

(Translation)



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To whom it may concern

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### **Notice regarding allotment of share options for Directors**

Takihyo Co., Ltd. ("Takihyo") hereby announces that at the Board of Directors' Meeting held today, it passed a resolution on the specific content of share options to be issued as share remuneration-type stock options for Directors, pursuant to a resolution passed at Takihyo's 96th Annual General Meeting of Shareholders held on May 23, 2007.

#### **I. Reasons for issuing the share options**

The share options will be issued as share remuneration-type stock options in order to increase Directors' morale and motivation toward increasing the stock price and improving business results, by giving Directors' remuneration greater linkage with the price of Takihyo's stock and its business results, and by sharing with shareholders the returns and risks resulting from rises and falls in the stock price.

#### **II. Issue procedure for share options**

##### **1. Name of share options**

Takihyo Co., Ltd. 2017 Directors Share Option B Plan (hereinafter referred to as "B Plan")

##### **2. Persons to whom shares will be allotted in the share option allotment and the number of said persons, and the number of share options that will be allotted**

Takihyo's Directors            7 persons            79 options

The breakdown is, B Plan 7 persons            79 options

##### **3. Type and number of shares that will be targeted by the share options**

The type of shares that will be targeted by the share options shall be common shares in Takihyo, and the number of shares targeted by one share option (hereinafter referred to as the "Number of Granted Shares") shall be 1,000 shares.

Furthermore, if Takihyo carries out a splitting or consolidation of common shares in Takihyo after the date of issue of the share options (hereinafter referred to as the "Issue Date"), the Number of Granted Shares shall be adjusted in accordance with the following formula. However, out of the said share options, such adjustment shall be carried out for the share options that have not been exercised at the time of adjustment, and any fraction of one share arising as a result of the adjustment shall be rounded down.

$$\begin{aligned} &\text{Number of Granted Shares after adjustment} = \\ &\text{Number of Granted Shares before adjustment} \times \text{Ratio for splitting/consolidation} \end{aligned}$$

Also, in the event that Takihyo carries out a merger, corporate separation, exchange of shares or share transfer (hereinafter referred to collectively as "Merger, etc."), in the event that it carries out an allotment of shares without contribution, or in the event that some other adjustment of the Number of Granted Shares is required, the Number of Granted Shares may be adjusted within a reasonable extent after the Mergers, etc. and the conditions of the allotment of shares without contribution, etc. have been taken into consideration.

4. Date of allotment of share options  
June 16, 2017

5. Payment amount for the share options or calculation method thereof  
The amount shall be the amount obtained by multiplying the Number of Granted Shares by the option price for one share calculated on the basis of the basic numerical value by means of the Black-Scholes Model.

$$C = Se^{-qT} N(d) - Xe^{-rT} N(d - \sigma\sqrt{T})$$

Here,

$$d = \frac{\ln\left(\frac{S}{X}\right) + \left(r - q + \frac{\sigma^2}{2}\right)T}{\sigma\sqrt{T}}$$

- 1) Option price for one share (C)
- 2) Share price (S): The closing price of the common shares in Takihyo at the Tokyo Stock Exchange on June 16, 2017 (or, if there is no closing price on that day, the closing price of the most recent preceding day with transactions)
- 3) Exercise price (X): 1 yen
- 4) Expected remaining period (T): B Plan 10 years

- 5) Share price volatility ( $\sigma$ ): B Plan Volatility calculated on the basis of the closing price of common shares in Takihyo on each day with transactions over a period of 10 years (from June 17, 2007 to June 16, 2017)
- 6) Risk-free interest rate ( $r$ ): Interest rate for government bonds with a remaining number of years that corresponds to the expected remaining period of B Plan
- 7) Dividend yield ( $q$ ): Dividend per share (dividend payouts for the fiscal year ended February 2017)  $\div$  share price defined in 2) above.
- 8) Cumulative distribution function of standard normal distribution ( $N(\cdot)$ )

(Note) Monetary remuneration equivalent to the total amount of the issue price of the said share options shall be paid to the persons set forth in 2 above, and they shall obtain said share options by setting off the right to claim such remuneration against the payment obligation for the payment amount for the share options.

6. Value of property contributed on the exercise of share options  
The value of property to be contributed on the exercise of share options shall be the amount that is obtained by setting to 1 yen the payment amount for one share that can be delivered through the exercising of a share option, and then multiplying this by the number of shares targeted by each share option.
7. Period during which share options can be exercised  
B Plan shall be from June 17, 2017 to June 16, 2037.
8. Conditions pertaining to the exercise of share options
  - 1) Persons who have received allotments of share options (hereinafter referred to as "Optionees") may only exercise B Plan for a period of 10 days from the day after they have retired as a Director of Takihyo (hereinafter referred to as the "Right to Exercise Start Date").
  - 2) Notwithstanding the preceding paragraph, in the cases prescribed in a) and b) below, the Optionee may exercise share options only within the respective terms stipulated in each.
    - (a) In cases where the Optionee has not reached the Right to Exercise Start Date for B Plan by June 16, 2036, the share options may be exercised on or after June 17, 2036.
    - (b) In the event that approval has been given in a general meeting of the shareholders of Takihyo for a bill for a merger contract by which Takihyo will be the expiring company, or in the event that approval has been given in a meeting of the shareholders of Takihyo for a bill for a share transfer or a bill to approve a share exchange contract by which Takihyo will become a wholly owned subsidiary, the share options may be exercised for 10 days from the day after the day of such approval.
  - 3) Partial exercise of one share option shall not be possible.

- 4) Other terms and conditions shall be pursuant to the "Share Option Allotment Agreement" concluded between Takihyo and the directors who have received allotments of share options, pursuant to approval by a General Meeting of Shareholders and a resolution of the Board of Directors.
9. Matters regarding increase in capital and capital reserves in cases where shares are issued as a result of exercise of share options  
The amount of increase in capital in cases where shares are issued as a result of the exercise of share options shall be the amount obtained by multiplying by 0.5 the price of property contributed on the exercise of the share options, and any fraction of one yen that has arisen as a result of the calculation shall be rounded up. The remaining amount shall be incorporated into capital reserves.
10. Conditions pertaining to the obtaining of share options
  - 1) In the event that an Optionee has forfeited share options in accordance with the provisions of Paragraph 11, Takihyo may obtain the share options free of charge.
  - 2) In the event that approval has been given in a general meeting of the shareholders of Takihyo for a bill for a merger contract by which Takihyo will be the expiring company, or in the event that approval has been given in a meeting of the shareholders of Takihyo for a bill for a share transfer or a bill to approve a share exchange contract by which Takihyo will become a wholly owned subsidiary, Takihyo may obtain the share options free of charge.
11. Forfeiture of rights pertaining to share options  
Even during the term of validity of the share options prescribed in Paragraph 7, in any of the cases below, the Optionee will immediately forfeit the share options.
  - 1) In cases where the Optionee has caused serious damage to the company, either intentionally or through gross negligence
  - 2) In cases where the Optionee has made a request, in a written form prescribed by Takihyo, to waive all or part of the share options.
12. Restriction on transfer of share options  
When share options are to be transferred, the approval of the Board of Directors is required.
13. Regarding the handling of share options when organizational restructuring is to be carried out  
In the event that it has been stipulated in agreements or plans, etc. established on the occasion of organizational restructuring that share options pertaining to the corporations prescribed below are to be delivered, the share options pertaining to the corporations prescribed in each of the following items shall be delivered in proportion to the ratio of such organizational restructuring.
  - 1) Merger (Only in cases where Takihyo is the expiring company)  
The corporation that survives after the merger, or the corporation that is established by means of the merger

- 2) Absorption-type split  
The corporation that succeeds to all or part of the rights and obligations held by the corporation that carries out an absorption-type split with regard to its business
  - 3) Incorporation-type split  
The corporation that is established by means of the incorporation-type split
  - 4) Share exchange  
The corporation that acquires all of the issued shares of the corporation that carries out the share exchange
  - 5) Share transfer  
The corporation that is established by means of the share transfer
14. Regarding the rounding-down of fractions that arise as a result of the exercise of share options  
In the event that there is a fraction of one share in the number of shares to be delivered to an Optionee, it shall be rounded down.
15. Share option certificates  
Optionees shall not request the issue of share option certificates from Takihyo, and Takihyo shall not issue share option certificates to Optionees.