



Press Release

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Notice regarding issuance of stock options (stock acquisition rights)

At the Board of Directors meeting held today, on May 22, 2017, CYBERDYNE, INC. (the “Company”), resolved to propose a resolution to the 13th Ordinary Meeting of the General Shareholders on June 23, 2017, to assign the Board of Directors to determine the subscription terms of the offering of the stock acquisition rights as stock options without compensation in accordance with Articles 236, 238 and 239 of the Companies Act. Details are as follows

I. Purpose and reason for the issuance of stock options under specially preferable conditions

Aiming to improve CYBERDYNE, INC.’s and its group companies’ (collectively referred to as the “Group”) business performance and to increase its corporate value, stock acquisition rights will be issued as stock options to directors, and employees of the Group without compensation, in order to further raise motivation and morale, and increase unity within the Group.

II. Terms maximum number of stock acquisition rights to be resolved and whether they are gratis or not, pursuant to the resolution of the Ordinary General Meeting of Shareholders

1. Maximum number of stock acquisition rights to be resolved pursuant to the assignment

Pursuant to III below, maximum number of stock acquisition rights to be resolved pursuant to the assignment (the “Stock Options”) is 1,000 units.

The total number of shares that can be issued as a result of exercising these Stock Options is set at 100,000 Common Shares of the Company. If the number of granted shares for each Stock Options is adjusted as set out in “III. 1.” below, the maximum number of shares that can be issued will be the amount calculated by adjusted Number of Granted Shares multiplied by the maximum number of Stock Options stated above.

2. Money to be paid in exchange for the Stock Options

The relevant stock acquisition right shall require no amount to be paid in.

III. Details of the Stock Options to be resolved pursuant to the assignment

1. Class and number of shares covered by the Stock Options:

The class of shares covered by the Stock Options shall be Common Shares of the Company, and the Number of Granted Shares shall be one hundred (100) Common Shares.

However, the Number of Granted Shares shall be adjusted according to the following formula if the Company splits (including allotment of shares of common stock of the Company without contribution; the same shall apply to any reference to a share split hereinafter) or consolidates shares of its common stock after the date for the allotment of the Stock Options (the "Allotment Date"). This adjustment shall be limited to the stock options that have not been exercised as of the date of this adjustment, and fractions less than one (1) share arising as a result of such adjustment shall be rounded down.

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

The provisions of Section 3.(ii)(1) shall apply mutatis mutandis to the application date of the Number of Granted Shares after such adjustment.

When adjusting the Number of Granted Shares, the Company shall notify each holder of Stock Options set forth in the Stock Options register (each a "Stock Option Holder") or give public notice of necessary matters by the date immediately preceding the effective date on which the adjusted Number of Granted Shares will become part of the Stock Options; however, if the Company is unable to notify the Stock Option Holders or give public notice by the date immediately preceding the effective date, the Company shall notify the Stock Option Holders or give public notice promptly thereafter.

2. Value of Property to be Contributed upon Exercise of the Stock Options:

The value of property to be contributed upon the exercise of each Stock Option shall be the amount obtained by multiplying the amount to be paid-in for one (1) share to be delivered by exercising such Stock Option (the "Exercise Price") by the Number of Granted Shares.

The Exercise Price is the amount obtained by multiplying (a) the closing price of ordinary transactions of common stock of the Company at the Tokyo Stock Exchange (the "Closing Price") on the Allotment Date (or the Closing Price on the immediately preceding transaction date, if there is no Closing Price for the Allotment Date) by (b) 1.20, with any fraction less than one (1) yen being rounded up to the nearest whole number; provided that the Exercise Price shall be subject to the adjustment set forth in Section 3. below.

3. Adjustment of Exercise Price:

- (i) If the Company takes any of the actions listed in items (1) and (2) below with

respect to the shares of common stock of the Company after the Allotment Date, the Company shall adjust the Exercise Price by using the corresponding formula (the “Exercise Price Adjustment Formula”) set forth below. Any fraction less than one (1) yen resulting from the adjustment shall be rounded up to the nearest whole number:

(1) Split or consolidation of shares

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

(2) Issuance of new shares or disposition of treasury shares at a price lower than the market price (excluding sale of treasury shares pursuant to Article 194 (demand for sale to holders of shares less than one unit) of the Companies Act, conversion of securities that are to be or may be converted into common stock of the Company, or exercise of Stock options (including those attached to bonds with Stock options) by which delivery of common stock of the Company may be requested)

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \frac{\text{Number of new shares to be issued} \times \text{Amount to be paid-in per share}}{\text{Market price}}}{\text{Number of issued shares} + \text{Number of new shares to be issued}}$$

- a. The “market price” in the Exercise Price Adjustment Formula shall be the average price of the Closing Price (including indicative prices; hereinafter the same) of ordinary transactions of common stock of the Company at the Tokyo Stock Exchange for a period of thirty (30) transaction days (excluding any day without the Closing Price) commencing on the forty-fifth transaction day prior to the “Application Date of the Exercise Price after adjustment” set forth in clause (2) below (the “Application Date”). In calculating the “average price,” fractional amounts less than one (1) yen shall be calculated to the hundredth and then rounded up to the nearest tenth.
- b. The “Number of issued shares” in the Exercise Price Adjustment Formula shall be the total number of issued shares of common stock of the Company as of the record date, if any, or otherwise the date one (1) month prior to the Application Date, less the number of treasury shares of common stock of the Company which are held by the Company on such date.
- c. In the case of disposition of treasury shares, the “Number of new shares to be issued” in the Exercise Price Adjustment Formula shall be replaced with the “Number of treasury shares to be disposed of.”

(ii) The Application Date shall be subject to the following:

- (1) When making an adjustment pursuant to clause(i)(1) above, the Exercise Price

after adjustment shall be applied, in the case of a share split, on and after the day immediately following the record date for the share split (if no record date is prescribed, the effective date of such share split) and, in the case of a share consolidation, on and after the effective date thereof; however, if a share split is subject to the condition that a proposal to increase the stated capital or reserves by decreasing the amount of surplus is approved at the Company's shareholders meeting, and the record date for the share split is prescribed to be the date prior to the date of conclusion of such shareholders meeting, the Exercise Price after adjustment shall be applied retrospectively to the date immediately following the record date on and after the date immediately following the date of conclusion of the shareholders meeting.

Under the proviso clause of the preceding paragraph, the Company shall adjust, by the following calculation formula, the number of shares of its common stock to be delivered to the Stock Option Holder exercising Stock Options during the period commencing on the date immediately following the record date for the share split and ending on the date of conclusion of the shareholders meeting (the number of shares that may be delivered by exercising Stock Options shall hereinafter be referred to as the "Number of Shares subject to Exercise before Split"). Any fraction less than one (1) share resulting from the adjustment shall be rounded down.

$$\text{Number of new shares to be issued} = \frac{(\text{Exercise Price before adjustment} - \text{Exercise Price after adjustment}) \times \text{Number of Shares subject to Exercise before Split}}{\text{Exercise Price after adjustment}}$$

- (2) When making an adjustment pursuant to clause (i)(2) above, the Exercise Price after adjustment shall be applied on and after the date immediately following the payment date (if a period for payment is prescribed, the last day thereof) for such issuance or disposition (or on and after the date immediately following the record date, if any).
- (iii) In addition to clauses (i)(1) and (i)(2), in the case where it is necessary to adjust the Exercise Price such as in the case of the Company allotting shares of other classes without contribution to common shareholders or distributing shares of another company as dividends to common shareholders, the Company may adjust the Exercise Price within a reasonable extent after taking into consideration conditions or other related factors of the allotment or distribution.
- (iv) When adjusting the Exercise Price, the Company shall notify the Stock Option Holders or give public notice of necessary matters by the date immediately preceding the Application Date; provided that, if the Company is unable to notify the Stock Option Holders or give public notice by the date immediately preceding the Application Date, the Company shall notify the Stock Option Holders or give public notice promptly thereafter.

4. Exercise Period for the Stock Options:

8 years counting from the date when 2 years passes after the issuing of stock options

are resolved.

5. Matters regarding Increase of Stated Capital and Capital Reserve in Issuance of Shares upon Exercise of the Stock Options:

- (i) The amount of the increase of stated capital upon the issuance of shares by the exercise of Stock Options shall be one-half (1/2) of the maximum amount of the increase of stated capital to be calculated pursuant to Article 17, paragraph 1 of the Ordinance on Accounting of Companies. Any fraction less than one (1) yen resulting from the calculation shall be rounded up to the nearest whole number.
- (ii) The amount of the increase of capital reserves in issuance of shares upon exercise of Stock Options shall be the maximum amount of increase of stated capital set forth in the above clause (i) above less the amount of increase of stated capital set forth in clause (i) above.

6. Restrictions on Acquisition of the Stock Options by Transfer:

Any acquisition of the Stock Options by transfer shall be subject to approval by resolution of the Board of Directors of the Company.

7. Conditions on Acquisition of the Stock Options:

The Company may acquire the Stock Options on a date separately prescribed by the Board of Directors of the Company without any consideration if any of the proposals listed in items (i), (ii), (iii), (iv) and (v) below is approved at a shareholders meeting of the Company (if no resolution at a shareholders meeting is required, when a resolution of the Company's Board of Directors has been passed):

- (i) a proposal for approval of a merger agreement pursuant to which the Company will become an absorbed company;
- (ii) a proposal for approval of a corporate split agreement or a corporate split plan pursuant to which the Company will become a splitting company;
- (iii) a proposal for approval of a share exchange agreement or a share transfer plan pursuant to which the Company will become a wholly-owned subsidiary;
- (iv) a proposal for approval of an amendment to the Articles of Incorporation of the Company to provide that the acquisition by transfer of all classes of shares issued by the Company is subject to the approval of the Company; or
- (v) a proposal for approval of an amendment to the Articles of Incorporation of the Company to provide that the acquisition by transfer of the shares covered by the Stock Options is subject to the approval of the Company, or that all of the shares of such class may be acquired by the Company by a resolution of a shareholders meeting of the Company.

8. Matters related to Delivery of the Stock Options upon Reorganization:

In the event of a merger (limited to a merger by which the Company is absorbed), an absorption-type split or incorporation-type split (in each case limited to a split by which the Company becomes a split company), or a share exchange or share transfer (in each case limited to cases where the Company becomes a wholly owned

subsidiary) (collectively, the “Reorganization”) with regard to the Company, the Stock Options Holders holding outstanding Stock Options (the “Outstanding Stock Options”) immediately prior to the effective date of the Reorganization (meaning, in the case of an absorption-type merger, the date on which such absorption-type merger becomes effective; in the case of an incorporation-type merger, the date of incorporation of the company incorporated by such merger; in the case of an absorption-type split, the date on which such absorption-type split becomes effective; in the case of an incorporation-type split, the date of incorporation of the company incorporated by such split; in the case of a share exchange, the date on which such share exchange becomes effective; and in the case of a share transfer, the date of incorporation of the wholly owning parent company incorporated through the share transfer) shall receive, in each case, stock options of the company resulting from the Reorganization (the “Reorganized Company”) listed in Article 236, paragraph 1, item 8(a) through (e) of the Companies Act; provided that the relevant absorption-type merger agreement, incorporation-type merger agreement, absorption-type split agreement, incorporation-type split plan, share exchange agreement, or share transfer plan shall prescribe to the effect that the stock options of the Reorganized Company will be delivered to the holders of the Outstanding Stock Options in accordance with each of the following items:

- (i) Number of stock options of the Reorganized Company to be delivered

The number of stock options equal to the number of Outstanding Stock Options held by each Stock Option Holder shall be delivered.

- (ii) Class of shares of the Reorganized Company covered by the stock options

Shares of common stock of the Reorganized Company shall be covered.

- (iii) Number of shares of the Reorganized Company covered by the stock options

The number shall be determined in accordance with Section 1. above, taking into consideration various factors such as the conditions applicable to the Reorganization.

- (iv) Value of property to be contributed upon exercise of the stock options

The value of property to be contributed upon exercise of each stock option to be delivered shall be the amount obtained by multiplying (a) the exercise price after the Reorganization to be obtained by adjusting the Exercise Price set forth in Section 2. above after taking into consideration relevant factors such as the conditions applicable to the Reorganization by (b) the number of shares of the Reorganized Company covered by the stock options, which is determined pursuant to item (iii) above.

- (v) Exercise period for the stock options

The exercise period shall commence on the commencement date of the exercise period of the Stock Options set forth in Section 4. above or the effective date of the Reorganization, whichever is later, and end on the expiration date of the exercise period of the Stock Options set forth in Section 4. above.

- (vi) Matters regarding increase of stated capital and capital reserve in issuance of shares upon exercise of the stock options

To be determined in accordance with Section 5. above.

- (vii) Restrictions on acquisition of the stock options by transfer

Any acquisition of the stock options by transfer shall be subject to approval by resolution of the Board of Directors of the Reorganized Company.

- (viii) Conditions on acquisition of the stock options

To be determined in accordance with Section 7. above.

- (ix) Other conditions on exercise of the stock options

To be determined in accordance with Section 10. below.

- 9. Treatment of Fractions Less than One (1) Share Arising upon Exercise of the Stock Options:

If the number of shares to be delivered to a Stock Option Holder exercising the Stock Options includes any fraction less than one (1) share, such fraction shall be rounded down.

- 10. Other Conditions on Exercise of the Stock Options:

If a Stock Option Holder has waived his/her Stock Options, the Stock Option Holder may not exercise his/her Stock Options.