

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.



August 25, 2021

Company name: User Local, Inc
Representative: Masao Ito, President CEO
Code: 3984, Tokyo Stock Exchange
First Section
Contact: Daisuke Iwamoto, CFO
TEL: +81-3-6435-2167

Announcement regarding Introduction of the Restricted Stock Compensation Plan

User Local, Inc (hereinafter “the Company”) hereby announced that at its Board of Directors’ meeting held on August 25, 2021, the Company reviewed our executive compensation system and resolved to introduce a restricted stock compensation plan for our Board Members (including external board members) (hereinafter “the Plan”) as follows. The agenda item concerning the Plan will be proposed at the 16th Ordinary General Shareholders’ Meeting to be held on September 22, 2021 (hereinafter the Shareholders’ Meeting).

1. Purpose and conditions of the introduction of the Plan

The Plan is to be implemented with the aim of encouraging Board Members of User Local, Inc to share values with our shareholders and sustainably enhance our corporate value. In addition, the Plan is to be implemented with the aim of encouraging Corporate Auditors (hereinafter, together with Board Members, “Eligible Board Members”) to work to prevent impairment of our corporate value and maintain confidence of User Local, Inc.

2. Conditions of the introduction of the Plan

As the Plan is to pay monetary receivables as compensation to the Eligible Board Members for allocation of restricted shares, the introduction of the Plan is conditioned on our shareholders’ approval at the Shareholders’ Meeting to grant such compensation.

At the Extraordinary General Shareholders’ Meeting to be held on October 10, 2014, compensation payable to Board Members was approved at a maximum amount of 200 million yen per year (of which, employee salaries are not included.) and compensation payable to Corporate Auditors was approved at a maximum amount of 50 million yen per year. At the Shareholders’ Meeting, we plan to seek shareholders’ approval for the introduction of the Plan and establishment of compensation under the Plan within the existing compensation limit.

2. Overview of the Plan

The Eligible Board Members will pay-in all of the monetary receivables paid by the Company under the Plan as property contributed in kind and receive the common shares to be issued or disposed by the Company in exchange for the in-kind contribution.

The total amount of monetary receivables to be paid to Board Members will be up to 100 million yen per year and Corporate Auditors will be up to 25 million within the existing compensation

payable and the total number of the common shares to be issued or disposed under the Plan will be up to 80,000 shares per year for Board Members and 20,000 shares per year for Corporate Auditors. (The number of shares to be issued or disposed may be adjusted for any compelling reason such as a share split or share consolidation of our common shares.)

In order to realize the sharing of shareholder value over the medium and long term, which is one of the objectives of the introduction of this system, the restricted period will be defined by the Board of Directors within a range from three to six years. The specific timing and allocation of payment to Board Members will be resolved by the Board of Directors and the specific timing and allocation of payment to Corporate Auditor will be resolved by the Board of Auditors. The paid-in amount per common share to be issued or disposed under the Plan will be determined by the Board of Directors and the Board of Auditors within a range that is not particularly advantageous to the Eligible Board Members, based on the closing price of User Local, Inc's common shares on the Tokyo Stock Exchange on the business day prior to the resolution of the Board of Directors and the Board of Auditors concerning the issuance or disposition thereof (or at the closing price on the immediately preceding trading day, if no trading is made on that day) Upon the issuance or disposal of User Local, Inc's common shares under the Plan, User Local, Inc and the Eligible Board Members will enter into a restricted share allotment agreement (hereinafter the "Allotment Agreement"), which stipulates that:

(1) the Eligible Board Members shall not transfer, pledge as collateral, or otherwise dispose of the common shares allocated under the Allotment Agreement for a predetermined period; and

(2) the common shares shall be acquired by the Company without any compensation in certain circumstances.