted Shares").

(2) Conditions for releasing transfer restriction

Subject to the condition that the Eligible Directors, etc. have continuously held the position of either director or executive officer of the Company during the transfer restriction period, the Company shall release the restriction on transfer of all the Allotted Shares held by the Eligible Directors, etc at the time of the expiry of the transfer restriction period. However, in the case where Eligible Directors, etc. lose their position as either directors or executive officers due to legitimate circumstances such as expiry of term of office or retirement age deemed justifiable by the Board of Directors, the number of Allotted Shares for which the transfer restriction is to be released and the timing of the releasing of the transfer restriction shall be determined separately in the Allocation Agreement.

(3) Acquisition without consideration by the Company

All of the Allotted Shares for which the transfer restriction has not been released at the time of expiry of the transfer restriction period shall naturally be acquired by the Company without consideration at the time immediately following the said time.

In the event that certain events stipulated in the Allotment Agreement occur, such as the resignation of Eligible Directors, etc. for reasons other than those deemed justifiable by the Board of Directors of the Company before the expiry of the transfer restriction period, the Company shall acquire the Allotted Shares without consideration upon resolution of the Board of Directors of the Company.

(4) Administration of shares

To ensure that the Allotted Shares cannot be transferred, granted a security interest in or otherwise disposed of during the restricted transfer period, the Allotted Shares shall be managed during the restricted transfer period in a dedicated account opened by the Eligible Directors, etc. at Nomura Securities Co., Ltd. To ensure the effectiveness of the restrictions on the transfer of the Allotted Shares, the Company has concluded an agreement with Nomura Securities Co., Ltd in relation to the management of the accounts for the Allotted Shares held by each of the Eligible Directors etc.

(5) Treatment during reorganizations, etc.

If during the transfer restriction period, a proposal for a merger agreement in which the Company is the disappearing company, a share exchange agreement or share transfer plan, or other matters concerning reorganization, etc., is approved by a general meeting of shareholders (or by the Company's board of directors if approval for reorganization, etc. by a general meeting of shareholders is not required), the board of directors shall resolve to release the transfer restrictions prior to the effective date of such reorganization, etc., for a number of the Allotted Shares reasonably determined by the period from the start of the transfer restriction period to the effective date of such reorganization, etc. In such a case, the Company shall naturally acquire the Allotted Shares without consideration for which the transfer restriction has not yet been released as of the time immediately after the transfer restriction is released in accordance with the above.

4. Basis of calculation and specific details for the payment amount

To ensure that the disposal price for the Disposal of Treasury Shares to the allottees is a price that eliminates arbitrariness, the closing price of the business day immediately prior to the day of resolution at the meeting of the Board of Directors is used as the disposal price.

As such, the disposal price for this Disposal of Treasury Shares, is the market price on the day before the date of the resolution of the Board of Directors, and is not particularly favourable to the allottees, and is therefore considered reasonable.

In addition, all Auditors present at the meeting of the Board of Directors (four auditors, two of whom are Outside Auditors) expressed the opinion that the disposal price is not particularly favourable to the allottees.

(Note) This document has been translated from the Japanese original for reference purposes only.

In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.