

Notice of Disposal of Treasury Stock as Remuneration for Restricted Stock

March 25, 2022

Listed exchanges : Tokyo
 Listed company name : Earth Corporation
 Code : 4985
 URL : <https://corp.earth.jp/en/index.html>
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Earth Corporation (the "Company") hereby announces that its Board of Directors has resolved at a meeting held on Mar. 25, 2022, it resolved to dispose of treasury stock (the " Treasury Stock Disposal" or the "Disposal") as follows.

1. Overview of the disposal

1	Payment date	April 22, 2022
2	Class and number of shares for disposal	41,200 ordinary shares of the Company
3	Disposal price	¥ 5,440 per share
4	Total value of disposal	¥ 224,128,000
5	Persons eligible for allotment of shares and number thereof, and number of shares for allotment	<ul style="list-style-type: none"> - Directors of the Company (excluding outside directors), 6 persons, 17,500shares - Executive officers who do not concurrently serve as directors of the Company, 22 persons, 6,100 shares - Directors of the Company's subsidiaries, 14 persons, 17,600 shares
6	Other	This disposition of treasury stock is subject to the effectiveness of the securities registration statement in accordance with the Financial Instruments and Exchange Act.

2. Purpose and reasons for disposal

At a meeting of the Board of Directors held on February 5, 2018, the Board of Directors of the Company approved the following resolution to establish a remuneration system for the Company's directors, excluding outside directors (the "Eligible Directors"), with the aim of providing medium- to long-term incentives and promoting further value sharing with shareholders. The Company resolved at the 94th Ordinary General Meeting of Shareholders held on March 23, 2018 to introduce a restricted stock compensation plan (the "Plan"), which was approved by the shareholders at the 94th Ordinary General Meeting of Shareholders held on March 23, 2018, and to grant the total amount of monetary claims for the grant of shares with transfer restrictions to the subject directors not exceeding 150 million yen per year, and to issue new shares to be issued by the Company not exceeding 150 million yen per year. The total number of shares of common stock to be issued or disposed of shall not exceed 20,000 shares per year (provided, however, that the total number of shares to be issued or disposed of shall not exceed 20,000 shares per year if the Company splits its common stock (including gratis allotment of its common stock) with an effective date on or after the date of resolution of this General Shareholders' Meeting. (However, in the event of a stock split (including gratis allotment of shares of common stock of the Company) or reverse stock split with an effective date on or after the date of resolution of this General Meeting of Shareholders, such total number shall be adjusted as necessary to a reasonable extent according to the split ratio, reverse stock split ratio, etc. after such effective date. The number of shares of common stock shall be adjusted to the extent necessary and reasonable. Furthermore, the period to be determined in advance by the Board of Directors of the Company between three to five years from the date of allotment (the "Transfer Restriction Period") shall be determined in accordance with the Restricted Share Allotment Agreement to be individually executed between the subject director and the Company (the "Allotment Agreement").

At the Board of Directors meeting held on February 14, 2022, it was resolved to grant the same restricted stock compensation to the Company's directors, executive officers who do not concurrently serve as directors of the Company, and directors of the Company's subsidiaries as that to the subject directors. In addition, at the 98th Ordinary General Meeting of Shareholders held on March 25, 2022, in order to further increase the motivation to contribute to the sustainable enhancement of the Company's corporate value and to share value with shareholders for as long as possible, the Company resolved to set the transfer restriction period as "from the date of allocation under the Allocation Agreement to the date of the approval of the The Board of Directors of the Company has approved the revision of the above provision to "during the period from the date on which a person loses his/her position as a director of the Company or any other position determined by the Board of Directors of the Company. The outline of the plan is as follows.

3. Outline of the plan

The Company's directors, executive officers who do not concurrently serve as directors of the Company, and directors of the Company's subsidiaries (the "Eligible Directors, etc.") shall be the directors of the Company, executive officers who do not concurrently serve as directors of the Company, and directors of the Company's subsidiaries (the "Eligible Directors, etc."). The Company's directors, executive officers who do not concurrently serve as directors of the Company, and directors of the Company's subsidiaries (the "Subject Directors, etc.") will pay all of the monetary claims paid by the Company or its subsidiaries under the Plan as assets contributed in kind and will be issued or disposed of with the

Company's common shares. The amount to be paid per share shall be determined based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of each Board of Directors' resolution (or the closing price of the immediately preceding trading day if no trading was effected on that date) and shall be determined in a manner that is particularly favorable to the Subject Directors, etc. who subscribe for such common stock. The Board of Directors will determine the amount of the stock acquisition rights to the extent that it does not exceed the amount of the stock acquisition rights.

In addition, upon the issuance or disposal of shares of common stock of the Company under the Plan, the Company shall enter into the Allotment Agreement, which shall include, among other things, (i) the Eligible Directors, etc. shall be prohibited from transferring, granting security interests in or otherwise disposing of the shares of common stock of the Company allotted under the Restricted Share Allotment Agreement to any third party for a certain period, and (ii) the Company shall acquire such shares of common stock without consideration upon the occurrence of certain events.

This time, in consideration of the purpose of this plan, the range of responsibilities of each eligible director, etc., we have decided to grant a total of 224,128,000 yen in monetary claims (hereinafter referred to as the "Monetary Claims") and allot 41,200 shares of common stock.

In the Treasury Stock Disposal, 42 eligible directors, etc., who are the allottees, will pay all of the Monetary Claims to the Company or its subsidiaries as assets contributed in kind, and the Company's common shares (the "Allotted Shares") will be allotted to them. In the Allotment, the 42 Subject Directors, etc. will pay all of the monetary claims against the Company or its subsidiaries as assets contributed in kind and will be issued common shares of the Company (the "Allotted Shares"). An outline of the Allotment Agreement to be executed between the Company and Eligible Directors, etc. in connection with the Disposal of Treasury Stock is as described in 4. below.

4. Outline of the allotment agreement

A. Transfer restriction period

During the period from April 22, 2022 (the "Disposition Date") to the time immediately following the resignation or retirement from any of the positions of director, executive officer, executive officer not concurrently serving as director, corporate auditor, advisor, counselor, employee, or other similar position at the Company or its subsidiaries.

B. Conditions for Lifting Transfer Restrictions

The period from the date of commencement of execution of duties to the time immediately preceding the conclusion of the first ordinary general meeting of shareholders thereafter ("Service Provision Period"). During the period from the date of commencement of execution of duties to the time immediately prior to the conclusion of the first Ordinary General Meeting of Shareholders to be held thereafter (hereinafter referred to as the "Service Period"), the transfer restriction shall be lifted with respect to all of the Allotted Shares upon expiration of the Service Restriction Period, on the condition that the Subject Director, etc. continuously holds the position of director, executive officer, executive officer not holding the office of director, auditor, advisor, counselor or employee, or any other equivalent position of the Company or its subsidiary. In the case of an executive officer who does not concurrently serve as a director of the Company, the Service Provision Period shall be read as the period from the beginning of the fiscal year that includes the date of this disposition



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to the end of the current fiscal year. The same shall apply in the following cases.

- C. Treatment in the event that a director retires or resigns due to the expiration of his/her term of office, mandatory retirement age, or other justifiable reason during the term of provision of these services
1. Time of lifting restrictions on transfers
If an eligible director, etc. resigns or retires from any of the positions of director, executive officer, executive officer not concurrently serving as director, corporate auditor, advisor, counselor, or employee or any other similar position at the Company or its subsidiary due to expiration of his/her term of office, mandatory retirement age, or any other justifiable reason (including resignation or retirement due to death), the transfer restriction shall be cancelled as of the time immediately following such resignation or retirement of the eligible director, etc.
 2. Number of shares subject to cancellation of transfer restrictions
The number of shares shall be the number of shares obtained by multiplying the number of the Allotted Shares held by the Subject Director, etc. at the time of such retirement or resignation as provided in 1 above by the number of months from the month including the Disposition Date to the month including the date of retirement or resignation of the Subject Director, etc. divided by the number of months for the Service Period (12) (if such number exceeds 1, 1 shall be rounded down) (however, if the calculation results in a fraction of a share, such fraction shall be rounded down).
- D. Acquisition without consideration by the Company
At the expiration of the transfer restriction period or at the time of cancellation of the transfer restriction stipulated in C above, the Company shall naturally acquire the Allotted Shares for no consideration if the transfer restriction is not cancelled. In addition, if the Eligible Directors, etc. fall under certain events stipulated in the Allotment Agreement, such as committing an act in violation of laws and regulations during the Transfer Restriction Period, the Company shall naturally acquire all of the Allotted Shares without consideration at the relevant point in time.
- E. Treatment in Organizational Restructuring, etc.
If, during the transfer restriction period, a merger agreement under which the Company becomes a defunct company, a share exchange agreement under which the Company becomes a wholly owned subsidiary, a share transfer plan, or other matters related to organizational restructuring, etc. are approved at a general meeting of shareholders of the Company (however, if approval by a general meeting of shareholders of the Company is not required for such organizational restructuring, the Board of Directors of the Company) In the event that the number of the Allotted Shares held as of such time is less than the number of the Service Period, the Board of Directors may, by a resolution of the Board of Directors, add to the number of the Allotted Shares held as of such time the number obtained by dividing the number of months from the month containing the Disposition Date to the month containing the date of such approval by the number of months pertaining to the Service Period (12) (if such number exceeds 1, the number is 1) The Restriction

on Transfer of Shares shall be cancelled with respect to the number of shares obtained by multiplying the number of shares to be transferred by the number of shares to be transferred (any fraction of less than one share resulting from the calculation shall be rounded down) as of the time immediately preceding the business day before the effective date of the Reorganization, etc. In addition, the Company shall naturally acquire without consideration all of the Allotted Shares for which the Restriction on Transfer has not been cancelled as of the time immediately following the cancellation of the Restriction on Transfer.

F. Management of shares

The Allotted Shares shall be managed in an exclusive account opened by the Eligible Directors, etc. with Nomura Securities Co., Ltd. during the Restricted Transfer Period so that they cannot be transferred, pledged or otherwise disposed of during the Restricted Transfer Period. In order to ensure the effectiveness of the restrictions on transfer, etc. of the Allotted Shares, the Company has entered into an agreement with Nomura Securities Co., Ltd. in relation to the management of the account for the Allotted Shares held by each of the Subject Directors, etc. The Subject Directors, etc. shall agree to the details of the management of such account.

5. Basis for calculation of the amount to be paid in and other details

This disposition of treasury stock to the Scheduled Subscriber will be made with the monetary claims paid as restricted stock compensation for the Company's 99th fiscal year under this plan as the invested assets. The disposal price is set at 5,440 yen, which is the closing price of the Company's common stock on the First Section of the Tokyo Stock Exchange on March 24, 2022 (the business day before the date of the Board of Directors' resolution), in order to eliminate arbitrariness. This is the market share price immediately prior to the date of the Board of Directors' resolution, and is considered to be reasonable and not a particularly favorable price.