

January 31, 2020

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## Notice of Issuance of Share Acquisition Rights (Stock Options with Charge)

The Board of Directors of Apaman Co., Ltd. approved a resolution on January 31, 2020 to issue share acquisition rights to the directors and employees of Apaman as described below pursuant to the provisions of Articles 236, 238 and 240 of the Companies Act. The share acquisition rights will be issued without approval of a General Meeting of Shareholders because the share acquisition rights will be sold to the recipients at a price equivalent to fair value and not allocated at particularly favorable terms. In addition, the share acquisition rights will be purchased at the discretion of individuals eligible to receive them and are not distributed as remuneration for these individuals.

### I. Purpose and reason for offering the share acquisition rights

The share acquisition rights are issued and sold to the directors and employees of Apaman for the purposes of increasing their motivation and morale and reinforcing Apaman's solidarity with the goals of the medium to long-term growth of sales and earnings and growth of corporate value.

If all of the share acquisition rights are exercised, the total number of shares of common stock issued will be equal to approximately 1.4% of all Apaman stock currently issued. However, the share acquisition rights can be exercised only if pre-determined performance targets are achieved. Reaching these targets is expected to contribute to growth in corporate value and shareholder value, which would produce benefits for current shareholders, too. As a result, Apaman believes that the impact of share dilution due to the issuance of the share acquisition rights is reasonable.

### II. Terms and conditions for issuance of the share acquisition rights

#### 1. Number of share acquisition rights

2,500

#### 2. Payment for share acquisition rights

The issue price for one share acquisition right is 1,100 yen. The issue price is the same as the result of the valuation determined by Plutus Consulting Co., Ltd., a third-party valuation firm that was asked to determine a valuation of the share acquisition rights. Plutus Consulting based its valuation on the closing price of 827 yen per share on the Tokyo Stock Exchange on January 30, 2020, the day before the Board of Directors resolution to issue the share acquisition rights, a stock price volatility of 51.18%, a dividend yield of 1.69%, a risk-free interest rate of -0.145% and the terms for issuing the share acquisition rights (exercise price of 827 yen per share, exercise period of 5.5 years, and performance target conditions). Plutus Consulting used these parameters to perform a Monte Carlo simulation, which is a general model for calculating option prices, to determine the valuations of the share acquisition rights.

#### 3. Details of share acquisition rights

##### (1) Type and number of shares to be issued upon exercise of share acquisition rights

The total number of shares of Apaman common stock to be granted upon the exercise of the share acquisition rights is 250,000. If the number of shares to be issued upon the exercise of one share acquisition right (the "number of shares granted") is adjusted, the total number of shares granted will instead be the adjusted number of shares to be granted multiplied by the number of the share acquisition rights.

The number of shares granted is 100 shares of Apaman common stock.

If Apaman conducts a stock split (including the allotment of shares of Apaman common stock without charge; the same applies hereafter) or a consolidation of shares after the allotment date of the share acquisition rights, the number of shares granted will be adjusted in accordance with the following formula. However, this adjustment will be performed only for shares to be issued upon exercise of share acquisition rights that have not been exercised at the time of the stock split or consolidation of shares. Any fraction less than one share resulting from the adjustment is discarded.

Number of shares granted after adjustment = Number of shares granted before adjustment × Ratio of split (or consolidation)

In addition, after the allotment date of the share acquisition rights, if there is a merger, company split or capital reduction involving Apaman or if there are any other similar events that require an adjustment of the number of shares granted, Apaman will perform this adjustment in an appropriate manner to a reasonable extent.

### (2) Value of assets to be contributed upon exercise of share acquisition rights and calculation method

The value of assets to be contributed upon exercise of the share acquisition rights is the amount calculated by multiplying the amount to be paid per share (the “exercise price”) by the number of shares granted.

The exercise price is 827 yen.

If Apaman conducts a stock split or a consolidation of shares after the allotment date of the share acquisition rights, the exercise price will be adjusted in accordance with the following formula and any fraction less than one yen resulting from the adjustment will be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split (or consolidation)}}$$

If Apaman issues new shares of common stock or disposes of its treasury shares at a price below market value (excluding the cases of the issuance of new shares through the exercise of share acquisition rights, disposal of treasury shares, as well as the transfer of treasury shares through a share exchange) after the allotment date of the share acquisition rights, the exercise price will be adjusted in accordance with the following formula and any fraction less than one yen resulting from the adjustment will be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \frac{\text{Number of newly issued shares} \times \text{Amount to be paid per share}}{\text{Per share market price before new issuance}}}{\text{Number of issued shares} + \text{Number of newly issued shares}}$$

In the formula above, the “number of issued shares” denotes the total number of issued shares of Apaman common stock less the number of treasury shares. If Apaman disposes of its treasury shares, the “number of newly issued shares” will be replaced with the “number of treasury shares to be disposed of.”

In addition to the above, after the allotment date of the share acquisition rights, if there is a merger with another company or company split or if there are any other similar events that require an adjustment of the exercise price, Apaman may appropriately adjust the exercise price to a reasonable extent.

### (3) Period during which share acquisition rights may be exercised

The exercise period of the share acquisition rights starts on January 1, 2021 and ends on August 26, 2025.

### (4) Matters regarding the amount of capital and capital reserve to be increased

- 1) The amount of capital to be increased as a result of the issuance of shares upon the exercise of the share acquisition rights is the maximum amount of increase in capital to be calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Rules multiplied by 0.5. Any fraction less than one yen resulting from the calculation is rounded up.
- 2) The amount of capital reserve to be increased as a result of the issuance of shares upon the exercise of the share acquisition rights is the maximum amount of increase in capital described in item 1) above minus the amount of capital increase described in item 1) above.

(5) Restrictions on the acquisition of share acquisition rights through transfer

The acquisition of the share acquisition rights through transfer requires an approval by a resolution of the Board of Directors of Apaman.

(6) Conditions for exercising share acquisition rights

- 1) Holders of the share acquisition rights may exercise these rights if operating profit is more than 1,800,000,000 yen in any of the periods (a) through (f) listed below on the Apaman statement of income (in the consolidated statement of income instead if there is one). However, if stock remuneration expenses are recorded for the share acquisition rights, these expenses will be added to operating profit and operating profit prior to deduction of these expenses will be used to determine if the share acquisition rights can be exercised. If there is a significant change in the basis for operating profit or a change in the fiscal year or if there are any other similar events that require an adjustment of the indicator used to determine if the share acquisition rights can be exercised, the Board of Directors of Apaman will determine another appropriate indicator within a reasonable scope.
  - a) Second half of the fiscal year ending September 2020
  - b) First or second half of the fiscal year ending September 2021
  - c) First or second half of the fiscal year ending September 2022
  - d) First or second half of the fiscal year ending September 2023
  - e) First or second half of the fiscal year ending September 2024
  - f) First half of the fiscal year ending September 2025
- 2) When exercising a share acquisition right, the holder of the shareholder acquisition right must be a director, Audit & Supervisory Board member or employee of Apaman or one of its affiliated companies. However, individuals are exempt from this requirement when the Board of Directors approves a legitimate reason for leaving Apaman, such as retirement due to reaching the end of a term of office or a mandatory retirement age.
- 3) If the holder of a share acquisition rights dies, the individual who inherits the rights may not exercise the rights.
- 4) If the total number of issued shares would exceed the total number of authorized shares by the exercise of the share acquisition rights at the time of exercise thereof, the share acquisition rights may not be exercised.
- 5) A share acquisition right of less than one unit may not be exercised.

4. Allotment date of share acquisition rights

February 27, 2020

5. Matters regarding acquisition of share acquisition rights

- (1) If a General Meeting of Shareholders of Apaman approves (or the Board of Directors resolves, if the approval of a General Meeting of Shareholders is not required) a proposal for a company split agreement or a company split plan under which Apaman will become a splitting company, or a proposal for a share exchange agreement or share transfer plan under which Apaman will become a wholly owned subsidiary, Apaman may acquire all share acquisition rights without charge on a date separately specified by the Board of Directors of Apaman.
- (2) Apaman may acquire the share acquisition rights without charge in case a holder of the rights is no longer able to exercise the rights as described in item 3. (6) above before the exercise.

6. Treatment of share acquisition rights in conjunction with a corporate reorganization

For mergers (limited to cases where Apaman no longer exists as a result of the merger), absorption-type company splits, incorporation-type company splits, share exchanges or share transfers of Apaman (the “corporate reorganization”), the share acquisition rights of stock companies specified in Article 236, Paragraph 1, Item 8, (1) to (5) of the Companies Act (the “reorganized corporations”) will be granted, respectively, to the holders of the rights on the effective date of the corporate reorganization in accordance with the following conditions. However, this provision is limited to cases in which absorption-type merger agreements, incorporation-type merger agreements, absorption-type company split agreements, incorporation-type company split plans, share exchange

agreements or share transfer plans stipulate that the share acquisition rights of reorganized corporations will be granted under the following conditions:

(1) Number of the share acquisition rights of reorganized corporations to be granted

The same number as the share acquisition rights held by holders of the rights will be granted.

(2) Type of shares of reorganized corporations to be issued under the share acquisition rights

Common stock of the reorganized corporations will be issued.

(3) Number of shares of reorganized corporations to be issued under the share acquisition rights

To be determined in accordance with item 3. (1) above, while taking into account the conditions of the corporate reorganization.

(4) Value of assets to be contributed upon the exercise of the share acquisition rights

The value of assets to be contributed upon the exercise of each share acquisition right to be granted is the amount obtained by multiplying the amount to be paid in after the corporate reorganization through adjustment of the exercise price as prescribed in item 3. (2) above by the number of shares of reorganized corporations to be issued upon the share acquisition rights in accordance with item 6. (3) above, considering the conditions of the corporate reorganization.

(5) Period during which the share acquisition rights can be exercised

The period starts on the later of either the first day of the exercise period as prescribed in item 3. (3) above or the effective date of the corporate reorganization and ends on the last day of the exercise period as prescribed in item 3. (3) above.

(6) Matters regarding the amount of capital and capital reserve to be increased as a result of the issuance of shares upon the exercise of share acquisition rights

To be determined in accordance with item 3. (4) above.

(7) Restrictions on the acquisition of share acquisition rights through transfer

The acquisition of share acquisition rights through transfer requires an approval by a resolution of the Board of Directors of the reorganized corporation.

(8) Other conditions for exercising share acquisition rights

To be determined in accordance with item 3. (6) above.

(9) Reasons and conditions to acquire share acquisition rights

To be determined in accordance with item 5. above.

(10) Other conditions will be determined in the same manner as those for the reorganized corporation.

7. Matters regarding certificates for the share acquisition rights

Apaman will not issue certificates for the share acquisition rights.

8. Payment date for the share acquisition rights

February 27, 2020

9. Allottees of the share acquisition rights and the number of the share acquisition rights to be allotted

Directors and employees of Apaman: 11 people (2,500 share acquisition rights)