

May 19, 2020

Autonomous Control Systems Laboratory Ltd.

Notice Regarding Amount of Compensation for Directors as Stock Options

At a meeting of the Board of Directors held on 19 May, 2020, Autonomous Control Systems Laboratory Ltd. (ACSL) decided to submit to the 8th Ordinary General Meeting of Shareholders to be held on Jun. 25, 2020 a proposal concerning the amount and details of stock acquisition rights as stock options for our directors (excluding external directors) based on the provisions of Article 361 of the Companies Act.

I. The reason for the proposal

In order to promote sound management by increasing the incentive for our directors to increase ACSL corporate value by sharing not only the benefits of a rise in stock prices but also the risks of a fall in stock prices with shareholders, ACSL asks shareholders to approve the amount of remuneration and the details of stock acquisition rights as stock option for our directors (excluding external directors).

II. Content of Proposals (Amount and Content of Remuneration, etc.)

1. Amount of compensation for stock acquisition rights as stock options

In accordance with Article 361, para.1 of the Companies Act, ACSL shareholders have approved at an extraordinary general meeting of shareholders held on 21 August 2018 that the annual remuneration for directors shall be within JPY90 million (excluding employee salaries) as a financial remuneration for directors.

In order to increase directors' motivation to improve our business performance and corporate value, and to further develop our business with an emphasis on the interests of our shareholders, ACSL asks its shareholders to approve the payment of stock acquisition rights as stock options within the amount of JPY50 million per year, separate from the amount of conventional monetary remuneration.

The amount of stock acquisition rights to be issued as stock option compensation to our directors is the amount calculated by multiplying the fair value per stock acquisition right on the allotment date by the total number of stock acquisition rights to be allotted. In calculating the fair value per unit of subscription rights to shares on the allotment date, the calculation method commonly used to calculate the fair value of subscription rights to shares is used. Currently, there are 6 directors (including 2 external directors). At the 8th Ordinary General Meeting of Shareholders to be held on 25 June, 2020, when

the proposal for the election of directors was approved, there are 6 directors (including 2 external directors).

2. Details of remuneration, etc.

(Specific details of stock acquisition rights to be issued as stock options)

(1) Number of stock acquisition rights

The maximum number of stock acquisition rights to be issued within one year from the date of the ordinary general meeting of shareholders for each business year is 250.

(2) Type and number of stocks to be acquired

The maximum number of shares to be issued for stock acquisition rights within one year from the date of the ordinary general meeting of shareholders for each business year is 25,000 shares. The class of shares subject to the stock acquisition rights is common stock, and the number of shares subject to each stock acquisition right is 100 shares.

In addition, if it is appropriate for us to change the number of shares of common stock through a stock split or a stock consolidation, etc., we will make adjustments as we deem necessary.

(3) Amount to be paid in exchange for the stock acquisition rights

It must not be necessary to pay monies in exchange for the stock acquisition rights.

(4) Assets to be contributed at the time of exercise of the rights

The value of the assets to be contributed upon the exercise of each stock acquisition right will be the amount obtained by multiplying the amount to be paid in per share (hereinafter referred to as the "exercise price") that can be delivered upon the exercise of the stock acquisition right by the number of granted shares. The exercise price shall be JPY1 per share.

(5) Exercise period of Stock Acquisition Rights

The period will be determined by the Board of Directors from the day on which two years have elapsed from the allotment date to the day on which ten years have elapsed from the allotment date.

(6) Restriction on acquisition of stock acquisition rights by transfer

The approval of the Board of Directors is required for the acquisition of the rights through transfer.

(7) Conditions of execution of subscription rights

① Holders of stock acquisition rights must be director, executive officer, auditor or employee of ACSL or its affiliates at the time of exercise of stock acquisition rights. Provided, however, that this does not apply in cases where the Board of Directors deems that there are justifiable grounds such as retirement due to expiration of the term of office or

retirement at the mandatory retirement age.

② Other conditions for the exercise of stock acquisition rights will be determined by a resolution of the Board of Directors.

(8) Subscription Requirements for Other Share Options

Other features of stock acquisition right will be determined by the board of directors meeting which determines the Subscription Requirements for stock acquisition right.

III. Others

In addition to the stock options granted to directors when this proposal was passed, ASCL plans to issue stock options to employees in order to further motivate employees to improve our performance and to increase our corporate value. The details of the issuance will be promptly announced as soon as a resolution is made at the Board of Directors meeting in the future.

Attention

This document is an unofficial translation of the timely disclosure on May 19, 2020 by ACSL and this is for reference purpose only. In case of a discrepancy between the English and Japanese versions, the Japanese original shall prevail