

December 9, 2015

To whom it may concern:

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Notice regarding the Issuance of Stock Options (Subscription Rights to Shares)

TOHO HOLDINGS CO., LTD. (hereinafter, the “Company”) hereby announces that at a meeting held today (December 9, 2015), the Board of Directors passed a resolution on an offering for subscription rights to shares, etc., after having decided on the offering conditions for the subscription rights to the shares to be issued as stock options provided to directors and corporate officers of both the Company and TOHO PHARMACEUTICAL CO., LTD., (hereinafter, “TOHO PHARMACEUTICAL”) its wholly owned subsidiary.

I. Reason for the issuance of subscription rights to shares

The purpose is to motivate directors and corporate officers more than ever to contribute to increasing both the Company’s share prices and corporate value by sharing the benefits and risks of share price fluctuations together with the Company’s shareholders.

II. Outline of the issuance of subscription rights to the shares

1. Name of the subscription rights to shares The Second Subscription Rights to the Shares of TOHO HOLDINGS CO., LTD.
2. Total number of subscription rights to shares 150

The above-mentioned total number is the number of the planned allotment. If the total number of share subscription rights to be allotted has decreased due to the lack of applications for the subscription or for any other reason, the total number of subscription rights to shares to be allotted shall be regarded as the total number of subscription rights to shares to be issued.

3. Class and number of shares subject to subscription rights to shares

The class of shares subject to subscription rights to shares shall be common stock of the Company. The number of shares to be granted upon the exercise of each stock acquisition right (the “Number of Shares Granted”) shall be 100. However, if the Company carries out a stock split (including a share allotment of the Company’s common stock without contribution; the same applies hereinafter for the description of the stock splits) or a reverse stock split of the Company’s common stock on or after the date on which the subscription rights to the shares are allotted (hereinafter, the “Allotment Date”), the Number of Shares Granted shall be adjusted in accordance with the following equation, and any fraction less than one (1) share created as a result of the adjustment shall be rounded down.

Number of Shares Granted after adjustment = Number of Shares Granted before adjustment×Stock split or reverse stock split ratio

The Number of Shares Granted after the adjustment in the case of a stock split shall be applied on and after the date following the record date for the stock split (or the effective date if no such record date is fixed), and the said Number, in the case of a reverse stock split, shall be applied on and after the effective date. However, if a stock split is carried out on the condition that a proposal to increase either the capital stock or legal capital surplus while at the same time decreasing the surplus amount is approved at a general meeting of the shareholders and if the record date for the stock split is set at a date on or before the end date of the general meeting of the shareholders, the Number of Shares Granted after adjustment shall be applied on and after the date following the end date of the general meeting of the shareholders and shall be effective retroactively as from the day following the said record date.

Moreover, in either the case where the Company enters into a merger or a demerger on or after the Allotment Date or the case where the Number of Shares Granted needs to be adjusted according to the former case, the Company may adjust the Number of Shares Granted to a reasonable extent in an appropriate manner.

If the Number of Shares Granted is adjusted, the Company shall either notify the holders of each subscription right to shares who are listed in the original register for such subscription rights to shares (hereinafter, the “Holders of Subscription Rights to Shares”) of any necessary matters or publicize such matters no later than the day before the date when the Number of Shares Granted after adjustment is applied. However, if the Company cannot give this notification or publicize it no later than the day before the relevant application date, the Company shall promptly give notification or publicize it later.

4. Value of the assets to be contributed upon the exercise of the subscription rights to shares

The value of the assets to be contributed upon the exercise of the subscription rights to shares shall be determined by multiplying one yen, the price paid per share issuable upon the exercise of each of such subscription rights to shares, by the Number of Shares Granted.

5. Period during which the subscription rights to shares can be exercised

From December 25, 2015 to December 24, 2045

6. Matters concerning increases in both the capital stock and legal capital surplus where the shares are issued upon the exercise of subscription rights to shares

(1) The amount of capital stock to be increased where the shares are issued upon the exercise of subscription rights to shares shall be half of the maximum increasable amount of capital stock, etc., calculated in accordance with Paragraph 1, Article 17 of the Ordinance on Company Accounting and any fraction less than one (1) yen generated as a result of the calculation shall be rounded up.

(2) The amount of legal capital surplus to be increased where the shares are issued upon the exercise of subscription rights to shares shall be the maximum increasable amount of capital stock, etc., mentioned in the above (1) less the amount of capital stock to be increased specified in (1) above.

7. Restriction on the acquisition of subscription rights to shares by transfer

Any acquisition of subscription rights to shares by way of transfer shall require the approval of the Board of Directors.

8. Terms for the acquisition of subscription rights to shares

If any one of the following proposals (1), (2), (3), (4) or (5) is approved at a general meeting of the shareholders of the Company (or by a resolution of the Board of Directors of the Company if no resolution of the relevant general meeting of shareholders is required), the Company may acquire subscription rights to shares without contribution on a date to be separately determined by the Board of Directors of the Company.

- (1) Proposal for the approval of a merger agreement under which the Company shall become a merged company
- (2) Proposal for the approval of either a company split agreement or a company split plan under which the Company shall become a split company
- (3) Proposal for the approval of either a share exchange agreement or a share transfer plan under which the Company shall become a 100% subsidiary
- (4) Proposal for the approval of an amendment to the articles of incorporation to establish a provision regarding the requirement for the approval of the Company on the acquisition of all shares issued by the Company by assignment
- (5) In the context of class of shares that are subject to subscriptions rights to shares, a proposal for the approval of an amendment to the articles of incorporation to establish either a provision regarding the requirement for the approval of the Company on the acquisition by assignment of the class of shares that are subject to subscriptions rights to shares or a provision regarding the acquisition by the Company of all of such a class of shares by a resolution at a general meeting of the shareholders

9. Guidelines to determine the details of the delivery of subscription rights to shares of a restructured company in the event of organizational restructuring

If the Company carries out a merger (limited to a case in which the Company becomes a merged company), undergoes an absorption-type company split or an incorporation-type company split (in either case limited to a case in which the Company becomes a split company), or enters into a share exchange or a share transfer (in either case limited to a case in which the Company becomes a 100% subsidiary) (the above-mentioned events are hereinafter collectively referred to as “Organizational Restructuring Action”), the Company shall deliver subscription rights to the shares of a joint-stock company listed in the Sub-items from (a) to (e), Item 8, Paragraph 1, Article 236 of the Companies Act (hereinafter, the “Restructured Company”), in each case, to each of the Holders of Subscription Rights to Shares possessing the remaining subscription rights to shares (hereinafter, the “Remaining Subscription Rights to Shares”) immediately prior to the day on which the Organizational Restructuring Action takes effect (in the case of an absorption-type merger, the day on which the absorption-type merger takes effect; in the case of an incorporation-type merger, the day on which the new company is incorporated through the incorporation-type merger; in the case of an absorption-type company split, the day on which the absorption-type company split takes effect; in the case of an incorporation-type company split, the day on which the company is incorporated through the incorporation-type company split; in the case of a share exchange, the day on which the share exchange takes effect; in the case of a share transfer, the day on which a wholly-owning parent company is incorporated through the share transfer; the same shall apply hereafter). However, the foregoing shall apply only in cases where the delivery of subscription rights to the shares of the Restructured Company according to the following terms is provided for in an agreement on an absorption-type merger, an agreement on an incorporation-type merger, an agreement on an

absorption-type company split, an agreement on an incorporation-type company split, a share exchange agreement or a plan for a share transfer.

- (1) Number of subscription rights to the shares of the Restructured Company to be delivered

The same number of subscription rights to the shares as the Remaining Subscription Rights to Shares possessed by each of the Holders of Subscription Rights to Shares shall be delivered.

- (2) Class of shares of the Restructured Company that are subject to subscriptions rights to the shares

The class shall be common stock of the Restructured Company.

- (3) Number of shares of the Restructured Company that are subject to subscriptions rights to the shares

The number shall be determined according to the item 3 above after taking into consideration the terms of the Organizational Restructuring Action, etc.

- (4) Value of the assets to be contributed upon the exercise of the subscription rights to shares

The value of the assets to be contributed upon the exercise of each of the subscription rights to shares to be delivered shall be the amount that results from multiplying the exercise price after restructuring as determined below by the number of shares of the Restructured Company that are subject to the subscription rights to shares as determined in accordance with item (3) above. The exercise price after restructuring shall be one (1) yen per share of the Restructured Company to be delivered upon the exercise of each of the subscription rights to shares to be delivered.

- (5) Period during which the subscription rights to shares can be exercised

The exercise period for the subscription rights to shares shall be from the commencement date of the exercise period for the subscription rights to shares as specified in item 5 above or the day on which the Organizational Restructuring Action takes effect, whichever is later, up to the expiration date of the exercise period for the subscription rights to shares as specified in item 5 above.

- (6) Matters concerning increases in both the capital stock and legal capital surplus where the shares are issued upon the exercise of subscription rights to shares

To be determined in accordance with item 6 above.

- (7) Restriction on the acquisition of subscription rights to shares by transfer

The acquisition of the subscription rights to shares by way of transfer shall require approval by a resolution of the Board of Directors of the Restructured Company.

- (8) Terms for the acquisition of subscription rights to shares

To be determined in accordance with item 8 above.

- (9) Other conditions on the exercise of subscription rights to shares

To be determined in accordance with item 11 below.

10. Arrangements regarding any fraction of less than one (1) share created as a result of the exercise of the subscription rights to shares

Any fraction of less than one (1) share in the number of shares to be delivered to each of the Holders of Subscription Rights to Shares who have exercised the subscription rights to shares

shall be rounded down.

11. Other conditions on the exercise of subscription rights to shares

- (1) Each of the Holders of Subscription Rights to Shares may exercise the subscription rights to shares allotted on or after the day following the date on which the person concerned loses any position as Director, Auditor, or Corporate Officer of the Company and TOHO PHARMACEUTICAL (hereinafter, the “Date of Loss of Position”).
- (2) Notwithstanding item (1) above, within the period as mentioned in item 5 above, each of the Holders of Subscription Rights to Shares may exercise the subscription rights to shares in the case of either (a) or (b) below (however, with regard to (b), cases where the delivery of subscription rights to shares of the Restructured Company to the Holders of Subscription Rights to Shares is provided for in a merger agreement, a share exchange agreement or a plan for a share transfer in accordance with item 9 above are excluded) only within the periods as respectively stipulated below.
 - (a) In cases where the Holders of Subscription Rights to Shares do not reach the Date of Loss of Position before December 24, 2044
From December 25, 2044 to December 24, 2045
 - (b) In cases where the proposal for the approval of a merger agreement under which the Company shall become a merged company, or a proposal for the approval of either a share exchange agreement or a share transfer plan under which the Company shall become a 100% subsidiary is approved at a general meeting of shareholders (or by a resolution of the Board of Directors if no resolution of the relevant general meeting of shareholders is required)
Fifteen (15) days from the day following the said approval date
- (3) The items (1) and (2) (a) shall not apply to any person who has succeeded to the subscription rights to shares by inheritance.
- (4) In the event that the Holders of Subscription Rights to Shares waive their subscription rights to shares, they may not exercise the said subscription rights to shares.

12. Method for calculating the amount to be paid for the subscription rights to shares

The amount to be paid for each of the subscription rights to shares shall be the option price per share calculated based on the following basic numerical numbers prescribed under the following items (2) to (7) according to the formula of the Black-Scholes model below, multiplied by the Number of Shares Granted (any fractions of less than one (1) yen being rounded to the nearest yen).

$$C = Se^{-qT} N(d) - Xe^{-rT} N(d - \sigma\sqrt{T})$$

in which

$$d = \frac{\ln\left(\frac{S}{X}\right) + \left(r - q + \frac{\sigma^2}{2}\right)T}{\sigma\sqrt{T}}$$

- (1) Option price per share (C)
- (2) Stock price (S): The closing price of the common stock of the Company under regular trading at the Tokyo Stock Exchange on December 24, 2015 (base price for the next trading day if there is no closing price)
- (3) Exercise price (X): 1 yen
- (4) Expected remaining period (T): 10.6 years

- (5) Share price volatility (σ): The rate of the share price volatility calculated based on the closing price of the common stock of the Company under regular trading on each trading day over 10.6 years (from May 19, 2005 to December 24, 2015)
- (6) Risk-free interest rate (r): The interest rate on Japanese government bonds with the remaining years corresponding to the expected remaining period
- (7) Dividend yield (q): Dividend per share (year-end dividend paid for the fiscal year ended March 2015 and interim dividend paid for the first half of fiscal year ending March 2016) \div The share price as specified in item (2) above
- (8) Cumulative distribution function of the standard normal distribution ($N(\cdot)$)

※The amount to be calculated based on the above is the fair value of subscription rights to shares, and does not fall under the category of an advantageous issuance. The remuneration receivable by each person who will receive the allotment, equivalent to the total amount to be paid for the subscription rights to shares of the Company and their obligations to pay for the subscription rights to these shares shall be offset.

13. Date of allotment of the subscription rights to shares December 24, 2015
14. Due date for payment in exchange for the subscription rights to shares December 24, 2015
15. Persons qualified for the allotment of subscription rights to shares, the number of the persons, and the number of the subscription rights to shares to be allotted

Persons qualified for the allotment	Number of the persons	Number of the subscription rights to shares to be allotted
Directors of the Company	13 (of whom 3 are Outside Directors)	101 (of which 11 are allotted to Outsider Directors)
Corporate officers of the Company	2	2
Directors of TOHO PHARMACEUTICAL	13	43
Corporate officers of TOHO PHARMACEUTICAL	4	4