
Press Release

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Company Name	SUMIDA CORPORATION
Representative	Shigeyuki Yawata, Representative Executive Officer (CEO) (Code 6817, 1st Section, Tokyo Stock Exchange)
For Inquiries	PR / IR Team (Phone: 81-3-6758-2473)

Performance-Based Share Acquisition Rights **(Share-based Compensation in Stock Options)** **(Agenda Item for the General Meeting of Shareholders)**

SUMIDA CORPORATION (the “Company”) would like to announce that the board of directors resolved to table the following item on the agenda of the 63rd General Meeting of Shareholders which is scheduled for March 25th, 2018. The Company will request approval for the determination of offering terms for share acquisition rights to be issued as stock options to directors and employees of the Company’s subsidiaries, to be entrusted to the board of directors of the Company (the “Board of Directors”) or to the executive officer of the Company delegated by resolution of the Board of Directors.

1. Reasons for the need to solicit subscribers for share acquisition rights on particularly favorable terms

The Sumida Group formulated the Mid-Term Business Plan covering the four-year period from the fiscal year ending December 31, 2018 to the fiscal year ending December 31, 2021. In aiming to achieve the targets in the Mid-Term Business Plan, realize sustainable growth and enhance mid- and long-term corporate value, share acquisition rights will be issued, without contribution, to directors and employees of the Company’s subsidiaries, upon exercise of which shares are delivered on stipulation that the value of property to be contributed upon exercise of the share acquisition rights is one (1) yen per share, as a mid-term incentive plan to further boost motivation and morale of directors and employees of the Company’s subsidiaries.

As stipulated in 2. (3) “(viii) Terms and conditions for exercising share acquisition rights” below, these share acquisition rights may be exercised to the extent made

possible by the level of achievement of the business results targets in the Sumida Group's Mid-Term Business Plan only when a certain level of such achievement has been achieved. Therefore, their contents consist of commitments toward the Group's business results targets by the directors and employees of the Company's subsidiaries eligible to receive the share acquisition rights.

In addition, it is the Company's policy that if the Company holds treasury shares upon exercise of the share acquisition rights, the Company will deliver treasury shares rather than issuing new shares to the extent possible.

2. Details of, maximum number of, and matters regarding payment for share acquisition rights for which offering terms may be determined based on the decision of this Annual General Meeting of Shareholders

- (1) Maximum number of share acquisition rights for which offering terms may be determined based on this entrustment

The maximum number of the share acquisition rights shall be 2,800, with the terms specified in (3) below.

The maximum number of shares to be granted upon exercise of the share acquisition rights shall be 280,000 shares of ordinary shares of the Company. In the event that the number of shares to be granted is adjusted pursuant to (3) (i) below, the maximum number of shares to be granted upon exercise of share acquisition rights shall be the number obtained by multiplying the number of shares granted after adjustment by the maximum number of share acquisition rights as provided for above.

- (2) Amount to be paid in for share acquisition rights for which offering terms may be determined based on this entrustment

Monetary payment is not required for the share acquisition rights as they are issued without contribution.

- (3) Details of the share acquisition rights for which offering terms may be determined based on this entrustment

- (i) Class and number of shares to be delivered upon exercise of share acquisition rights

The class of shares to be delivered upon exercise of the share acquisition

rights shall be ordinary shares and the number of shares to be delivered upon exercise of one (1) share acquisition right (hereinafter the “Number of Shares Granted”) shall be 100.

Notwithstanding the foregoing, in the event that the Company carries out a share split (including any allotment of shares without contribution; the same shall apply hereinafter) or a share consolidation of ordinary shares of the Company after the date of the resolution at the General Meeting of Shareholders (hereinafter the “Resolution Date”), the Number of Shares Granted for share acquisition rights that are unexercised as of the time of the share split or share consolidation shall be adjusted according to the following formula. Any fraction of less than one (1) share resulting from this adjustment shall be discarded.

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

In addition, in the event that it is necessary for the Company to make an adjustment to the Number of Shares Granted in cases where the Company carries out a merger, company split, share exchange, share transfer, etc., the Company may make an appropriate adjustment taking into account the merger ratio and other conditions, to the extent reasonable.

- (ii) Value of property to be contributed upon exercise of share acquisition rights
- The value of property to be contributed upon exercise of one (1) share acquisition right shall be the amount obtained by multiplying one (1) yen, which is the amount to be paid in per one (1) share to be delivered upon exercise of the share acquisition rights (hereinafter the “Exercise Price”), by the Number of Shares Granted. Notwithstanding the foregoing, if the Company carries out a share split or share consolidation of ordinary shares of the Company after the Resolution Date, the Exercise Price for share acquisition rights that are unexercised as of the time of the share split or share consolidation shall be adjusted according to the following formula. Any fraction of less than one (1) yen resulting from this adjustment shall be rounded up to the nearest yen.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of share split or consolidation}}$$

In addition, in the event that it is necessary for the Company to make an adjustment to the Exercise Price in cases where the Company carries out a merger, company split, share exchange, share transfer, etc., the Company may make an appropriate adjustment taking into account the merger ratio and other conditions, to the extent reasonable.

(iii) Exercise period of the share acquisition rights

April 1, 2022 to March 31, 2032

(iv) Matters concerning capital stock and legal capital surplus increases in event of issuance of shares upon exercise of share acquisition rights

(a) The amount of capital stock increase in the event of an issuance of shares upon exercise of the share acquisition rights shall be half the maximum amount of increase in capital stock, etc., calculated in accordance with the provision in Article 17, Paragraph 1 of the Ordinance on Accounting of Companies. Any fraction of less than one (1) yen resulting from the calculation shall be rounded up to the nearest yen.

(b) The amount of legal capital surplus increase in the event of an issuance of shares upon exercise of the share acquisition rights shall be the amount obtained by subtracting the capital stock increase stipulated in (a) above from the maximum amount of increase in capital stock, etc., described in (a) above.

(v) Restriction on the transfer of share acquisition rights

Any transfer of the share acquisition rights shall be subject to the approval of the Board of Directors.

(vi) Matters regarding repurchase of share acquisition rights

(a) In the event that any of the agenda items set forth in 1), 2), 3), 4) and 5) below is approved at a General Meeting of Shareholders of the Company (or, if a resolution at a General Meeting of Shareholders is not required, is resolved by the Board of Directors or determined by the executive officer of the Company delegated by resolution of the Board of

Directors), the Company may acquire the share acquisition rights without contribution on the date to be separately determined by the Board of Directors or determined by the executive officer of the Company delegated by resolution of the Board of Directors:

- 1) Agenda item for approval of a merger agreement under which the Company shall become a disappearing company;
- 2) Agenda item for approval of absorption-type company split agreement or incorporation-type company split plan under which the Company shall become a split company;
- 3) Agenda item for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly-owned subsidiary;
- 4) Agenda item for approval of an amendment to the Articles of Incorporation in order to establish the provision that an acquisition by way of transfer of all shares to be issued by the Company shall require the approval of the Company; and
- 5) Agenda item for approval of an amendment to the Articles of Incorporation in order to establish the provision that an acquisition by way of transfer of a class of shares to be delivered upon exercise of the share acquisition rights shall require the approval of the Company or that the Company may acquire all of such class of shares by resolution at a General Meeting of Shareholders.

(b) In the event that an individual who has been allotted share acquisition rights (hereinafter the "Share Acquisition Rights Holder") is no more possible to exercise his/her share acquisition rights due to the provisions set forth in (viii) below or by other reasons before exercising his/her rights, the Company may acquire the share acquisition rights without contribution.

(vii) Handling of share acquisition rights in relation to an act of structural reorganization

In the event that the Company carries out a merger (limited to cases where the Company disappears due to the merger), an absorption-type or incorporation-type company split (limited to cases where the Company

becomes a split company), or a share exchange or transfer (limited to cases where the Company becomes a wholly-owned subsidiary) (collectively, the “Act of Structural Reorganization”), the Company shall, in each of the above cases, deliver the share acquisition rights of any of the relevant companies set forth in Article 236, Paragraph 1, Items 8 (a) to 8 (e) of the Companies Act (hereinafter referred to as the “Reorganized Company”) to the Share Acquisition Rights Holder remaining as of the effective date of the relevant Act of Structural Reorganization (hereinafter the “Remaining Share Acquisition Rights”) in accordance with the following terms and conditions. In this case, the Remaining Share Acquisition Rights shall be extinguished and the Reorganized Company shall issue new share acquisition rights; provided, however, that the foregoing shall be on the condition that delivery of such share acquisition rights of the Reorganized Company in accordance with the following terms and conditions is stipulated in a merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan.

- (a) Number of share acquisition rights of the Reorganized Company to be delivered

A number equal to the number of the Remaining Share Acquisition Rights held by the Share Acquisition Rights Holder shall be delivered to each such holder.

- (b) Class of shares of the Reorganized Company to be delivered upon exercise of share acquisition rights

Ordinary shares of the Reorganized Company

- (c) Number of shares of the Reorganized Company to be delivered upon exercise of share acquisition rights

To be determined in accordance with (i) above, taking into consideration the conditions, etc. of the Act of Structural Reorganization.

- (d) Value of property to be contributed upon exercise of share acquisition rights

The value of property to be contributed upon exercise of each share acquisition right to be delivered shall be the amount obtained by multiplying the amount per share to be paid in after reorganization

obtained by adjusting the Exercise Price set forth in (ii) above by the number of shares of the Reorganized Company to be delivered upon exercise of relevant share acquisition rights as determined in accordance with (c) above, taking into consideration the conditions, etc. of the Act of Structural Reorganization.

(e) Exercise period of the share acquisition rights

From and including whichever is the later of the commencement date of the period during which the share acquisition rights may be exercised as provided for in (iii) above (hereinafter the "Exercise Period") or the effective date of the Act of Structural Reorganization, to and including the expiry date of the Exercise Period.

(f) Terms and conditions for exercising share acquisition rights

To be determined in accordance with (viii) below.

(g) Matters concerning capital stock and legal capital surplus increases in event of issuance of shares upon exercise of share acquisition rights

To be determined in accordance with (iv) above.

(h) Matters concerning acquisition of share acquisition rights

To be determined in accordance with (vi) above.

(i) Restriction on acquisition of share acquisition rights by way of transfer

Acquisition of the share acquisition rights by way of transfer shall be subject to the approval by resolution of the board of directors of the Reorganized Company (or a director of the Reorganized Company if the Reorganized Company is not a company with a board of directors).

(viii) Terms and conditions for exercising share acquisition rights

- (a) Provided that the two conditions of (i) operating profit recorded in consolidated statement of profit or loss in the annual securities report (hereinafter referred to as "Performance Assessment Level") reaches 8 billion yen or more, in any fiscal year of the Company, from the fiscal year ending December 31, 2018 to the fiscal year ending December 31, 2021 (hereinafter referred to as "Target Fiscal Years"), and (ii) the average return on equity attributable to owners of parent reaches 11% or higher during the Company's three fiscal years from the fiscal year

ending December 31, 2019 to the fiscal year ending December 31, 2021, are met, the maximum number of share acquisition rights that each Share Acquisition Rights Holder may exercise shall be the number of share acquisition rights held by each holder multiplied by exercisable ratio (calculated by dividing the largest amount achieved during Target Fiscal Years (the Performance Assessment Level can only be a maximum of 10 billion yen even if operating profit recorded in consolidated statement of profit or loss in the annual securities report exceeds 10 billion yen) by 10 billion yen (any fraction of less than one (1) unit shall be discarded). However, if a significant change occurs in the concept of index to be referred to, the Board of Directors shall determine another index to be referred to.

- (b) Share Acquisition Rights Holder must be in a position of director or employee of the Company or its subsidiary (collectively, the “Required Position”) until the time of exercise of the share acquisition rights on a continuing basis.
- (c) With regard to Share Acquisition Rights Holders, there must not be a situation where dismissal of director has been adopted at a general meeting of shareholders of the relevant subsidiary of the Company, or where punitive dismissal has been decided pursuant to the rules of employment of the Company or its subsidiary, or a similar situation, as of the time of exercise of the share acquisition rights.
- (d) Notwithstanding (b) above, share acquisition rights may be exercised even when a Share Acquisition Rights Holder has lost the Required Position, if the reason for the loss of the Required Position is mandatory retirement at the age limit, retirement because of reaching contractual age-limit, retirement assigned by company, retirement mainly because of physical disability resulting from occupational injury or illness, dismissal because of unavoidable operational reason (layoff) or resignation or retirement similar to these. In this case, the holder may exercise share acquisition rights only from and including whichever is later of the date of loss of the Required Position or the commencement date of the Exercise Period, to and including the date on which two (2) years have elapsed from the aforesaid date on the condition that the last

day is on or before the expiration date of the Exercise Period.

(e) Share acquisition rights may not be exercised by inheritors of share acquisition rights.

(f) Any fraction of a share acquisition right less than one (1) may not be exercised.

(ix) Handling of fractions of less than one (1) share resulting from exercise of share acquisition rights

Any fraction of less than one (1) share included in the number of shares to be delivered to a Share Acquisition Rights Holder who exercised share acquisition rights shall be discarded.

(4) Other matters regarding share acquisition rights

If there are finer details of the aforementioned or any other matters relating to the subscription of share acquisition rights, these shall be determined by the Board of Directors of the Company or by executive officers of the Company who have been delegated by resolution of the Board of Directors.

(Reference)

The Company plans to issue share acquisition rights to executive officers of the Company with terms and conditions for exercise that are similar to a medium-term incentive plan to achieve the targets of the Company's Mid-Term Business Plan, realize sustainable growth and enhance medium- to long-term corporate value. With regard to share acquisition rights to be allotted to executive officers of the Company, the paid-in amount will be the amount obtained by multiplying the fair value of a share acquisition right calculated by the formula of the Black-Sholes Model by the number of share acquisition rights to be allotted to each executive officer (The Compensation Committee will, on the condition that this agenda item is approved and adopted, grant to each executive officer remuneration at the same amount as the amount to be paid in, where each executive officer's right to claim the remuneration from the Company and each executive officer's obligation to pay the amount to be paid in will offset each other. In addition, the details of share acquisition rights regarding specifics of individual remuneration, etc. of executive officers will be similar to those set forth in 2. (3) above.) and, for the purpose of getting executive officers to undertake further commitment regarding the achievement of the target, the evaluated amount of the share acquisition rights calculated by the Monte Carlo Simulation, which finds the fair value of the share acquisition rights, will be the paid-in amount for the share acquisition rights (Rather than performing a grant of remuneration rights to executive officers, it will take the form of an actual pay-in by executive officers. In addition, the exercise price will be determined by referencing the Company's share

price directly before the grant decision. Excluding the Exercise Price, the exercise conditions and other details of the share acquisition rights will be the same as 2. (3) above).

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