



November 4, 2021

To whom it may concern:

Net One Systems Co., Ltd.
(Stock Code: 7518, TSE1)

Notice regarding disposal of treasury stock as restricted stock compensation

Net One Systems Co., Ltd. (the “Company”) hereby announces that it resolved to dispose of treasury stock (the “Disposal of Treasury Stock” or “disposal”) at its Board of Directors meeting on November 4, 2021, as outlined below.

1. Overview of disposal

(1) Disposal date	November 22, 2021
(2) Class and number of shares to be disposed of	18,920 shares of common stock of the Company
(3) Disposal price	¥3,875 per share
(4) Total disposal amount	¥73,315,000
(5) Allottees and number thereof, and number of shares to be allotted	Employees of the Company, 168 employees, 18,920 shares
(6) Other	With regard to the Disposal of Treasury Stock, the Company has submitted a Written Notice of Securities in accordance with the Financial Instruments and Exchange Act.

2. Purpose and reasons for disposal

At its Board of Directors meeting on March 24, 2017, the Company resolved to establish a restricted stock compensation plan (the “Compensation Plan”) as an incentive system for employees of the Company. The Compensation Plan aims to provide incentives that raise the motivation of employees to continuously improve the corporate value of the Company, while also further promoting shared values with shareholders.

Under the Compensation Plan, the eligible employees of the Company (the “Eligible Employees”) shall contribute all monetary claims paid by the Company as contributions in kind for the acquisition of the restricted stock, and in return, receive the shares of common stock to be disposed of by the Company.

The amount to be paid per share of common stock to be disposed of shall be the amount determined by the Board of Directors to the extent that does not constitute an especially advantageous sum with respect to the Eligible Employees who receive the shares of common stock of the Company under the Compensation Plan, based on the closing price of common stock of the Company on the Tokyo Stock Exchange on the business day preceding the applicable day on which the resolution was adopted by the Board of Directors (or the closing price on the immediately preceding transaction day if no transaction is made on such business day).

In addition, with respect to the disposal of shares of common stock of the Company under the Compensation Plan, the Company and the Eligible Employees shall conclude a restricted stock allotment agreement, which shall include (1) a provision prohibiting Eligible Employees from transferring, collateralizing, or otherwise disposing of the shares of common stock of the Company allotted to them under

the restricted stock allotment agreement (the “Allotted Shares”) for a specified period, and (2) a provision allowing the Company to acquire the allotted shares of common stock without consideration under certain circumstances.

At the Board of Directors meeting held on September 25, 2020, last year, the Company resolved to dispose of treasury stock as restricted stock compensation under the Compensation Plan. It set the disposal date on October 23, 2020, and issued 8,640 shares of common stock of the Company to employees of the Company.

On this occasion, the Company has comprehensively assessed the effect and results of the disposal of treasury stock as restricted stock compensation last year, and it has resolved the Disposal of Treasury Stock under the Compensation Plan this year as well, in an effort to provide incentives that raise the motivation of employees to continuously improve the corporate value of the Company, while also further promoting shared values with shareholders.

The Company has decided that the total amount of monetary claims to be paid to Eligible Employees based on the Compensation Plan shall be ¥73,315,000 (the “Monetary Claims”), that it shall grant shares of common stock of the Company to the Eligible Employees by disposing of treasury stock, and that the number of shares of common stock to be disposed of shall be 18,920 shares. The Compensation Plan was established in an effort to provide incentives that raise the motivation of employees to continuously improve the corporate value of the Company, while also further promoting shared values with shareholders. However, because the Company has changed the implementation timing this year, the fourth year since the launch of the Compensation Plan, due to impact from the COVID-19 pandemic and other factors, it has shortened the transfer restriction period compared to typical years. In addition, the Company has decided the number of shares of common stock to be disposed of shall be equivalent in value to monetary prizes presented to winners of the highest award of the Company’s internal commendation program.

The shares subject to the Disposal of Treasury Stock under the Compensation Plan shall be allotted to 168 Eligible Employees, and the Eligible Employees shall contribute all Monetary Claims paid by the Company as contributions in kind, and in return, receive the shares of common stock to be disposed of by the Company, which correspond to the Allotted Shares.

3. Overview of restricted stock allotment agreement

The outline of the restricted stock allotment agreement to be concluded by the Company and the Eligible Employees in conjunction with the Disposal of Treasury Stock is as follows.

- (1) Transfer restriction period: November 22, 2021 to July 11, 2022
- (2) Conditions for removing transfer restrictions

The Company shall remove the transfer restrictions for all Allotted Shares held by the Eligible Employees upon the expiry of the transfer restriction period, provided that the Eligible Employees have continuously served as an executive director, vice president, or employee of the Company or of a subsidiary of the Company during the transfer restriction period. However, if an Eligible Employee resigns or retires from his/her position(s) due to death, retirement age, or other legitimate reasons, the provisions in (3) below shall apply.

- (3) Treatment of resignation or retirement from position(s) by Eligible Employee due to death, retirement age, or other legitimate reasons during transfer restriction period
 - 1) Timing of removal of transfer restrictions
 - 2) Number of shares subject to removal of transfer restrictions

The number of shares obtained by multiplying the number of Allotted Shares held by the Eligible Employee at the time of resignation or retirement, by the value obtained by dividing the number of

months starting from the month that includes the payment date for the Allotted Shares to the month that includes the date on which the Eligible Employee resigned or retired by 12 (any fractions less than one share unit resulting from the calculation shall be rounded down).

(4) Acquisition of Allotted Shares by the Company without consideration

The Company shall, as a matter of course, acquire without consideration any Allotted Shares on which transfer restrictions have not been removed due to the reasons outlined in (2) and (3) above, etc., immediately after the expiry of the transfer restriction period.

(5) Management of Allotted Shares

In order to prevent the Allotted Shares from being transferred, collateralized, or otherwise being disposed of during the transfer restriction period, the Allotted Shares shall be managed during the transfer restriction period in dedicated accounts opened by each Eligible Employee at Nomura Securities Co., Ltd. In order to ensure the effectiveness of the transfer restrictions, etc. with respect to the Allotted Shares, the Company has concluded an agreement with Nomura Securities Co., Ltd. regarding the management of the accounts for the Allotted Shares held by each Eligible Employee.

(6) Treatment in the event of organizational restructuring, etc.

If a matter concerning the organizational restructuring, etc. of the Company, such as a merger agreement whereby the Company will be the non-surviving party to the merger, or a share exchange agreement or share transfer plan whereby the Company will become a wholly owned subsidiary of another entity, is approved at the Company's General Meeting of Shareholders (or by the Company's Board of Directors if such organizational restructuring, etc. does not require approval of the Company's General Meeting of Shareholders) during the transfer restriction period, the Company shall remove, based on a resolution of the Company's Board of Directors, the transfer restrictions on a certain number of Allotted Shares obtained by multiplying the number of Allotted Shares held by the Eligible Employees at the time by the value obtained by dividing the number of months starting from the month that includes the payment date for the Allotted Shares to the month that includes the date of approval for the organizational restructuring, etc. by 12 (any fractions less than one share unit resulting from the calculation shall be rounded down), immediately prior to the business day preceding the day on which the organizational restructuring, etc., becomes effective.

4. Basis for calculating the amount to be paid and specific details

To avoid arbitrary pricing, the disposal price for the Disposal of Treasury Stock shall be set at ¥3,875, which is the closing price of common stock of the Company on the First Section of the Tokyo Stock Exchange on November 2, 2021 (the business day preceding the day on which the Board of Directors adopted the resolution regarding the Disposal of Treasury Stock). This is the market share price immediately prior to the day on which the Board of Directors adopted the resolution regarding the Disposal of Treasury Stock, and the Company believes this is a reasonable price.

(Reference) Management procedure for restricted stock (RS) under RS compensation plan

