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Announcement regarding Disposal of Treasury Stock for the Restricted Stock to Board Members

User Local, Inc. (hereinafter the“Company”) announced that, at its Board of Directors’ meeting held on August 7, 2021, our Board of Directors decided to dispose the treasury stock as follows.

1. Overview of the disposal of treasury stock

(1) Pay-in date	Friday, November 5, 2021
(2) Type and number of shares to be disposed	33,000 common shares of User Local, Inc.
(3) Disposal price of shares	JPY 1,745 per share
(4) Total disposal value	JPY 57,585,000
(5) Allottees	26,000 shares to be allocated to 4 Directors 7,000 shares to be allocated to 2 Corporate Auditors
(6) Others	For the disposal of treasury stock, a securities notice has been submitted as required under the Financial Instruments and Exchange Act.

2. Purpose and reasons of the disposal of treasury stock

At the Board of Directors’ meeting held on August 25, 2021, the Company decided to implement a restricted share compensation plan as a new compensation plan for Directors (including external board members) (hereinafter “Plan”) with the aim of encouraging Board Members to share values with our shareholders and sustainably enhance our corporate value and for Corporate Auditors (hereinafter, together with Board Members, “Eligible Board Members”) with the aim of encouraging Corporate Auditors to work to prevent impairment of our corporate value and maintain confidence of User Local, Inc..

Furthermore, the 16th Ordinary General Shareholders’ Meeting held on September 22, 2021 approved that 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 Directors and 20,000 shares per year for Corporate Auditors (After September 22, 2021, 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.), that the total

amount of monetary receivables to be paid to Directors will be up to 100 million yen per year and Corporate Auditor will be up to 25 million yen per year within the existing compensation payable, and that the restricted period will be defined by the Board of Directors within a range from three to six years.

Overview of the Plan is as provided below.

〈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 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 Auditor within a range that is not particularly advantageous to the Eligible Board Members, based on the closing price of the Company'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 Auditor 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 the Company's common shares under the Plan, the Company 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.
- ② The common shares shall be acquired by the Company without any compensation in certain circumstances.

On this basis, the Company has paid the monetary receivables of JPY 57,585,000 in total to Eligible Board Members by resolution of the Board of Directors meeting held today and the Board of Auditors meeting held today. The Board of Directors has also decided to allocate 33,000 common shares to be disposed (hereinafter "Allocated Shares") for the purpose of the monetary receivables to be paid as property contributed in kind (the amount of the monetary receivables paid per share: JPY 1,745). The Company has set the restricted period for the Allocated shares in order to realize the sharing of shareholder value over the medium and long term, which period is set as described in (1) below.

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 disposed by the Company in exchange for the in-kind contribution. Upon the disposal of the treasury stock, the Company and the Eligible Board Members will enter into a restricted share allotment agreement (hereinafter the "Allotment Agreement") as below.

〈Overview of the Restricted Share Allocation Agreement〉

(1) Transfer Restricted Period

The Eligible Board Members may not transfer, pledge as collateral, or use any arrangement to dispose of Allocated Shares for the period from (i) to (iv) as following.

- (i) One-quarter of the Allocated Shares For the period from November 5, 2021 (the pay-in date) to November 5, 2024 (hereinafter “Transfer Restricted Period”)
- (ii) One-quarter of the Allocated Shares For the period from November 5, 2021 (the pay-in date) to November 5, 2025 (hereinafter “Transfer Restricted Period”)
- (iii) One-quarter of the Allocated Shares For the period from November 5, 2021 (the pay-in date) to November 5, 2026 (hereinafter “Transfer Restricted Period”)
- (iv) One-quarter of the Allocated Shares For the period from November 5, 2021 (the pay-in date) to November 5, 2027 (hereinafter “Transfer Restricted Period”)

(2) Conditions subsequent

The transfer restriction of Allocated Shares will be lifted as of expiration of each transfer restriction period upon condition that the Eligible Board Member continues to serve in the status of an officer or an employee at the Company. However, if the Eligible Board Member will lose their status of an officer or an employee in the event of death or other reasons deemed justifiable by the Board of Directors, the Company shall, by a resolution of the Board of Directors of the Company, lift the transfer restriction on the number of Allocated shares calculated based on the number of the months until the date of loss of the status.

(3) Uncompensated acquisition by the Company.

Upon expiration of the transfer restriction period, the Company will automatically acquire all Allocated Shares for which the transfer restriction has not been lifted without providing compensation.

(4) Management of Shares

Allocated Shares shall be managed in a dedicated account for restricted shares established by the Eligible Board Member at Daiwa Securities Co. Ltd. in order to prevent the Allocated Shares from being transferred, pledged as collateral, or disposed of by any arrangement during the transfer restriction period.

(5) Reorganizations

Until November 5, 2027, in the event of a merger agreement in which the Company become a dissolved company, or a share exchange agreement, share transfer plan or any other matters of reorganization with which the Company becomes a wholly owned subsidiary is approved at a general meeting of shareholders of the Company (or the Board of Directors where the reorganization does not require the approval of the general meeting of shareholders) , the Company shall, by a resolution of the Board of Directors of the Company, lift the transfer restriction on the reasonably determined number of Allocated shares calculated in accordance with the case where the subject officer in (2) above loses his/her position period from the start of the restriction transfer period to the date of approval of such organizational restructuring.

3. Basis and Details of Calculation of the Pay-in Amount

The Disposal of Treasury stock will be funded by monetary receivables paid to the allottee as property contributed in kind. In order to exclude arbitrariness with regard to the pay-in amount, the closing price of the common shares of User Local, Inc. on Tokyo Stock Exchange on October 6, 2021

(the business day before the resolution at the Board of Directors), which is JPY 1,745, is taken as the pay-in amount. The amount is the market price immediately prior to the date of the Board of Directors meeting resolution and we believe it appropriately and reasonably reflects the Company's corporate value and is not a price particularly favorable to the allottee unless there is any special circumstance suggesting that dependence on the latest stock price is inappropriate.