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For Immediate Release

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Notice of Issuing of Subscription rights to shares as Stock Options for a Stock-Linked Compensation Plan

TSUGAMI CORPORATION (the “Company”) announced today that a meeting of its Board of Directors held on May 12, 2017 decided to propose, at the 114th general meeting of shareholders scheduled for June 21, 2017, a resolution to approve the delegation of the decision about the offering of subscription rights to shares as stock options for a stock-linked compensation plan under especially favorable conditions to the Board of Directors. These subscription rights to shares are granted to the Company’s executive officers and employees with similar titles based on Article 236, 238 and 239 of the Companies Act. Details are as follows.

1. Reason for offering of the subscription rights to shares for subscription under especially favorable conditions

The Company has been granting subscription rights to shares as stock options for a stock-linked compensation plan to the Company’s executive officers and employees with similar titles. The grants are designed to establish a closer link between the Company’s stock prices and results and the executive officers and employees so that they share with shareholders not only benefits from high stock prices, but also the risks of low stock prices, bolstering their morale and enthusiasm for improving business results.

2. The outline and the numerical limit of the subscription rights to shares whose offering terms may be determined based on the resolution made at the above general meeting of shareholders scheduled

(1) The numerical limit of the subscription rights to shares, the offering terms of which may be determined based on the above delegation

The maximum number of the subscription rights to shares as described in below (3) shall be 86.

The total number of the Company’s shares that are issued in exchange of the exercise of the subscription rights to shares shall be limited to a maximum of 86,000 shares of the Company’s common stock. If the number of shares (as defined below) is adjusted in accordance with the provisions stipulated in (i), (3) below, the maximum number of shares shall be the number calculated by multiplying the number of shares after the adjustment by the maximum number of the above subscription rights to shares.

(2) No transfer of cash shall be required for the subscription rights to shares, the offering terms of which may be determined based on the above delegation

(3) The outline of the subscription rights to shares, the offering terms of which may be determined based on the above delegation

(i) Type and the number of shares that are the object of the subscription rights to shares

The type of shares that are the object of the subscription rights to shares shall be common stocks of the Company. The number of shares for each subscription rights to shares (the “Number of Granted Shares”) shall be 1000 shares.

However, if a share-split (including a gratis allotment of common stocks of the Company; the same shall apply below regarding the descriptions of the share-split) or a reverse share-split is conducted for common stocks of the Company after the date of resolution at the above general meeting of shareholders (the “Resolution Date”), the Number of Granted Shares shall be adjusted by applying the following formula, with fractions of less than one share rounded down to the nearest one share:

$$\text{Number of Granted Shares after adjustment} = \text{Number of Granted Shares before adjustment} \times \text{Ratio of share-split / reverse share-split}$$

In addition to the above case, if an adjustment of the Number of Granted Shares is considered to be necessary for unavoidable reasons, the Company shall carry out the adjustment deemed reasonable.

(ii) Amount of assets contributed on exercise of the subscription rights to shares

The amount of assets contributed upon exercise of each subscription right to shares is calculated by multiplying the paid-in value of 1 yen per share delivered upon exercise of each subscription right to shares by the Number of Granted Shares.

(iii) Exercise period of the subscription rights to shares

Within 20 years from the day following the allotment date of the subscription rights to shares

(iv) Matters concerning the increase in capital and capital reserve when shares are issued upon exercise of the subscription rights to shares

i. The amount of increase in capital when shares are issued with the exercise of the subscription rights to shares shall be one half of the maximum amount of increase in capital, etc., which is calculated in accordance with Paragraph 1 of Article 17 of the Corporate Calculation Regulation, and fractions of less than 1 yen shall be rounded up to the nearest 1 yen.

ii. The amount of increase in the capital reserve when shares are issued upon exercise of the subscription rights to shares shall be the amount calculated by deducting the amount of capital to be increased as stated in the preceding paragraph i from the maximum amount of increase in capital, etc., as stated in the same paragraph i above.

(v) Restriction on acquiring the subscription rights to shares by assignment

Acquisition of the subscription rights to shares by assignment shall require approval by a resolution of the Board of Directors.

(vi) Provisions concerning the acquisition of the subscription rights to shares

If a proposal for a merger agreement in which the Company ceases to exist, or a proposal for a stock swap agreement or a stock transfer plan in which the Company will become a wholly owned subsidiary, is approved at a general meeting of shareholders of the Company, the Company may acquire the subscription rights to shares on the date stipulated separately by the Company's Board of Directors.

(vii) Fractions of less than 1 share occurring on exercise of the subscription rights to shares

If a fraction of less than 1 share to be delivered to the holder of the subscription rights to shares occurs upon exercise of the subscription rights to shares, it shall be rounded down to the nearest 1 share.

(viii) Other conditions for exercise of the subscription rights to shares

- i. In principle, a holder of the subscription rights to shares may exercise the subscription rights to shares within the period described in Provision (iii) above, only when the holder no longer holds a position as the Company's director corporate auditor, executive officer, and/or employee with a similar title. In this case, the holder may only exercise the subscription rights to shares within a period of seven days from the next day of the date when he/she loses the above titles.
- ii. Any other conditions associated with the exercise of the subscription rights to shares shall be determined by the resolution of a meeting of the Company's Board of Directors.