

October 15, 2021

To all,

Company Name	AVANT Corporation
Name of Representative	Tetsuji Morikawa, President (Code: 3836, TSE First Section)
For inquiries	Naoyoshi Kasuga, Director (Tel. 03-6388-6739)

## Notice Regarding Issuance of New Shares for Delivery of Shares under the Performance-Linked Stock Compensation Plan and Delivery of Shares with Restricted Stock

The Company hereby announces that its Board of Directors has resolved at a meeting held on October 15, 2021 to issue new shares (hereinafter referred to as the "Issuance of New Shares") as follows. (the "Company") hereby announces that its Board of Directors has resolved at a meeting held on October 15, 2021 to issue new shares (the "New Share Issue") as follows

### (1) Outline of the issue

(1) Payment date	November 12, 2021
(2) Class and number of shares to be issued	Common stock of the Company 22,298 shares
(3) Issue price	1,575 yen per share
(4) Total amount of the issue price	35,119,350 yen
(5) Allottees	One director of the Company 8,705 shares Total of 13 corporate officers of the Company and directors of the Company's subsidiaries 13,593 shares
(6) Others	With respect to this issuance of new shares, the Company has submitted a securities registration statement in accordance with the Financial Instruments and Exchange Act.

### (2) Purpose and Reason for the issue

The new shares will be issued for the purpose of delivering shares of the Company's common stock to the Company's directors in accordance with the performance-linked stock compensation plan (see I below) and delivering shares of the Company's common stock as restricted stock to the Company's corporate officers and directors of the Company's subsidiaries (see II below) as follows

## **I. Delivery of shares to directors of the Company under the performance-linked stock compensation plan**

The Company resolved at a meeting of the Board of Directors held on August 22, 2018, to grant incentives to Directors to continuously increase the corporate value of the Company by clarifying the linkage between the remuneration of Directors and the Company's performance and the value of the Company's shares, and to promote further value sharing between Directors and shareholders. At a meeting of the Board of Directors held on August 22, 2018, the Board of Directors of the Company (excluding outside directors. The same applies hereinafter. The Company's Board of Directors resolved at a meeting held on August 22, 2018 to introduce the Performance Share Unit Program (the "Program"). At the 22nd Annual General Meeting of Shareholders held on September 19, 2018, it was approved that the amount of monetary compensation claims to be delivered by the Company to the Subject Directors as assets contributed in kind under this plan is 100 million yen for each subject period., and the number of shares to be delivered by the Company to the eligible directors under this plan shall be no more than 60,000 shares per director per year and a total of 100,000 shares per year for all directors.

This issuance of new shares will be made in order to deliver shares of the Company's common stock to the Company's directors in accordance with the performance (stock growth rate) during the subject period between September 2018 and September 2021 under the Plan, and the Company will provide one director of the Company with a monetary compensation claim of 13 million yen and have him contribute it in kind to deliver 8,705 shares of common stock of the Company. The details of this plan and the calculation process of the number of shares to be delivered are as follows.

### (1) Details of the Program

#### (i) Target period

The period covered by the medium- to long-term performance-linked remuneration (the "Applicable Period") shall be three years from the month in which the date of the Annual General Meeting of Shareholders of the Company belongs to each year.

#### (ii) Method of payment

After the end of the subject period, monetary compensation claims will be paid to the Company's directors to deliver shares in accordance with the stock growth rate, and the Company's common stock will be delivered to them by having them contribute it in kind.

#### (iii) Calculation of the number of shares to be delivered and the base number of shares to be delivered

The number of shares to be delivered shall be the number obtained by multiplying the base number of shares to be delivered by the prescribed ratio of shares to be delivered. The base number of shares to be delivered shall be calculated by multiplying the base amount of medium- to long-term performance-linked compensation by the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of a resolution of the Board of Directors' meeting to be held within two months after the end of the applicable period to determine the issuance of shares for such delivery or the disposal of treasury stock (the "Resolution of the

Board of Directors' Meeting for Delivery"). ) on the business day immediately preceding the day on which the resolution of the Board of Directors to issue shares for delivery or to dispose of treasury stock is adopted (hereinafter referred to as the "Resolution of the Board of Directors for Delivery"). If the simple average of the closing price of the Company's common stock on the Tokyo Stock Exchange in the month in which the subject period ends (September three years later) is less than the simple average of the closing price of the Company's common stock on the Tokyo Stock Exchange in the month in which the subject period begins (September 2018), no cash compensation claims will be paid to the Directors under the Plan for the subject period.

(iv) Share delivery ratio

The share delivery ratio will be calculated based on the level of the Company's stock growth rate, which is calculated by dividing the Company's Total Shareholder Return during the subject period by the growth rate of the Tokyo Stock Exchange Stock Price Index (TOPIX) during the subject period. The specific formulas for calculating the share delivery ratio and the Company's stock growth rate are as follows.

Share delivery ratio	:	① The growth rate of our stock is	0 %
		If less than 100%.	
		② The growth rate of our stock is	33% x (Growth rate of our stock -
		More than 100% and less than 112%.	100%) / 12
③ The growth rate of our stock is		33% + 67% x (our stock growth	
Between 112% and 150%.		rate - 112%) / 38	
④ The growth rate of our stock is		: 100%	
		When exceeding 150%.	

$$\text{Growth rate of our stock} = \frac{\text{The Company's TSR (Total Shareholder Return) during the subject period}}{\text{Growth rate of TOPIX during the period under review}}$$

$$= \frac{(B + C) \div A}{E \div D}$$

A: Simple average of closing prices of common stock on the Tokyo Stock Exchange during the month in which the subject period begins (September of the current year)

B: Simple average of the closing prices of common stock on the Tokyo Stock Exchange during the month in which the subject period ends (September three years later)

C: Total amount of dividends per share pertaining to the distribution of surplus during the subject period

D: Simple average of TOPIX for the month of the start of the subject period (September of the current year)

E: Simple average of TOPIX at the end of the target period (September three years

later)

(v) Adjustments due to reverse stock split, reverse stock split, etc.

In the event of a stock split of the Company's common stock (including gratis allotment of the Company's common stock) or a reverse stock split of the Company's common stock after September 19, 2018, the date of approval of this proposal, or if any other event occurs that requires adjustment of the following calculation items, such items will be adjusted to a reasonable extent. In the event of a stock split (including gratis allotment of the Company's common stock) or a reverse stock split of the Company's common stock, or in the event that any of the following calculation items need to be adjusted, the relevant items will be adjusted to a reasonable extent.

(vi) When the subject director resigns due to death, etc.

In the event that the eligible director retires due to death, or in the event that certain reorganization, etc. of the Company is approved at the Company's general meeting of shareholders, etc., cash will be paid in lieu of shares up to 100 million yen for each applicable period.

(vii) Criteria for granting medium- to long-term performance-linked compensation to representative directors

With regard to the stock-based compensation for the President and Representative Director, in order to further clarify the responsibility of the President and Representative Director in realizing the medium-term management plan "BE GLOBAL," the following restrictions will be established based on the "stock sales ratio (ratio of continuous sales to total sales)," which is an important quantitative indicator of the medium-term management plan, as follows In order to clarify the responsibility of the President and Representative Director, the following restrictions on the grant of stock options were approved at the 24th Annual General Meeting of Shareholders held on September 23, 2020.

Fiscal year	Stock sales ratio
Fiscal year ending June 30, 2019	50% or more
Fiscal year ending June 30, 2020	60% or more
Fiscal year ending June 30, 2021	70% or more
Year ending June 30, 2022	70% or more
Fiscal year ending June 30, 2023	70% or more

(2) Calculation of the number of shares to be delivered with respect to the Plan out of the New Share Issuance

(i) Target period

This covers the three-year period from September 2018 to September 2021.

(ii) Calculation of the number of shares to be delivered

Standard number of shares delivered = Base amount of medium- to long-term performance-linked compensation / Closing price on the business day prior to the Board of Directors' meeting for grant (October 14)

$$= 13 \text{ million yen} / 1,575 \text{ yen} = 8,705 \text{ shares}$$

Number of shares to be delivered      Number of shares to be delivered = Standard number of shares to be delivered × Ratio of shares to be delivered

$$8,705 \text{ shares} \times 100\% = 8,705 \text{ shares}$$

(iii) Calculation of the share delivery ratio

$$\text{Total shareholder return during the subject period} = (1,553.3+7.5+9+11) / 774.42 = 204.1\%$$

$$\text{Growth rate of TOPIX during the period under review} = 2,063.04 \div 1746.41 = 118.1\%$$

Growth rate of our stock      = Total shareholder return during the period under review / Growth rate of TOPIX during the period under review

$$= 204.1\% / 118.1\% = 172.8\%$$

The share delivery ratio will be 100%, applying (1)-iv above.

(iv) Medium- to long-term performance-linked compensation for representative directors

As the stock sales ratio for the fiscal year ended June 30, 2021, which is the subject period, is 36.0%, which is in violation of the restricted grant criteria, no medium- to long-term performance-linked compensation will be paid to the Representative Director under this plan.

## **II. Delivery of shares to corporate officers of the Company and directors of subsidiaries of the Company as shares with restrictions on transfer**

At a meeting of the Board of Directors held today, the Company resolved to issue 13,593 shares of the Company's common stock (the "Allotted Shares") to a total of 13 corporate officers of the Company and directors of the Company's subsidiaries (the "Allotted Persons") as a new share issue for the purpose of providing incentives for the sustainable enhancement of the corporate value of the Company's group and promoting further value sharing with shareholders. In addition, from the perspective of encouraging medium- to long-term and continuous service, we have decided to place restrictions on the transfer of these allotted shares, and have set the term of such restrictions at approximately three years.

The Subject Officers will pay all of the monetary remuneration claims paid to them as contribution in kind and subscribe for the shares of common stock to be allotted by the Company through the Stock Issuance. In addition, in connection with the issuance of the new shares, the Company will enter into a restricted stock allotment agreement with the Subject Officers, which generally includes the following contents.

### **Restricted Stock Allotment Agreement**

#### **(1) Period of restrictions on transfer**

The Subject Officers shall not transfer, create a security interest in, or otherwise dispose of the Allotted Shares during the period from November 12, 2021 (payment date) to October 31, 2024.

#### **(2) Conditions for Removal of Restrictions on Transfer**

Provided that the subject officer has continuously held the position of either an executive officer or employee of the Company or a director, corporate auditor, executive officer or employee of a subsidiary of the Company during the period of restriction on transfer, the restriction on transfer shall be lifted for all of the shares of the Allotted Stock held by such subject officer on the date of expiration of the period of restriction on transfer. However, if the subject officer loses his/her position as an executive officer or employee of the Company or as a director, corporate auditor, executive officer or employee of a subsidiary of the Company due to expiration of his/her term of office, expiration of his/her employment period (however, if he/she is rehired after reaching the mandatory retirement age, such reemployment period will expire), death, or any other reason that the Board of Directors of the Company deems justifiable, the Company will cancel the restriction on transfer of all of the shares of Stock Acquisition Rights held by the subject officer on the date of expiration of the Restriction Period. In this case, the number of shares to be transferred shall be the number obtained by dividing the number of months from the month including the payment date to the month including the date of such loss by 36, multiplied by the number of the Allotted Shares held at that time (provided, however, that any fraction of less than one share shall be discarded as a result of the calculation), as of the time immediately following such loss. (However, any fraction of less than one share resulting from the calculation shall be discarded.

(3) Acquisition by the Company free of charge

The Company shall naturally acquire the Allotted Shares for which the restrictions on transfer have not been lifted free of charge at the time the Restriction Period expires or immediately after the Subject Officers lose their positions as corporate officers or employees of the Company or as directors, corporate auditors, corporate officers or employees of the Company's subsidiaries during the Restriction Period.

(4) Management of shares

The Allotted Shares will be managed in a dedicated account for restricted transfer shares opened by the Subject Officers at Daiwa Securities Co., Ltd. during the restricted transfer period so that they may not be transferred, secured or otherwise disposed of during the restricted transfer period.

(5) Treatment in organizational restructuring, etc.

If, during the Restricted Transfer Period, a merger agreement in which the Company becomes a defunct company, a share exchange agreement in which the Company becomes a wholly owned subsidiary, or a share transfer plan, or any other matter relating to organizational restructuring, etc. is approved at a general meeting of shareholders of the Company (or, if such organizational restructuring, etc. does not require approval at a general meeting of shareholders of the Company, at a meeting of the Board of Directors of the Company) ), the Company shall, by resolution of the Board of Directors, purchase the number of the Allotted Shares obtained by dividing the number of months from the month including the payment date to the month including the date of approval of the Reorganization by 36 and multiplying by the number of the Allotted Shares held by the Company at that time (provided, however, that any fraction of less than one share shall be discarded as a result of the calculation). (However, any fraction of less than one share resulting from the calculation shall be discarded), the restrictions on transfer of the Allotted Shares shall be cancelled as of the time immediately preceding the business day immediately preceding the effective date of the Reorganization, etc.

**(3) Basis for calculation of the amount to be paid in and specific details thereof**

The issuance of new shares will be made using the monetary claims paid to the allottees as investment assets, and the payment price is set at 1,575 yen, which is the closing price of the Company's common stock on the Tokyo Stock Exchange on October 14, 2021 (the business day immediately preceding the date of the Board of Directors' resolution), in order to make the price arbitrary. This is the market share price immediately prior to the date of the Board of Directors' resolution, and in the absence of any special circumstances indicating that the most recent share price cannot be relied on, we believe that this is a reasonable price that appropriately reflects the corporate value of the Company and does not constitute a price that is particularly favorable to the Subject Officers.

Ends