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Press Release

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(Code 9419: Mothers)

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## **Notice Regarding the Adoption of the Performance-Based Stock Compensation Scheme for the Company's Directors**

WirelessGate has passed a resolution to adopt a performance-based stock compensation program utilizing a trust account (hereinafter referred to as the "System") in accordance with the resolution passed at a meeting of its Board of Directors held on February 12, 2016. The proposal will be on the agenda at the 12<sup>th</sup> Annual Shareholders Meeting to be held on March 25, 2016 (hereinafter referred to as the "Annual Shareholders Meeting") as shown below.

### **1. Objectives behind adopting the System**

If approved at the Annual Shareholders Meeting, WirelessGate will transition to a company with an audit and supervisory committee governance structure, as announced in the "Notice Concerning the Transition to a Company with an Audit and Supervisory Committee Governance Structure" dated November 6, 2015. The move is aimed at further enhancing corporate value by improving the corporate governance structure even further following the transition to a company with an audit and supervisory committee governance structure.

All listed companies are to adopt a corporate governance code, and WirelessGate is making progress in preparing for this adoption by taking heed of this intention to the maximum extent possible.

The Company, under these conditions, decided to adopt the System with the purpose of raising awareness toward contributing to the enhancement of corporate value and improving earnings over the medium to long term. This is to be done by not only allowing Directors to receive the benefits of a rise in share prices – by clarifying the link between the Company's earnings as well as share value and Director compensation – but also by shouldering the risk of stock price declines, thereby sharing the profits and risks of share price fluctuations with shareholders. This is a result of the Company considering how management compensation – in the context of a corporate governance code – should function as a sound incentive toward sustainable growth. This was considered based on the basic principle of how the Company

should appropriately establish a percentage for remuneration that is linked to medium- to long-term business performance, cash compensation or compensation in the form of treasury stock so that management compensation functions as one of the sound incentives toward sustainable growth.

The prerequisite for adopting the System is obtaining approval at the Annual Shareholders Meeting.

## 2. Overview of the System

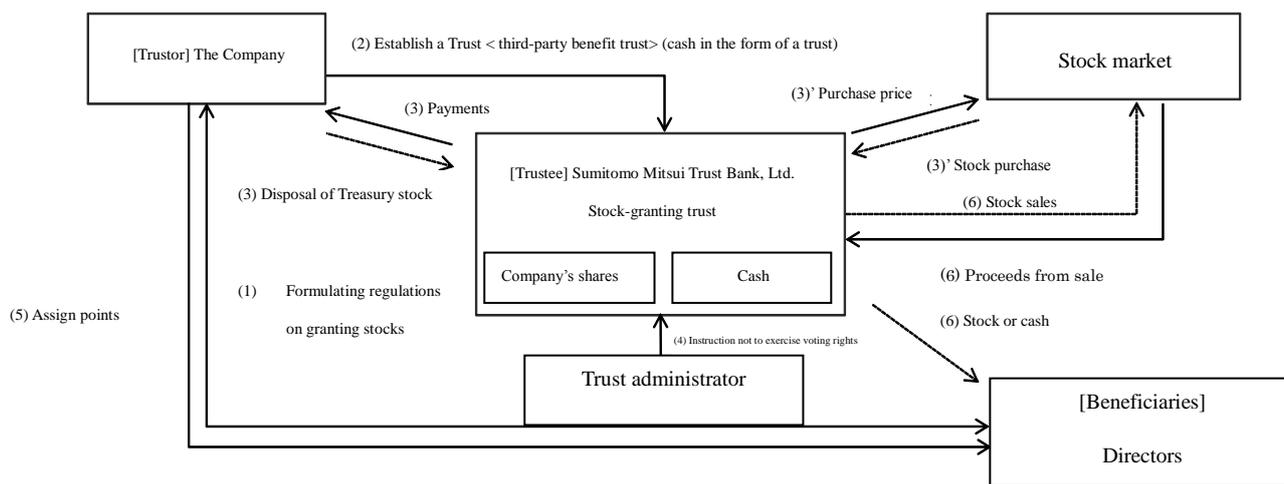
### (1) Overview of the System

The System is a performance-based stock compensation scheme in which a trust account (hereinafter “trust”) that is set up using the Company’s cash contributions acquires its own shares. Based on specific standards used for earnings achievement, it then allocates a specific number of its own shares that corresponds to the number of points assigned to each Director through the trust. The period during which Directors are to receive the Company’s shares is, in principle, one year. In addition, the period during which this System is applicable is to be approximately three years (hereinafter referred to as the “applicable period”) from the fiscal year ending December 2016 until the fiscal year ending December 2018.

### (2) Those who are eligible under the System

Those who are eligible are Directors of the Company; provided, however, Outside Directors (in the event that the transition to a company with an audit and supervisory committee governance structure is approved at the Annual Shareholders Meeting, Outside Directors and Directors who are also audit and supervisory committee members) are excluded.

### <Overview of the framework of the System>



- (1) The Company shall establish stock-granting regulations for Directors.
- (2) The Company shall establish a stock-granting trust (third-party benefit trust; hereinafter “the trust”) with Directors as the beneficiaries. The Company shall entrust an amount of cash that is equivalent to the funds used to acquire shares with the trustee (however, the amount is to be within the range approved during the annual shareholders meeting).
- (3) The trustee shall acquire the number of shares expected to be granted in the future in one lump sum (to be implemented via a method that involves the disposal of treasury stock or purchases through the stock market, including ToSTNet-1).
- (4) The Company shall establish a trust administrator (a party that is independent from the Company and the Company’s officers) to protect the profits of beneficiaries, who are eligible under the stock-granting regulations during the trust period, and supervise the trustee. Regarding the Company’s shares in the trust, voting rights shall not be exercised during the trust period.
- (5) The Company shall assign points to Directors based on stock-granting regulations.
- (6) Trustees shall grant Directors, who have met the requirements established in the trust contract associated with the trust and stock-granting regulations, the Company’s shares equal to their accumulated points as beneficiaries of the trust. In the case of meeting predetermined specific conditions set out in the stock-granting regulations and the trust contract, cash will be granted by selling a portion of the Company’s shares that are to be granted on the stock market.

### (3) Establishing a trust

The Company, as per (8) stated below, shall establish a trust by contributing funds so that it can acquire, ahead of time, the number of the Company’s shares that can be reasonably anticipated to be necessary for granting for a specific period. This is based on the premise that the System will be adopted at the Annual Shareholders Meeting. The trust, as per (6) stated below, shall acquire the Company’s treasury stock using contributions from the Company as the source of funds.

### (4) Trust period

The trust period shall last approximately three years from May 2016 through April 2019 (planned).  
However, as per (5) below, the trust period may be extended.

### (5) Maximum amount of trust fund contribution into the trust for stock acquisitions

The Company, through the System, shall contribute a maximum amount of 150 million yen as compensation to existing Directors during the applicable period. The funds are necessary for acquiring Company shares to be granted to Directors during the relevant trust period, and the Company shall establish the trust so that Directors who meet a specific set of requirements are deemed to be beneficiaries. The acquisition shall be made by using the funds in the trust as a source of funds to acquire the Company’s stock on an exchange market (including ToSTNet-1) or through the disposal of the Company’s treasury stock.

Note: Actual funds that are to be in the trust shall be a combination of funds used to acquire the Company’s stock, as stated above, as well as anticipated expenses deemed necessary, such as trust fees and trust administrator fees.

Upon the completion of the trust period, the System may be continued with trust period extended for three years based on a decision made by the Board of Directors. In such an event, the Company will contribute an additional amount of up to a maximum of 150 million yen to the trust for every extended trust period as additional stock acquisition funds that are to be deemed necessary for granting stocks to Directors through the System (however, at the time of providing additional contributions, if the Company’s shares or

funds still remain as part of the trust assets on the final day of the trust period prior to extension, the maximum amount of the additional contribution shall be the amount equal to that obtained by deducting the value of shares or funds remaining in the trust from 150 million yen). In addition, in such an event, the applicable period shall be extended in accordance with the continuation of the System or the extension of the trust period, and points as per (7) below that correspond to the trust period that was extended, and the granting of the Company's shares as per (8) below, shall be extended.

(6) Acquisition method of the Company's stock by the trust

The initial acquisition of the Company's stock by the trust is scheduled to be implemented using stock acquisition funds of up to the maximum amount, as per (5) above, either through the disposal of the Company's treasury stock or acquisitions from the stock market. The details of the acquisition method will be decided and disclosed after a resolution is passed by the Annual Shareholders Meeting.

If a shortfall in the number of shares in the trust that correspond to the number of points assigned to Directors during a trust period becomes a possibility during the trust period due to an increase in the number of Directors, additional funds – within the maximum limit approved at the Annual Shareholders Meeting, as per (5) above – shall be contributed to the trust to acquire the Company's shares additionally.

(7) Method used to calculate points assigned to each Director

The Company, as per the stock-granting regulations as established by the Board of Directors, shall assign a number of points to each Director in February of each year during the trust period by using the following formula based on the average achievement rate for earnings targets set for the most recent three fiscal years. The achievement rate for earnings targets is the rate achieved against the forecast for consolidated operating profit announced at the beginning of each fiscal year. However, if the achievement rate for the earnings target for the most recent fiscal year is less than 70%, points will not be assigned, regardless of what the average value of the achievement rates for earnings targets may be for the most recent three fiscal years.

<Formula>

$$\text{Assigned points} = \frac{\text{Standard amount established per position} \times \text{performance-linked coefficient (*)}}{\text{Book value of one share of Company stock held by the trust}}$$

(\*) Performance-linked coefficient

Average achievement rate vs. earnings target	Performance-linked coefficient
Over 100%	1.0
70% - 100%	0.7 - 1.0
Below 70%	0.0

The average achievement rate for earnings targets is based on the average of the achievement rates against the earnings targets set for the most recent three fiscal years.

The total number of points assigned to Directors shall be capped at a maximum of 42,000 points per year.

(8) Granting the Company's stock to each Director

Directors shall receive the Company's stock according to the number of points assigned, as per (7) above, by going through the prescribed set of procedures to determine the eligible beneficiaries at a specific time once a year. The number of shares that ought to be granted to each relevant Director is calculated by multiplying the number of points assigned to the Director by 1.0 (but regarding Company shares, in the event that it is determined that an adjustment to the number of Company shares would be reasonable due to such events as a stock split or a reverse stock split, a reasonable adjustment shall be made in accordance with the percentage of the relevant split or reverse split). However, regarding a specific number of shares of the total, the trust will sell shares and grant a certain percentage of the Company's shares in cash in lieu of the Company's shares. If the Company's shares held by the trust are settled through a subscription to a tender offer, among similar situations that involve conversion of the Company's shares in the trust into cash, cash may be granted in lieu of the Company's shares.

(9) Exercising voting rights

Voting rights associated with Company stock held by the trust are not to be exercised across the board based on instructions from the trust administrator, which is to be independent from the Company and the Company's officers. This is aimed at securing neutrality in the context of the Company's management regarding exercising voting rights associated with Company shares held by the trust.

(10) Handling dividends

Regarding dividends associated with the Company's stock held by the trust, the trust will accept the dividends and will apply them as funds for acquiring the Company's stocks or as trust compensation for beneficiaries associated with the trust.

(11) Handling at the time of the end of the trust

Regarding the Company's shares that are left being part of the assets remaining in the trust at the time when the trust period ends, the Company plans to acquire all of them free of charge and then cancel them upon approval by a resolution of the Board of Directors. Regarding cash that ends up being part of the assets remaining in the trust at the time when the trust period ends, the Company plans to donate the amount to a specific public interest corporation that does not have any material interest in the Company or the Company's officers as established ahead of time by the stock-granting regulations and the trust contract.

(Reference: Overview of trust)

(1) Name: Stock-granting trust for officers

(2) Trustor: The Company

(3) Trustee: Sumitomo Mitsui Trust Bank, Ltd.

(4) Beneficiaries: Of the Directors, those who meet the requirements as beneficiaries

(5) Trust administrator: It is planned to select a third party that does not have a material interest in the Company

(6) Type of trust: Money held in trust other than money trust (third-party benefit trust)

(7) Conclusion date of the trust contract: May 2016 (planned)

(8) Date when funds are to go into the trust: May 2016 (planned)

(9) Trust period: May 2016 (planned) – April 2019 (planned)