

July 5, 2021

For Immediate Release

Listed company name: **SANKYO CO., LTD.**  
Representative: Akihiko Ishihara  
President & COO  
(TSE 1<sup>st</sup> Sec. Code 6417)  
Contact: Yoko Oshima  
Senior Executive Operating Officer  
TEL.: +81-3-5778-7777

## **Notice concerning Issuance of Stock Compensation-type Stock Options (Subscription Rights to Shares)**

SANKYO CO., LTD. (the Company) today announced that, at the meeting of the Company's board of directors held on July 5, 2021, it was resolved to issue subscription rights to shares as stock compensation-type stock options to directors (excluding Outside Directors) and operating officers of the Company and to directors of the Company's subsidiaries in accordance with the provisions of Article 236, Article 238, and Article 240 of the Companies Act of Japan. Details are described below.

### **I. Reason for issuing subscription rights to shares as stock compensation-type stock options**

The purpose of issuing stock compensation-type stock options (subscription rights to shares) to directors (excluding Outside Directors) and operating officers of the Company and directors of the Company's subsidiaries is to inspire and motivate them to contribute to medium to long-term improvement of the Company's performance and corporate value and to place greater emphasis on the interests of shareholders in business operations by having them share with the Company's shareholders not only the benefits of the increase of the Company's share price but also the risk of its decrease. (The subscription rights to shares to be issued shall be hereinafter referred to as "Subscription Rights to Shares.")

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

#### **1. Name of subscription rights to shares**

Fiscal 2021 Subscription Rights to Shares of SANKYO CO., LTD.

#### **2. Number of subscription rights to shares**

942

The total number of Subscription Rights to Shares stated above is the number to be allotted. In the event that the number of Subscription Rights to Shares to be allotted is less than the above-stated number because the eligible persons do not apply for subscriptions or for any other reason, the number of Subscription Rights to Shares to be issued shall be the total number of Subscription Rights to Shares allotted.

The total number of shares to be issued upon exercise of the subscription rights to shares shall be 94,200 shares of the Company's common stock. In the event that the number of shares to be granted upon exercise of one subscription right to shares (hereinafter referred to as the "Number of Shares Granted") is adjusted in accordance with 4. (1) below, the total number of shares to be granted shall be the Number of Shares Granted after adjustment multiplied by the number of subscription rights to shares.

#### **3. Amount to be paid in for the subscription rights to shares**

The amount to be paid in for Subscription Rights to Shares shall be the fair value per share of stock options calculated using the Black-Scholes model on the date of allotment of subscription rights to shares, multiplied by the Number of Shares Granted specified in 4. (1) below.

A person who receives allotment of Subscription Rights to Shares (hereinafter referred to as the "holder of Subscription

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Rights to Shares”) offsets payment of the said amount to be paid in with compensation receivable from the Company and thus is not required to pay any money.

#### 4. Details of subscription rights to shares

##### (1) Class and number of shares to be issued upon exercise of subscription rights to shares

Number of Shares Granted shall be 100 shares of the Company’s common stock.

However, in the event that the Company conducts a share split (including gratis allotment of shares of the Company’s common stock; the same applies to the references to share split below) or a share consolidation for the Company’s common stock after the date on which Subscription Rights to Shares are allotted specified in 5. below (hereinafter referred to as the “Allotment Date”), the Number of Shares Granted shall be adjusted in accordance with the formula below. Such adjustment shall be applicable only to unexercised subscription rights to shares at the time of such share split or share consolidation, and fractions of less than one unit resulting from such adjustment shall be rounded down.

Number of Shares Granted after adjustment

= Number of Shares Granted before adjustment x Ratio of share split or share consolidation

In the case of a share split, the Number of Shares Granted after adjustment shall be applied on the date following the record date of such share split (if the record date is not specified, the date on which such share split takes effect). In the case of a share consolidation, the Number of Shares Granted after adjustment shall be applied on and after the date on which such share consolidation takes effect. However, if a share split is conducted under the conditions that a proposal to increase capital or capital reserves by decreasing the amount of surplus is approved by a general meeting of shareholders of the Company, and in the case that the record date of the share split is on a date prior to the date of closing of such general meeting of shareholders, the Number of Shares Granted after adjustment shall be applied retrospectively up to the date following such record date, on and after the date of closing of such general meeting of shareholders.

In addition, if the Company conducts mergers, company splits or capital reductions after the Allotment Date, or if any other events occur that require an adjustment of the Number of Shares Granted in a method similar to such events, the Company may appropriately adjust the Number of Shares Granted to a reasonable extent.

##### (2) Amount of assets to be contributed upon exercise of subscription rights to shares or the calculation method

The amount of assets to be contributed upon exercise of the subscription rights to shares (hereinafter referred to as the “exercise price”) shall be one yen per share to be issued upon exercise of a subscription right to shares multiplied by the Number of Shares Granted.

##### (3) Period during which subscription rights to shares may be exercised

The period during which the subscription rights to shares may be exercised (hereinafter referred to as the “exercise period”) shall be from July 22, 2021 to July 21, 2071.

##### (4) Matters concerning the capital and capital reserve to be increased

1) The amount of capital to be increased due to the issuance of shares upon exercise of the subscription rights to shares shall be one half (1/2) of the maximum amount of increases of the capital, etc. to be calculated according to Paragraph 1, Article 17 of the Company Accounting Ordinance, with any amount less than one yen arising from such calculation to be rounded up.

2) The amount of capital reserve to be increased due to the issuance of shares upon exercise of the subscription rights to shares shall be the amount obtained by deducting the amount of capital to be increased set forth in 1) above from the maximum amount of increases of the capital, etc. set forth in 1) above.

##### (5) Restrictions on the acquisition of subscription rights to shares by way of transfer

The acquisition of the subscription rights to shares by way of transfer shall require approval of the board of directors.

##### (6) Conditions for the exercise of subscription rights to shares

1) A holder of subscription rights to shares may exercise all the subscription rights to shares only at a time at any time within 10 days from the date following the date on which such holder loses the position of a director, a statutory auditor, or an operating officer of the Company or a subsidiary of the Company during the period stated in 4. (3) above (until the business day immediately before the 10th day, if the 10th day is a holiday).

2) Notwithstanding the provision in the preceding 1), in the event that a proposal for approval of a merger agreement under which the Company becomes defunct, or a share exchange agreement or a share transfer plan, under which the Company becomes a wholly owned subsidiary is approved at a general meeting of shareholders of the Company (or, if approval of a general meeting of shareholders is not required, is resolved by the board of directors of the Company), a holder of subscription rights to shares may exercise subscription rights to shares within 30 days from the date following the date of

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approval of such proposal. However, this provision shall not apply in the event that, in accordance with the matters concerning the delivery of subscription rights to shares in line with the acts of structural reorganization specified in 6. below, subscription rights to shares of the reorganized company are delivered to a holder of subscription rights to shares.

3) In the event that a holder of subscription rights to shares dies, heirs of the holder of subscription rights to shares inherit the subscription rights to shares and may exercise the inherited subscription rights to shares within one year from the death of the holder of subscription rights to shares in accordance with the provisions of the subscription rights to shares allotment agreement, which will be entered into between the Company and the holder of subscription rights to shares in accordance with the resolution of the Company's board of directors and the conditions specified by the Company separately, provided that the heirs consent to comply with the provisions of the subscription rights to shares allotment agreement. (However, the heirs who inherited the subscription rights to shares from the deceased holder of subscription rights to shares may exercise the inherited subscription rights to shares collectively only once.)

In the event that a holder of subscription rights to shares has no heirs, unexercised subscription rights to shares held by him or her shall become unexercisable upon his or her death.

4) If exercise of subscription rights to shares would result in the total number of issued shares of the Company exceeding the number of authorized shares of the Company, such exercise of subscription rights to shares shall not be permitted.

5) Any amount less than one subscription right to shares is not exercisable.

6) In the event that a holder of subscription rights to shares loses his or her position as a director, statutory auditor, or operating officer of the Company or a subsidiary of the Company during his or her subsequent term of office specified below (hereinafter referred to as the "scheduled term of office") for the position he or she had on the Allotment Date, he or she shall not be able to exercise a part of the subscription rights to shares allotted to him or her. The number of unexercisable subscription rights to shares (fractional portions of the number shall be disregarded) shall be calculated in accordance with the formula below according to the number of months from the date on which the scheduled term of office started (or the date of assumption of office if he or she assumed the position he or she had on the Allotment Date later than the start date of the scheduled term of office) to the date on which he or she lost the position (hereinafter referred to as the "number of months in office." If he or she lost the position on or before the 15th of a month, that month shall not be included in the number of months in office). However, if a holder of subscription rights to shares dies or resigns for unavoidable reason during the scheduled term of office, the scheduled term of office in whole or in part may be counted as the number of months in office.

Term of office of directors of the Company and subsidiaries of the Company	From July 1, 2021 to June 30, 2022
Term of office of operating officers of the Company	From April 1, 2021 to March 31, 2022

$$\text{Number of unexercisable subscription rights to shares} = \frac{12 \text{ months} - \text{Number of months in office}}{12 \text{ months}} \times \text{Number of subscription rights to shares allotted to a director of the Company or a subsidiary of the Company or an operating officer of the Company}$$

7) Other conditions shall be pursuant to the subscription rights to shares allotment agreement to be entered into between the Company and a holder of subscription rights to shares in accordance with the resolution of the board of directors.

5. Allotment Date of subscription rights to shares  
July 21, 2021

6. Treatment of the subscription rights to shares in the event of acts of structural reorganization

In the event that the Company conducts a merger (limited to the case where the Company is to be extinguished as a result of the merger), an absorption-type company split or an incorporation-type company split (limited to the case where the Company is to be split), and a share exchange or a share transfer (limited to the case where the Company becomes a wholly owned subsidiary) (hereafter collectively referred to as "Acts of Structural Reorganization"), subscription rights to shares of any of the relevant companies listed in (a) through (e) of Item 8, Paragraph 1, Article 236 of the Companies Act (hereafter referred to as "the Reorganized Company") shall be delivered, in each of the above cases, to holders of subscription rights to shares remaining (hereinafter referred to as "remaining subscription rights to shares") immediately before the effective date of the relevant Acts of Structural Reorganization (the effective date of an absorption-type merger in the case of an absorption-type merger, the date of incorporation of a company incorporated through a consolidation-type merger in the case of a consolidation-type merger, the effective date of an absorption-type company split in the case of an

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absorption-type company split, the date of incorporation of a company incorporated through an incorporation-type company split, the effective date of share exchange in the case of a share exchange, and the date of incorporation of a wholly owning parent company incorporated through share transfer; hereinafter the same applies) in accordance with the conditions below, provided, however, that the foregoing shall be on the condition that delivery of subscription rights to shares of the Reorganized Company in accordance with the conditions below is stipulated in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan.

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

A number equal to the number of the remaining subscription rights to shares held by the holder of subscription rights to shares shall be delivered to such holder.

(2) Class of shares of the Reorganized Company to be issued upon exercise of the subscription rights to shares

Shares of common stock of the Reorganized Company

(3) Number of shares of the Reorganized Company to be issued upon exercise of the subscription rights to shares

To be determined in accordance with 4. (1) above, taking into consideration the conditions of the Acts of Structural Reorganization and other matters.

(4) Amount of assets to be contributed upon exercise of subscription rights to shares

The amount of assets to be contributed upon exercise of each subscription right to shares to be delivered shall be the amount calculated by multiplying the exercise price after reorganization by the number of shares of the Reorganized Company to be issued upon exercise of the subscription rights to shares determined in accordance with 6. (3) above. The exercise price after reorganization shall be 1 yen per share of the stock of the Reorganized Company deliverable by the exercise of each subscription right to shares to be delivered.

(5) Period during which subscription rights to shares may be exercised

From and including whichever is the later of the commencement date of the exercise period provided for in 4. (3) above or the effective date of the Act of Structural Reorganization to and including the expiry date of the exercise period provided for in 4. (3) above.

(6) Matters concerning the capital and capital reserve to be increased due to the issuance of shares upon exercise of subscription rights to shares

To be determined in accordance with 4. (4) above.

(7) Restrictions on acquisition by way of transfer of subscription rights to shares

Acquisition by way of transfer of the subscription rights to shares shall require approval by resolution of the board of directors of the Reorganized Company.

(8) Other conditions for exercise of subscription rights to shares

To be determined in accordance with 4. (6) above.

(9) Other conditions shall be determined in accordance with the conditions of the Reorganized Company.

7. Treatment of fractions less than one share upon exercise of subscription rights to shares

Any fractions less than one share in the number of shares to be issued to holders of subscription rights to shares who exercised the subscription rights to shares shall be rounded down.

8. Matters concerning certificates of subscription rights to shares

The Company shall issue no certificates of subscription rights to shares corresponding to the subscription rights to shares.

9. Persons to whom subscription rights to shares are to be allotted, the number of such persons, and the number of subscription rights to shares to be allotted

Directors of the Company (excluding Outside Directors)	3	562	(of which, for a director of subsidiary: 7 )
Operating officers of the Company	10	317	(of which, for a director of subsidiary: 3 )
Directors of subsidiaries of the Company	8	63	

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