



May 16, 2022

To whom it may concern:

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

## **Notice regarding the setting of remuneration amounts for executive directors and the introduction of a restricted stock compensation plan**

Net One Systems Co., Ltd. (“Net One Systems” or the “Company”) hereby announces that, as previously disclosed through earlier releases entitled “Notice regarding Net One Systems’ transition into a company with an audit and supervisory committee and candidates for the position of executive director” (dated March 25, 2022) and “Notice regarding partial amendments to Net One Systems’ Articles of Incorporation” (dated April 28, 2022), it has reached the decision to transition into a company with an audit and supervisory committee, subject to approval of corresponding proposals during its 35th Annual Shareholders Meeting scheduled for June 22, 2022. Accordingly, during a meeting held on May 16, 2022, Net One Systems’ Board of Directors conducted a review of the Company’s executive remuneration system and resolved to establish remuneration amounts for its executive directors (excluding executive directors serving concurrently as Audit & Supervisory Committee members) and executive directors serving concurrently as Audit & Supervisory Committee members and introduce a restricted stock compensation plan for its executive directors (excluding executive directors serving concurrently as Audit & Supervisory Committee members and outside executive directors). In connection with these decisions, Net One Systems’ Board of Directors has approved corresponding proposals that will be submitted during its 35th Annual Shareholders Meeting.

In accordance with prescribed procedures, our Board of Directors reached these decisions following deliberations conducted by its Advisory Committee. Further details have been included below.

### **1. Changes to executive remuneration system**

Subject to the approval of relevant proposals during the 35th Annual Shareholders Meeting, Net One Systems plans to transition into a company with an audit and supervisory committee. Alongside this transition, we have decided to review our executive remuneration system with the goal of motivating our executive directors more strongly than ever as we aim to achieve performance targets set forth in our medium-term business plan (first fiscal year ending March 31, 2023), steadily meet non-financial targets as part of our ongoing efforts to fulfill our unwavering social mission, and enhance our medium- to long-term corporate value through thorough measures aimed at preventing recurrence of fraudulent transactions uncovered during previous fiscal years and promotion of corporate culture reform.

### **2. Establishment of remuneration amounts for executive directors**

During its 28th annual meeting held on June 16, 2015, Net One Systems’ General Assembly of Shareholders decided that the remuneration amount for executive directors of the Company shall not exceed ¥470 million per annum (with annual remuneration for executive directors who are not outside

executive directors limited to ¥400 million and remuneration for outside executive directors limited to ¥70 million per year). These limits have not been applied to bonuses for executive directors, which have been determined during annual general meetings of shareholders.

Assuming that the proposal regarding partial amendments to the Company's Articles of Incorporation that enables a transition into a company with an audit and supervisory committee pass without revisions, during its 35th Annual Shareholders Meeting, Net One Systems will propose that the basic amount of remuneration for executive directors (excluding executive directors serving concurrently as Audit & Supervisory Committee members) be set at no more than ¥280 million per annum (with remuneration for outside executive directors limited to ¥80 million per year) while also submitting a proposal that sets annual limits of ¥150 million on bonuses for executive directors (excluding executive directors serving concurrently as Audit & Supervisory Committee members and outside executive directors) and ¥100 million on remuneration for executive directors serving concurrently as Audit & Supervisory Committee members.

### **3. Implementation of this system**

#### **(1) Reasons for implementing this system**

Net One Systems plans to implement this system as a means of providing incentives for its executive directors (excluding executive directors serving concurrently as Audit & Supervisory Committee members and outside executive directors; below, "eligible executive directors") as it aims to generate ongoing improvement in its corporate value and promote further value sharing between shareholders and eligible executive directors.

#### **(2) System outline**

##### **A. Amount of remuneration and number of shares issued to executive directors**

Under this system, Net One Systems will issue monetary compensation claims to eligible executive directors as remuneration for the granting of restricted shares. In addition, these monetary claims shall be paid by the eligible executive directors to which they were issued as property contributed in kind, and in recognition of this payment, Net One Systems shall issue or dispose of common shares as appropriate.

During its 35th Annual Shareholders Meeting, Net One Systems will propose that the total value of monetary compensation claims to be issued to eligible executive directors under this system shall be not be subject to limits prescribed in the section entitled "2. Establishment of remuneration amounts for executive directors" and shall not exceed ¥150 million per annum. Net One Systems' Board of Directors will reach decisions regarding the specific timing and allocation of payments to eligible executive directors following deliberations performed by the Remuneration Advisory Committee, which will consist mostly of outside executive directors (During a Board of Directors' meeting to be held following the 35th Annual Shareholders Meeting, Net One Systems plans to split its Advisory Committee into a Nomination Advisory Committee and a Remuneration Advisory Committee. For more details, please see Net One Systems' April 28, 2022 release entitled "Notice regarding reorganization of the Advisory Committee.>").

During its 25th annual meeting held on June 14, 2012, Net One Systems' General Assembly of Shareholders approved the decision to issue stock acquisition rights (as stock options) with a maximum annual value of ¥50 million to executive directors (excluding outside executive directors), and Net One Systems had since been issuing stock acquisition rights in accordance with this decision. Under its new executive remuneration system, the Company will eliminate this annual limit of ¥50 million and cease to issue stock acquisition rights (as stock options) to executive directors (excluding outside executive directors).

Additionally, under this system, Net One Systems will not issue or dispose of more than 100,000 shares of common stock per year (However, in the event of a stock split [including gratis allotments of common shares] or reverse stock split of common shares in Net One Systems with an effective date that falls on or after June 22, 2022 [or the date on which this system is proposed to and adopted by the General Assembly of Shareholders during its 35th annual meeting], this limit shall be adjusted, as necessary, to a reasonable extent that will be determined based on factors such as stock split ratio, share allotment ratio, and reverse stock split ratio.) The per-share amount to be paid by eligible executive directors shall be determined based on the Tokyo Stock Exchange's closing price for common shares in Net One Systems on the business day immediately preceding the date of the corresponding resolution of the Board of Directors (or the closing price on the immediately preceding trading day if no trading was conducted on that date).

**B. Restricted share allotment agreement**

Net One Systems' allotment of common shares to eligible executive directors shall be contingent upon the conclusion of restricted share allotment agreements between Net One Systems and eligible executive directors. In general, these agreements shall include the following conditions.

- a. During a predetermined period (below, "the period of restriction"), eligible executive directors may not transfer, create security interests on, or otherwise dispose of shares allotted to them.
- b. Under appropriate circumstances, Net One Systems may acquire these shares without compensation.

During the period of restriction, to prevent eligible executive directors from transferring, creating security interests on, or otherwise disposing of shares allotted to them, these allotted shares shall be managed through special accounts opened by these eligible executive directors at the appropriate account management institution.

Following the conclusion of its 35th Annual Shareholders Meeting, through a resolution of its Board of Directors, Net One Systems plans to issue restricted shares to its vice presidents as compensation under the same terms and conditions described above.