

May 16, 2002

To whom it may concern,

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President & CEO:	Kazuo Sato
(Code: 7518 First section of Tokyo Stock Exchange)	
Reference:	Director Isao Nakamura
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### Notice regarding issuance of stock option in accordance with stock acquisition rights

Net One Systems Co., Ltd. (the "Company") resolved at May 16, 2002 meeting of Board of Directors to propose an agenda at its June 27, 2002 ordinary general meeting of shareholders, requesting authorization to issue stock acquisition rights at favorable terms (without any consideration), pursuant to Articles 280-20 and 280-21 Paragraph 21 of the Commercial Code of Japan.

#### 1. Reason for issuance of stock acquisition rights at favorable terms

The Company will issue stock acquisition rights at favorable terms to directors and hired workers ("Beneficiary "or "Beneficiaries") without any consideration therefore for the purposes of giving Beneficiaries an increased incentive and a boost in morale as well as retaining qualified personnel towards improvement of the business performance of the Company, by making the economic interest which such Beneficiaries will receive correspond to the business performance of the Company.

As stock acquisition rights will be offered as stock option, they will be issued without any consideration upon terms outlined below, and the amount of paid in for the stock acquisition rights shall be the price based on current price as outlined in 6 below.

#### 2. Class of shares allocated for stock acquisition rights

Company's common stocks

#### 3. Number of shares allocated for stock acquisition rights

Not exceeding 7,500 shares will be issued to Beneficiaries who are retained by the Company or who are employee of the Company upon issuance of the stock acquisition rights. If there is a stock split or stock merger, number of shares to be issued shall be adjusted according to the following formula. Provided however, that such adjustment is

only applicable to unexercised shares intended for stock acquisition rights at the time of such stock split or stock merger.

Number of shares after adjustment = Number of shares before adjustment × ratio of split

If any fraction less than one share arise as a result of such adjustment, such fraction will be discarded.

**4. Total number of stock acquisition rights to be issued**

7,500 (for each stock acquisition right, one share will be issued.) If number of shares for stock acquisition rights is adjusted pursuant to provision of preceding paragraph, number of shares intended per stock acquisition right will be likewise adjusted according to the formula described in the preceding paragraph.

With regards to allocation of stock acquisition rights among Beneficiaries, a total of 7,500 shares of which 1,500 will be reserved for board members and 6,000 will be reserved for hired workers will be issued. Distribution of stock acquisition rights within the above guideline will be at the discretion of board of directors.

**5. Issue price of stock acquisition rights**

No consolidation shall be paid.

**6. Amount to be paid in for exercise of stock acquisition rights**

857,850 yen. (Closing price on Common Stock in the regular trading on the Tokyo Stock Exchange on May 15, 2002 multiplied by 1.05) or the closing price on the day of issuance of stock acquisition rights (if no applicable trading takes place on the referred date, the closing price on the immediately preceding trading date will be applied.), whichever is greater.

If the Company splits or consolidates its shares, the amount of paid in will be adjusted according to the following formula, and any fraction less than one yen resulting from this adjustment shall be rounded up to the nearest one yen.

Paid in price after adjustment = Paid in price before adjustment ×  
(1/ratio of split or consolidation)

**7. Exercise period of stock acquisition rights**

The exercise period shall be between August 1, 2004 and July 31, 2007. Provided however, exercise of stock acquisition rights within the above referred exercise period may be restricted based on individual stock acquisition rights provision contract to be agreed upon between each Beneficiary and the Company.

**8. Conditions for exercise of stock acquisition rights**

(1) Individuals granted with stock acquisition rights must continue to be the board

member, auditor or hired worker (including consultants and advisors) of the Company or the Company's subsidiary at the time of exercise of stock acquisition rights.

(2) During each following terms, exercise of stock acquisition rights shall be restricted so that within each term, aggregate number of exercised stock acquisition rights will not exceed the stipulated number of stock acquisition rights. Provided that, for both terms, (i) and (ii), fractional numbers of stock acquisition rights shall be carried forward to the proceeding terms.

(i) from August 1, 2004 to July 31, 2005  
1/3 of the subscribed stock acquisition rights

(ii) from August 1, 2005 to July 31, 2006  
2/3 of the subscribed stock acquisition rights

(iii) from August 1, 2006 to July 31, 2007  
3/3 of the subscribed stock acquisition rights

(3) If it is determined that the exercise of stock acquisition rights does not serve their intent of issuance, including such circumstances as beneficiary commits an act that significantly violates statute, article of incorporation, or corporate regulations, or if the Beneficiary becomes a board member, hired worker, contract employee, advisor or consultant to a competitor of the Company, stock acquisition rights shall not be exercisable.

(4) Stock acquisition rights may not be pledged, negatively pledged or disposed, or be heritable.

(5) Partial exercise of stock acquisition rights is not permissible.

(6) Other details of exercise of stock acquisition rights shall be indicated in a stock acquisition rights contract to be signed between the Company and the Beneficiary. Such contract shall be based on the resolutions of Company's board of directors as well as resolutions of 15<sup>th</sup> ordinary general meeting of shareholders and resolutions of board of directors.

#### 9. Causes and conditions for retirement of stock acquisition rights

(1) Stock acquisition rights may be retired without consideration when conditions as stipulated in above 8. (1) for exercise of stock acquisition rights are no longer applicable, any condition stipulated in 8. (3) which inhibit the exercise of stock acquisition rights occurs, such stock acquisition rights are disposed as a result of violation of above 8. (4), or when exercise of such stock acquisition rights is not approved for any other reasons.

(2) If the Beneficiary waives all or a portion of the stock acquisition rights, the Company may retire the applicable stock acquisition rights without consideration.

(3) If there is a merger or consolidation to the Company and the surviving company or the

newly established company does not assume the responsibility related to stock acquisition rights, the Company may retire the stock acquisition rights without any consideration.

- (4) If the Company becomes a wholly owned subsidiary as a result of transfer of shares or exchange of shares and conditions stipulated in following 11. are not achieved, the Company may retire the stock acquisition rights without any consideration.
- (5) All other matters regarding retirement of Stock Acquisition Rights shall be indicated in a stock acquisition rights contract to be signed between the Company and the Beneficiary. Such contract shall be based on the resolutions of 15<sup>th</sup> ordinary general meeting of shareholders and board of directors' resolutions on Stock Acquisition Rights.

#### 10. Restrictions on assignment of Stock Acquisition Rights

Assignment of Stock Acquisition Rights requires the approval of Board of Directors.

11. Policy for assumption of stock acquisition rights by parent company after stock transfer or stock exchange and for matters related to stock acquisition rights subsequent to such assumption.

- (1) If the Company becomes a wholly owned subsidiary of another company ("Parent Company"), as a result of stock transfer or stock exchange, with regards to such stock transfer or stock exchange, obligations to the Company's Beneficiaries for stock acquisition rights shall either be assumed through exchange of applicable shares to the Parent Company or through transfer of stocks to the newly established Parent Company. Provided however, it is conditioned upon acceptance to assume obligation relating to stock acquisition rights in stock exchange contract to be drafted in relation to stock exchange or upon approval of resolution for stock transfer in shareholders' meeting regarding stock transfer.
- (2) Class of shares to be issued for stock acquisition rights  
Common Stocks of the Parent Company
- (3) Number of shares to be issued for stock acquisition rights  
Number of shares allocated in above 3 (if any adjustments are made, number of shares after adjustments) multiplied by the number of Parent Company shares to be allocated for one share of the Company share ("Allocation Ratio") in relation to share exchange or share transfer and any fractional share less than one share shall be rounded down to the nearest 1 share.
- (4) Amount to be paid in for exercise of stock acquisition rights  
With regards to the amount to be paid in for exercise of stock acquisition rights shall be calculated based on following formula and any fraction less than one yen arising as a result of such calculation shall be rounded up to the nearest one yen.  
Paid in amount after the assumption of stock acquisition rights =

Paid in amount prior to the assumption of stock acquisition rights  $\times$  (1/Allocation Ratio)

**(5) Exercise period of stock acquisition rights**

Exercise period of stock acquisition rights is as indicated in 7 above, provided however if the exercise period of stock acquisition rights has commenced at the time of assumption of such stock acquisition rights, the period shall commence on the effective date of stock transfer or stock exchange, and continue until the termination date as indicated in 7 above.

**(6) Condition for exercise and causes and conditions for retirement of stock acquisition rights**

To be decided based on above 8. and 9.

**(7) Restrictions to assignment of stock acquisition rights subsequent to the assumption of stock acquisition rights**

Assignment of stock acquisition rights subsequent to the assumption of stock acquisition rights requires approval of board of directors of the Parent Company.

**12. Details**

The details of the stock acquisition right shall be determined by resolution of board members meeting to be held subsequent to 15<sup>th</sup> ordinary general meeting of shareholders.