

Company name: RAKSUL INC.
Representative: Yo Nagami
Representative Director, President and Group CEO
(TSE Prime Market Code No. 4384)
Contact: Masaru Sugiyama
SVP & Group CFO

Notice Concerning Completion of Long-Term Incentive Package for Representative Director, President & CEO

RAKSUL INC. (hereinafter referred to as the “Company”) hereby announces that in accordance with the long-term incentive package for the Representative Director, President and CEO resolved on November 16, 2023, in addition to the previously completed grants of post-delivery restricted-stock-based remuneration and paid stock options by the Company, the purchase of the Company’s shares by Yo Nagami, Representative Director, President, and CEO, has been completed.

1. Purpose of the Long-Term Incentive Package

The Plan was introduced with the aim of promoting further value sharing with our shareholders, as well as encouraging Yo Nagami (hereinafter referred to as the “Subject Director”), who assumed the position of Representative Director, President and CEO on August 1, 2023, to exercise strong leadership to achieve discontinuous growth towards the realization of the Company’s vision, “BETTER SYSTEMS, BETTER WORLD.” More specifically, in order to align the leadership of the Subject Director and RAKSUL’s further growth for the next 10 years, the Company has been creating an environment where the new CEO can focus on promoting the increase of the long-term corporate value as a “founder” of the next decade instead of as a successor (hired CEO).

2. Summary of the Long-Term Incentive Package

A. Post-Delivery Restricted Stock Unit

(1) Summary

The Post-Delivery Restricted Stock Unit is a post-delivery type stock-based compensation plan under which the rights to the shares are granted to the Subject Director only when certain conditions are met each year and the rights for the portion granted for the fiscal year are vested as compensation for the performance of his duties during the 10 fiscal years from FY2023 (August 1, 2023 to July 31, 2024), when he assumed the position of Representative Director, President & CEO, to FY2032 (August 1, 2032 to July 31, 2033). The conditions under which the shares are to be delivered are that the Subject Director shall continuously hold office as Representative Director, President and CEO until the end of the relevant fiscal year (hereinafter referred to as the “Service Conditions”) and that the he shall achieve the performance condition previously determined by the Nomination and Remuneration Committee (hereinafter referred to as the “Performance Conditions”); provided, however, that the number of shares to be delivered does not vary according to the degree of performance achieved. Since the Plan is the compensation for the Subject Director for the execution of his duties for the 10 fiscal years, there is no plan to introduce any other stock-based compensation plan until such period has elapsed.

(2) Details of Remuneration

(i) Calculation Method for Remuneration

The Company shall grant the Subject Director 87,700 Restricted Stock Units (hereinafter referred to as “RSU”), representing up to 87,700 shares, which is approximately 0.15% of the Company’s 58,476,092 total outstanding shares, per fiscal year. RSU will be granted for the 10 fiscal years from FY2023 to FY2032. Only if both the Service Conditions and Performance Conditions have been satisfied for each fiscal year, the rights will be vested at the conclusion of the Annual General Meeting of Shareholders for the relevant fiscal year.

The Performance Conditions established by the Board of Directors in response to the proposal by the Nomination and Remuneration Committee are as follows.

[Performance Conditions]

Consolidated gross profit growth for the subject fiscal year shall be more than 15% YoY.

However, if the Board of Directors of the Company recognizes by a resolution that the year's growth rate is less than 15% due to acquisitions, etc., made in the previous fiscal year of the relevant fiscal year, an average annual growth rate of more than 15% for two years shall suffice.

Upon the vesting of RSU, the Company shall, at the first Board of Directors' meeting held after the vesting, decide to issue new shares or dispose of treasury shares in the number of the Company's common stock equivalent to one share per RSU for the relevant fiscal year, which shall be delivered to the Subject Director without compensation. After the gratis delivery of shares, if the performance for the relevant fiscal year is revised and the revised performance does not satisfy the Performance Conditions, the Company may request the return of the delivered shares.

(ii) Upper Limit of Remuneration under the Plan

The total number of shares to be delivered to the Subject Director under the Plan through RSU for the 10 fiscal years between FY2023 and FY2032 shall be 877,000 shares or less. However, if the total number of outstanding shares of the Company increases or decreases due to a reverse stock split or a stock split (including the allotment of shares without compensation) after the resolution of the General Meeting of Shareholders and before the delivery of shares, the ratio shall be adjusted according to the ratio of the reverse stock split or stock split.

(iii) Reasons for Forfeiture of the Right to Receive Remuneration under the Plan

The Subject Director shall forfeit the right to receive remuneration under the Plan in the event of certain misconduct as determined by the Board of Directors or resignation for certain reasons as determined by the Board of Directors, and in the event of such misconduct, the Company may demand the Subject Director to return the shares already delivered.

B. Paid Stock Options

With the purpose of creating a long-term expansion of business performance and the increase in corporate value, the paid stock options are designed to be exercisable in stages, with the conditions for exercise set at adjusted EBITDA exceeding 10 billion yen to 20 billion yen and stock price per share reaching 8,500 yen to 17,000 yen (equivalent to market capitalization of approximately 500 billion yen to 1 trillion yen calculated based on the number of issued shares at the time of issuance of these stock acquisition rights) by FY2032.

C. Purchase of the Company's shares

With respect to financing for the purchase of the Company's shares, the Subject Director personally acquired the Company's outstanding shares of 400 million yen through purchase from the market. For the purchase, the Subject Director borrowed from financial institutions, and in addition, the Company, after taking measures to protect its assets, loaned the funds for this purchase to the Subject Director personally. While we had initially planned for approximately 1.2 billion yen of share purchase and its corresponding financing at the initial resolution, after careful discussions with all relevant parties and considering the balance between borrowings from financial institutions and the Company's asset preservation, it was determined that the purchase of approximately 400 million yen would be optimal. Accordingly, the Company's financing and the share purchase by the Subject Director have been executed.

After completion of the purchase, the number of shares the Subject Director holds is 1,992,700 shares (3.4% of outstanding shares as of July 31, 2024), including dilutive shares. In addition, if all of the shares delivered under the Plan and the paid stock options are exercised, the total number of shares the Subject Director holds will be 2,869,700 shares (4.9% of outstanding shares).