

## **Notice regarding stock acquisition rights for the purpose of granting stock compensation-type stock options**

**Tokyo, February 22, 2012** – At a meeting held today, the Board of Directors of Kyowa Hakko Kirin decided to propose a resolution at the 89<sup>th</sup> General Meeting of Shareholders to be held on March 22, 2012 to authorize the Board of Directors to decide upon the conditions for the issuance of stock acquisition rights for the purchase of granting stock options for a stock-based compensation plan for Kyowa Hakko Kirin Directors (here and hereinafter: excluding external Directors) and Executive Officers. Details as follows:

1. Reason for issuing stock acquisition rights to persons under preferential terms

The objective of the issuance of subscription rights to Directors and Executive Officers is intended to strengthen the relationship between their remuneration and the Company's stock price and financial performance as well as to expose them to the same benefits and risks as shareholders with regard to stock price fluctuations, thereby increasing their level of interest in the company's share price and financial results and enhancing their motivation to increase corporate value. In place of the retirement allowance system by exercising stock acquisition rights that are provided gratis they will be granted stock options to acquire one share for one Japanese yen.

2. Details of items regarding the stock acquisition rights, the upper limit of the aggregate number of stock acquisition rights and the terms regarding issuance which can be determined pursuant to a resolution passed at the General Meeting of Shareholders.

(1) The upper limit of the aggregate number of stock options for which subscription conditions can be decided upon based on this authorization

The upper limit of stock acquisition rights (details in (3) below) shall be 126. (This is within the upper limit that can be allocated by decision of the Board of Directors that was approved at the 83<sup>rd</sup> General Meeting of Shareholders held June 28, 2006, and is the allocation that can occur within one year following this General Meeting of Shareholders)

The upper limit of the aggregate number of shares that can be granted upon exercise of stock acquisition rights shall be 126,000 shares of common stock of the Company. In the case where the number of granted shares is adjusted pursuant to (3) ① below, the upper limit of the aggregate number of shares to be granted upon exercise of stock acquisition rights shall be the

number obtained by multiplying the number of granted shares after adjustment by the upper limit of the number of stock acquisition rights as above.

- (2) Payment of money is not required for stock acquisition rights for which subscription conditions can be decided upon based on this authorization
- (3) Details of the stock acquisition rights for which subscription conditions can be decided upon based on this authorization

① Class and number of shares subject to stock acquisition rights

The class of shares to be subject to exercise of stock acquisition rights shall be shares of common stock. The number of shares to be granted upon exercise of each stock acquisition right (the “number of granted shares”) shall be 1,000 shares. However, in the event that the Company carries out a stock split (including any allotment of common shares in the Company free of charge; the same shall apply hereafter in relation to stock splits) or a consolidation of the common stock after the date of the resolution at the General Meeting of Shareholders (the “Resolution Date”), the number of granted shares shall be adjusted according to the following formula. Any fraction less than one share resulting from this adjustment shall be rounded down.

$$\begin{array}{rcl} \text{Number of shares} & & \text{Number of shares granted} \\ \text{granted after adjustment} & = & \text{before adjustment} \end{array} \quad \times \quad \begin{array}{l} \text{Ratio of stock split} \\ \text{or consolidation} \end{array}$$

In addition, the number of granted shares shall be adjusted to an extent reasonable in the unavoidable event where an adjustment of the number of granted shares is required after the resolution date.

② Amount of assets to be contributed upon exercise of stock acquisition rights

The amount of assets to be contributed upon exercise of each stock acquisition right will be the amount obtained by multiplying the one yen to be paid for each share to be issued or transferred upon exercise of said stock acquisition rights by the number of granted shares.

③ Exercise period for stock acquisition rights

The exercise period is from the day following the allocation date of the stock acquisition rights until March 22, 2032

④ Matters concerning the amount of increase of capital and capital reserve resulting from the issuance of shares upon exercise of stock acquisition rights

a) The amount of increase in capital resulting from the issuance of shares upon exercise of

stock acquisition rights shall be one-half of the amount of the upper limit on the increase in capital as calculated pursuant to Article 17, Paragraph 1, of the Corporate Accounting Rules. Any fraction of less than one yen shall be rounded up to the nearest yen.

b) The amount of increase in capital reserve resulting from the issuance of shares upon exercise of stock acquisition rights shall be the amount of the upper limit on the increase in capital provided in a) above excluding the amount of increased capital stipulated in a) above.

⑤ Restrictions on the acquisition of stock acquisition rights through transfer

The acquisition of stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.

⑥ When any fractional shares result from the exercise of stock acquisition rights by the holder of stock acquisition rights, such fractional shares shall be omitted.

⑦ Other terms concerning the exercise of stock acquisition rights

a) Within the period specified in item ③ above, stock acquisition right holders can exercise their stock acquisition rights within a period limited to ten days following the day after a Director ceases to be a Director or an Executive Officer ceases to be an Executive Officer (excluding cases where the individual remains an employee), or an Executive Officer is appointed as a Kyowa Hakko Kirin Director or Auditor

b) A single stock acquisition right cannot be exercised in part

\*The above information is subject to authorization at the 89<sup>th</sup> General Meeting of Shareholders scheduled for March 22, 2012

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For further information please access: <http://www.kyowa-kirin.co.jp/english/index.html>