

(Translation)

For Immediate Release

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Notice of Issuance of Stock Options (Subscription Rights to Shares)

KAGOME CO., LTD. (the “Company”) hereby announces that at a meeting held on February 23, 2018, the Board of Directors determined the conditions for the subscription rights to shares issued as stock options to the Directors (excluding those serving as audit & supervisory committee members and external directors) and Executive Officers of the Company, and passed a resolution to offer the said subscription rights to shares.

1. Reason for issuing subscription rights to shares as stock options

The issuance of subscription rights to shares aims to motivate the Company’s Directors and Executive Officers to contribute even more to increasing the Company’s stock price and corporate value by sharing the benefits and risks of stock price fluctuations with the Company’s shareholders in an effort to achieve the targets set in the three-year medium-term management plan that commenced in FY2016.

2. Guidelines for issuance of subscription rights to shares

1. Title of subscription rights to shares: Fourth Subscription Rights to Shares of Kagome Co., Ltd.
2. Total number of subscription rights to shares: 335

The above is the scheduled number of subscription rights to shares allotted, and if the total number is reduced due to, for instance, a smaller number of applications for subscription, the total number of subscription rights to shares allotted will be the actual total number issued.

3. Type and number of shares underlying subscription rights to shares

The type of shares underlying the subscription rights to shares will be common shares of the Company, and the number of shares underlying the subscription rights to shares (the “Number of Shares Allotted”) will be 100. If the Company implements a stock split (including the free allotment of the Company’s common shares;

hereinafter the same applies to descriptions of a stock split) or a reverse stock split after the day on which the subscription rights to shares are allotted (the “Day of Allotment”), however, the Number of Shares Allotted will be adjusted based on the following formula, and any fractional share resulting from such adjustment will be rounded down.

Adjusted Number of Shares Allotted = Unadjusted Number of Shares Allotted × ratio of stock split or reverse stock split

The adjusted Number of Shares Allotted will apply after the day following the record date (or the effective date thereof if no record date is specified) of a stock split in the case of a stock split, and after the effective date of a reverse stock split in the case of a reverse stock split. However, if a stock split is implemented on the condition that a proposal to reduce the amount of surplus funds and increase capital or reserves is approved at a general meeting of shareholders and a day prior to the final day of the said general meeting of shareholders will be the record date for the stock split, the adjusted Number of Shares Allotted will apply retroactively to the day following the said record date after the day following the final day of the said general meeting of shareholders.

In addition, if the Company conducts a merger or company split or the Number of Shares Allotted must be adjusted pursuant to a merger or company split after the Day of Allotment, the Company may adjust the Number of Shares Allotted appropriately within a reasonable range.

If the Number of Shares Allotted is to be adjusted, the Company will notify or publicly announce the necessary information to the holders of the subscription rights to shares listed in the share option registry by one day prior to the day on which the adjusted Number of Shares Allotted becomes applicable. If, however, the Company is unable to notify or publicly announce such information by the day before the said date of application, the Company will promptly make such a notification or public announcement on a later date.

4. Amount of assets to be contributed upon exercise of subscription rights to shares

The amount of assets to be contributed upon the exercise of subscription rights to shares will be the amount resulting from multiplying the exercise price per share, 1 yen, of the shares entitled to the said subscription rights to shares by the Number of Shares Allotted.

5. Period for exercising subscription rights to shares

March 13, 2020 to March 12, 2035

6. Matters concerning capital and capital reserve that increase due to issuance of shares by exercising subscription rights to shares

- (1) The amount of stated capital that increases due to the issuance of shares by exercising subscription rights to shares will be half of the maximum amount of the increase in stated capital calculated in accordance with the provisions of paragraph (1) of Article 17 of the Rules of Corporate Accounting, and any fraction of less than 1 yen resulting from the calculation will be rounded up.
- (2) The amount of capital reserve that increases due to the issuance of shares by exercising subscription rights to shares will be the amount remaining after subtracting the amount of the increase in stated capital specified in paragraph (1) above from the maximum amount of increase in stated capital in paragraph (1) above.

7. Restrictions on transfer of subscription rights to shares

The acquisition of subscription rights to shares through transfer requires approval through a resolution of the Board of Directors of the Company.

8. Conditions for acquisition of subscription rights to shares

The Company may acquire subscription rights to shares free of charge on a date specified separately by the Board Directors of the Company if proposal (1), (2), (3), (4), or (5) below is approved at a general meeting of shareholders of the Company (or if the Company’s Board of Directors passes such a resolution when a resolution at a general meeting of shareholders is not necessary).

- (1) Proposal for the approval of a merger agreement under which the Company would be a dissolving

company.

- (2) Proposal for the approval of a split agreement or split plan under which the Company would be a split company.
- (3) Proposal for the approval of a share exchange agreement or share transfer plan under which the Company would be a wholly-owned subsidiary.
- (4) Proposal for the approval of the revision of the Articles of Incorporation to add a provision requiring the approval of the Company for the acquisition of all shares issued by the Company through transfer.
- (5) Proposal for the approval of the revision of the Articles of Incorporation to add a provision requiring the approval of the Company for the acquisition of shares of the type underlying the subscription rights to shares through transfer or the acquisition of all shares of such a type by the Company upon a resolution of a general meeting of shareholders

9. Decision-making policy for issuance of subscription rights to shares of a company reorganized in corporate reorganization

If the Company implements a merger (limited to a case in which the Company would be the dissolving company), absorption-type company split or incorporation-type company split (limited to a case in which the Company would be the split company), or a share exchange or share transfer (limited to a case in which the Company would be a wholly-owned subsidiary) (hereinafter collectively referred to as the “Corporate Reorganization”), the Company will issue the subscription rights to shares of a joint-stock company specified in items (a) through (e), clause (viii), paragraph (1), Article 236 of the Companies Act (hereinafter the “Reorganized Company”) to the holders of the subscription rights to shares remaining (hereinafter the “Remaining Subscription Rights to Shares”) immediately before the effective date of the Corporate Reorganization (for a merger and acquisition, the day on which the merger and acquisition becomes effective; for a consolidation-type merger, the day on which a joint-stock company is established through the consolidation-type merger; for an absorption-type company split, the day on which the absorption-type company split becomes effective; for an incorporation-type company split, the day on which a joint-stock company is established through the incorporation-type company split; for a share exchange, the day on which the share exchange becomes effective; and for a share transfer, the day on which a wholly-owning parent company is established through the share transfer; the same applies hereinafter). However, such subscription rights to shares will be granted only if provisions for issuing the subscription rights to shares of the Reorganized Company are included in the merger and acquisition agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan according to the following conditions.

- (1) The number of subscription rights to shares of the Reorganized Company to be issued
The number of subscription rights to shares equal to the number of the Remaining Subscription Rights to Shares held by the holders of the subscription rights to shares will be issued.
- (2) Type of shares of the Reorganized Company underlying subscription rights to shares
Common shares of the Reorganized Company will be issued.
- (3) The number of shares of the Reorganized Company underlying subscription rights to shares
The number will be determined according to section 3 above, taking into account the conditions for the Corporate Reorganization and relevant matters.
- (4) Amount of assets to be contributed upon exercise of subscription rights to shares
The amount of assets contributed upon the exercise of subscription rights to shares to be issued will be the amount derived by multiplying the post-reorganization exercise price specified below by the number of shares of the Reorganized Company underlying the subscription rights to shares determined according to paragraph (3) above. The post-reorganization exercise price will be 1 yen per share of the Reorganized Company that can be issued by exercising subscription rights to shares to be issued.

(5) Period for exercising subscription rights to shares

The period starts on the first day of the period for exercising subscription rights to shares specified in section 5 above or the effective date of the Corporate Reorganization, whichever comes later, and ends on the final day of the period for exercising subscription rights to shares specified in section 5 above.

(6) Matters concerning capital and capital reserve that increase due to issuance of shares by exercising subscription rights to shares

Such matters will be determined pursuant to section 6 above.

(7) Restrictions on transfer of subscription rights to shares

The acquisition of subscription rights to shares through transfer requires approval through a resolution of the Board of Directors of the Reorganized Company.

(8) Conditions for acquisition of subscription rights to shares

Such matters will be determined pursuant to section 8 above.

(9) Other conditions for exercise of subscription rights to shares

Such matters will be determined pursuant to section 11 below.

10. Handling of fractions of less than one share resulting from exercise of subscription rights to shares

Any fraction of less than one share of stock issued to a holder of subscription rights to shares who has exercised his or her subscription rights to shares will be rounded down.

11. Other conditions for exercise of subscription rights to shares

(1) If a holder of subscription rights to shares loses the positions of both Director and Executive Officer of the Company, he or she can exercise his or her subscription rights to shares for eight years from the day following the day on which he or she lost these positions in the Company; provided, however, that such an exercise period will be limited to the period specified in section 5 above.

(2) The benchmark for the subscription rights to shares allotted will be the Company's consolidated ordinary income ratio of 5.0% for the 75th fiscal period, and the number of subscription rights (fractions of less than one share will be rounded down) determined separately according to the level of achievement can be exercised. The subscription rights to shares cannot be exercised if the Company's consolidated ordinary income ratio is less than 2% for the 75th fiscal period, however.

(3) The conditions in paragraph (1) above do not apply to any holder of subscription rights to shares who has inherited such subscription rights to shares.

(4) Any holder of subscription rights to shares cannot exercise his or her subscription rights to shares if he or she has relinquished such rights.

12. Method of calculating amount to be paid upon allotment of subscription rights to shares

The amount to be paid upon the allotment of subscription rights to shares will be the amount derived by multiplying the option price per share (any fraction of less than 1 yen is rounded off) calculated based on the basic values in (2) through (7) below using the following Black–Scholes equation by the Number of Shares Allotted.

$$C = Se^{-qT}N(d) - Xe^{-rT}N(d - \sigma\sqrt{T})$$

where

$$d = \frac{\ln\left(\frac{S}{X}\right) + \left(r - q + \frac{\sigma^2}{2}\right)T}{\sigma\sqrt{T}}$$

(1) Option price per share (C)

- (2) Stock price (S): The closing price of the Company's common stock in the regular transactions at the Tokyo Stock Exchange on March 12, 2018 (or the reference price for the following trading day if the closing price is not available)
- (3) Exercise price (X): 1 yen
- (4) Expected remaining period (T): 9.5 years
- (5) Stock price volatility (σ): Stock price fluctuation rate calculated based on the closing price of the Company's common stock in the regular transactions on each trading day during the 9.5 years from September 12, 2008 to March 12, 2018
- (6) Risk-free interest rate (r): Interest rate of government bonds whose remaining number of years corresponds to the expected remaining period
- (7) Dividend yield (q): Dividend per share (dividend paid for the period ended December 31, 2017) divided by the stock price specified in paragraph (2) above
- (8) Cumulative distribution function of standard normal distribution ($N(\cdot)$)

* The amount calculated using the above method is the fair value of subscription rights to shares, and the issuance is not advantageous placement. The compensation claims of a party receiving the allotment in the amount equivalent to the total amount paid to the Company for subscription rights to shares are offset by the payment obligations in the amount paid for subscription rights to shares.

13. Date of allotting subscription rights to shares: March 12, 2018

14. Date for payment to be made in exchange for subscription rights to shares: March 12, 2018

15. Types and number of parties receiving allotment of subscription rights to shares and number of subscription rights to shares to be allotted

Parties to Receive Allotment	Number of Parties	Number of Subscription Rights to Shares to be Allotted
Directors of the Company (excluding those serving as audit & supervisory committee members and outside directors)	6	201
Executive Officers of the Company	14	134