



## Notice to issue Stock Acquisition Rights

**Tokyo, Japan – 16 May 2017:** Sosei Group Corporation (“Sosei”; TSE Mothers Index: 4565) announced today Sosei Group Corporation (the “**Company**”) resolved at a meeting of its Board of Directors held to issue Stock Acquisition Rights as Share based compensation to directors and executive officers of the Company and certain employees of its wholly-owned subsidiaries as follows pursuant to the provisions of Articles 236, 238 and 240 of the Companies Act.

### **I. The purpose and reason for the offering of the Stock Acquisition Rights**

The Stock Acquisition Rights (the “**Rights**”) will be issued as stock options to directors, and executive officers of the Company and certain employees of the Company and its subsidiaries in order to align employee compensation to the long term interests of shareholders, and to ensure that the compensation structure of the company is appropriately structured to enable the Group to be able to attract and retain employees in what is a very competitive and global market place.

### **II. Terms and conditions of the Stock Acquisition Rights**

#### **1. Name of the Stock Acquisition Rights**

The 31st Series Stock Acquisition Rights of Sosei Group Corporation

#### **2. Number of Stock Acquisition Rights to be Issued**

1,200

The above number of the Rights is the planned allotment number. If the total number of the Rights to be allotted decreases due to non-subscription by eligible individuals or for other reasons, the total number subscribed shall be the total number of the Rights to be issued.

The total number of shares to be delivered upon exercise of the Rights shall be 120,000 shares. If the number of shares granted with respect to the Rights is adjusted in accordance with clause 4.(1) below, a number obtained by multiplying the total number of shares granted after adjustment by the total number of the Rights shall be the aggregate number of shares to be delivered upon exercise of the Rights.

### 3. Cash Payment in Exchange for Stock Acquisition Rights

The issue price for each Right shall be the amount obtained by multiplying the number of shares to be allotted by the fair value per share on the date of allotment calculated by using the Black-Scholes formula. This is the fair market price of the Right and is not particularly favorable to the persons who will subscribe for the Rights.

The persons to whom the Rights are allotted (the “**Rights Holder**”) will offset its obligations to pay such a price by the rights of such Rights Holder to receive remuneration payable by the Company. Payment of cash is not required in exchange for the Rights.

### 4. Details of Stock Acquisition Rights

Class and Number of Shares to be issued upon Exercise of Stock Acquisition Rights

The class of shares to be issued upon exercise of the Rights shall be shares of common stock of the Company, and the number of shares to be issued for each share option (the “**Number of Shares Granted**”) shall be 100 shares.

If, after the date of allotment of the Rights (the “**Allotment Date**”), the Company conducts a stock split (including any allotment of shares without contribution; the same shall apply hereinafter) or a stock consolidation, the Number of Shares Granted shall be adjusted according to the following formula. Such adjustment shall only be made with respect to the number of shares subject to unexercised Stock Acquisition Rights, with any fractional shares resulting from such adjustment rounded down to the nearest whole share.

$$\begin{array}{l} \text{Number of Shares Granted} \\ \text{after adjustment} \end{array} = \frac{\text{Number of Shares Granted before} \\ \text{adjustment} \times \text{Stock split (or consolidation)}}{\text{ratio}}$$

The Number of Shares granted after adjustment shall apply on and after the next day of the record date (if no record date is fixed, the effective date) of stock split or on and after the effective date of stock consolidation.

Furthermore, if, after the Allotment Date, the Company conducts a merger, company split or capital reduction, or in any other case similar thereto where an adjustment in the Number of

Shares Granted is required, the Company shall adjust the Number of Shares Granted as appropriate.

(1) Value and Calculation Method of Assets to be Contributed upon Exercise of Stock Acquisition Rights

The value of the assets to be contributed upon exercise of the Rights shall be one (1) yen for each share of common stock to be delivered upon exercise of the Rights (the “**Exercise Price**”) multiplied by the Number of Shares Granted.

(2) Exercise Period of Stock Acquisition Rights

The period during which the Rights may be exercised (the “**Exercise Period**”) shall be the period beginning from 1 July 2020, and ending on 30 April 2027 (or the preceding banking day if 30 April 2027 is a bank holiday). Provided, however, that the Rights may be exercised even before the first day of the Exercise Period if there is a change of the shareholder who holds a majority of the voting rights of all shareholders of the Company (except as a result of the Reorganization set out in item 7 below).

(3) Conditions for Exercising Stock Acquisition Rights

- (i) A Rights Holder may exercise his or her Rights if the closing price of common stock of the Company in the regular trading on the Tokyo Stock Exchange (the “TSE”) on 1 July 2020 is 115% or more of the base price. For the purpose of these items, the “base price” means the closing price of common stock of the Company in the regular trading on the TSE on the Allotment Date.
- (ii) Notwithstanding the conditions provided in the item (i) above, the Rights may be exercised in respect of one-third of the total number of the Rights allotted to the Rights Holder if any of the closing price of common stock of the Company in the regular trading on the TSE on the date after one, two or three years from the Allotment Date (the “Corresponding Date”) (if the Corresponding Date is not a trading day or there is no closing price on the Corresponding Date, the immediately preceding trading day) is not less than 5% of the base price above the price on the Allotment Date or the immediately preceding Corresponding Date, whichever comes later, and the Rights may be exercised in respect of two-thirds of the total

number of the Rights allotted if two of the closing price of common stock of the Company in the regular trading on the TSE on the Allotment Date or the Corresponding Date is not less than 5% of the base price above the price on the Allotment Date or the immediately preceding Corresponding Date, whichever comes later.

- (iii) A Rights Holder must be a director, an executive officer and/or an employee of the Company or its subsidiary at the time the Rights are exercised. Provided, however, this provision shall not apply to directors or executive officers who have retired due to expiration of their terms of office, or employees who have retired upon reaching the mandatory retirement age or for other legitimate reasons that the Board of Directors may deem appropriate.
- (iv) Exercise of the Rights by heirs of Rights Holder shall not be permitted.
- (v) Rights may not be exercised when doing so would cause the total number of shares of the Company outstanding after exercise of such Rights to exceed the number of shares authorized at the time of the exercise.
- (vi) Stock Acquisition Rights may not be exercised in less than one unit.

(4) Matters concerning Capital and Capital Reserve to Be Increased

- (i) The amount of capital to be increased in the event that new shares are issued upon the exercise of Stock Acquisition Rights shall be one half of the maximum amount of increase in capital, etc., calculated in accordance with Article 17, paragraph 1 of the Ordinance for Companies Accounting. Any amount less than one yen arising from such calculation shall be rounded up to the nearest yen.
- (ii) The amount of increase in the capital reserve in the event that new shares are issued upon the exercise of Stock Acquisition Rights shall be the maximum amount of increase in capital, etc. stated in (i) above, less the amount of capital to be increased as specified in (i) above.

(5) Restriction on Acquisition of Stock Acquisition Rights through Transfer

Any acquisition of the Rights through transfer shall require approval by resolution of the Board of Directors of the Company.

## **5. Allotment Date for Stock Acquisition Rights**

30 June 2017

## **6. Acquisition of Stock Acquisition Rights**

- (1) In the event that a merger agreement by which the Company would be the dissolving company, an agreement or plan to divest by which the Company would be divested, or a share exchange agreement or stock transfer plan by which the Company would become a wholly owned subsidiary is approved by the General Meeting of Shareholders (or by resolution of the Board of Directors if approval by the General Meeting of Shareholders is not required), the Company may acquire without contribution all of the Rights on a date that would be determined separately by the Board of Directors of the Company.
- (2) In the event that the provisions in clause 4.(4) above prevent a Rights Holder from exercising the Rights, the Company may acquire the Rights without contribution.

## **7. Handling of the Stock Acquisition Rights upon Reorganization**

In the event that the Company conducts a merger (limited to cases where the Company is dissolved in the merger), an absorption-type company split (limited to cases where the Company is the splitting company), an incorporation-type company split, a share exchange or a stock transfer (each limited to cases where the Company becomes a wholly owned subsidiary) (collectively, "**Reorganization**"), stock acquisition rights of one of the stock corporations listed in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act (the "**Reorganized Company**") shall be granted to the holders of the Stock Acquisition Rights remaining at the time the Reorganization takes effect, in accordance with the following conditions. In this case, the remaining Stock Acquisition Rights will be forfeited and the Reorganized Company shall issue new stock acquisition rights. Provided, however, that the foregoing applies only to cases where the grant of the stock acquisition rights of the Reorganized Company, in accordance with the following conditions, is provided for in the relevant absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split agreement, share exchange agreement or stock transfer agreement.

- (1) Number of Stock Acquisition Rights of the Reorganized Company to be granted:

Stock acquisition rights will be granted to the respective holders of the remaining Stock Acquisition Rights in the same number as the Stock Acquisition Rights they held.

- (2) Class of shares of the Reorganized Company to be delivered upon exercise of the Stock Acquisition Rights:

Common stock of the Reorganized Company

- (3) Number of shares of the Reorganized Company to be delivered upon exercise of the Stock Acquisition Rights

To be determined in accordance with item 4.(1) above after considering the terms and conditions of the Reorganization.

- (4) Value of assets to be contributed upon exercise of the Stock Acquisition Rights:

The value of assets to be contributed upon exercise of each granted stock acquisition right shall be the product of the exercise price after reorganization specified below multiplied by the number of shares of the Reorganized Company to be delivered upon exercise of the stock acquisition right, determined in accordance with item (3) above. The exercise price after reorganization shall be one (1) yen per share for the shares to be delivered upon exercise of the granted stock acquisition right to be allotted.

- (5) Period for exercising stock acquisition rights:

A period commencing on either the beginning date of the Exercise Period stipulated in item 4.(3) above or the effective date of the Reorganization, whichever is later, and ending on the ending date of the Exercise Period stipulated in item 4.(3) above.

- (6) Matters concerning increase in capital and capital reserve in the event of issuance of shares due to exercise of Stock Acquisition Rights:

To be determined according to item 4.(5) above.

- (7) Restrictions on acquiring Stock Acquisition Rights through transfer:

Acquisition of stock acquisition rights through transfer shall require approval by resolution of the Board of Directors of the Reorganized Company.

- (8) Other conditions for the exercise of Stock Acquisition Rights:

To be determined according to item 4.(4) above.

(9) Reasons and conditions for acquiring Stock Acquisition Rights:

To be determined according to item 6. above.

**8. Matters concerning Certificates for Stock Acquisition Rights**

Certificates for Stock Acquisition Rights shall not be issued for the Rights.

**9. Date for Subscription to Stock Acquisition Rights**

23 June 23 2017

**10. Date for Cash Payment in Exchange for Stock Acquisition Rights**

30 June 30 2017

**11. Recipients of Stock Acquisition Rights Allotments and Number of Rights**

Directors, executive officers and employees in Japan of the Company: 2 persons / 350 units

Directors, executive officers and employees outside Japan of the Company and its subsidiaries: 12 persons / 850 units

-Ends-