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Notice regarding the Issuance of Share Acquisition Rights as Stock Options

TMS Co., Ltd. (the “Company”) hereby announces that the Company, at the meeting of the Board of Directors held on June 15, 2023, resolved to issue the following share acquisition rights (“Share Acquisition Rights”) as stock options to its Board Members, Audit & Supervisory Board Members and employees, in accordance with Articles 236, 238 and 240 of the Companies Act of Japan.

Details

I. Purpose of issuing Share Acquisition Rights as stock options

The Company issues the Share Acquisition Rights as stock options to its Board Members (including outside Board Members) and employees, with the purpose of sharing benefits and risks of share price changes with shareholders and providing them with incentives to motivate and inspire themselves to improve the Company’s performance, thereby enhancing sound management, its enterprise value, and trust from society. The issuance of Share Acquisition Rights to the Audit & Supervisory Board members is also for the purpose of sharing the value of shareholders and thereby increasing their motivations to contribute to the prevention of damage to the Company’s enterprise value and the maintenance of its credibility.

II. Summary of the issuing of Share Acquisition Right

1. Total number of Share Acquisition Rights

1,732 units

The above total number of Share Acquisition Rights is an estimated number of allotments. If the total number of Share Acquisition Rights to be allotted decreases due to no subscription or other reasons, the total number of the Share Acquisition Rights to be allotted shall be the total number of the Share Acquisition Rights to be issued.

2. Method of calculating the amount to be paid in for Share Acquisition Rights

The amount to be paid for each Share Acquisition Right shall be the amount obtained by multiplying the fair valuation unit price of the stock option per share calculated by the Black-Scholes model on the allotment date of the Share Acquisition Rights by the number of shares to be issued upon exercise of each Share Acquisition Right.

This is the fair value of the Share Acquisition Rights and does not constitute a Favorable Issue.

The Company shall pay to the person to whom the Share Acquisition Rights are allotted a monetary remuneration equivalent to the total amount to be paid for the Share Acquisition Rights to be allotted, and the person to whom the Share Acquisition Rights are allotted shall, in lieu of payment of such amount to be paid, offset it with the remuneration claim against the Company and shall not be required to pay any monetary amount.

3. Details of the Share Acquisition Rights

(1) Class and number of shares subject to the Share Acquisition Rights

The number of shares to be issued upon exercise of one unit of the Share Acquisition Right (the “Number of Granted Shares”) shall be 100 common shares of the Company.

The Number of Granted Shares shall be adjusted by the following formula if the Company conducts a share split (including allotment of the Company’s shares without contribution; the same shall apply hereinafter) or a share consolidation after the allotment date of the Share Acquisition Rights. However, such adjustment shall be made only to the number of shares for the Share Acquisition Rights that have not been exercised as of such time, and any fraction of less than one share resulting from the adjustment shall be rounded down.

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

If the Company conducts a merger, corporate split, share exchange, or share delivery, or in a similar event that necessitates the adjustment of the Number of Granted Shares after the allotment date of Share Acquisition Rights, the Company may appropriately adjust the Number of Granted Shares to a reasonable extent.

(2) The amount of property to be contributed upon the exercise of the Share Acquisition Rights

The amount of property to be contributed upon the exercise of each Share Acquisition Right shall be the amount obtained by multiplying the Exercise Price per share (the "Exercise Price", which shall be ¥1) that can be delivered by exercising each such Share Acquisition Right by the Number of Granted Shares.

(3) The period in which the Share Acquisition Rights can be exercised

July 11, 2023 through July 10, 2038 (or, if the last day is not a bank business day, the preceding bank business day).

(4) Matters concerning stated capital and capital reserve to be increased

- 1) The amount of increase in stated capital by issuing shares upon exercise of Share Acquisition Rights shall be half of the maximum amount of increase in stated capital calculated in accordance with Article 17, Paragraph 1 of the Regulations on Corporate Accounting, with any fraction less than one yen resulting from the calculation being rounded up to the nearest one yen.
- 2) The amount of increase in capital reserve by issuing shares upon exercise of Share Acquisition Rights shall be the maximum amount of increase in stated capital as described in 1) above less the amount of increase in stated capital set out therein.

(5) Restriction on acquisition of the Share Acquisition Rights by transfer

Restrictions on acquisition by transfer shall require approval by a resolution of the Board of Directors of the Company.

(6) Conditions for exercising the Share Acquisition Rights

- 1) A portion of the Share Acquisition Rights out of the total number of the Share Acquisition Rights allotted to the holder shall be finalized (finalization of Share Acquisition Rights is hereinafter referred to as “vesting” or “vested”) on each of the dates specified in the items below for the number of the Share Acquisition Rights specified in such item. The holder of the Share Acquisition Rights may exercise only those Share Acquisition Rights that have been vested. However, if the holder of Share Acquisition Rights ceases to be a Board Member, Audit & Supervisory Board Member, executive officer or employee of the Company or its affiliates (except when such holder resigns from his/her position as a Board Member, Audit & Supervisory Board Member, executive officer or employee of the Company or its affiliates for reasons deemed justifiable by the Board of Directors of the Company), the vesting after such point in time shall be terminated.
 - i) The date one year after the allotment of the Share Acquisition Rights

One-third of the Share Acquisition Rights allotted (if there is a fraction of less than one unit, only the number of Share Acquisition Rights rounded down to the nearest one unit may be exercised; the same shall apply in the following items.)
 - ii) The date two years after the allotment of the Share Acquisition Rights

One-third of the Share Acquisition Rights allotted

iii) The date three years after the allotment of the Share Acquisition Rights

The balance of Share Acquisition Rights that have not been vested up to the previous day to the aforementioned day.

- 2) Any partial exercise of one unit of the Share Acquisition Rights is not allowed.
- 3) In the event of the death of a holder of the Share Acquisition Rights, his/her heir may exercise the right.
- 4) Other conditions shall be set forth in the Share Acquisition Right allotment agreement to be executed between the Company and each holder of the Share Acquisition Rights.

4. Allotment date of Share Acquisition Rights

July 10, 2023

5. Matters relating to an acquisition of Share Acquisition Rights

- (1) In the event that a general meeting of shareholders approves (or if approval by a general meeting of shareholders is not required, the Board of Directors resolves) a merger agreement under which the Company will become a dissolving company, a company split agreement or plan under which the Company will become a splitting company, or a share exchange agreement or share transfer plan under which the Company will become a wholly owned subsidiary, the Company may acquire all of the Share Acquisition Rights without contribution on a date separately determined by the Board of Directors of the Company.
- (2) If a holder of the Share Acquisition Rights becomes unable to exercise his/her Share Acquisition Rights pursuant to the provisions set forth in 3. (6) above before exercising the right, the Company may acquire such Share Acquisition Rights without contribution on a date separately determined by the Board of Directors of the Company.
- (3) In the event that a holder of Share Acquisition Rights becomes none of the Board Members, Audit & Supervisory Board Members, executive officers or employee of the Company or its affiliates, the Company may acquire any Share Acquisition Rights held by such holder that have not been vested without contribution, on a date separately determined by the Board of Directors of the Company.

6. Matters concerning the handling of Share Acquisition Rights in the event of Organizational Restructuring

In the event of a merger (limited to cases wherein the Company becomes a dissolving company), absorption-type company split, incorporation-type company split, share exchange, or share transfer (the "Organizational Restructuring"), the Company shall grant Share Acquisition Rights of the stock companies listed in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the "Restructured Company") to the holders of Share Acquisition Rights on the effective date of the Organizational Restructuring in each case. However, this shall be limited to cases where it is stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan that Share Acquisition Rights of the Restructured Company shall be delivered in accordance with the following conditions.

(1) Number of Share Acquisition Rights of the Restructured Company to be issued

The Company shall deliver Share Acquisition Rights, the number of which shall equal the number of Share Acquisition Rights held by the holder of the Share Acquisition Rights.

(2) Class of shares of the Restructured Company to be issued upon exercise of Share Acquisition Rights

Common stock of the Restructured Company

(3) Number of shares of the Restructured Company to be issued upon exercise of Share Acquisition Rights

To be decided in accordance with 3. (1) above, taking into consideration the conditions of the Organizational Restructuring.

(4) The amount of property to be contributed upon the exercise of the Share Acquisition Rights

The amount of property to be contributed upon the exercise of Share Acquisition Rights shall be the post-reorganization exercise price obtained by adjusting the exercise price set forth in 3.(2) above, multiplied by the number of shares of the Restructured Company to be issued for such Share Acquisition Rights determined in accordance with 6.(3) above, taking into consideration the conditions of the Organizational Restructuring and other factors.

(5) Exercise period of Share Acquisition Rights

Starting from the later of the commencement date of the exercise period of Share Acquisition Rights as stipulated in 3. (3) above, or the date on which the Organizational Restructuring becomes effective and ending on the expiration date for the exercise of Share Acquisition Rights as stipulated in 3. (3) above.

(6) Matters concerning capital stock and capital reserve to be increased in the event of the issuance of shares upon the exercise of Share Acquisition Rights

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

(7) Restriction on acquisition of the Share Acquisition Rights by transfer

Acquisition by transfer shall require approval by a resolution of the Board of Directors of the Restructured Company.

(8) Other terms and conditions of exercising Share Acquisition Rights

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

(9) Reasons and conditions for acquisition of Share Acquisition Rights

To be determined in accordance with 5. above.

(10) Other conditions shall be determined in accordance with the conditions of the Restructured Company.

7. Matters related to Share Acquisition Right certificates for Share Acquisition Rights

The Company shall not issue any certificates for the Share Acquisition Rights.

8. Rules pertaining to fractions of less than one share resulting from the exercise of Share Acquisition Rights

Fractions of less than one share in the number of shares to be granted to Share Acquisition Rights Holders who exercised Share Acquisition Rights shall be rounded down.

9. Payment date of cash in exchange for Share Acquisition Rights

July 10, 2023

10. Application deadline

July 7, 2023

11. Number of allottees and allotment of Share Acquisition Rights

904 units for 6 Board Members (including 114 units for 2 outside Board Members)

98 units for 4 Audit & Advisory Board Members

730 units for 16 employees

* The number of allottees and allotment above are the upper limit and may decrease depending on the number of applications and other factors.

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