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FAST RETAILING

FAST RETAILING CO., LTD.

迅銷有限公司

(Incorporated in Japan with limited liability)

(Stock code: 6288)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is made by Fast Retailing Co., Ltd. (the "**Company**") pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Please refer to the attached "Notice related to the issuance of stock-based compensation stock option (share subscription rights)" of the Company issued on the website of the Tokyo Stock Exchange today.

By order of the Board
Fast Retailing Co., Ltd.
Shea Yee Man
Company Secretary

Japan, 10 October 2019

As at the date of this announcement, our executive director is Tadashi Yanai, our non-executive directors are Takeshi Okazaki, Kazumi Yanai and Koji Yanai and our independent non-executive directors are Toru Hambayashi, Nobumichi Hattori, Masaaki Shintaku, Takashi Nawa and Naotake Ono.

Notice of FAST RETAILING CO., LTD.
(the “Company”, and together with its subsidiaries, the “Group”) related to the issuance of
stock-based compensation stock option (share subscription rights)

At the board meeting of the Company held on 10 October 2019, the board of directors of the Company (the “Board”) has resolved to issue share subscription rights as stock-based compensation stock options based on Articles 236, 238 and 240 of the Companies Act of Japan.

The Company issues three different types of share subscription rights as stock-based compensation stock options, that are different in amount of money to be paid for exercise of share subscription rights or exercise period as stated in 2, 3 and 4, depending on the class of employees, etc.

1. Reason for issuing share subscription rights as stock-based compensation stock options

The Company issues three different types of share subscription rights that are different in amount of money to be paid for exercise of share subscription rights or exercise period as stated in 2,3 and 4, depending on the class of employees, etc. for the purpose of rewarding employees of the Company and the Group subsidiaries for their contribution to the Group’s profit as well as to link the Company’s share price to the benefits garnered by the employees in order to elevate their morale and their desire to enhance the Group’s performance, and fortify operations that place an emphasis on the interests of our shareholders to increase shareholder values.

2. Summary of share subscription rights (Fast Retailing 10th share subscription rights A type)

(1) Name of share subscription rights

Fast Retailing 10th share subscription rights A type

(2) Number and description of persons to be invited to apply to receive share subscription rights and number of share subscription rights issued

Employees of the Company (including operating officers) 20 persons, 1,000 shares
Employees of the Group subsidiaries 60 persons , 3,000 shares

The figure above represents planned allotments. If the number of the share subscription rights to be allotted is decreased due to no subscription of some of the rights, etc., then the aggregate number of the share subscription rights to be issued shall be equal to the number of the share subscription rights to be allotted.

(3) Type and number of shares issued upon exercise of share subscription rights

Type of shares to be issued upon exercise of share subscription rights shall be the common stock of the Company and number of shares to be issued upon exercise of share subscription rights (hereinafter, the “Number of Shares Granted”) shall be 1.

Provided, however, that in case the Company carries out a share split (including the gratis allotment of common stock of the Company; the same applies to following references to the share split) or share consolidation after the date of allotment of the share subscription rights (hereinafter referred to as the “Allotment Date”) as defined in (6) below, the number of

shares granted shall be adjusted according to the following formula, with the resulting fractions of less than one share occurring upon such adjustment rounded down.

$$\begin{array}{ccccc} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ \text{granted after} & = & \text{granted before} & \times & \text{or share} \\ \text{adjustment} & & \text{adjustment} & & \text{consolidation} \end{array}$$

In the case of a share split, the number of shares granted after adjustment shall apply from the day immediately following the record date (or effective date when no record date is specified) of the said share split. Whereas, in the case of a share consolidation, the number of shares granted after adjustment shall apply from the day the share consolidation becomes effective.

In case where the Company carries out a merger, demerger or reduce the amount of capital stock after the Allotment Date or any other cases where it is necessary to adjust the number of shares granted, the Company may make appropriate adjustment to the number of shares granted within the reasonable range. Provided, however, that in cases where the Company conducts a share split conditional on approval at a General Meeting of Shareholders of the Company and the record date for the share split shall be the day prior to the day on which said shareholders' meeting closes, the number of shares granted after adjustment shall retroactively apply from the day immediately following the applicable record date, from the day immediately following the day the applicable shareholders' meeting closes.

When the number of shares granted is adjusted, the Company shall notify the pertinent details to persons holding share subscription rights listed in the register of share subscription rights (hereinafter referred to as the "Share Subscription Rights Holder") or give public notice no later than the day immediately preceding the day the number of shares granted after adjustment becomes effective. Provided, however, that in case where the Company cannot issue such a notice or a public notice by the day immediately preceding the said effective date, it will do so immediately thereafter.

(4) The amount to be paid upon allocation of share subscription rights

The amount to be paid upon allocation of each share subscription right shall be the option price per share calculated based on the following figures from 2) to 7) according to the formula of the Black-Scholes model, multiplied by the number of shares granted, with fractions of less than ¥1 being rounded up to the nearest yen.

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

In this instance,

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

- 1) Option price per share (C)
- 2) Share price (S): the closing price of common stock of the Company in regular trading on the Tokyo Stock Exchange on 7 November 2019. (If no closing price is available, then the base price for the following trading day)
- 3) Exercise price (X): ¥1
- 4) Expected remaining period (T): 6.5 years

- 5) Share price volatility (σ) : share price volatility as calculated based on closing price of the common stock of the Company in regular trading on final trading day of each month over a 6.5 year period (from May 2013 to October 2019).
- 6) Risk-free interest rate (r): risk-free interest rate refers to the interest rate of Japanese government bonds corresponding to the expected remaining period.
- 7) Dividend yield (q): dividends per share (actual amount of dividend to be paid for the year ended 31 August 2019) divided by the share price as defined in 2) above.
- 8) Cumulative distribution function of standard normal distribution (N(\bullet)).

The option price to be calculated as described above is a fair value of the share subscription rights. Accordingly, the issuance of the share subscription rights is not an issuance of shares with favorable terms. The monetary remuneration claims of the person who will be allotted the share subscription rights against the Company (*) and their obligation to pay for the allotment of the share subscription rights will be offset.

* The Company may grant allocations to persons receiving allotments as payment of such claims, and subsidiaries of the Company may grant allocations to persons receiving allotments at the paid-in amount at its discretion, and the Company accepts liability for such allocations. However, this does not represent compensation for work performed, and neither the company nor its subsidiaries take on any obligation for payment based on the internal rules of the Company or its subsidiaries.

- (5) Value of property to be incorporated upon exercise of share subscription rights

The value of property to be incorporated upon exercise of the share subscription rights shall be the exercise price of ¥1 per share to be delivered upon exercise of each share subscription right, multiplied by the number of shares granted.

- (6) Date of allotment of share subscription rights

8 November 2019

- (7) Exercise period of share subscription rights

From 8 November 2022 to 7 November 2029

- (8) Conditions for exercise of share subscription rights

If a Share Subscription Rights Holder waives the rights to acquire shares, the share subscription rights shall be forfeited and may not be exercised.

- (9) Matters concerning increase in capital stock and capital reserve by the issuance of shares upon exercise of share subscription rights

- 1) Amount of increase in capital stock by issuing shares upon exercise of share subscription rights shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance for Corporate Accounting, with the resulting fractions of less than ¥1 occurring upon such calculation shall be rounded up to nearest yen.
- 2) Amount of increase in capital reserve by issuing shares upon exercise of share subscription rights shall be the upper limit of capital increase as described in 1) above less the amount of increase in capital stock set out therein.

(10) Conditions for acquisition of share subscription rights

In case that a resolution for the approval of any of the proposals 1), 2), 3), 4), 5) or 6) below is adopted at the General Meeting of Shareholders of the Company (or at the Board if resolution at a General Meeting of Shareholders is not required), the Company may acquire the share subscription rights without consideration as at the date determined by the Board.

- 1) Proposal for approval of a merger agreement under which the Company shall be a dissolving company
- 2) Proposal for approval of a demerger agreement or demerger plan under which the Company shall be a split company
- 3) Proposal for approval of a share exchange agreement or share transfer plan under which the Company shall be a wholly-owned subsidiary
- 4) Proposal for approval of amendment to the Articles of Incorporation that stipulate the requirement of approval of the Company on acquisition of any of the shares issued by the Company by transfer
- 5) Proposal for approval of amendment to the Articles of Incorporation that stipulate (i) the requirement of approval of the Company on acquisition of class of shares to be issued upon exercise of share subscription rights by transfer or (ii) the provisions that allow the Company to acquire all of the shares of said class by a resolution at a General Meeting of Shareholders
- 6) Resolution by the a General Meeting of Shareholders to purchase shares of the Company with compensation, following a change in the Articles of Incorporation to convert the class of shares that are the objective of the share subscription rights stipulated in 5) to class shares subject to wholly call.

(11) Restriction on transfer of share subscription rights

Any acquisition of share subscription rights by transfer shall be subject to the approval by resolution from the Board.

(12) Handling of share subscription rights in the event of organizational restructuring

Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in subparagraphs (a)-(e) of Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting from Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting from Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting from Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

- 1) Number of share subscription rights to be issued by the Company Resulting from Reorganization:
Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.

- 2) Type of shares of the Company Resulting from Reorganization underlying the share subscription rights:
Common stock of the Company Resulting from Reorganization.
- 3) Number of shares of the Company Resulting from Reorganization underlying the share subscription rights:
To be decided based on (3) above, and a proposal stating the conditions for Reorganization and the like.
- 4) Value of property to be incorporated upon exercise of the share subscription rights:
The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting from Reorganization underlying the share subscription rights that have been finalized as stated in 3) above. The exercise price after Reorganization shall be ¥1 per share of the Company Resulting from Reorganization that can be issued upon exercise of each share subscription rights that is issued.
- 5) Period during which share subscription rights can be exercised:
The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed in (7) above.
- 6) Matters pertaining to the increase of capital stock and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
To be determined based on (9) above.
- 7) Restrictions on acquisition of share subscription rights by transfer:
Any acquisition of share subscription rights by transfer shall require an approval by resolution from the Board Resulting from Reorganization.
- 8) Terms and conditions for acquisition of share subscription rights:
To be determined based on (10) above.
- 9) Conditions for exercise of share subscription rights:
To be determined based on (8) above.

(13) Details in case of issuance of warrants

There will be no issuance of warrants.

(14) Others

Persons to be allotted share subscription rights described above have to make an allotment contract with the Company by the day immediately preceding to the allotment date, to receive allotment of each share subscription right. This allotment contract includes the following condition:

In case persons to be allotted share subscription rights lose their status as a director or an employee of the Company or the Group subsidiary or other status equal to them (including the case where the person dies. However, the case which the Human Resources Committee of the Company approves to have a justifiable reason is excluded), they cannot exercise share subscription rights which they hold on or after the time when they lose its status.

3. Summary of share subscription rights (Fast Retailing 10th share subscription rights B type)

(1) Name of share subscription rights

Fast Retailing 10th share subscription rights B type

(2) Number and description of persons to be invited to apply to receive share subscription rights and number of share subscription rights issued

Employees of the Company 590 persons, 12,000 shares
Employees of the Group subsidiaries 1,540 persons , 30,000 shares

The figure above represents planned allotments. If the number of the share subscription rights to be allotted is decreased due to no subscription of some of the rights, etc., then the aggregate number of the share subscription rights to be issued shall be equal to the number of the share subscription rights to be allotted.

(3) Type and number of shares issued upon exercise of share subscription rights

Type of shares to be issued upon exercise of share subscription rights shall be the common stock of the Company and number of shares to be issued upon exercise of share subscription rights (hereinafter, the “Number of Shares Granted”) shall be 1.

Provided, however, that in case the Company carries out a share split (including the gratis allotment of common stock of the Company; the same applies to following references to the share split) or share consolidation after the date of allotment of the share subscription rights (hereinafter referred to as the “Allotment Date”) as defined in (6) below, the number of shares granted shall be adjusted according to the following formula, with the resulting fractions of less than one share occurring upon such adjustment rounded down.

$$\begin{array}{rcccl} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ \text{granted after} & = & \text{granted before} & \times & \text{or share} \\ \text{adjustment} & & \text{adjustment} & & \text{consolidation} \end{array}$$

In the case of a share split, the number of shares granted after adjustment shall apply from the day immediately following the record date (or effective date when no record date is specified) of the said share split. Whereas, in the case of a share consolidation, the number of shares granted after adjustment shall apply from the day the share consolidation becomes effective.

In case where the Company carries out a merger, demerger or reduce the amount of capital stock after the Allotment Date or any other cases where it is necessary to adjust the number of shares granted, the Company may make appropriate adjustment to the number of shares granted within the reasonable range. Provided, however, that in cases where the Company conducts a share split conditional on approval at a General Meeting of Shareholders of the Company and the record date for the share split shall be the day prior to the day on which said shareholders’ meeting closes, the number of shares granted after adjustment shall retroactively apply from the day immediately following the applicable record date, from the day immediately following the day the applicable shareholders’ meeting closes.

When the number of shares granted is adjusted, the Company shall notify the pertinent details to persons holding share subscription rights listed in the register of share subscription rights (hereinafter referred to as the “Share Subscription Rights Holder”) or give public notice no later than the day immediately preceding the day the number of shares granted after adjustment becomes effective. Provided, however, that in case where the Company cannot issue such a notice or a public notice by the day immediately preceding the said effective date, it will do so immediately thereafter.

(4) The amount to be paid upon allocation of share subscription rights

The amount to be paid upon allocation of each share subscription right shall be the option price per share calculated based on the following figures from 2) to 7) according to the

formula of the Black-Scholes model, multiplied by the number of shares granted, with fractions of less than ¥1 being rounded up to the nearest yen.

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

In this instance,

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

- 1) Option price per share (C)
- 2) Share price (S): the closing price of common stock of the Company in regular trading on the Tokyo Stock Exchange on 7 November 2019. (If no closing price is available, then the base price for the following trading day)
- 3) Exercise price (X): ¥1
- 4) Expected remaining period (T): 5.04 years
- 5) Share price volatility (σ): share price volatility as calculated based on closing price of the common stock of the Company in regular trading on final trading day of each month over a 5.04 year period (from November 2014 to October 2019).
- 6) Risk-free interest rate (r): risk-free interest rate refers to the interest rate of Japanese government bonds corresponding to the expected remaining period.
- 7) Dividend yield (q): dividends per share (actual amount of dividend to be paid for the year ended 31 August 2019) divided by the share price as defined in 2) above.
- 8) Cumulative distribution function of standard normal distribution (N(\bullet)).

The option price to be calculated as described above is a fair value of the share subscription rights. Accordingly, the issuance of the share subscription rights is not an issuance of shares with favorable terms. The monetary remuneration claims of the person who will be allotted the share subscription rights against the Company (*) and their obligation to pay for the allotment of the share subscription rights will be offset.

* The Company may grant allocations to persons receiving allotments as payment of such claims, and subsidiaries of the Company may grant allocations to persons receiving allotments at the paid-in amount at its discretion, and the Company accepts liability for such allocations. However, this does not represent compensation for work performed, and neither the company nor its subsidiaries take on any obligation for payment based on the internal rules of the Company or its subsidiaries.

- (5) Value of property to be incorporated upon exercise of share subscription rights

The value of property to be incorporated upon exercise of the share subscription rights shall be the exercise price of ¥1 per share to be delivered upon exercise of each share subscription right, multiplied by the number of shares granted.

- (6) Date of allotment of share subscription rights

8 November 2019

- (7) Exercise period of share subscription rights

From 8 December 2019 to 7 November 2029

(8) Conditions for exercise of share subscription rights

If a Share Subscription Rights Holder waives the rights to acquire shares, the share subscription rights shall be forfeited and may not be exercised.

(9) Matters concerning increase in capital stock and capital reserve by the issuance of shares upon exercise of share subscription rights

- 1) Amount of increase in capital stock by issuing shares upon exercise of share subscription rights shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance for Corporate Accounting, with the resulting fractions of less than ¥1 occurring upon such calculation shall be rounded up to nearest yen.
- 2) Amount of increase in capital reserve by issuing shares upon exercise of share subscription rights shall be the upper limit of capital increase as described in 1) above less the amount of increase in capital stock set out therein.

(10) Conditions for acquisition of share subscription rights

In case that a resolution for the approval of any of the proposals 1), 2), 3), 4), 5) or 6) below is adopted at the General Meeting of Shareholders of the Company (or at the Board if resolution at a General Meeting of Shareholders is not required), the Company may acquire the share subscription rights without consideration as at the date determined by the Board.

- 1) Proposal for approval of a merger agreement under which the Company shall be a dissolving company
- 2) Proposal for approval of a demerger agreement or demerger plan under which the Company shall be a split company
- 3) Proposal for approval of a share exchange agreement or share transfer plan under which the Company shall be a wholly-owned subsidiary
- 4) Proposal for approval of amendment to the Articles of Incorporation that stipulate the requirement of approval of the Company on acquisition of any of the shares issued by the Company by transfer
- 5) Proposal for approval of amendment to the Articles of Incorporation that stipulate (i) the requirement of approval of the Company on acquisition of class of shares to be issued upon exercise of share subscription rights by transfer or (ii) the provisions that allow the Company to acquire all of the shares of said class by a resolution at a General Meeting of Shareholders
- 6) Resolution by the a General Meeting of Shareholders to purchase shares of the Company with compensation, following a change in the Articles of Incorporation to convert the class of shares that are the objective of the share subscription rights stipulated in 5) to class shares subject to wholly call.

(11) Restriction on transfer of share subscription rights

Any acquisition of share subscription rights by transfer shall be subject to the approval by resolution from the Board.

(12) Handling of share subscription rights in the event of organizational restructuring

Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately

preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in subparagraphs (a)-(e) of Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting from Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting from Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting from Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

- 1) Number of share subscription rights to be issued by the Company Resulting from Reorganization:
Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
- 2) Type of shares of the Company Resulting from Reorganization underlying the share subscription rights:
Common stock of the Company Resulting from Reorganization.
- 3) Number of shares of the Company Resulting from Reorganization underlying the share subscription rights:
To be decided based on (3) above, and a proposal stating the conditions for Reorganization and the like.
- 4) Value of property to be incorporated upon exercise of the share subscription rights:
The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting from Reorganization underlying the share subscription rights that have been finalized as stated in 3) above. The exercise price after Reorganization shall be ¥1 per share of the Company Resulting from Reorganization that can be issued upon exercise of each share subscription rights that is issued.
- 5) Period during which share subscription rights can be exercised:
The period from the later of either the first day of the period during which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed in (7) above.
- 6) Matters pertaining to the increase of capital stock and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
To be determined based on (9) above.
- 7) Restrictions on acquisition of share subscription rights by transfer:
Any acquisition of share subscription rights by transfer shall require an approval by resolution from the Board Resulting from Reorganization.
- 8) Terms and conditions for acquisition of share subscription rights:
To be determined based on (10) above.
- 9) Conditions for exercise of share subscription rights:
To be determined based on (8) above.

(13) Details in case of issuance of warrants

There will be no issuance of warrants.

(14) Others

Persons to be allotted share subscription rights described above have to make an allotment contract with the Company by the day immediately preceding to the allotment date, to

receive allotment of each share subscription right. This allotment contract includes the following condition:

In case persons to be allotted share subscription rights lose their status as a director or an employee of the Company or the Group subsidiary or other status equal to them (including the case where the person dies. However, the case which the Human Resources Committee of the Company approves to have a justifiable reason is excluded), they cannot exercise share subscription rights which they hold on or after the time when they lose its status.

4. Summary of share subscription rights (Fast Retailing 10th share subscription rights C type)

(1) Name of share subscription rights

Fast Retailing 10th share subscription rights C type

(2) Number and description of persons to be invited to apply to receive share subscription rights and number of share subscription rights issued

Employees of the Company (including operating officers) 50 persons, 5,000 shares

The figure above represents planned allotments. If the number of the share subscription rights to be allotted is decreased due to no subscription of some of the rights, etc., then the aggregate number of the share subscription rights to be issued shall be equal to the number of the share subscription rights to be allotted.

(3) Type and number of shares issued upon exercise of share subscription rights

Type of shares to be issued upon exercise of share subscription rights shall be the common stock of the Company and number of shares to be issued upon exercise of share subscription rights (hereinafter, the “Number of Shares Granted”) shall be 1.

Provided, however, that in case the Company carries out a share split (including the gratis allotment of common stock of the Company; the same applies to following references to the share split) or share consolidation after the date of allotment of the share subscription rights (hereinafter referred to as the “Allotment Date”) as defined in (6) below, the number of shares granted shall be adjusted according to the following formula, with the resulting fractions of less than one share occurring upon such adjustment rounded down.

$$\begin{array}{rcccl} \text{Number of shares} & & \text{Number of shares} & & \text{Ratio of share split} \\ \text{granted after} & = & \text{granted before} & \times & \text{or share} \\ \text{adjustment} & & \text{adjustment} & & \text{consolidation} \end{array}$$

In the case of a share split, the number of shares granted after adjustment shall apply from the day immediately following the record date (or effective date when no record date is specified) of the said share split. Whereas, in the case of a share consolidation, the number of shares granted after adjustment shall apply from the day the share consolidation becomes effective.

In case where the Company carries out a merger, demerger or reduce the amount of capital stock after the Allotment Date or any other cases where it is necessary to adjust the number of shares granted, the Company may make appropriate adjustment to the number of shares granted within the reasonable range. Provided, however, that in cases where the Company conducts a share split conditional on approval at a General Meeting of Shareholders of the Company and the record date for the share split shall be the day prior to the day on which

said shareholders' meeting closes, the number of shares granted after adjustment shall retroactively apply from the day immediately following the applicable record date, from the day immediately following the day the applicable shareholders' meeting closes.

When the number of shares granted is adjusted, the Company shall notify the pertinent details to persons holding share subscription rights listed in the register of share subscription rights (hereinafter referred to as the "Share Subscription Rights Holder") or give public notice no later than the day immediately preceding the day the number of shares granted after adjustment becomes effective. Provided, however, that in case where the Company cannot issue such a notice or a public notice by the day immediately preceding the said effective date, it will do so immediately thereafter.

(4) The amount to be paid upon allocation of share subscription rights

The amount to be paid upon allocation of each share subscription right shall be the option price per share calculated based on the following figures from 2) to 7) according to the formula of the Black-Scholes model, multiplied by the number of shares granted, with fractions of less than ¥1 being rounded up to the nearest yen.

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

In this instance,

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

- 1) Option price per share (C)
- 2) Share price (S): the closing price of common stock of the Company in regular trading on the Tokyo Stock Exchange on 7 November 2019. (If no closing price is available, then the base price for the following trading day)
- 3) Exercise price (X): ¥1
- 4) Expected remaining period (T): 3 years
- 5) Share price volatility (σ): share price volatility as calculated based on closing price of the common stock of the Company in regular trading on final trading day of each month over a 3 year period (from November 2016 to October 2019).
- 6) Risk-free interest rate (r): risk-free interest rate refers to the interest rate of Japanese government bonds corresponding to the expected remaining period.
- 7) Dividend yield (q): dividends per share (actual amount of dividend to be paid for the year ended 31 August 2019) divided by the share price as defined in 2) above.
- 8) Cumulative distribution function of standard normal distribution (N(\bullet)).

The option price to be calculated as described above is a fair value of the share subscription rights. Accordingly, the issuance of the share subscription rights is not an issuance of shares with favorable terms. The monetary remuneration claims of the person who will be allotted the share subscription rights against the Company (*) and their obligation to pay for the allotment of the share subscription rights will be offset.

* The Company may grant allocations to persons receiving allotments as payment of such claims, and subsidiaries of the Company may grant allocations to persons receiving allotments at the paid-in amount at its discretion, and the Company accepts liability for such allocations. However, this does not represent compensation for work performed, and neither the company nor its subsidiaries take on any obligation for payment based on the internal rules of the Company or its subsidiaries.

(5) Value of property to be incorporated upon exercise of share subscription rights

The value of property to be incorporated upon exercise of the share subscription rights shall be the exercise price of ¥1 per share to be delivered upon exercise of each share subscription right, multiplied by the number of shares granted.

(6) Date of allotment of share subscription rights

8 November 2019

(7) Exercise period of share subscription rights

8 November 2022

(8) Conditions for exercise of share subscription rights

If a Share Subscription Rights Holder waives the rights to acquire shares, the share subscription rights shall be forfeited and may not be exercised.

(9) Matters concerning increase in capital stock and capital reserve by the issuance of shares upon exercise of share subscription rights

- 1) Amount of increase in capital stock by issuing shares upon exercise of share subscription rights shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance for Corporate Accounting, with the resulting fractions of less than ¥1 occurring upon such calculation shall be rounded up to nearest yen.
- 2) Amount of increase in capital reserve by issuing shares upon exercise of share subscription rights shall be the upper limit of capital increase as described in 1) above less the amount of increase in capital stock set out therein.

(10) Conditions for acquisition of share subscription rights

In case that a resolution for the approval of any of the proposals 1), 2), 3), 4), 5) or 6) below is adopted at the General Meeting of Shareholders of the Company (or at the Board if resolution at a General Meeting of Shareholders is not required), the Company may acquire the share subscription rights without consideration as at the date determined by the Board.

- 1) Proposal for approval of a merger agreement under which the Company shall be a dissolving company
- 2) Proposal for approval of a demerger agreement or demerger plan under which the Company shall be a split company
- 3) Proposal for approval of a share exchange agreement or share transfer plan under which the Company shall be a wholly-owned subsidiary
- 4) Proposal for approval of amendment to the Articles of Incorporation that stipulate the requirement of approval of the Company on acquisition of any of the shares issued by the Company by transfer
- 5) Proposal for approval of amendment to the Articles of Incorporation that stipulate (i) the requirement of approval of the Company on acquisition of class of shares to be issued upon exercise of share subscription rights by transfer or (ii) the provisions that allow the Company to acquire all of the shares of said class by a resolution at a General Meeting of Shareholders
- 6) Resolution by the a General Meeting of Shareholders to purchase shares of the Company with compensation, following a change in the Articles of Incorporation to convert the class of shares that are the objective of the share subscription rights stipulated in 5) to class shares subject to wholly call.

(11) Restriction on transfer of share subscription rights

Any acquisition of share subscription rights by transfer shall be subject to the approval by resolution from the Board.

(12) Handling of share subscription rights in the event of organizational restructuring

Upon any reorganization of the Company (collectively referred to as “Reorganization”) consisting of merger (limited to cases where the Company becomes extinct thereby), absorption-type company split or incorporation-type company split (in each event, limited to cases where the Company is the entity resulting from the company split), or exchange or transfer of shares (in each event, limited to cases where the Company becomes a wholly-owned subsidiary), parties holding share subscription rights in existence immediately preceding the effective date of such Reorganization (hereinafter referred to as “Outstanding Share Subscription Rights”) shall, in each applicable case, be issued share subscription rights for shares of the resulting company as prescribed in subparagraphs (a)-(e) of Article 236(1)viii of the Companies Act of Japan (hereinafter referred to as the “Company Resulting from Reorganization”). In such event, any Outstanding Share Subscription Rights shall lapse and the Company Resulting from Reorganization shall issue new share subscription rights; provided, however, that terms and conditions stipulating that the Company Resulting from Reorganization shall issue share subscription rights that prescribe the matters stated below shall be included in any absorption merger agreement, new merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or transfer of shares plan.

- 1) Number of share subscription rights to be issued by the Company Resulting from Reorganization:
Each holder of Outstanding Share Subscription Rights shall be issued the same number thereof.
- 2) Type of shares of the Company Resulting from Reorganization underlying the share subscription rights:
Common stock of the Company Resulting from Reorganization.
- 3) Number of shares of the Company Resulting from Reorganization underlying the share subscription rights:
To be decided based on (3) above, and a proposal stating the conditions for Reorganization and the like.
- 4) Value of property to be incorporated upon exercise of the share subscription rights:
The value of property to be incorporated upon exercise of share subscription rights that are issued shall be the amount obtained by multiplying the exercise price after reorganization prescribed below by the number of shares of the Company Resulting from Reorganization underlying the share subscription rights that have been finalized as stated in 3) above. The exercise price after Reorganization shall be ¥1 per share of the Company Resulting from Reorganization that can be issued upon exercise of each share subscription rights that is issued.
- 5) Period during which share subscription rights can be exercised:
The period from the later of either the day on which share subscription rights can be exercised as prescribed above or the day on which a Reorganization takes effect through the final day of the period during which share subscription rights can be exercised as prescribed in (7) above.
- 6) Matters pertaining to the increase of capital stock and capital reserve resulting from the issuance of shares upon exercise of the share subscription rights:
To be determined based on (9) above.
- 7) Restrictions on acquisition of share subscription rights by transfer:
Any acquisition of share subscription rights by transfer shall require an approval by resolution from the Board Resulting from Reorganization.

- 8) Terms and conditions for acquisition of share subscription rights:
To be determined based on (10) above.
- 9) Conditions for exercise of share subscription rights:
To be determined based on (8) above.

(13) Details in case of issuance of warrants

There will be no issuance of warrants.

(14) Others

Persons to be allotted share subscription rights described above have to make an allotment contract with the Company by the day immediately preceding to the allotment date, to receive allotment of each share subscription right. This allotment contract includes the following condition:

In case persons to be allotted share subscription rights lose their status as a director or an employee of the Company or the Group subsidiary or other status equal to them (However, this excludes any of the cases in 1) through 3) below), they cannot exercise share subscription rights which they hold on or after the time when they lose its status.

- 1) If a director's term expires or an employee retires due to reaching the mandatory retirement age, and the Company and the officer or employee of the Company or a Group subsidiary comply with the non-compete obligation, the non-solicitation obligation and the non-abuse obligation during the separately specified period.
- 2) If departing or retiring due to difficulty continuing work as a result of death, injury or illness (however, this excludes death, injury or illness resulting from suicide, self-injury or other causes rationally deemed to be unreasonable by the Human Resources Committee of the Company)
- 3) Other cases in which the Human Resources Committee of the Company deems that there is a legitimate reason

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