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January 25, 2021

Name	Insource Co., Ltd.
Representative	Takayuki Funahashi Representative Director and CEO (Code number: 6200, First Section of the Tokyo Stock Exchange)
Contact	Shigeo Fujimoto Director, Executive Officer, Chief Financial Officer (Corporate Management Department) (TEL.03-5259-0070)

Notice Regarding Disposal of Treasury Shares as Share Compensation with Restricted Share Ownership to Employees of Insource Co., Ltd. and Directors and Employees of Its Subsidiaries

Insource Co., Ltd. (the "Company") hereby announces that at its Board of Directors meeting, held on January 25, 2021, it resolved to dispose of treasury shares (hereinafter the "Disposal of Treasury Shares" or the "Disposal") with Restricted Share Ownership.

1. Overview of the Disposal

(1)	Disposal Date	April 1, 2021
(2)	Class and Number of Shares to Be Disposed of	Common shares of the Company: 240,900 shares
(3)	Disposal Amount	1,892 yen per share
(4)	Total Disposal Amount	455,782,800 yen
(5)	Grantees of Shares and Number thereof, Number of Shares to be Disposed of	Employees of the Company: 218,600 shares to be allotted to 304 persons Directors of its Subsidiaries: 7,300 shares to be allotted to 3 persons Employees of its Subsidiaries: 15,000 shares to be allotted to 30 persons
(6)	Others	With regard to this disposal of treasury shares, the Company has submitted an extraordinary report under the Financial Instruments and Exchange Act.

2. Purposes and Reasons for Disposal

At its meeting of the Board of Directors, held on January 25, 2021, the Company resolved to establish a new remuneration plan, the Restricted Share Compensation Plan (the "Plan"), for employees of the Company and Directors and employees of its subsidiaries who meet the prescribed requirements

(hereinafter collectively referred to as the "Grantees") in order to continuously improve the corporate value of the Company and for the purpose of providing incentives for sustainable improvement and further sharing of value with shareholders.

The overview of the Plan is as follows.

【Overview of the Plan】

The Grantees will pay all of the monetary remuneration claims provided by the Company and its subsidiaries under the Plan as contribution in kind, and will receive the issuance or disposal of the Company's common shares.

The amount to be paid in per share shall be determined by the Board of Directors of the Company based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day immediately preceding the day of the resolution of the Board of Directors of the Company (or the closing price of the most recent business day if no trading is conducted on the same day), to the extent that the amount is not particularly favorable to the Grantees who will subscribe to the said shares with restrictions on transfer.

In issuing or disposing of common shares of the Company under the Plan, the Company shall conclude the allotment agreement of shares with restrictions on transfer (hereinafter referred to as the "Allotment Agreement") with the Grantees, which shall include the following provisions.

- (1) The Grantees shall be prohibited from transferring, creating security interest, or otherwise disposing of common shares of the Company to be allotted under the agreement for a certain period of time.
- (2) In the event that certain circumstances arise, the Company shall acquire said common shares without contribution.

Today, in accordance with the resolution of the Board of Directors of the Company and the consensus of the Directors of its subsidiaries, the Company will pay a total monetary remuneration claims of 413,591,200 yen to 304 employees of the Company and a total monetary remuneration claim of 42,191,600 yen to 33 Directors and employees of its subsidiaries (hereinafter referred to as the "Monetary Remuneration Claims"). And the Company has decided to allot 240,900 shares of the Company's common shares with restrictions on transfer by having the Grantees deliver all of the Monetary Remuneration Claims by way of contribution in kind. The amount of the Monetary Remuneration Claims to the Grantees has been determined after comprehensively taking into consideration various circumstances, including the business performance of the Company and the responsibilities of each Grantee. In addition, the Monetary Remuneration Claims will be paid on the condition that the Grantees enter into an allotment agreement for shares with restricted transfer with the Company, which includes the following details.

3. Overview of the Allotment Agreement

- (1) Restricted Period: From April 1, 2021 to March 31, 2024

During the period of restricted transfer shown above (hereinafter the "Restricted Transfer Period"), regarding the allotted shares ("hereinafter the "Allotted Shares"), the Grantee shall not be able to assign, pledge, grant a security interest in, give a living will to, bequeath, or otherwise dispose of any of its assets to any third party (the "Transfer Restriction").

- (2) Conditions for Lifting of Transfer Restriction

The Company will lift the restriction on transfer of all of the Allotted Shares upon expiration of the Restriction Period, provided that the Grantees who have received the allotment of the Restricted Shares have continuously held any of the positions of Director, Executive Officer or employee of the Company or its subsidiaries during the Restriction Period. However, if a Grantee resigns or retires (including retirement due to expiration of term of office, mandatory retirement age, or death, and at the end of the reemployment period in the case of being reemployed after retirement) from any of the above positions during the Restriction Period, the Company will naturally acquire all of the Allotted Shares held by the Grantee at that time without contribution.

- (3) Acquisition of Restricted Share without Contribution

The Company will naturally acquire the Allotted Shares, for which the restrictions on transfer are not lifted, without contribution at the time of the lifting of the restrictions on transfer shown in (2)

above.

(4) Treatment during Reorganization, etc.

If, during the Restriction Period, a merger agreement in which the Company becomes a disappearing company, a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, or any other matter relating to organizational restructuring, etc. is approved at the General Meeting of Shareholders of the Company (or at a meeting of its Board of Directors in cases where the approval at the Company's General Meeting of Shareholders is not required for the reorganization, etc.), the Company shall, by a resolution of the Board of Directors of the Company, lift the Restriction on Transfer relating to all of the number of the Allotted Shares held by the Company at that time as of the time immediately preceding the effective date of the organizational restructuring, etc. In addition, at the time immediately after the Restriction on Transfer is lifted, the Company will naturally acquire all the Allotted Shares without contribution on which the Restriction on Transfer has not been lifted.

However, notwithstanding the foregoing, if the point of the business day immediately preceding the effective date of the Reorganization, etc. is no later than January 1, 2022, the Company will naturally acquire all of the Allotted Shares without contribution as of the point in time immediately preceding the business day of immediately preceding the effective date of the Reorganization, etc.

(5) Management of the Allotted Shares

In order to ensure that the Allotted Shares cannot be transferred, secured by transfer rights, or otherwise disposed of during the Transfer Restriction Period, the Grantee will open a dedicated account for the Allotted Shares with financial instruments business operator designated in advance by the Company (Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) and manage the shares in such account until the transfer restriction is lifted.

4. Basis of Calculation and Specific Details for the Amount to Be Disposed of

The disposal price has been set at 1,892 yen, which is the closing price of the Company's common shares on the Tokyo Stock Exchange on January 22, 2021 (the business day immediately preceding the date of the resolution by the Board of Directors of the Company), in order to eliminate arbitrariness. This is the market price of the Company's common shares immediately prior to the date of the resolution of the Board of Directors meeting, and the Company believes that it is reasonable and does not constitute a particularly favorable price.

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