

June 28, 2018

To Whom It May Concern,

Company Name: Taisho Pharmaceutical Holdings Co., Ltd.  
Head Office: 3-24-1, Takada, Toshima-ku, Tokyo  
Representative: Akira Uehara, CHIEF EXECUTIVE OFFICER  
(First Section of TSE: Code 4581)  
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## **Notice Concerning Issuance of Stock Options (Stock Acquisition Rights)**

Taisho Pharmaceutical Holdings Co., Ltd. (the “Company”) announced that it resolved at its board of directors meeting held today to issue stock acquisition rights as stock options to the members of the board of directors (the “directors”) and corporate officers of the Company, along with the directors and other officers of Taisho Pharmaceutical Co., Ltd. (“Taisho Pharmaceutical Co., Ltd.”), a subsidiary of the Company. These stock options will be issued based on the stipulations of Articles 236, 238 and 240 of the Companies Act.

### **1. Purpose for Issuing of Stock Acquisition Rights as Stock Options**

The purpose of issuing these stock options is to provide the Company’s directors and corporate officers, along with the directors and other officers of Taisho Pharmaceutical Co., Ltd., with further incentive and motivation to contribute to the improvement of business results and corporate value over the medium and long terms. This will enable them to share with shareholders the benefits of an increase in the stock price and the risk of a decline in the stock price, by more strongly linking their compensation with the Company’s business results and share price. For this purpose, the Company has decided to introduce stock options (stock acquisition rights) for a stock-linked compensation plan, in lieu of retirement bonuses, for the Company’s directors and corporate officers, along with the directors and other officers of Taisho Pharmaceutical Co., Ltd.

### **2. Details on Issuance of Stock Acquisition Rights**

#### *(1) Name of stock acquisition rights*

Taisho Pharmaceutical Holdings Co., Ltd.      Seventh Series of Stock Acquisition Rights

*(2) Total number of stock acquisition rights*

The total number of stock acquisition rights shall be 140.

The above total represents the number of stock acquisition rights planned for allotment. In the event of a decrease in the total number of stock acquisition rights allotted, due to undersubscription and other factors, the total number of stock acquisition rights to be issued shall be the total number of stock acquisition rights to be allotted.

*(3) Stock acquisition right allotment recipients, number of recipients, and the number of stock acquisition rights to be allotted*

Directors of the Company (excluding outside directors):

7 individuals 40 stock acquisition rights

Corporate officers of the Company

1 individual 1 stock acquisition rights

Directors of Taisho Pharmaceutical Co., Ltd. (excluding outside directors):

8 individuals 52 stock acquisition rights

Other officers of Taisho Pharmaceutical Co., Ltd.:

19 individuals 47 stock acquisition rights

*(4) Type and number of shares to be granted upon the exercise of stock acquisition rights*

The type of shares to be granted upon exercise of stock acquisition rights shall be the Company's common stock and the number of shares for each stock acquisition right (hereinafter, the "number of shares granted") shall be 100. However, in the event that the Company splits its common stock (includes the gratis distribution of its common stock; hereinafter the same shall apply when referring to stock splits) or consolidates its common stock after the date of approval by the Board of Directors of this proposal (hereinafter, the "approval date"), the number of shares granted shall be adjusted according to the following formula.

Adjusted number of shares granted = Number of shares granted before adjustment x  
stock split or stock consolidation ratio

For your information, fractions of less than one share resulting from the above adjustment shall be omitted.

Moreover, in addition to the foregoing, in the event that the Company is merged, split or involved in an equity swap after the approval date, or in other equivalent cases requiring adjustment of the number of shares granted, the Company shall be able to adjust the number of shares granted as deemed necessary by its board of directors.

*(5) Amount to be invested when exercising stock acquisition rights*

The amount to be invested when exercising each stock acquisition rights shall be the amount to be paid per share upon exercise of each stock acquisition right, which shall be Yen1, multiplied by the number of shares granted.

*(6) Calculation method for the amount to be paid in per stock acquisition right*

The amount to be paid in per stock acquisition right shall be calculated based on the Black-Scholes model on the allotment date. This amount shall represent the fair price of the stock acquisition right. Based on the stipulations of Article 246, Paragraph 2 of the Companies Act, the Company shall offset the amount to be paid in for the stock acquisition rights with compensation receivable from the Company by the Company's directors and corporate officers, as well as the directors and other officers of Taisho Pharmaceutical Co., Ltd.

*(7) Exercise period for stock acquisition rights*

From August 3, 2018 to August 2, 2068

*(8) Conditions for exercising stock acquisition rights*

- 1) With respect to stock acquisition rights allotted based on an individual's position as director of the Company or Taisho Pharmaceutical Co., Ltd., stock acquisition right holders who lose their position as director of these companies may only exercise their stock acquisition rights within 10 days of the day after losing their position (the next business day when the 10th day falls on a public holiday). With respect to stock acquisition rights allotted based on an individual's position as other officers of the Company or Taisho Pharmaceutical Co., Ltd., stock acquisition right holders who lose their position as employees of these companies may only exercise their stock acquisition rights within 10 days of the day after losing their position (the next business day when the 10th day falls on a public holiday).
- 2) Notwithstanding 1) above, in the event that the following proposals are approved by the Company's general meeting of shareholders (or by resolution of the board of directors, when approval of said meeting is not required), the stock acquisition right holders may only exercise their stock acquisition rights within 30 days of the day after the date of such approval: a proposal to approve a merger agreement in which the Company becomes the dissolved company; a proposal to approve either a corporate split agreement or plans for a corporate split in which the Company becomes the splitting company; or a proposal to approve an equity swap agreement or equity transfer plan in which the Company will become a wholly owned subsidiary. However, the foregoing shall not apply when stock acquisition right holders are issued stock acquisition rights of a reorganizing company pursuant to the

matters concerning issuance of stock acquisition rights accompanying reorganization measures, set forth in the following Item (12).

- 3) Other conditions shall be set forth in the stock acquisition right allotment agreement to be entered into between the Company and the stock acquisition right holders.

*(9) Matters concerning the increase in the amount of stated capital and additional paid-in capital when issuing shares upon the exercise of stock options*

- 1) When issuing shares upon the exercise of stock acquisition rights, the amount of stated capital to be increased shall be half of the maximum amount of increase in stated capital, as calculated in accordance with the provisions of Article 17, Paragraph 1 of the Rules of Account Settlement of Corporations. Fractions of less than one yen resulting from this calculation shall be rounded up.
- 2) When issuing shares upon the exercise of stock acquisition rights, the amount of additional paid-in capital to be increased shall be determined by subtracting the amount of stated capital to be increased in the above Item 1) from the maximum amount of increase in stated capital set forth in the above Item 1).

*(10) Conditions on acquisition of stock acquisition rights*

In the event that the following proposals 1), 2), 3), 4) or 5) are approved by the Company's general meeting of shareholders (or by resolution of the board of directors, when approval of said meeting is not required), the Company may acquire all stock acquisition rights gratis on a date to be determined separately by the Company's board of directors.

- 1) a proposal to approve a merger agreement in which the Company becomes the dissolved company
- 2) a proposal to approve either a company split agreement or a company split plan in which the Company becomes the splitting company
- 3) a proposal to approve an equity swap agreement or a share transfer plan in which the Company will become a wholly owned subsidiary
- 4) a proposal to change and approve provisions in the Articles of Incorporation requiring the approval of the Company for the acquisition of any of the shares issued by the Company through a share transfer
- 5) a proposal to change and approve provisions in the Articles of Incorporation requiring the approval of the Company for the acquisition of the type of shares to be granted upon the exercise of stock acquisition rights through a share transfer, or admitting the acquisition of all of said type of shares by the Company by resolution of the general meeting of shareholders

*(11) Restrictions on the acquisition of stock acquisition rights due to transfers*

The acquisition of stock acquisition rights due to transfers shall require approval by resolution of the Company's board of directors.

*(12) Matters concerning issuance of stock acquisition rights accompanying reorganization measures*

In the event of a merger (only in cases where the Company is dissolved as a result of the merger), an absorption-type company split or incorporation-type company split (only in respective cases where the Company becomes the splitting company), an equity swap or share transfer (only in respective cases where the Company becomes a wholly owned subsidiary) (Hereinafter, the foregoing shall be referred to collectively as "reorganization measures"), the Company shall issue stock acquisition rights as per a corporation described in Article 236, Paragraph 1, Items 8.1 through 8.5 of the Companies Act (the "reorganizing company") to each stock acquisition right holder of stock acquisition rights remaining unexercised immediately before the effective date of reorganization measures (hereinafter, the "remaining stock acquisition rights"). (Hereinafter, the "effective date" shall refer to the effective date of an absorption-type merger for such mergers, the date of incorporation of a new company for incorporation-type mergers, the effective date of an absorption-type company split for such company splits, the effective date of incorporation of a new company for incorporation-type company splits, the effective equity swap date for equity swaps, and the date of incorporation of a wholly owning parent company through a stock transfer, for stock transfers. Same shall apply hereinafter.) However, the foregoing is conditional upon providing for the issuance of stock acquisition rights of the reorganizing company in the absorption-type merger agreement, the incorporation-type merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the equity swap agreement or the share transfer plan in accordance with the following items:

- 1) Number of stock acquisition rights of the reorganizing company to be issued  
The Company shall issue the same number of stock acquisition rights as the remaining stock acquisition rights held by each stock acquisition right holder.
- 2) Type of shares of the reorganizing company to be issued upon the exercise of the stock acquisition rights  
Common stock of the reorganizing company
- 3) Number of shares of the reorganizing company to be issued upon the exercise of the stock acquisition rights  
To be determined according to the following Item (4), taking into account the conditions of the reorganization measures, etc.

- 4) Amount to be invested when exercising stock acquisition rights  
The amount to be invested when exercising the stock acquisition rights to be issued shall be calculated by multiplying the post-reorganization exercise price stipulated below by the number of shares of the reorganizing company to be issued upon exercise of each stock acquisition right, which will be determined in accordance with the above Item 3). The post-reorganization exercise price shall be Yen 1 per share with respect to the shares issued upon exercise of each stock acquisition right issued.
- 5) Exercise period for stock acquisition rights  
From either the commencement date for the exercise period of the stock acquisition rights set forth in Item (7), or the effective date of the reorganization measures, whichever is later, to the last day of the exercise period of the stock acquisition rights set forth in Item (7).
- 6) Matters concerning the increase in the amount of stated capital and additional paid-in capital when issuing shares upon the exercise of stock options  
To be determined in accordance with Item (9).
- 7) Restrictions on the acquisition of stock acquisition rights due to transfers  
The acquisition of stock acquisition rights due to transfers shall require approval by resolution of the reorganizing company's board of directors.
- 8) Conditions for exercising stock acquisition rights  
To be determined in accordance with Item (8).
- 9) Conditions for acquiring stock acquisition rights  
To be determined in accordance with Item (10).

*(13) Procedure for handling fractions of less than one share resulting from the exercise of stock acquisition rights*

In the event that fractions of less than one share are to be issued to stock acquisition right holders exercising stock acquisition rights, such fractions shall be omitted.

*(14) Stock acquisition right allotment date*

August 2, 2018

*(15) Handling procedure for issuing securities with stock acquisition rights*

No securities with stock acquisition rights shall be issued.