



November 1, 2023

To whom it may concern:

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

Notice regarding disposal of treasury shares as restricted stock compensation

Net One Systems Co., Ltd. (the “Company”) hereby announces that, at a meeting held on August 19, 2022, its Board of Directors reached the decision to dispose of treasury shares (the “Disposal of Treasury Shares”) as restricted stock compensation, as outlined below.

1. Overview of disposal

(1) Disposal date	November 29, 2023
(2) Class and number of shares slated for disposal	11,880 shares of common stock in the Company
(3) Disposal price	¥2,296 per share
(4) Total disposal amount	¥27,276,480
(5) Allottees and number of shares to be allotted	66 employees of the Company or its subsidiaries, 11,880 shares
(6) Other	With regard to the Disposal of Treasury Shares, the Company has submitted a Written Notice of Securities in accordance with the Financial Instruments and Exchange Act of Japan.

2. Purpose and reasons for disposal

At a meeting held on March 24, 2017, the Company’s Board of Directors resolved to establish a restricted stock compensation plan (the “Compensation Plan”) as an incentive system for employees of the Company or its subsidiaries. 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 or its subsidiaries (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 common shares 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 common shares 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 common shares 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 common shares 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 common shares without compensation under certain circumstances.

At the Board of Directors meeting held on August 19, 2022, the Company resolved to dispose of treasury shares as restricted stock compensation under the Compensation Plan. It set the disposal date on September 16, 2022 and issued 9,380 common shares of the Company to employees of the Company or its subsidiaries.

On this occasion, the Company has comprehensively assessed the effect and results of the disposal of treasury shares as restricted stock compensation last year, and it has resolved the Disposal of Treasury Shares 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 ¥27,276,480 (the "Monetary Claims"), that it shall grant common shares of the Company to the Eligible Employees by disposing of treasury shares, and that the number of common shares to be disposed of shall be 11,880 shares. In addition, the Company has decided the number of common shares 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 Shares under the Compensation Plan shall be allotted to 66 Eligible Employees, and the Eligible Employees shall contribute all Monetary Claims paid by the Company as contributions in kind, and in return, receive the common shares to be disposed of by the Company, which correspond to the Allotted Shares.

3. Outline 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 shares is as follows.

(1) Transfer restriction period: November 29, 2023 to July 11, 2024

(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 (including individuals who perform the duties of executive members at subsidiaries that are limited liability companies), 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

Immediately after resignation or retirement

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 compensation

The Company shall, as a matter of course, acquire without compensation 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) Handling in cases 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 calculation of the payment amount and specific details thereof

To avoid arbitrary pricing, the disposal price for the Disposal of Treasury Shares shall be set at ¥2,296, which is the closing price of common stock of the Company on the Prime Market of the Tokyo Stock Exchange on October 31, 2023 (the business day preceding the day on which the Board of Directors adopted the resolution regarding the Disposal of Treasury Shares). 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 Shares, and the Company believes this is a reasonable price.

(Reference) Management flow of restricted stock (RS) under the RS system

