

This is an English translation of the original Japanese-language press release dated June 15, 2023 and is provided for reference purposes only.

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DESCENTE



June 15, 2023

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Representative Name: President and Representative Director:

Shuichi Koseki

(Code Number: 8114 Prime Market of Tokyo Stock Exchange)

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Notice Concerning the Disposal of Treasury Shares as Restricted Stock Compensation

Descente Ltd. (hereinafter the “Company”) hereby announces that the meeting of board of directors held on June 15, 2023 has resolved to conduct a disposal of its treasury shares as restricted stock compensation (hereinafter “Disposal of Treasury Shares” or “Disposal”) as follows;

1 . Overview of the Disposal

(1)	Disposal date	July 14, 2023
(2)	Class and number of shares to be disposed	Shares of common stock of the Company: 31,700 shares
(3)	Disposal price	4,110 yen per share
(4)	Total disposal value	130,287,000 yen
(5)	Recipients of allocation (hereinafter “Eligible Directors etc.”)	Directors of the Company (excluding outside directors): 4 persons, 23,200 shares Executive officer who does not concurrently serve as a Director of the Company: 1 person, 5,200 shares Director of a subsidiary of the Company: 1 person. 3,300 shares
(6)	Others	This disposal of treasury stock is subject to the effectiveness of the securities registration statement in accordance with the Financial Instruments and Exchange Act.

2. Purpose of and Reason for the Disposal

At the meeting of the board of directors held on May 12, 2017, the company resolved to introduce a restricted stock compensation plan (hereinafter the “Compensation Plan”) for the purpose of providing medium- to long-term incentives and sharing of shareholder value to the “Eligible Directors, etc.” who are directors of the Company, excluding outside directors, and executive officers, excluding concurrent directors of the Company, and directors of subsidiaries of the Company. Also, at the 60th annual general meeting of shareholders held on June 22, 2017, as monetary compensation to serve as invested assets to acquire the restricted stocks (hereinafter “Restricted Stock Compensation”), it was approved that the amount of the Restricted Stock Compensation for the Eligible Directors shall not exceed 200 million yen. In addition, at the 66th annual general meeting of shareholders held today, it was approved to change the transfer restriction period under this system to the resignation of the Eligible Directors or his/her retirement date.

The outline of the Compensation Plan is as follows.

[Outline of the Compensation Plan]

The Eligible Directors etc., shall make in-kind contribution of all monetary compensation claims to be provided by the Company according to the Compensation Plan, and shall, in return, receive shares of common stock of the Company that shall be issued or disposed by the Company. The total number of shares of common stock of the Company to be issued or disposed for the Eligible Directors shall not exceed 50,000 shares per year, and the amount to be paid per share shall be the closing price of common stock of the Company on the Prime market of Tokyo Stock Exchange on the business day immediately preceding the date of the resolution by a meeting of board of directors (or the closing price on the transaction day immediately prior thereto if no transaction is made on such business day).

For the issue or disposal of shares of common stock of the Company under the Compensation Plan, the Company and each Eligible Directors etc., shall make an agreement on allotment of restricted stocks (the “Allotment Agreement”), which includes; (i) The Eligible Directors etc., shall not transfer, create a security interest on, or otherwise dispose of the allotted shares during a certain restriction period, and (ii) The Company shall take back all or part of the allotted shares without cost in case where certain events happen.

Considering the purpose of the Compensation Plan, business performance of the Company, responsibility of the Eligible Directors etc., and various other factors, the Company has decided to provide the total sum of the monetary compensation claims of 130,287,000 yen (the “Total Monetary Compensation Claims”), and 31,700 shares of common stock of the Company in order to further increase motivation of the Eligible Directors etc.

For the Disposal of Treasury Shares, 6 of the Eligible Directors etc., shall make in-kind contribution of all monetary compensation claims to the Company according to the Compensation Plan, and shall receive disposed shares of common stock of the Company. (hereinafter "Allotted Shares".)

3. Overview of the Allotment Agreement

(1) Transfer restriction period

Eligible Directors, etc. may not transfer, create security interests, or otherwise dispose of the Allotted Shares from July 14, 2023 (payment date) until the date of retirement from a director, executive officer who does not concurrently serve as a director, corporate auditor, employee, adviser, consultant, or other similar position (hereinafter referred to as "The Position") of the Company or its subsidiaries.

(2) Conditions for releasing transfer restriction

On the condition that the Eligible Directors, etc. continue to hold any of The Position during the transfer restriction period, the transfer restriction will be lifted when the transfer restriction period expires.

(3) Treatment in cases the Eligible Directors etc., retire from its position due to expiration of the term of office, reaching retirement age or other due causes.

(i) Time of release

In case the Eligible Directors etc., retire from The Position, reaching retirement age or other due causes approved by the board of directors, transfer restriction will be released immediately after the retirement. In case of retirement due to death it will be released at the time to be determined by a meeting the board of directors after the death.

(ii) Number of shares subject to release

The number of shares obtained by multiplying the number of shares held by the Eligible Directors etc., at the time of the retirement described (i) above, and value obtained as a result of dividing the number of months from the month of his/her tenure during the restriction by 12 (if the value is above 1, then 1 is applied.) (However, if a fraction less than one share arises as a result of calculations, the number will be rounded down).

(4) Take-back without cost by the Company

The Company shall automatically take back all the allotted shares without cost immediately after expiration of the transfer restriction period according to the rule described (3) above, if transfer restriction on the allotted shares in question is still to be released.

(5) Control of stocks

To ensure compliance with the transfer restriction during the transfer restriction period, the allotted shares shall be managed in a dedicated account at Nomura Securities Co., Ltd., opened by the Eligible Directors etc. The Company executes the memorandum on the control of the dedicated accounts of the Eligible Directors etc., with Nomura Securities Co., Ltd., in order to secure the effectiveness of the transfer restriction pertaining to the allotted stocks. In addition, the Eligible Directors etc., agree to the contents of the transfer restriction etc.

(6) Treatment during reorganization, etc.

If, during the transfer restriction period, matters relating to a merger agreement in which the Company is the dissolving company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or other reorganization (hereinafter collectively “Reorganization”) are approved at a general meeting of shareholders of the Company (or in the case where the approval at a general meeting of shareholders of the Company is not required, in relation to the Reorganization in question, a meeting of its board of directors), based on the resolution of the board of directors, the number of shares obtained by multiplying the number of shares held by the Eligible Directors etc., at the time of the Reorganization, and value obtained as a result of dividing the number of months from the month including the first date of the transfer restriction to the month including the date of the approval for the Reorganization by 12 (if the value is above 1, then 1 is applied.) (However, if a fraction less than one share arises as a result of calculations, the number will be rounded down) shall be released prior to the date the Reorganization becomes effective.

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

The Disposal of Treasury Shares to the Eligible Directors etc., shall be funded by monetary compensation claims which the Company provided as the Restricted Stock Compensation for 2023 in accordance with the Compensation Plan. To eliminate arbitrariness in the disposal price, the closing price for the common shares of the Company on the Prime Market of Tokyo Stock Exchange on June 14, 2023 (the business day prior to the day of resolution at the meeting of the board of directors) of 4,110 yen is used as the disposal price. As this is the market price the day prior to the day of resolution of the board of directors, we believe it is valid and does not represent a particularly favorable price.

(Reference) [Restricted Stock (RS) Management Flow in the Restricted Stock Plan]

