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Company Name: Universal Entertainment Corporation

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### **Notice Concerning Issuance of Stock Acquisition Rights (Paid-In Capital Stock Options)**

Universal Entertainment Corporation (hereinafter referred to as the “Company”) resolved at the Board of Directors meeting on September 21, 2017 to issue stock acquisition rights (hereinafter referred to as the “Stock Acquisition Rights”) below to be granted to Directors, Executive Officers and employees of the Company in accordance with the provisions stipulated in Article 370 (Alternatives to Written Resolution of the Board of Directors), Article 236, 238 and 240 of the Companies Act. The Stock Acquisition Rights shall be issued at fair value and shall not offer particularly favorable conditions to those who would undertake the Stock Acquisition Rights. Therefore, the issuance shall be executed without obtaining approval from the general meeting of shareholders. In addition, the Stock Acquisition Rights shall be provided not as compensation to eligible individuals, but as an option to be undertaken based on their respective investment decisions.

#### **I. Purpose and Reason for Issuance of the Stock Acquisition Rights**

Aiming at enhancing medium- and long-term growth of its business performance and corporate value, the Company shall issue the Stock Acquisition Rights with charge to Directors, Executive Officers and employees of the Company. The purpose is to boost their motivation and morale in order to further enhance their commitment to improving business performance of the Company and make the solidarity within the Company stronger.

The total number of common shares of the Company to be increased upon exercise of all the Stock Acquisition Rights shall be 0.5% of the total number of issued shares.

Meanwhile, the Company shall set the exercise price of the Stock Acquisition Rights at 150% of the closing price of its common stock for the regular trading session on the JASDAQ Standard market of the Tokyo Stock Exchange on September 20, 2017, which is the trading day immediately preceding the date of resolution of the Board of Directors concerning the issuance of the Stock Acquisition Rights. In addition, the Stock Acquisition Rights shall be exercisable only in the event that the Company has attained the predetermined target level of business performance and the closing price of ordinary transactions of the common stock of the Company conducted at financial instruments exchange has exceeded 130% of the exercise price even once. The Company believes that it

will be conducive for the improvement of its corporate value and shareholder value to motivate its officers and employees to work toward improvement of business performance to fulfill the conditions of the exercise. Therefore, the Company considers that the issuance of the Stock Acquisition Rights will contribute to the interest of its existing shareholders and assumes the dilution effects on shares from the issuance of the Stock Acquisition Rights will fall within a reasonable range.

## II. Outline of Issuance of the Stock Acquisition Rights

### 1. Number of the Stock Acquisition Rights

4,000 units

The total number of shares to be granted upon the exercise of the Stock Acquisition Rights shall be 400,000 shares of common stock of the Company. However, if the number of shares to be granted upon the exercise of the Stock Acquisition Rights is adjusted as provided for in section 3. (1) below, the total number of shares to be granted upon the exercise of the Stock Acquisition Rights shall be adjusted to the number obtained by multiplying the adjusted number of shares granted by the number of the Stock Acquisition Rights.

### 2. Money to be paid in exchange for the Stock Acquisition Rights

The issuing price per unit of the Stock Acquisition Rights shall be 8,000 yen. The amount was determined by reference to the results of calculation conducted by Plutus Consulting Co., Ltd. (hereinafter referred to as “Plutus”), a third-party evaluating institution, at the same price as that calculated by Plutus. Plutus calculated the amount of money to be paid in by using the Monte Carlo simulation, a general model for option price valuation. Such calculation is based on the closing price of the Company’s shares on the JASDAQ Standard market of the Tokyo Stock Exchange of 2,975 yen per share on September 20, 2017, which is the trading day immediately preceding the date of resolution of the Board of Directors concerning the issuance of the Stock Acquisition Rights, stock price volatility of 41.15%, dividend yield of 1.34%, risk-free interest rate of -0.069%, and conditions (exercise price of 4,463yen per share, period to maturity of 7 years, business performance conditions and share price conditions) set forth in the prospectus on the issuance of the Stock Acquisition Rights.

### 3. Summary of the Stock Acquisition Rights

#### (1) Class and number of shares underlying the Stock Acquisition Rights

The number of shares to be issued upon exercise of one unit of the Stock Acquisition Rights (hereinafter referred to as the “Number of Shares to be Granted”) shall be one hundred (100) shares of common stock of the Company.

The Number of Shares to be Granted shall be adjusted using the following calculation formula in the event the Company conducts a stock split (including allotment of its common stock without compensation; hereinafter the same shall apply) or a stock consolidation after the allotment of the Stock Acquisition Rights. However, this adjustment of the number of shares is only applicable to the shares underlying the Stock Acquisition Rights remaining unexercised at that point in time. Any fraction less than one share resulting from the adjustment shall be rounded down.

Number of Shares Granted after adjustment = Number of Shares Granted before adjustment × Ratio for

stock split (or stock consolidation)

In case, after the date of allotment of the Stock Acquisition Rights, the Company merges with another company, conducts a company split, or reduces its capital, or in an equivalent case where the number of shares granted needs to be adjusted, the Company shall adjust such number in an appropriate manner within a reasonable range.

(2) Amount of assets to be contributed upon exercise of the Stock Acquisition Rights or the calculation method

The amount of assets contributed upon the exercise of the Stock Acquisition Rights shall be the amount calculated by multiplying the amount paid per share that is issuable upon the exercise of the Stock Acquisition Rights (hereinafter referred to as the “Exercise Price”) and the Number of Shares Granted.

The Exercise Price shall be 4,463 yen, which is equivalent to 150% of the closing price of the Company’s stock for the regular trading session on the JASDAQ Standard market of the Tokyo Stock Exchange on September 20, 2017, which is the trading day immediately preceding the date of resolution of the Board of Directors concerning the issuance of the Stock Acquisition Rights.

In case the Company conducts a stock split or a stock consolidation after the date of allotment of the Stock Acquisition Rights, the Exercise Price shall be adjusted using the following calculation formula, with any fraction less than one yen rounded up.

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$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price before adjustment}}{\text{Ratio of stock split (or stock consolidation)}}$$

In case, after the date of allotment of the Stock Acquisition Rights, the Company issues new shares or disposes of treasury shares at a price lower than their market price (except for the cases of issuing new shares or disposing of treasury shares through exercise of the Stock Acquisition Rights and transferring treasury shares through share exchange), the Exercise Price shall be adjusted by the following formula and any fraction less than one yen resulting from the adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price before adjustment} \times \text{Number of shares already issued} + \frac{\text{Number of shares newly issued} \times \text{Amount to be paid per share}}{\text{Market value per share before issuance of new shares}}}{\text{Number of shares already issued} + \text{Number of shares newly issued}}$$

In the above formula, the “number of shares already issued” shall be the total number of shares issued pertaining to the Company’s common stock excluding the number of treasury shares of the Company’s common stock. In case of disposal of treasury shares pertaining to the Company’s common stock, the “number of shares newly issued” shall be replaced by the “number of treasury shares to be disposed.”

In addition to the above, in case, after the date of allotment of the Stock Acquisition Rights, the Company merges with another company or conducts a company split, or any other case equivalent thereto necessitating the Exercise Price to be adjusted, the Company may appropriately adjust the Exercise Price to a reasonable extent.

(3) Period during which the Stock Acquisition Rights may be exercised

The period during which the Stock Acquisition Rights may be exercised (hereinafter referred to as the

“Exercise Period”) shall be from April 1, 2020 to October 5, 2024.

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

- 1) The amount of capital to be increased in the event of issuing shares by exercising the Stock Acquisition Rights shall be one half (1/2) of the maximum amount of capital increase, etc. to be calculated in accordance with Article 17, Paragraph 1 of the Rules of Corporate Accounting. Any fraction less than one yen resulting from the calculation shall be rounded up.
- 2) The amount of capital reserve to be increased in the event of issuing shares by exercising the Stock Acquisition Rights shall be the amount obtained by deducting the amount of capital to be increased set forth in 1) above from the maximum amount of capital increase, etc. set forth in 1) above

(5) Restrictions on the acquisition of the Stock Acquisition Rights by way of transfer

The acquisition of the Stock Acquisition Rights by way of transfer shall be subject to approval by resolution of the Board of Directors of the Company.

(6) Conditions for exercising the Stock Acquisition Rights

- 1) Holder of the Stock Acquisition Rights (hereinafter referred to as the “Right Holder”) shall be able to exercise all or part of the Stock Acquisition Rights only in the event that either of the two following conditions is met. In the event that there is a significant change in the concept of ordinary income, etc. to be referred to due to the adoption of the International Financial Reporting Standards or other reasons, any other indicator to be referred to shall be determined by the Board of Directors.
  - (i) In the event that ordinary income for the fiscal years ending December 31, 2018 and December 31, 2019 (ordinary income on the Company’s audited consolidated income statement or income statement; hereinafter the same shall apply) meets all the conditions set forth in the preceding items.
    - (a) Ordinary income for the fiscal year ending December 31, 2018 has exceeded 30 billion yen; and
    - (b) Ordinary income for the fiscal year ending December 31, 2019 has exceeded 32 billion yen
  - (ii) In the event that the cumulative amount of ordinary income for the fiscal years ending December 31, 2018 and December 31, 2019 has exceeded 80 billion yen.
- 2) In addition to the above, the Right Holder may exercise the Stock Acquisition Rights only after the time when the closing price of the Company’s common stock for the regular trading session on the financial instrument exchange has become equal to or more than 130% of the Exercise Price of the Stock Acquisition Rights (provided, however that the Exercise Price shall be adjusted appropriately by the Board of Directors in accordance with 3. (2) above) even once during the period from the date of allotment of the Stock Acquisition Rights to the end of the Exercise Period of the Stock Acquisition Rights.
- 3) The Right Holder shall be required to be a Director, Corporate Auditor, or an employee of the Company or its affiliated companies (as defined in Article 8 (Definitions) of the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc.) at the time of exercise of the Stock Acquisition Rights. However, this shall not apply in the case of retirement upon the expiration of the term of office, mandatory retirement, or other reasons deemed justifiable by the Board of Directors.
- 4) Any heir to the Right Holder shall not be allowed to exercise the Stock Acquisition Rights.

5) If the exercise of the Stock Acquisition Rights makes the total number of the Company's shares issued becomes greater than the total number of its shares authorized at the said point of time, or in other cases that would violate laws and regulations, the said Stock Acquisition Rights shall not be allowed to be exercised.

6) The Stock Acquisition Rights shall not be exercisable for less than one unit of those rights.

#### 4. Date of allotment of the Stock Acquisition Rights

October 6, 2017

#### 5. Matters regarding acquisition of the Stock Acquisition Rights

(1) In the event that a merger agreement whereby the Company becomes a merged company, a company split agreement or plan whereby the Company is a split company, or a stock exchange agreement or stock transfer plan whereby the Company becomes a wholly-owned subsidiary be approved by the general meeting of shareholders (or resolution by the Board of Directors in the case that approval by the general meeting of shareholder is not required), the Company shall be able to acquire all of the Stock Acquisition Rights without compensation at the arrival of the date separately prescribed by the Board of Directors of the Company.

(2) In the event that the provisions set forth in 3. (6) above disqualifies the Right Holder to exercise the Stock Acquisition Rights before he or she exercises them, the Company shall be able to acquire the Stock Acquisition Rights without compensation.

#### 6. Treatment of the Stock Acquisition Rights in the event of the acts of corporate reorganization

In the event that the Company engages in a merger (limited to the case where the Company becomes extinct as a result of the merger), absorption-type company split, incorporation-type company split, stock exchange or stock transfer (hereinafter collectively referred to as the "Acts of Corporate Reorganization"), stock acquisition rights of the joint-stock company listed in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (hereafter referred to as the "Reorganized Company") shall be delivered, in each of the above cases, to the Right Holder on the effective date of the Acts of Corporate Reorganization in accordance with the conditions below. Provided, however, that the foregoing shall be on the condition that delivery of stock acquisition rights of the Reorganized Company in accordance with the following conditions is stipulated in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a stock exchange agreement or a stock transfer plan.

##### (1) Number of stock acquisition rights of the Reorganized Company to be delivered

The Reorganized Company stock acquisition rights shall be respectively delivered in the same number of the Stock Acquisition Rights that are owned by the Right Holder.

##### (2) Class of shares of the Reorganized Company underlying stock acquisition rights

Common stock of the Reorganized Company

##### (3) Number of shares of the Reorganized Company underlying stock acquisition rights

To be determined in accordance with 3. (1) above by taking into account the conditions of the Acts of Corporate Reorganization

##### (4) Amount of assets to be contributed upon exercise of stock acquisition rights

The amount of assets to be contributed upon the exercise of each stock acquisition right to be delivered shall be an exercise price after corporate reorganization which would be obtained by adjusting the Exercise Price as determined in 3. (2) above after taking into consideration the conditions of the Acts of Corporate Reorganization and others, multiplied by the number of shares of the Reorganized Company underlying the said stock acquisition rights as determined in accordance with 6. (3) above.

(5) Period during which stock acquisition rights are exercisable

It shall be from commencing date of the Exercise Period stipulated in 3. (3) above, or the effective date of the Acts of Corporate Reorganization, whichever is later, to expiry date of the Exercise Period stipulated in 3. (3) above.

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

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

(7) Restriction on acquisition of stock acquisition rights through transfer

Restriction on acquisition of stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors.

(8) Other conditions of exercise of stock acquisition rights

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

(9) Reasons for and conditions of acquisition of stock acquisition rights

To be determined in accordance with 5. above.

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

7. Matters concerning certificates of the Stock Acquisition Rights with regard to the Stock Acquisition Rights

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

8. Due date for payment of the money in exchange for the Stock Acquisition Rights

October 6, 2017

9. Due date for application

October 5, 2017

10. Persons to be allotted the Stock Acquisition Rights and their number

Director of the Company	7 directors	3,100 units
Executive Officer of the Company	4 executive officers	700 units
Employee of the Company	1 employee	200 units