

Translation

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IDOM Inc.

## Issuance of Stock Acquisition Rights by Private Placement and Additional Setting to Incentive Plan (Market Value Issue Stock Acquisition Rights Trust)

Tokyo, July 12, 2017—IDOM Inc. (“IDOM”) announces that its Board of Directors passed a resolution at a meeting held today to issue the 6<sup>th</sup>, 7<sup>th</sup>, and 8<sup>th</sup> series of stock acquisition rights (the “Stock Acquisition Rights”) by private placement as additional setting to the incentive plan (the “Incentive Plan”) using a market value issue stock acquisition rights trust.

The market value issue stock acquisition rights trust is a new incentive system in which a trustee holds stock acquisition rights issued at market price, then grants them to beneficiaries that meet conditions on a certain date.

### 1. Overview of subscription

(1)	Placement date	July 31, 2017
(2)	Number of stock acquisition rights issued	the 6 <sup>th</sup> series: 3,000; the 7 <sup>th</sup> series: 5,000; the 8 <sup>th</sup> series: 12,000
(3)	Issue price	the 6 <sup>th</sup> series: 300,000 yen (100 yen per 1 stock acquisition right) the 7 <sup>th</sup> series: 500,000 yen (100 yen per 1 stock acquisition right) the 8 <sup>th</sup> series: 1,200,000 yen (100 yen per 1 stock acquisition right) Total amount: 2,000,000 yen
(4)	Number of potential shares due to the issuance	2,000,000 (100 shares per 1 stock acquisition right)
(5)	Amount of funds procured	Total amount: 1,536,000,000 yen (Net amount: 1,528,500,000 yen) (Breakdown) Amount procured by issuance of stock acquisition rights: 2,000,000 yen Amount procured by exercise of stock acquisition rights: 1,534,000,000 yen  The net amount represents the result of deducting the estimated amount of issuance cost related to the Stock Acquisition Rights from the sum of the total paid in amount for the Stock Acquisition Rights and the total amount of the price of assets to be vested upon exercise of the Stock Acquisition Rights.
(6)	Exercise price	767 yen per share for each issue (fixed)
(7)	Method of subscription and placement (intended recipient of private placement)	A private placement of stock acquisition rights to the trustee Hiroya Tsukamoto.
(8)	Other	The stock acquisition rights are to be issued for the purpose of further enhancing the sense of unity and solidarity of the Company’s (including the Company’s subsidiaries’) current and future directors (excluding outside directors) and employees

(hereinafter “the Company’s Officers and Employees) in the cause of increasing the Company’s earnings and expanding corporate value, and further enhancing their motivation and morale.

By utilizing this incentive plan rather than an ordinary incentive plan using tax qualifying stock options and paid-in stock acquisition rights, the Company can allocate stock acquisition rights to the Company’s Officers and Employees in accordance with the predetermined grant guidelines (hereinafter the “Grant Guidelines”) for the Stock Acquisition Rights depending on the respective degrees of contribution of the Company’s Officers and Employees during the period up until the time of allocation. This enables the Company to allocate stock acquisition rights through a fair evaluation of the Company’s Officers and Employees’ contribution to increasing its corporate value, which is expected to increase their motivation to contribute and to enable the Company to attract outstanding human resources.

The exercise conditions of the 6<sup>th</sup> and 8<sup>th</sup> series of Stock Acquisition Rights are same to the 4<sup>th</sup> and 5<sup>th</sup> series of Stock Acquisition Rights issued last year respectively. The exercise conditions of the 7<sup>th</sup> series of Stock Acquisition Rights are newly set in consideration of the conditions set in the 4<sup>th</sup> and 5<sup>th</sup> series of Stock Acquisition Rights.

<Main exercise conditions of the 6th series of stock acquisition rights >

If the operating income in the Company’s audited consolidated statements of income in its annual securities report for the fiscal year ending February 28, 2018 meet the following conditions, those who have received the grant of the stock acquisition rights from the trustee (hereinafter the “Beneficiaries”) may exercise the portion of the Acquisition Rights that they have been granted by multiplying the number of rights by the ratio in accordance with the satisfied conditions. If the number of exercisable stock acquisition rights calculated based on the ratio includes a fraction of less than one share, the executable number of the Stock Acquisition Rights shall be the number after rounding down the fractional share. Moreover, in the event that a material change occurs in the concept of the operating income and other matters of reference due for example to the application of international financial reporting standards (IFRSs), the Board of Directors shall determine a separate index to be referenced.

- (a) If the operating income exceeds 10.0 billion yen  
90% of the Stock Acquisition Rights granted to the Beneficiary
- (b) If the operating income exceeds 11.2 billion yen  
95% of the Stock Acquisition Rights granted to the Beneficiary
- (c) If the operating income exceeds 13.6 billion yen  
100% of the Stock Acquisition Rights granted to the Beneficiary

<Main exercise conditions of the 7th series of stock acquisition rights >

		<p>If the operating income in the Company's audited consolidated statements of income in its annual securities report for the fiscal year ending February 28, 2019 meet the following conditions, those who have received the grant of the stock acquisition rights from the trustee (hereinafter the "Beneficiaries") may exercise the portion of the Acquisition Rights that they have been granted by multiplying the number of rights by the ratio in accordance with the satisfied conditions. If the number of exercisable stock acquisition rights calculated based on the ratio includes a fraction of less than one share, the executable number of the Stock Acquisition Rights shall be the number after rounding down the fractional share. Moreover, in the event that a material change occurs in the concept of the operating income and other matters of reference due for example to the application of international financial reporting standards (IFRSs), the Board of Directors shall determine a separate index to be referenced.</p> <p>(a) If the operating income exceeds 13.6 billion yen 90% of the Stock Acquisition Rights granted to the Beneficiary</p> <p>(b) If the operating income exceeds 15.5 billion yen 95% of the Stock Acquisition Rights granted to the Beneficiary</p> <p>(c) If the operating income exceeds 17.5 billion yen 100% of the Stock Acquisition Rights granted to the Beneficiary</p> <p>&lt;Main exercise conditions of the 8th series of stock acquisition rights &gt;</p> <p>If the operating income in the Company's audited consolidated statements of income in its annual securities report for the fiscal year ending February 28, 2021 meet the following conditions, those who have received the grant of the stock acquisition rights from the trustee (hereinafter the "Beneficiaries") may exercise the portion of the Acquisition Rights that they have been granted by multiplying the number of rights by the ratio in accordance with the satisfied conditions. If the number of exercisable stock acquisition rights calculated based on the ratio includes a fraction of less than one share, the executable number of the Stock Acquisition Rights shall be the number after rounding down the fractional share. Moreover, in the event that a material change occurs in the concept of the operating income and other matters of reference due for example to the application of international financial reporting standards (IFRSs), the Board of Directors shall determine a separate index to be referenced.</p> <p>(a) If the operating income exceeds 20.0 billion yen 70% of the Stock Acquisition Rights granted to the Beneficiary</p> <p>(b) If the operating income exceeds 22.5 billion yen 85% of the Stock Acquisition Rights granted to the Beneficiary</p> <p>(c) If the operating income exceeds 25.0 billion yen 100% of the Stock Acquisition Rights granted to the</p>
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		Beneficiary
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## 2. Purpose and Reason for Subscription

### <Purpose and Reason for Introducing the Incentive Plan>

The Company seeks to sustain and increase the motivation of the Company's Officers and Employees and to provide an incentive to increase its corporate value over the medium to long term. To this end, it has concluded a market value issue stock acquisition rights trust establishment agreement (hereinafter the "Trust Agreement") with the Company's retired director Yukihiro Yoshida as the consigner (hereinafter the "Consigner") and Hiroya Tsukamoto as the Trustee. Through this agreement, the Company will implement the Incentive Plan.

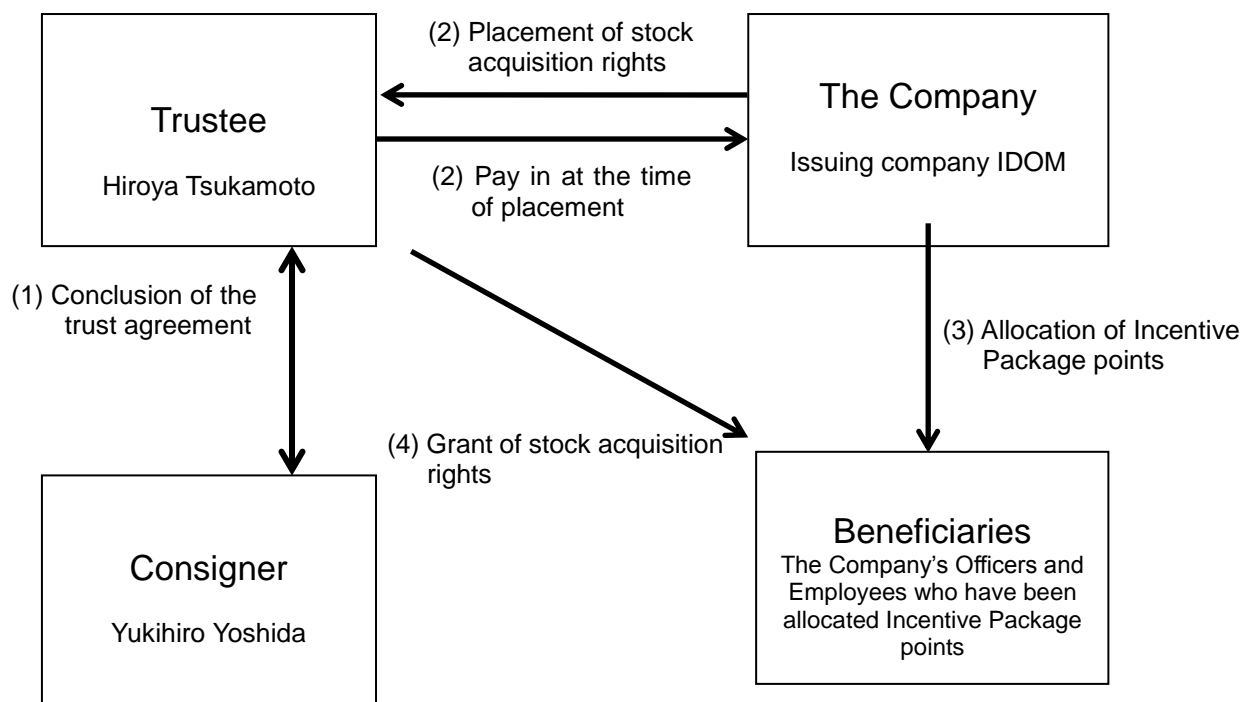
The Incentive Plan comprises the following three plans, in accordance with the Trust Agreement.

Name of the plan in the Trust Agreement	Stock acquisition rights and number thereof	Human resource evaluation period	Stock acquisition right grant date	Stock acquisition right exercise period
IDOM2018 (Additional)	6th Stock acquisition rights (3,000 rights)	Fiscal year ending February 28, 2017 –Fiscal year ending February 28, 2018	March 31, 2018	June 1, 2018 – May 31, 2021
IDOM2019	7th Stock acquisition rights (5,000 rights)	Fiscal year ending February 28, 2018 –Fiscal year ending February 28, 2019	March 31, 2019	June 1, 2019 – May 31, 2022
IDOM2021 (Additional)	8th Stock acquisition rights (12,000 rights)	Fiscal year ending February 28, 2019 –Fiscal year ending February 28, 2021	May 31, 2021	June 1, 2021 – May 31, 2024

### <Overview of the Trust Agreement>

Name	Market Value Issue Stock Acquisition Rights Trust Establishment Agreement (IDOM 2018-Additional, IDOM 2019 and IDOM 2021-Additional)
Consigner	Yukihiro Yoshida
Trustee	Hiroya Tsukamoto
Beneficiaries	Persons designated as Beneficiaries on each trust period maturity date (persons designated through the Beneficiary confirmation procedure)
Trust agreement date (start date of the trust period)	July 24, 2017
Trust period maturity date	IDOM 2018 -Additional      May 31, 2018 IDOM 2019                      May 31, 2019 IDOM 2021 -Additional      May 31, 2021
Purpose of the Trusts	The main purpose of the trusts is to grant the Stock Acquisition Rights to the beneficiaries.
Beneficiary Confirmation Procedures	In accordance with the Trust Agreement, the Company Officers and Employees who are designated as Beneficiaries as of the maturity date of the trust period shall be Beneficiaries and the volume of the Stock Acquisition Rights to be allocated to them shall be determined. The specific standard for allocation is stipulated in the Grant Guidelines to be determined on July 24, 2017 on the trust agreement date. The Grant Guidelines are guidelines determined by the Company setting out the scope of the Company's Officers and Employees who will be granted the Stock Acquisition Rights on the maturity date of the trust period, and the number of rights to be granted. The performance of the Company's Officers and Employees is evaluated in accordance with the Grant Guidelines to carry out granting of the Stock Acquisition Rights. The details of the guidelines are as states above in "Purpose and Reason for Introducing the Incentive Plan."

**<Schematic Diagram of the Incentive Plan>**



**3. Rationality of Issuance Conditions, Etc.**

**(1) Grounds for calculation of pay-in amount and specific details**

The Company requested an evaluation of the Stock Acquisition Rights from third-party evaluation institution K.K. Plutus Consulting in deciding on the issuance price. The third-party evaluation institution conducted an evaluation of the Stock Acquisition Rights using the general price calculation model, the Monte Carlo Simulation, based on each of the following conditions for each of the issuances. The price evaluation result per stock acquisition right was calculated as 100 yen for the each series of Stock Acquisition Rights of the 6<sup>th</sup> to the 8<sup>th</sup>.

**<6th Stock Acquisition Rights>**

The price of the Company's stock on the Tokyo Stock Exchange on the day prior to the Board of Directors meeting regarding the issuance of the Stock Acquisition Rights of 767 yen per share, the price volatility of the stock of 45.78%, the dividend yield of 0.91%, the no-risk interest rate of -0.048%, and the conditions determined for issuance of the Stock Acquisition Rights (issue price 767 yen per share, maturity period 3.84 years, performance conditions)

**<7th Stock Acquisition Rights>**

The price of the Company's stock on the Tokyo Stock Exchange on the day prior to the Board of Directors meeting regarding the issuance of the Stock Acquisition Rights of 767 yen per share, the price volatility of the stock of 47.68%, the dividend yield of 0.91%, the no-risk interest rate of -0.029%, and the conditions determined for issuance of the Stock Acquisition Rights (issue price 767 yen per share, maturity period 4.84 years, performance conditions)

**<8th Stock Acquisition Rights>**

The price of the Company's stock on the Tokyo Stock Exchange on the day prior to the Board of Directors meeting regarding the issuance of the Stock Acquisition Rights of 767 yen per share, the price volatility of the stock of 44.33%, the dividend yield of 0.91%, the no-risk interest rate of 0.015%, and the conditions determined for issuance of the Stock Acquisition Rights (issue price 767 yen per share, maturity period 6.84 years, performance conditions)

Since the third-party evaluation institution based its evaluation on the preconditions that had potential to influence the evaluation price and estimated the prices using a generally applied calculation method for stock acquisition rights that reflects these preconditions, the Company's Board of Directors judged that the issue price of the Stock Acquisition Rights was appropriate and just, and did not correspond to favorable terms of issuance. Furthermore, the Board of Directors decided that

the pay-in amount per Stock Acquisition Right would be the same as the calculated result.

Moreover, out of consideration for the existing shareholders, the exercise price of the Stock Acquisition Rights was set at 767 yen per share, the closing price for ordinary transaction on the Tokyo Stock Exchange on the trading day prior to the date of the Board of Directors resolution regarding the Stock Acquisition Price.

Furthermore, all of the Company's Audit and Supervisory Board members have discussed the proposition that the issue price does not especially favor the intended placement recipient in light of the abovementioned grounds for calculation, and concluded that in their opinion that the issuance of the Stock Acquisition does not correspond to an issuance on favorable terms.

## **(2) Grounds for Judging that the Stock Acquisition Rights Issuance and the Scale of Stock Dilution Are Rational**

The exercise of all of the Stock Acquisition Rights would result in the issuance of 2,000,000 shares (20,000 voting rights). This represents a dilution ratio of 1.87% (1.97% of the total number of voting rights) against a denominator of 106,888,000 shares (1,013,816 voting rights), being the total number of the Company's issued shares as of February 28, 2017. The exercise of the Stock Acquisition Rights would thus cause considerable dilution.

However, the stock acquisition rights are to be issued for the purpose of further enhancing the sense of unity and solidarity of the Company's Officers and Employees in the cause of increasing the Company's earnings and expanding corporate value, and further enhancing their motivation and morale. Moreover, issuance is conditional upon the achievement of predetermined targets regarding the market capitalization and performance of the Company, which is expected to increase the Company's corporate value and shareholder value.

In addition, with regard to the total number of issued shares due to the exercise of the Stock Acquisition Rights being 2,000,000, the Company's common stock has a certain degree of liquidity, with an average daily trading volume of approximately 911,000 shares over the past six months.

Due to the above reasons, the Company expects the issuance of the Stock Acquisition Rights to contribute to increasing corporate value and shareholder value, and judges that it will also contribute to the interests of its existing shareholders. For this reason, the Company considers the issue amount and scale of dilution to be rational.