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For Immediate Release

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Notice of Allotment of Stock Acquisition Rights as Stock Options

The Relo Group (the Company) announces that the Company resolved at the Board of Directors meeting held on May 23, 2019 to issue stock acquisition rights (hereinafter referred to as Stock Acquisition Rights”) to the directors, auditor and employees the Company and its subsidiaries (in accordance with the definition of Article 8, Paragraph 3 of the Rules on the Terminology, Forms, and Preparation Methods of Financial Statements, etc., the same shall apply hereinafter.) in accordance with the provisions of Articles 236, 238 and 240 of the Companies Act. The details are as follows. The Stock Acquisition Rights will be issued with charge at a fair price to those who subscribe to the Stock Acquisition Rights and it is not a particularly advantageous condition. Therefore, issuance will be carried out without the approval of the general shareholders’ meeting.

I. Purpose and rationale in offering the Stock Acquisition Rights

The Group has positioned the 24-year period from the fiscal year ending March 2012 to the fiscal year ending March, 2035 as the Second “Start-Up” Stage, aiming for long-term growth. The Company has established “the Third Olympic Plan,” a four-year medium-term business plan, which starts in the fiscal year ending March 2020, and has specified results targets for the final fiscal year, the year ending March 2023, of operating revenue of 370 billion yen and profit before income taxes of 35.5 billion yen on a consolidated basis.

For details of “the Third Olympic Plan” please refer to “Notice of a Medium-term Business Plan, the Third Olympic Plan” announced on May 23, 2019.

To achieve “the Third Olympic Plan,” the Company issues the Stock Acquisition Rights with charge, with the aim of further enhancing motivation and morale of the directors, auditor and employees of the Company and Company’s subsidiaries, so as to improve the performance of the Group.

The Stock Acquisition Rights are exercisable only when the pre-assigned criteria of the Company’s consolidated profit before income taxes are met as stipulated in “II. Outline of the issuance of the Stock Acquisition Rights, 7. Conditions for the exercise of the Stock Acquisition Rights.”

The Group also has a management philosophy of “Partnership management of all employees participating in management.” The Company recommends long-term holding of its stock to foster a sense of ownership among the directors, auditor and employees of the Group and encourage them to

participate in management and contribute to business growth and corporate value improvement. The Company seeks to encourage the directors, auditor and employees of the Company and Company's subsidiaries to work together to achieve the targets, to hold the stock for a long time, and to share value with shareholders, as a result of the issuance of the Stock Acquisition Rights. Although the issuance of the Stock Acquisition Rights may result in a maximum of approximately 0.20% dilution to the number of issued and outstanding shares as of May 23, 2019, the Company believes that achieving the performance target attached to the Stock Acquisition Rights will help the Group increase corporate and shareholder value, such that the benefit to shareholders will be greater than the impact of dilution. For that reason, the Company considers the issuance of the Stock Acquisition Rights to be reasonable.

II. Description of issuance of Stock Acquisition Rights

1. Number of Stock Acquisition Rights allottees, and Number of Stock Acquisition Rights to be Allotted

Directors, auditor and employees of the Company and its subsidiaries: 150 Allottees 3,100 Units
 The above number of allottees is the planned number at the time of the submission of this announcement, which may increase or decrease. In addition, the number of Stock Acquisition Rights to be allotted above indicates the maximum number to be issued, and may be lower due to the number of applications or other factors.

2. Class and number of shares to be delivered upon exercise of Stock Acquisition Rights

The class of shares to be delivered upon exercise of the Stock Acquisition Rights shall be common stock and the number of shares to be delivered upon exercise of one stock acquisition right (hereinafter the "Number of Shares Granted") shall be 100.

Notwithstanding the foregoing, in the event that the Company carries out a share split (including any allotment of shares without contribution; the same shall apply hereinafter) or a share consolidation of common shares of the Company, the Number of Shares Granted for Stock Acquisition Rights that are unexercised as of the time of the share split or share consolidation shall be adjusted according to the following formula. Any fraction of one share resulting from this adjustment shall be discarded.

$$\text{Number of Shares Granted after adjustment} = \text{Number of Shares Granted before adjustment} \times \text{Ratio of share split or consolidation}$$

In addition to the above, in the case of a gratis allocation of the Company's common stock or another event unavoidably requiring the adjustment of the Allotted Number of Shares, the Allotted Number of Shares shall be adjusted within a reasonable range.

At times when the Allotted Number of Shares is to be adjusted, notice of the required conditions shall be given by direct notification or public advertisement to each holder of Stock Acquisition Rights recorded in the Stock Acquisition Rights register ("Stock Acquisition Rights holder") prior to the day before the date on which the post-adjustment allotted number of shares will be effective. However, if notice cannot be given prior to the day before the date on which the post-adjustment allotted number of shares will be effective, such notice shall be made soon afterward by direct notification or public advertisement.

3. The number of Stock Acquisition Rights:

3,100 allotment units

13th Stock Acquisition Right 2,450 Units
 14th Stock Acquisition Right 650 Units

4. Monetary payment in exchange for stock acquisition rights

① 13th Stock Acquisition Right

The monetary payment amount in exchange for stock acquisition rights shall be 5,500 yen per unit. In addition, the amount is determined by third-party evaluation agency Mizuho–DL Financial Technology Co., Ltd. to be the sum of 92 yen added to the evaluation result 5,408 yen with reference to the result calculated using the Monte Carlo simulation, a general option price calculation model, based on conditions such as the closing price of the Company’s stock, 2,840 yen per share, on the Tokyo Stock Exchange the day before May 23, 2019, which is the date on which the Company’s Board of Directors resolved to issue the Stock Acquisition Rights, the stock price fluctuation rate 30.651%, the expected dividend per share 26 yen, the risk-free rate of interest rate of -0.100%, and other conditions (such as the period from the date of allotment to the final day of the exercise period, and performance conditions) specified in the terms of issuance of the Stock Acquisition Rights.

② 14th Stock Acquisition Right

The monetary payment amount in exchange for stock acquisition rights shall be 5,700 yen per unit. In addition, the amount is determined by third-party evaluation agency Mizuho–DL Financial Technology Co., Ltd. to be the sum of 52 yen added to the evaluation result 5,648 yen with reference to the result calculated using the Monte Carlo simulation, a general option price calculation model, based on the conditions such as the closing price of the Company’s stock, 2,840 yen per share, on the Tokyo Stock Exchange the day before May 23, 2019, which is the date on which the Company’s Board of Directors resolved to issue the Stock Acquisition Rights, the stock price fluctuation rate 35.229%, the expected dividend per share 26 yen, the risk-free rate of interest 0.022%, and other conditions (such as the period from the date of allotment to the final day of exercise period, and performance conditions) specified in the terms of issuance of the Stock Acquisition Rights.

5. Value of asset to be contributed upon exercise of Stock Acquisition Rights

The value of the asset to be contributed upon exercise of one stock acquisition right shall be determined by multiplying the amount to be paid in per one share to be issued upon exercise of the Stock Acquisition Rights (hereinafter the “Exercise Price”), by the Number of Shares Granted.

Exercise Price shall be one yen. *See Note 1

Notwithstanding the foregoing, if the Company carries out a share split or share consolidation of common shares of the Company after the Resolution Date:

① The Exercise Price for Stock Acquisition Rights that are unexercised as of the time of the share split or share consolidation shall be adjusted according to the following formula. Any fraction of one yen resulting from this adjustment shall be rounded up to the nearest yen.

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

② If the Company issues new shares of common stock or disposes of its treasury shares of common stock at a price below the quotation of its common stock (excluding treasury stock

sales based on Article 194 of the Corporate law (providing for a response to requests from holders of incomplete trading units of shares for the sale of incomplete trading units), issuance of new stock upon the exercise of securities that are convertible into the Company's common shares, the issuance of new stock upon the exercise of Stock Acquisition Rights (including bonds with warrants), the Exercise Price shall be adjusted using the following formula, with any amount less than one yen arising from the adjustment rounded up to the nearest yen.

$$\begin{array}{rcccl}
 \text{Exercise} & & & & \text{Number of} \\
 \text{Price after} & = & \text{Exercise} & \times & \text{new shares} \\
 \text{adjustment} & & \text{Price before} & & \text{to be issued} \\
 & & \text{adjustment} & & \times \text{ Amount to} \\
 & & & & \text{be paid per} \\
 & & & & \text{share} \\
 & & & & \hline
 & & & & \text{market price per share} \\
 & & & & \hline
 & & & & \text{Number of outstanding} \\
 & & & & \text{shares} \\
 & & & & + \\
 & & & & \text{Number of new} \\
 & & & & \text{shares to be issued}
 \end{array}$$

In the formula above, the “market price” denotes the average value of the Tokyo Stock Exchange closing price (hereinafter, including nominally quoted prices) on 30 trading days (excluding days with no closing price) beginning from 45 trading days prior to the “exercise price after adjustment application date.” The average price figure shall be calculated to the second decimal place and then rounded to the nearest single decimal place.

In the formula above, the “number of outstanding shares” denotes the number of shares of common stock of the Company already issued, less the number of treasury shares of common stock of the Company. If the Company disposes of its treasury shares of common stock, the “number of new shares to be issued” shall be replaced by the “number of treasury shares to be disposed of” and the “quotation per share before issuance” shall be replaced by the “quotation per share before disposal.”

- ③ The exercise price after the adjustment application date shall be determined as follows:
 In the case of an exercise price adjustment in accordance with ①, above, the exercise price after the adjustment application date shall be on or subsequent to the stock-split basis date in the case of a stock split or on or subsequent to the effective date in the case of a stock consolidation. In the case of an adjustment in accordance with ②, above, the exercise price after adjustment shall be applied on or subsequent to the day after the payment date (if the payment term is set, the last date of such payment term) for the relevant stock issuance or disposal (in the case that there is a basis date, then on or subsequent to the day after the basis date).
- ④ In addition to the case of ① and ②, above, at the time when the need for a change to the exercise price arises, the exercise price shall be adjusted within a reasonable range.
- ⑤ In the case that the exercise price is adjusted, the Company shall make notification or advertisement of the required conditions to share acquisition rights holders prior to the day before the application of the adjustment. However, in the case that notice of the required conditions cannot be given to each Stock Acquisition Rights holder prior to two days before the application of the adjustment, such notice shall be made soon afterward by direct notification or public advertisement.

6. Exercise period of the Stock Acquisition Rights (hereinafter the “Exercise Period”)

The Exercise Period of the 13th stock acquisition rights shall be from April 1, 2024, through March 31, 2028.

The Exercise Period of the 14th stock acquisition rights shall be from April 1, 2027, through March 31, 2031.

Provided, however, that if the last day of the exercise period is not a business day of the Company’s shareholder registry administrator (the shareholder registry administrator as stipulated in Article 123 of the Companies Act.), the previous business day shall be the last day.

7. Conditions for the exercise of the Stock Acquisition Rights

① When the numerical target of 35 billion yen or more of profit before income taxes in the consolidated statement of income for the fiscal year ending March 31, 2023 in the annual securities report filed for the said fiscal year pursuant to the Financial Instruments and Exchange Act, (hereinafter the “Numerical Target”) is achieved, the holders of the Stock Acquisition Rights may exercise their Stock Acquisition Rights up to the number of the Stock Acquisition Rights allotted to each holder of the Stock Acquisition Rights.

*See Note 2

② When a holder of the Stock Acquisition Rights exercises the Stock Acquisition Rights, in addition to the provisions of ① hereof, a memorandum of agreement to be concluded between the Company and a holder is applied separately.

③ A holder of the Stock Acquisition Rights must be in a position of a director, auditor or an employee of the company or a director, auditor or an employee of a subsidiary of the Company (hereinafter referred to collectively as the “Required Position”) at the time of exercising the Stock Acquisition Rights. Provided, however, that in the event that the holders of the Stock Acquisition Rights retire due to expiration of the term of office of the Directors, auditor or retirement of employees due to mandatory retirement, or when the Company’s Board of Directors finds that there is a justifiable reason, the Stock Acquisition Rights may be exercised without the holder being in the position of a director, auditor or an employee of the company or a director, an auditor or an employee of a subsidiary of the Company.

④ Even if the conditions for the exercise of the Stock Acquisition Rights in the preceding paragraphs are met, the Company’s Board of Directors may extinguish the right to exercise the stock acquisition rights of a holder of the Stock Acquisition Rights if the holder of the Stock Acquisition Rights violates any law or regulation, is subject to disciplinary punishment set forth in the rules of employment of the company to which the holder belongs, or causes or could cause damage to the Company or its subsidiary before the date of exercising the stock acquisition rights, or if the Company’s Board of Directors finds that it is unreasonable to permit the exercise of the stock acquisition rights in light of the purport given to the Stock Acquisition Rights.

⑤ When a holder of the Stock Acquisition Rights has died, his/her heir may exercise the Stock Acquisition Rights.

8. The amount of capital and capital reserve to be increased due to the issuance of shares upon exercise of the Stock Acquisition Rights

① The amount of capital to be increased due to the issuance of shares upon exercise of the Stock Acquisition Rights shall be one half of the maximum amount of increase in the capital, etc. to be calculated pursuant to Article 17, paragraph 1 of the Corporate Accounting

Regulations, with any amount less than one yen arising from such calculation to be rounded up to the nearest yen.

- ② The amount of capital reserve to be increased due to the issuance of shares upon exercise of the Stock Acquisition Rights shall be the maximum amount of increases in the capital, etc. stated in ① above, less the amount of capital to be increased as specified in ① above.

9. Conditions for acquisition of the Stock Acquisition Rights by the Company

The Company may acquire the Stock Acquisition Rights without any charge where an agenda for a merger agreement (limited to where the Company will cease to exist due to the merger), a share exchange agreement or a share transfer plan (both limited to where the Company will become a wholly owned subsidiary) is approved at a general meeting of shareholders of the Company (or, in case of a share exchange agreement where the Company will become a wholly owned subsidiary and the surviving company (“Surviving company” stipulated in Article 784, Paragraph 1 of the Companies Act, the same shall apply hereinafter) shall be the Company’s special controlling company (“Special controlling company” stipulated in Article 468, Paragraph 1 of the Companies Act, the same shall apply hereinafter), where it is resolved by the Company’s Board of Directors).

10. Restriction on the transfer of Stock Acquisition Rights

Any transfer of the Stock Acquisition Rights shall be subject to the approval of the Board of Directors of the Company.

11. Handling of Stock Acquisition Rights in relation to an act of structural reorganization

In the event that the Company carries out a merger (limited to cases where the Company disappears due to the merger), an absorption-type or incorporation-type company split, or a share exchange or transfer (collectively, the “Act of Structural Reorganization”), except when the Company acquires the Stock Acquisition Rights pursuant to 9 above, the Company shall, in each of the above cases, deliver the Stock Acquisition Rights of any of the relevant companies set forth in Article 236, Paragraph 1, Items 8(a) to 8(e) of the Companies Act (hereinafter referred to as the “Reorganized Company”) to the holders of the Stock Acquisition Rights remaining as of the effective date of the relevant Act of Structural Reorganization (hereinafter the “Remaining Stock Acquisition Rights”) in accordance with the following terms and conditions. In this case, the Remaining Stock Acquisition Rights shall be extinguished and the Reorganized Company shall issue new Stock Acquisition Rights; provided, however, that the foregoing shall be on the condition that delivery of such Stock Acquisition Rights of the Reorganized Company in accordance with the following terms and conditions is stipulated in a merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan.

- ① Number of Stock Acquisition Rights of the Reorganized Company to be delivered
The number shall be determined reasonably based on the number of the Remaining Stock Acquisition Rights held by a Rights Holder in view of the conditions for the Acts of Structural Reorganization.
- ② Class of shares of the Reorganized Company to be delivered upon exercise of Stock Acquisition Rights
Common stock of the Reorganized Company
- ③ Number of shares of the Reorganized Company to be delivered upon exercise of Stock Acquisition Rights shall be determined reasonably, taking into consideration the conditions, etc. of the Act of Structural Reorganization.

- ④ Value of asset to be contributed upon exercise of Stock Acquisition Rights
The value of asset to be contributed upon exercise of each stock acquisition right to be delivered shall be the amount obtained by multiplying the amount per share to be paid in after reorganization, obtained by adjusting the Exercise Price set forth in 5 above by the number of shares of the Reorganized Company to be delivered upon exercise of the relevant Stock Acquisition Rights taking into consideration the conditions, etc. of the Act of Structural Reorganization.
- ⑤ Exercise period of the Stock Acquisition Rights
From and including whichever is the later of the commencement date of the period during which the Stock Acquisition Rights may be exercised or the effective date of the Act of Structural Reorganization, to and including the expiry date of the Exercise Period.
- ⑥ Matters concerning capital stock and legal capital surplus increases in event of issuance of shares upon exercise of Stock Acquisition Rights
To be determined in accordance with 8 above.
- ⑦ Conditions for exercising Stock Acquisition Rights
To be determined in accordance with 7 above.
- ⑧ Restriction on acquisition of Stock Acquisition Rights through transfer
Acquisition of the Stock Acquisition Rights through transfer shall be subject to the approval by resolution of the board of directors of the Reorganized Company.
- ⑨ Matters concerning acquisition of Stock Acquisition Rights
To be determined in accordance with 9 above

12. Date of allotment of the Stock Acquisition Rights

The Stock Acquisition Rights shall be allotted on June 27, 2019

13. Due date for payment in exchange for the Stock Acquisition Rights

June 30, 2019

14. Matters concerning Share Option Certificates for Share Options

The Company shall not issue certificates of the Stock Acquisition Rights.

(Note)

- *1. To bolster the motivation of directors, officers and employees of the Company and Company's subsidiaries with respect to corporate performance and that of corporate auditor with respect to appropriate audits to ensure sound management and enhance social trust, the exercise price was set at this level.
- *2. Achieving the performance target described in 7.① shall be considered to help the Group increase corporate and shareholder value, and contribute to the interests of shareholder.