

For Immediate Release

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Introduction of Share Remuneration-type Stock Options (Share Acquisition Rights)

Tokyo, Japan – Otsuka Holdings Co., Ltd. (“**Otsuka**”) announces that the Board of Directors, at the meeting of the Board of Directors held on the date hereof, resolved to introduce a share remuneration-type stock options system along with business performance achievement conditions, and also resolved to make a proposal related thereto at the 8th Annual Shareholders Meeting to be held on March 30, 2016.

1. Purpose of introducing share remuneration-type stock options (share acquisition rights)

In order to make a greater contribution to the continued improvement of our mid-to-long term business performance and corporate value, remuneration-type stock options (share acquisition rights), along with business performance achievement conditions, will be issued to Otsuka’s directors (excluding outside directors). By way of the foregoing, the remuneration system of Otsuka’s directors (excluding outside directors) will become a system in which the ratio of business performance-linked-type remuneration is further increased.

The specific mid-term incentive plan using share acquisition rights scheduled to be implemented in 2016 (“**Mid-term Incentive Plan**”) shall apply to the three (3) year period commencing from the business year ending on December 31, 2016 and ending on the business year ending on December 31, 2018 (“**Subject Period**”). Subject to the Mid-term Incentive Plan, the number of share acquisition rights that can be exercised shall be determined based on the level of achievement, etc. of the mid-term management plan for which 2018 is designated as the final year (“**Mid-term Management Plan**”).

Specifically, it is scheduled that the share acquisition rights in the content specified in 3 below will be granted up to a total amount of 1,200 million yen (Note 1) to Otsuka’s directors (excluding outside directors) as mid-term incentives for three (3) years until the termination of the Mid-term Management Plan on the condition that the resolution entitled “Amount of remuneration, etc. as share remuneration-type stock options and determination of the content thereof” is approved as originally proposed, which proposal is scheduled to be proposed at the 8th Annual Shareholders Meeting; out of the above, the number of stock acquisition rights that can finally be exercised and the total amount of remuneration pertaining thereto will change between 25% and 100%, based on the level of achievement of the Mid-term Management Plan, etc. (Note 2).

It is scheduled that similar share remuneration-type stock options (share acquisition rights) will also be granted for approximately three (3) directors of Otsuka’s subsidiaries who do not concurrently serve as

directors of Otsuka. The number of share acquisition rights that can be exercised by directors of Otsuka's subsidiaries who do not concurrently serve as directors of Otsuka shall be changed according to the titles of the directors subject to allotment (“**Beneficiaries**”) and Otsuka's business performance, as well as the business performance of Otsuka's subsidiaries.

Aside from the above, in addition to share remuneration-type stock options (share acquisition rights), a system for a business performance-linked bonus based on the level of achievement of the Mid-term Management Plan, etc. will be introduced for employees of Otsuka and its major subsidiaries.

(Note 1) In the case where the resolution entitled “Amount of remuneration, etc. as share remuneration-type stock options and determination of the content thereof” is approved as originally proposed, which proposal is scheduled to be proposed at the 8th Annual Shareholders Meeting, the share acquisition rights shall be granted only once until December 31, 2018, during which time the Mid-term Management Plan will be in progress, and it is not scheduled to additionally issue any similar share acquisition rights while the Mid-term Management Plan is in progress. As a resolution under Article 361 of the Corporate Law, while the remuneration cap for the business year in which the day on which share acquisition rights are granted falls is designated as “within an annual amount of 1,200 million yen,” the share acquisition rights to be granted are considered to be mid-term incentives based on the level of achievement, etc. of the Mid-term Management Plan for the three (3) year period until the termination of the Mid-term Management Plan.

(Note 2) Under the Mid-term Incentive Plan, 40% of the share acquisition rights that can be exercised as determined by the title of each Beneficiary shall be designated as a “fixed portion” which can be exercised in a lump sum by the elapse of the final year of the Subject Period, and 60% (i.e., the remainder thereof) shall be designated as a “business performance-linked portion,” which is a system wherein, based on the level of achievement of the consolidated sales objective amount and the consolidated business profit objective amount in the December 2018 period, etc., to be established at the time of introducing the Mid-term Incentive Plan, the number of share acquisition rights that can be exercised will be finalized (200% in the case where the level of achievement of the objective amount is 200% or more, and 0% in the case where the level of achievement of the objective amount is 80% or less.).

2. Outline of proposals

While it was resolved at the 2nd Annual Shareholders Meeting held on June 29, 2010, that the cap of the annual remuneration amount for Otsuka's directors would be 1,500 million yen or less (provided, however, that employees' salaries were not included therein) and such resolution has been effective to date, in addition to the foregoing resolution, Otsuka hereby requests approval of the share acquisition rights in the content specified in 3 below being granted to the directors (excluding outside directors) within the annual amount of 1,200 million yen or less as share remuneration-type stock options. The remuneration amount as stock options shall be the amount obtained by multiplying the fair price per share acquisition right calculated on the allotment date of the share acquisition rights by the number equal to the cap of the total number of share acquisition rights, out of the share acquisition rights to be allotted, that can be exercised as established in a share acquisition rights allotment agreement to be executed between Otsuka and the Beneficiaries in accordance with a resolution of Otsuka's board of directors.

3. Content of share acquisition rights to be granted under the Mid-term Incentive Plan

(1) Class and number of shares subject to share acquisition rights

In each business year, the annual cap shall be 810,000 ordinary shares in Otsuka (Note 3); provided,

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however, that if the number of shares subject to the share acquisition rights set forth in (2) below is adjusted, the same adjustment shall be carried out herein.

(2) Total number of share acquisition rights

In each business year, the annual cap shall be 8,100 (Note 3).

The number of shares able to be received by way of exercising one (1) share acquisition right shall be 100 ordinary shares in Otsuka; provided, however, that the number of shares subject to share acquisition rights shall be adjusted within the necessary and reasonable extent in the case of Otsuka carrying out a share split, consolidation of shares, or an allotment of shares without contribution, or if it otherwise becomes necessary to adjust the number of shares subject to each of the share acquisition rights.

(3) Paid-in amount for share acquisition rights

The paid-in amount shall be obtained by multiplying the option price per share calculated by using the Black-Scholes Model on the allotment date of each of the share acquisition rights by the number of shares subject to one (1) share acquisition right. The share acquisition right holders shall, in lieu of payment of such paid-in amount, set off the remuneration claims against Otsuka and the paid-in obligations pertaining to the total paid-in amount of the share acquisition rights to be allotted.

(4) Value of property to be invested upon exercise of share acquisition rights

The value of the property to be invested upon the exercise of one (1) share acquisition right shall be the amount obtained by multiplying the paid-in amount per share that can be received by way of exercising the share acquisition rights (“**Exercise Value**”) by the number of shares subject to one (1) share acquisition right. The Exercise Value shall be one (1) yen.

(5) Period during which share acquisition rights can be exercised

For two (2) years from March 1 of the business year following the elapse of three (3) business years including the business year to which the allotment date belongs.

(6) Conditions for exercise of share acquisition rights

(i) In principle, share acquisition right holders must, as of the exercise of the share acquisition rights held thereby, continuously hold the same status as directors of Otsuka or Otsuka’s subsidiaries as they held on the allotment date.

(ii) Other conditions for exercise of the share acquisition rights shall be determined at the meeting of the board of directors in which the subscription for such share acquisition rights shall be resolved.

(7) Matters concerning increase in capital and capital reserve when shares are issued through the exercise of share acquisition rights

(i) The increase in capital when shares are issued through the exercise of share acquisition rights shall be half of the limit amount of an increase in capital, etc. to be calculated in accordance with Article 17-1 of the Ordinance on Company Accounting, and any fractions less than one (1) yen which may occur as a result of calculation shall be rounded up.

(ii) The increase in capital reserve when shares are issued through the exercise of share acquisition rights shall be the limit amount of an increase in capital, etc. stated in (i) above less increase in capital as provided in (i) above.

- (8) Restriction on acquisition of share acquisition rights through transfer
Restriction on the acquisition of share acquisition rights through transfer shall require the approval of Otsuka's board of directors.
- (9) Other content, etc. concerning share acquisition rights
Other content, etc. concerning the share acquisition rights shall be determined at the meeting of the board of directors in which the subscription for such share acquisition rights shall be resolved.

(Note 3) It is scheduled that each of the number of share acquisition rights to be allotted to the Beneficiaries will be designated as the same number of share acquisition rights (the theoretical maximum number) that can be exercised by a person who has the highest title in the case where the greatest possible business performance is achieved, regardless of their actual title as of the allotment to each Beneficiary, in preparation for a situation where there is a change in the level of achievement of the consolidated sales objective amount and the consolidated business profit objective amount in the December 2018 period, etc., to be established at the time of introducing the Mid-term Incentive Plan and/or each Beneficiary's title during the Subject Period.

In addition, it is scheduled that a cap will be set as a whole for the total number of stock acquisition rights that can be finally exercised by each Beneficiary. Specifically, in principle, it is assumed that, in the case where the business operation system as of the allotment date (the titles and the number of persons who assume such titles as of the same day) is maintained and the greatest possible business performance is achieved, it is assumed that the total number of share acquisition rights that can be exercised by the Beneficiaries who assume each title will be set as a cap, and, it is scheduled that the condition where no exercise is allowed if such cap is exceeded will be set forth in a share acquisition rights agreement to be executed between Otsuka and the Beneficiaries in accordance with a resolution of Otsuka's board of directors.

If the resolution entitled "Election of nine (9) directors" is approved as originally proposed, which proposal is scheduled to be proposed at the 8th Annual Shareholders Meeting, the number of directors who will become Beneficiaries will be six (6) persons. The cap that shall be established on the total number of share acquisition rights that can be exercised shall be based on the presumption that such six (6) directors will continuously serve as directors for three (3) years, and also, such cap is scheduled to be based on the number of share acquisition rights that can be exercised when the level of achievement of the business performance objective amount becomes 200% or more with regard to the business performance-linked portion, and such number is expected to be established up to a maximum of 3,400 (340,000 shares that are subject to the number of shares).

When the total paid-in amount for such share acquisition rights is calculated by using the Black-Scholes Model based on the conditions as of January 31, 2016, the amount thereof is approximately 1,000 million yen. Furthermore, out of the above, when the total paid-in amount for share acquisition rights that can be exercised when such six (6) directors continuously serve as directors for three (3) years and 100% of the business performance objective is achieved is calculated by using the Black-Scholes Model based on the conditions as of January 31, 2016, the amount thereof is approximately 600 million yen. Such amount is designated as a mid-term incentive based on the level of achievement of the Mid-term Management Plan for the three (3) year period until December 31, 2018, etc.

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[Reference]

Out of the share acquisition rights which the Beneficiaries have been allotted, the number of share acquisition rights that can be exercised shall be calculated as follows:

(Calculation formula for base number)

Base amount / Simple closing price of Otsuka's shares listed on the First Section of the Tokyo Stock Exchange of the day immediately prior to the allotment date (in the event of there being no such closing price on that day, the closing price on the immediately preceding trading day) / 100

- * Any fraction less than one (1) shall be rounded down.
- * The level of the base amount shall be determined taking into consideration the balance of the content of duties performed, the responsibilities and the base remuneration (monthly remuneration).

(Calculation formula for exercisable numbers)

Under the Mid-term Incentive Plan, 40% of the base number of the share acquisition rights of each Beneficiary shall be designated as a "fixed portion," which can be exercised in a lump sum by the elapse of the final year of the Subject Period, and 60% (i.e., the remainder thereof) shall be designated as a "business performance-linked portion," which is a system wherein, based on the level of achievement of the consolidated sales objective amount and the consolidated business profit objective amount in the December 2018 period, etc., to be established at the time of introducing the Mid-term Incentive Plan, the number of share acquisition rights that can be exercised will be finalized.

Base number x 40% (fixed portion) + base number x 60% (changing portion) x business performance-linked coefficient

- * Any fraction less than one (1) shall be rounded down.
- * The business performance-linked coefficient shall be determined within the range of 0% - 200%, based on the level of achievement of the consolidated sales objective amount and the consolidated business profit objective amount in the December 2018 period, etc., established at the time of introducing the Mid-term Incentive Plan (provided, however, that the business performance-linked coefficient shall be 200% in the case where the level of achievement of the objective amount is 200% or more, and 0% in the case where the level of achievement of the objective amount is 80% or less.).