



August 9, 2018

Listed Company Name TACHI-S CO., LTD.  
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(Code 7239: Tokyo Stock Exchange, 1st section)  
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## Notice concerning the Disposal of Treasury Shares through Third-party Allotment due to Introduction of Performance-Linked Stock Compensation System

We hereby announce that the Board of Directors today resolved to dispose of Treasury shares (hereafter, “disposal of Treasury shares”) as stock compensation, as described below.

### 1. Outline for disposal of Treasury shares

(1) Disposal date	August 28, 2018 (scheduled)
(2) Type and no. of shares to be disposed of	241,700 shares of the Company’s common stock (of which 47,600 shares for the stock compensation system is for Director, member of the board and 194,100 shares for the stock compensation system is for employees)
(3) Disposal price	1,803 yen per share
(4) Total disposal amount	435,785,100 yen
(5) Planned allottee	Sumitomo Mitsui Trust Bank, Limited (trust account) (Re-trust trustee: Japan Trustee Services Bank, Ltd. (trust account))
(6) Other	The disposal of Treasury shares is subject to effective registration under the Financial Instruments and Exchange Law of Japan.

### 2. Objectives and reasons for disposal

At a Board of Directors meeting on May 14, 2018, the Board of Directors resolved that TACHI-S CO., LTD. (“the Company”) will introduce a Performance-Linked Stock Compensation System (hereinafter referred to as the “System for Director, member of the board;” the trust established for the introduction of the System for Director, member of the board will be referred to as the “Trust for Delivery of Shares to Director, member of the board”) for Company Director, member of the board (excluding Outside Directors and non-Executive Directors; the same applies below). The introduction of the System for Director, member of the board was approved at the 66<sup>th</sup> Annual General Meeting of Shareholders held on June 22, 2018. The System for Director, member of the board aims to enhance the Director, member of the board’s awareness of contributing to improving the medium- to long-term performance and growth of our corporate value by making clearer the link between compensation for Director, member of the board and the Company’s performance and share value, and by having the Director, member of the board share profit and risks based on share price fluctuations with shareholders.

Furthermore, the Board of Directors today resolved that the Company will introduce a Performance-Linked Stock Compensation System for employees (those executive officers [excluding Director, member of the board who concurrently hold executive officer posts], VP [Senior Director], Division Managers and Section Managers who meet certain criteria; same applies hereinafter) (this

system is hereinafter referred to as “System for Employees,” and together with the System for Director, member of the board, it will be referred to collectively as the “System;” the trust established for the introduction of the System for Employees will be referred to as the “Trust for Delivery of Shares to Employees,” and together with the “Trust for Delivery of Shares to Director, member of the board,” it will be referred to collectively as the “Trust”).

Please refer to the “Notice concerning the Introduction of Performance-Linked Stock Compensation System for Officers,” dated May 14, 2018, for an outline for the System for Director, member of the board.

The disposal of Treasury shares was carried out by Sumitomo Mitsui Trust Bank, Limited (trust account) (Re-trust trustee: Japan Trustee Services Bank, Ltd. (trust account)), the trustee of the Trust established to introduce the System.

The number of shares to be disposed of is equivalent to the number of shares expected to be granted to Director, member of the board and employees, based on the provision of shares established by the Company when the System was introduced, and taking into consideration the Director, member of the board positions, the changes in the breakdown and the extent to which the earnings targets have been achieved during the trust period for Trust for Delivery of Shares to Director, member of the board, as well as the employee positions, the changes in the breakdown and the extent to which the earnings targets have been achieved during the trust period or Trust for Delivery of Shares to Employees. The scale of dilution is small at 0.66% relative to 36,442,846 (figure rounded after the second decimal place; 0.68% of 354,090 total voting rights as of March 31, 2018) of total shares issued as of March 31, 2018. The Company believes that the System will clarify the link between compensation for Director, member of the board and employees and the Company’s performance and share value, and lead to improvements in corporate value in the medium to long term. The amount disposed in the disposal of Treasury shares and the scale of the dilution are rational, and the Company believes the impact on the secondary market will be slight.

Outline for trust agreement for Trust for Delivery of Shares to Director, member of the board

Trustor	The Company
Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trust trustee: Japan Trustee Services Bank, Ltd.)
Beneficiaries	Director, member of the board who meet the requirements for beneficiaries
Trust administrator	Plan to elect a third party who has no conflicts of interest with the Company or the Company’s officers
Exercise of voting rights	No exercise of voting rights concerning Company shares in the Trust
Type of trust	Money entrust other than money trust (third-party benefit trust)
Date of trust agreement	August 28, 2018 (scheduled)
Trust period	August 28, 2018 to August 31, 2021 (scheduled)
Purpose of trust	Provision of Company shares to beneficiaries based on provision of shares

Outline for trust agreement for Trust for Delivery of Shares to Employees

Trustor	The Company
Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trust trustee: Japan Trustee Services Bank, Ltd.)
Beneficiaries	Employees who meet the requirements for beneficiaries
Trust administrator	Plan to elect a third party who has no conflicts of interest with the Company

	or the Company's officers
Execution of voting rights	The trust administrator will provide instructions on the exercise of voting rights concerning Company shares in the Trust.
Type of trust	Money entrust other than money trust (third-party benefit trust)
Date of trust agreement	August 28, 2018 (scheduled)
Trust period	August 28, 2018 to August 31, 2021 (scheduled)
Purpose of trust	Provision of Company shares to beneficiaries based on provision of shares

### 3. The basis for calculation of disposal price and specifics

In view of the recent share price performance, the disposal price shall be 1,803 yen, the closing price for the Company's shares on the Tokyo Stock Exchange on August 8, 2018, which is the business day immediately prior to the date of the resolution by the Board of Directors on the disposal of treasury share, in order to eliminate arbitrariness.

This price represents a -2.17% discrepancy with 1,843 yen, the average of the closing prices for the one-month period prior to the business day prior to the Board of Directors resolution (July 9 to August 8, 2018; figures are rounded), a -6.53% discrepancy with 1,929 yen, the average of the closing prices for the past three months (May 9 to August 8, 2018) and a -5.75% discrepancy with 1,913 yen, the average of the closing prices for the past six months (February 9 to August 8, 2018). Accordingly, in light of the discrepancy with the recent average share price, the Company believes that the disposal price is rational (the discrepancy rates are rounded to the second digit).

Given these considerations, the Company has determined that the price for the disposal of Treasury shares to be disposed of is reasonable and is not particularly advantageous to the allottee.

With respect to the above-mentioned disposal price, all of the Audit & Supervisory Board Members (four members, of which two are Outside Audit & Supervisory Board Members) expressed their opinions that the price was not especially favorable to the allottee.

### 4. Procedures within the Scope of Corporate Behavior

As the disposal of Treasury shares will 1) have a dilutive effect of less than 25% on treasury shares and 2) does not involve a change in controlling shareholder, procedures for the receipt of the opinion of an entity who has a specific degree of dependence from management regarding third-party allotment, as provided by Rule 432 of the Tokyo Stock Exchange's Securities Listing Regulations, are not necessary.