

**FOR IMMEDIATE RELEASE**

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**Notice regarding stock acquisition rights  
for stock compensation-type stock options**

**Tokyo, February 17, 2017** – At a meeting held today, the Board of Directors of Kyowa Hakko Kirin Co., Ltd. (hereinafter, the “**Kyowa Hakko Kirin**”) resolved to submit a proposal at the 94th Ordinary General Meeting of Shareholders (hereinafter, the “**Ordinary General Meeting of Shareholders**”), to be held on March 23, 2017, to authorize the Board of Directors to determine the offering terms of stock acquisition rights as stock compensation-type stock options for Kyowa Hakko Kirin’s Directors of the Board and Executive Officers, and certain directors of Kyowa Hakko Kirin’s subsidiaries. The details are as follows.

**1. Reason for the need to solicit subscribers for stock acquisition rights on particularly favorable terms**

The objective of granting stock acquisition rights to Kyowa Hakko Kirin’s Directors of the Board and Executive Officers, and certain directors of the Kyowa Hakko Kirin’s subsidiaries is to raise their interest in the Kyowa Hakko Kirin’s stock price and financial results while also boosting their incentive to enhance corporate value and motivation to steer the Group toward becoming a global specialty pharmaceutical group by strengthening the linkage between Kyowa Hakko Kirin’s financial results and stock price with their remuneration, thereby having them share the benefits and risks of stock price fluctuations with shareholders. Stock acquisition rights will be granted without contribution, as stock compensation-type stock options under which shares are granted upon exercise of stock acquisition rights at an exercise price of ¥1 per share.

The stock compensation-type stock options of Kyowa Hakko Kirin were approved at the 82nd Ordinary General Meeting of Shareholders held on June 28, 2005, in place of the retirement benefit system. However, as announced in the news release “Notice regarding the revision of the remuneration system for officers,” disclosed today, the new stock compensation-type stock options will be treated as a stock compensation as a medium- to long-term incentive. The exercise period of the stock acquisition rights starts on the day after at least three (3) years from the issuance date of the stock acquisition rights. This, Kyowa Hakko Kirin considers, will serve as an incentive to realize improved business performance and higher stock prices in a medium- to long-term.

These stock compensation-type stock options are not granted to non-executive directors including outside Directors of the Board.

**2. Details and maximum number of stock acquisition rights for which offering terms may be determined based on the matters resolved at the Ordinary General Meeting of Shareholders**

- (1) Maximum number of stock acquisition rights for which offering terms may be determined based on this authorization:

The maximum number of the stock acquisition rights shall be 1,523 (the “**Maximum Number of Stock Acquisition Rights**”), with the terms specified in (3) below, and the allocation

thereof will be executed within one (1) year of the date of the Ordinary General Meeting of Shareholders. Of the Maximum Number of Stock Acquisition Rights, the maximum number of stock acquisition rights to be allocated to Directors of the Board of Kyowa Hakko Kirin shall be 512, and these shall be allocated within the maximum amount to be approved, on condition that the relevant revision of the stock option remuneration amounts to be submitted at the Ordinary General Meeting of Shareholders is approved and adopted as proposed.

The upper limit of the aggregate number of shares to be granted upon exercise of the stock acquisition rights shall be 152,300 shares of common stock of Kyowa Hakko Kirin. In the event that the number of shares to be granted is adjusted pursuant to (3) i) 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 (as defined in (3) i) below) by the Maximum Number of Stock Acquisition Rights as provided above.

- (2) Monetary payment is not required for the stock acquisition rights for which offering terms may be determined based on this authorization.
- (3) Details of the stock acquisition rights for which offering terms may be determined based on this authorization

- i) Class and number of shares to be granted upon exercise of stock acquisition rights

The class of shares to be granted upon exercise of the stock acquisition rights shall be shares of common stock. The number of shares to be granted upon exercise of each stock acquisition right (hereinafter, the “**Number of Granted Shares**”) shall be 100 shares.

Notwithstanding the foregoing, in the event that Kyowa Hakko Kirin carries out a stock split (including any allotment of common stock of Kyowa Hakko Kirin without contribution; the same shall apply hereinafter in relation to stock splits) or a consolidation of the common stock after the date of the resolution at the Ordinary General Meeting of Shareholders (hereinafter, the “**Resolution Date**”), the Number of Granted Shares shall be adjusted according to the following formula. Any fraction less than one (1) share resulting from this adjustment shall be rounded down.

$$\text{Number of Granted Shares after adjustment} = \text{Number of Granted Shares before adjustment} \times \text{Ratio of stock split or consolidation}$$

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.

- ii) 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 shall be the amount obtained by multiplying ¥1, which is the exercise price per one (1) share to be granted upon exercise of stock acquisition rights, by the Number of Granted Shares.

- iii) Exercise period of stock acquisition rights

The exercise period is three (3) years from the day on which three (3) years have passed since the day following the allocation date of the stock acquisition rights. The specific term shall be determined by resolution of the Board of Directors of Kyowa Hakko Kirin.

- iv) Matters concerning the amount of increase in stated capital and legal capital surplus resulting from issuance of shares upon exercise of stock acquisition rights

- a) The amount of increase in stated capital resulting from the issuance of shares upon exercise of the stock acquisition rights shall be one-half of the maximum amount of increase in capital stock as calculated pursuant to Article 17, Paragraph 1 of the Corporate Accounting Rules. Any fraction of less than ¥1 shall be rounded up to the nearest yen.

- b) The amount of increase in legal capital surplus resulting from the issuance of shares upon exercise of stock acquisition rights shall be the maximum amount of increase in stated capital as provided in a) above less the amount of increase in stated capital as determined in a) above.
- v) Restrictions on the acquisition of stock acquisition rights through transfer  
The acquisition of the stock acquisition rights through transfer shall require approval by resolution of the Board of Directors of Kyowa Hakko Kirin.
- vi) Any fraction of less than a whole share in the number of shares to be granted to the holder of the stock acquisition rights upon exercise of the stock acquisition rights shall be rounded down.
- vii) Other terms of exercise of stock acquisition rights  
Partial exercise of one (1) stock acquisition right is not permitted.

End

\* The above information is conditional upon approval and adoption at the 94th Ordinary General Meeting of Shareholders to be held on March 23, 2017.