



News Release (6409 TSE 1)

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Notice of the Issuance of Stock Options (Stock Acquisition Rights) to be Resolved at the Annual Shareholders Meeting

Please be advised that the board of directors of KITO CORPORATION passed a resolution in writing on May 15, 2017 to raise matters for resolution at the 72nd annual shareholders meeting scheduled on June 21, 2017 (hereinafter referred to as the “Shareholders Meeting”) to issue stock acquisition rights as stock options for the directors (excluding outside directors) and executive officers of KITO CORPORATION pursuant to Articles 236, 238 and 239 of the Companies Act, and to delegate determination of subscription requirements for the stock acquisition rights to the board of directors. The details are as follows:

1. Reason for need to solicit individuals to receive stock acquisition rights at especially favorable terms:
The purpose is to motivate and give the directors (excluding outside directors) and executive officers an incentive for improving the Company’s performance and corporate value.
2. Individuals eligible to receive stock acquisition rights:
Directors (excluding outside directors) and executive officers of KITO CORPORATION
3. Details, cap on the number, etc. of stock acquisition rights delegated to determine the subscription requirements based on the resolution that will be passed at the Shareholders Meeting:
 - (1) Cap on the number of stock acquisition rights delegated to determine the subscription requirements:
It shall be set at 1,000 units, the details of which are as defined in (3) below.
The total number of stocks to be received by exercise of such stock acquisition rights shall be capped at 200,000 common stocks of KITO CORPORATION, and at the number calculated by multiplying the adjusted number of stocks to be granted by the number of the above stock acquisition rights in cases where the number of the stocks to be granted (as defined below) is adjusted in accordance with (3)-(a).
 - (2) Payment of money is not required for the stock acquisition rights delegated to determine the subscription requirements.
 - (3) Details of the stock acquisition rights delegated to determine the subscription requirements:

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- (a) Type and number of stocks underlying the stock acquisition rights:

The type of stocks underlying the stock acquisition rights shall be a common stock of KITO CORPORATION, and the number of such stocks underlying a single stock warrant (hereinafter referred to as the “Number of the Stocks to be Granted”) shall be 200 shares.

However, in the event of a split (including allotment of the common stocks of KITO CORPORATION without contribution; the same applies hereinafter) or reverse split of the common stocks of KITO CORPORATION, the Number of the Stocks to be Granted shall be adjusted based on the following formula, and a fraction of less than one share resulting from the adjustment shall be disregarded:

Adjusted Number of the Stocks to be Granted = Number of the Stocks to be Granted before adjustment × Ratio of stock split or reverse split

In addition to the above, in the event of unavoidable reasons requiring the adjustment of the Number of the Stocks to be Granted, such Number of the Stocks to be Granted shall be adjusted within the reasonable extent.

- (b) Amount of assets to be invested upon exercise of the stock acquisition rights:

It shall be the amount calculated by multiplying the amount paid per one common stock of KITO CORPORATION to be received by exercise of the stock acquisition rights (hereinafter referred to as the “Exercise Price”) by the Number of the Stocks to be Granted.

The Exercise Price shall be the amount calculated by multiplying whichever is the higher of (A) the average of daily closing price of the common stocks of KITO CORPORATION at the Tokyo Stock Exchange (hereinafter referred to as the “Closing Price”) for the month (except days when no trades are done) prior to the month that includes the day when the stock acquisition rights are allotted (hereinafter referred to as the “Day of Allotment”); or (B) the Closing Price for the Day of Allotment (the Closing Price for the day immediately prior to the Day of Allotment if no trades are done), by 1.05, and a fraction of less than 1 yen shall be rounded up.

In cases where a split or reverse split of the stocks of KITO CORPORATION takes place after the Day of Allotment, the Exercise Price shall be adjusted based on the following formula, and a fraction of less than 1 yen resulting from the adjustment shall be rounded up:

$$\text{Adjusted Exercise Price} = \text{Exercise Price before Adjustment} \times \frac{1}{\text{Ratio of Stock Split or Reverse Split}}$$

In cases where KITO CORPORATION issues new stocks or disposes of treasury stocks (except securities acquired by KITO CORPORATION in exchange for delivery of the common stocks of KITO CORPORATION or securities with put option, and stocks delivered by exercise of the stock acquisition rights of which the holder can demand delivery of the common stocks of KITO CORPORATION) at a price lower than the market value after the Day of Allotment, the Exercise Price shall be adjusted based on the following formula and

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a fraction of less than 1 yen resulting from the adjustment shall be rounded up:

$$\text{Adjusted Exercise Price} = \frac{\text{Exercise Price before Adjustment} \times \text{Number of Stocks Issued} + \frac{\text{Number of New Stocks} \times \text{Amount Paid per Share}}{\text{Market Value}}}{\text{Number of Stocks Issued} + \text{Number of New Stocks}}$$

In the above formula, the “Number of stocks issued” shall be the number calculated by deducting the number of treasury stocks out of the common stocks of KITO CORPORATION from the total number of common stocks of KITO CORPORATION that have already been issued, and the “Number of new stocks” shall be deemed to be replaced with the “number of treasury stocks to be disposed of” in the event of disposition of the treasury stocks.

In addition to the above, in the event of unavoidable reasons requiring adjustment of the Exercise Price (e.g., in cases where KITO CORPORATION reduces the amount of its stated capital after the Day of Allotment), the Exercise Price shall be adjusted, in consideration of the terms and conditions of such reduction in the amount of the stated capital, within the reasonable extent.

(c) Period during which the stock acquisition rights may be exercised:

It shall be a period from the day when two (2) years have elapsed since the day on which the resolution is adopted to the day when ten (10) years have elapsed and determined by the board of directors of KITO CORPORATION.

(d) Conditions for exercising the stock acquisition rights:

- i) Successors of a holder of the stock acquisition rights may inherit the stock acquisition rights.
- ii) Disposition of the stock acquisition rights such as pledges shall not be permitted.

(e) Grounds and requirements for acquiring the stock acquisition rights:

- i) In cases where a holder of the stock acquisition rights is discharged on disciplinary grounds or removed from his/her post as director, executive officer or auditor (except removal due to mandatory retirement and termination of a term) or resigns for his/her own reasons, all of the stock acquisition rights issued for such a holder may be acquired with no compensation.
- ii) In cases where a holder of the stock acquisition rights finds a position at a company in substantial competition with KITO CORPORATION or conducts on his/her own business in substantial competition with KITO CORPORATION, all of the stock acquisition rights issued for such a holder may be acquired with no compensation.
- iii) In cases where a holder of the stock acquisition rights violates the terms of the “agreement on allotment of stock acquisition rights” that is signed between the holders of the stock acquisition rights and KITO CORPORATION, all of the stock acquisition rights issued for such a holder may be acquired with no compensation.

(f) Restrictions on acquiring the stock acquisition rights through transfers:

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In order to acquire the stock acquisition rights through transfers, approval by resolution at the board of directors of KITO CORPORATION is required.

- (g) Matters concerning the stated capital or capital reserve to be increased in cases where stocks are issued by way of exercise of the stock acquisition rights:
 - i) The amount of the stated capital to be increased in cases where the stocks are issued by way of exercise of the stock acquisition rights shall be half of the amount of the maximum increase in the stated capital as calculated pursuant to Article 17-(1) of the Ordinance on Company Accounting, and a fraction of less than 1 yen resulting from the calculation shall be rounded up.
 - ii) The amount of the capital reserve to be increased in cases where the stocks are issued by way of exercise of the stock acquisition rights shall be the amount calculated by deducting the amount of the stated capital to be increased as stipulated in the above i) from the amount of the maximum increase in the stated capital as in i).
- (h) Handling of the stock acquisition rights in the event of the act of reorganization:

In cases where KITO CORPORATION carries out a merger (only when KITO CORPORATION is extinguished due to the merger), absorption-type or incorporation-type company split, stock swap, or stock transfer (hereinafter collectively referred to as the "Act of Reorganization"), KITO CORPORATION shall deliver to the holders of outstanding stock acquisition rights, as of the effective time of the Act of Reorganization (hereinafter referred to as the "Remaining Stock Acquisition Rights"), stock acquisition rights of a stock company (hereinafter referred to as the "Reorganized Company") as provided in (a) to (e) of (viii) of Article 236-(1) of the Companies Act (hereinafter referred to as the "Reorganized Company Stock Acquisition Rights") based on the following terms and conditions.

In this case, the Remaining Stock Acquisition Rights shall be extinguished, and the Reorganized Company shall newly issue the Reorganized Company Stock Acquisition Rights; provided, however, that in accordance with the terms and conditions below this shall apply only to cases where the delivery of the Reorganized Company Stock Acquisition Rights is stipulated in the agreement on an absorption-type / consolidation-type merger, absorption-type company split or stock swap, or in the plan on an incorporation-type company split or stock transfer.

- i) Number of the Reorganized Company Stock Acquisition Rights to be delivered:
The Reorganized Company Stock Acquisition Rights shall be respectively delivered in the same number of stock acquisition rights that are owned by a holder of the Remaining stock acquisition rights.
- ii) Type and number of the stocks of the Reorganized Company underlying the Reorganized Company Stock Acquisition Rights:
The type shall be a common stock of the Reorganized Company, and its number shall be determined in consideration of the terms of conditions of the Act of Reorganization and in accordance with the above (a).
- iii) Amount of assets to be invested upon exercise of the Reorganized Company Stock

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Acquisition Rights:

It shall be, in consideration of the terms and conditions of the Act of Reorganization, the amount calculated by multiplying the amount paid after the reorganization resulting from the adjustment of the Exercise Price as prescribed in the above (b) by the number of stocks of the Reorganized Company underlying such Reorganized Company Stock Acquisition Rights as determined in the above ii).

- iv) Period during which the Reorganized Company Stock Acquisition Rights may be exercised:

It shall be from whichever is the later of (A) the first day of the period during which the Stock Acquisition Rights may be exercised as provided in the above (c); or (B) the effective day of the Act of Reorganization, through the last day of the period during which the stock acquisition rights may be exercised as provided in the above (c).

- v) Conditions for exercising the Reorganized Company Stock Acquisition Rights:

They shall be determined pursuant to the above (d).

- vi) Grounds and requirements for acquiring the Reorganized Company Stock Acquisition Rights:

They shall be determined pursuant to the above (e).

- vii) Restrictions on acquiring the Reorganized Company Stock Acquisition Rights through transfers:

In order to acquire the Reorganized Company Stock Acquisition Rights through transfers, the approval by resolution at the board of directors of the Reorganized Company (or "directors" when the Reorganized Company does not have the board of directors) is required.

- viii) Matters concerning the stated capital or capital reserve to be increased in cases where stocks are issued by way of exercise of the Reorganized Company Stock Acquisition Rights:

They shall be determined pursuant to the above (g).

- (i) Rounding-down of fractions resulting from exercise of the stock acquisition rights:

In cases where the stocks to be delivered to the holders of the stock acquisition rights have a fraction of less than 1 share, such a fraction shall be rounded down.

- (j) Other details of the stock acquisition rights:

They shall be defined at the board of directors meeting that determines the subscription requirements for the stock acquisition rights.

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