



April 24, 2015

TonenGeneral Sekiyu K.K.

(Stock Code: 5012 Tokyo Stock Exchange)

Representative Director, President

Jun Mutoh

Contact:

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### **Issuance of Stock Options (Stock Acquisition Rights)**

TonenGeneral Sekiyu K.K. (head office: Minato-ku, Tokyo; president: Jun Mutoh; “the Company” herein) announces that the Board of Directors today determined the terms of application for stock acquisition rights as stock options allotted to Director (excluding outside directors) of the Company, and passed a resolution, described below, regarding matters such as the acceptance of applications for allotment of stock acquisition rights, with the purpose to share the interest in stock price movement with shareholders and further motivate Directors to contribute towards the enhancement of the Company’s corporate value.

1. Name of Stock Acquisition Rights  
2015 Stock Acquisition Rights Issued by TonenGeneral Sekiyu K.K.
2. Total Number of stock acquisition rights to be allotted  
363 rights
3. Class and number of shares to be issued upon exercise of stock acquisition rights  
The class of shares to be issued upon exercise of stock acquisition rights shall be common stock of the Company. The number of shares to be issued underlying each of the stock acquisition rights (the “Number of Shares Granted”) shall be 100 shares; provided, however, that in the event the Company carries out a stock split <sup>(\*)</sup> or a share consolidation of common stock of the Company, after the date of the allocation of stock acquisition rights (the “Day of Allotment”), the Number of Shares Granted will be adjusted according to the formula below, with any fractional shares resulting from the adjustment shall be rounded down.

Number of Shares Granted after adjustment = Number of Shares Granted before

adjustment × Ratio of stock split <sup>(\*)</sup> or share consolidation

The Number of Shares Granted after adjustment shall apply from the day following the record date of the stock split <sup>(\*)</sup> in case of a stock split <sup>(\*)</sup> (if the record date is not set, from the effective date), and from the effective date of the share consolidation in case of a share consolidation. Provided, however, that in the case that the stock split <sup>(\*)</sup> is conducted upon the condition that the item that reduces the amount of surplus and increases the amount of capital or reserve is approved at the General Meeting of Shareholders' of the Company, and that the record date of the stock split <sup>(\*)</sup> is set prior to the close date of the General Meeting of Shareholders', then on or after the next date of the close date of the General Meeting of Shareholders', the Number of Shares Granted after adjustment shall apply retroactively from the next day of the record date.

4. Amount of assets to be contributed upon the exercise of stock acquisition rights  
The amount of assets to be contributed by the holder of the stock acquisition rights upon the exercise of each stock acquisition right shall be 100 yen, the amount obtained by multiplying the exercise price per share by the Number of Shares Granted, where the exercise price per share to be received upon the exercise of stock acquisition rights shall be one (1) yen.
5. Exercise period for stock acquisition rights  
From May 16, 2015 to May 15, 2045
6. Matters concerning the amount of capital and capital reserve to be increased in the event that the Company issues shares upon exercise of stock acquisition rights
  - (1) The amount of capital to be increased in the event that the Company issues shares upon exercise of stock acquisition rights shall be one-half of the amount of the maximum limit on the increase in capital as calculated in accordance with Article 17, Paragraph 1 of the Ordinance on Accounting of Companies. Any fraction of less than one yen resulting from the calculation mentioned above shall be rounded up to the nearest yen
  - (2) The amount of capital reserve to be increased in the event that the Company issues shares upon exercise of stock acquisition rights shall be obtained by deducting the amount of capital to be increased as set forth in (1) above from the amount of the maximum limit on the increase in capital provided in (1) above
7. Restrictions on transfer of stock acquisition rights  
Any proposed transfer of stock acquisition rights shall be subject to an approval of the Board of Directors of the Company.
8. Conditions for acquisition of stock acquisition rights  
In the event that the following proposals of (1) to (4) or (5) are approved by a resolution of the General Meeting of Shareholders (or by a resolution of the Board of Directors of the Company when such resolution of the General Meeting of Shareholders is not required), the Company may acquire any stock acquisition rights without consideration on a date to be separately determined by the Board of Directors of the Company.

- (1) Proposal for the approval of a merger agreement under which the Company will be an absorbed/consolidated company
- (2) Proposal for the approval of a company split agreement or a company split plan under which the Company will be a splitting company
- (3) Proposal for the approval of a share exchange agreement or a share transfer plan under which the Company will be a wholly owned subsidiary company
- (4) Proposal for the approval of an amendment to the articles of incorporation to establish new provisions by which any proposed transfer of shares to be issued by the Company shall be subject to the approval of the Company
- (5) Proposal for the approval of amendments to the articles of incorporation to establish new provisions by which any proposed transfer of any class shares to be issued upon exercise of stock acquisition rights shall be subject to the approval of the Company or by which the Company may acquire all of the class shares to be issued upon exercise of stock acquisition rights by the General Meeting of Shareholders

9. Matters regarding allotment of stock acquisition rights in the event of organizational restructuring

In the event that the Company effects a merger (limited to cases where the Company will be the absorbed or consolidated company), an absorption type company split or an incorporation type company split (limited to cases where the Company will be the splitting company in each case), or a share exchange or a share transfer (limited to cases where the Company will be the wholly owned subsidiary company in each case) (collectively, the "Organizational Restructuring"), in each case, the stock acquisition rights of the companies listed in Article 236, paragraph 1, item 8(a) to 8(e) of the Companies Act, (the "Reorganized Company") shall be allotted to the each person who holds stock acquisition rights that are outstanding on the date immediately preceding the effective date of the Organizational Restructuring<sup>(\*)</sup> (the "Outstanding Stock Acquisition Rights"); provided, however, the provision above shall apply only in cases where the allotment of stock acquisition rights of the Reorganized Company under the following terms and conditions is set forth in the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption type company split agreement, incorporation type company split plan, share exchange agreement or share transfer plan:

- (1) Number of stock acquisition rights to be allotted by the Reorganized Company  
The same number of stock acquisition rights as the number of Outstanding Stock Acquisition Rights held by each holder shall be allotted.
- (2) Class of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights  
Common Stock of the Reorganized Company
- (3) Number of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights  
To be determined in accordance with ③ above, upon taking into consideration the conditions for Organizational Restructuring.
- (4) Amount of assets to be contributed upon exercise of stock acquisition rights  
The amount of assets to be contributed upon exercise of each stock acquisition

right shall be determined by multiplying the exercise price per-share value by the number of shares of the Reorganized Company to be issued upon exercise of the relevant stock acquisition rights determined in accordance with (3) above, where the exercise price per share to be received upon the exercise of each stock acquisition right of the Reorganized Company shall be one (1) yen.

- (5) Exercise period for stock acquisition rights  
The exercise period for stock acquisition rights shall be from the later of (a) the commencement date of the exercise period for stock acquisition rights stipulated in ⑤ above or (b) the effective date of the Organizational Restructuring<sup>(\*\*)</sup>, up to the expiration date of the exercise period for stock acquisition rights as stipulated in ⑤ above.
  - (6) Matters concerning the amount of capital and capital reserve to be increased in the event that the Company issues shares upon exercise of stock acquisition rights  
To be determined in accordance with ⑥ above.
  - (7) Restrictions on transfer of stock acquisition rights  
Any proposed transfer of stock acquisition rights shall be subject to the approval of the Board of Directors of the Reorganized Company.
  - (8) Conditions for acquisition of stock acquisition rights  
To be determined in accordance with ⑧. above.
  - (9) Other conditions for exercise of stock acquisition rights  
To be determined in accordance with ⑩ below
10. Treatment of fractional shares resulting from the exercise of stock acquisition rights  
Any fractional shares resulting from the exercise of stock acquisition rights shall be rounded down
  11. Other conditions for exercise of stock acquisition rights
    - (1) The person who has been granted stock acquisition rights shall be entitled to exercise such rights the earlier of the day 4 years after the day following the Day of Allotment, and the day following the person's retirement from a Director's position in the Company.
    - (2) Notwithstanding (1) above, in the event that proposal for the approval of a merger agreement under which the Company will be an absorbed/consolidated company, or proposal for the approval of a share exchange agreement or a share transfer plan under which the Company will be a wholly owned subsidiary company, are approved by a resolution of the General Meeting of Shareholders (or by a resolution of the Board of Directors of the Company when such resolution of the General Meeting of Shareholders is not required), the person who has been granted stock acquisition rights shall be entitled to exercise such rights within 15 days from the approved day, excluding the case in which the allotment of stock acquisition rights of the Reorganized Company is made

based on 9 above.

- (3) (1) above shall not be applied to a person who inherited the stock acquisition rights.

12. Calculation method for the valuation of stock acquisition rights

The amount to be paid in for each stock acquisition right shall be determined by multiplying the option price per share that is calculated based on the following formula, which is the Black-Scholes model, and the basic figures below (2) to (7), by the Number of Shares Granted (Any fraction of less than one yen shall be round to the nearest yen). The person who has been granted stock acquisition rights shall offset the amount to be paid for the stock acquisition rights against cash compensation equivalent to the amount.

$$C = Se^{-qT} N(d) - Xe^{-rT} N(d - \sigma\sqrt{T})$$
$$d = \frac{\ln\left(\frac{S}{X}\right) + \left(r - q + \frac{\sigma^2}{2}\right)T}{\sigma\sqrt{T}}$$

- (1) Option price per share (C)  
(2) Stock price (S) : The closing price per share of the Company on May 14, 2015 at the Tokyo Stock Exchange (if no price is available on such day, then the standard price on the trading day immediately following May 14, 2015)  
(3) Exercise price (X) : 1 yen  
(4) Period between the Day of Allotment and the maturity date (T) : 4 years  
(5) Volatility ( $\sigma$ ) : The rate of stock price variability is calculated based on the closing price at the Tokyo Stock Exchange on each trading day in the preceding 4 year (from May 14, 2011 to May 14, 2015)  
(6) Risk-free interest rate (r) : The interest rate on Japanese government bonds for which the remaining years are almost equal to the expected remaining period  
(7) Dividend yields (q) : (Actual dividend paid in the fiscal year ended December 31, 2014)  $\div$  (stock price as specified in (2) above)  
(8) Cumulative distribution function of the standard normal distribution (N(-))

Note: The price calculated above is the fair price of stock acquisition rights and does not constitute a profitable issue price.

13. Day of allotment of stock acquisition rights  
May 15, 2015

14. Due date of the payment in stock acquisition rights  
May 15, 2015

15. Methods of Exercise of Stock Acquisition Rights and Payment Therefor:

363 rights allotted to seven Directors

(\*) Includes a gratis allocation

(\*\*) For an absorption-type merger, the effective date of the absorption-type merger; for an consolidation-type merger, the incorporation date of the newly formed stock company; for a demerger by transfer to an existing company, the effective date of the demerger takes effect ; for a demerger by transfer to a newly established company, the incorporation date of the newly established company; for a share exchange, the effective date of the share exchange; and for a share transfer, the incorporation date of the wholly owning parent company.

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*[The official language for TonenGeneral Sekiyu's filings with the Tokyo Stock Exchange and Japanese authorities, and for communications with our shareholders, is Japanese. We have posted English versions of some of this information on this website. While these English versions have been prepared in good faith, TonenGeneral Sekiyu does not accept responsibility for the accuracy of the translations, and reference should be made to the original Japanese language materials.]*