

Name of listed company: Chugai Pharmaceutical Co., Ltd.  
Code number: 4519 (1<sup>st</sup> Section of Tokyo Stock Exchange)  
Head office: 1-1, Nihonbashi-Muromachi 2-Chome, Chuo-ku, Tokyo  
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## Issuance of Stock Options (Stock Acquisition Rights)

Chugai Pharmaceutical Co., Ltd. (the “Company”) hereby announces that the Company, at its board of directors meeting held today, resolved that the Company would issue the stock acquisition rights as stock options as follows. The Company will issue two types of stock options; the common stock options and the stock options as stock-based compensation.

### Particulars

#### I. Common Stock Option

1. Reason for issuing the stock acquisition rights as stock options and persons to whom the stock acquisition rights are allotted

In order to increase the Company Group's corporate value by enhancing the motivation and morale leading to the growth of the business results of the Company, and by securing superior human resources, the stock acquisition rights as stock options are allotted to five (5) Directors and one hundred and nine (109) employees of the Company and two (2) employees of its subsidiaries.

2. Outline of the issuance of the stock acquisition rights

- (1) Name of the stock acquisition rights

Chugai Pharmaceutical Co., Ltd. No.9 Stock Acquisition Rights

- (2) Total number of the stock acquisition rights

3,350 units

(a) Directors of the Company: five (5) persons/1,500 units

(b) Employees of the Company and the subsidiaries: one hundred and eleven (111) persons/1,850 units

The above number is the number scheduled for allotment. If the total number of the stock acquisition rights to be allotted reduces, including without limitation the case of no proposal of acceptance, the aggregate amount of the stock acquisition rights to be allotted shall be the total number of the stock acquisition rights to be issued.

- (3) The stock acquisition rights issue price and calculation method

- (a) Directors of the Company

The amount to be paid to the Directors for the stock acquisition rights shall be an amount of the option value per share multiplied by the allotted shares (fractions shall be rounded up). Such option value per share shall be calculated by using the Binominal Model.

The Director to whom the stock acquisition rights are allotted may offset the remuneration amount with payment debt of the stock acquisition rights instead of the monetary payment.

- (b) Employees of the Company and the subsidiaries

The Optionee is not required to pay any amount of money to receive their stock acquisition rights. It, however, is not offering at law price.

- (4) Grant date of the stock acquisition rights  
May 10, 2012

(5) Details of the stock acquisition rights

- (a) Class and number of shares in scope of the stock acquisition rights

100 common shares of the Company per one (1) stock acquisition rights

In case of a stock split or stock consolidation by the Company, the formula below shall be used to adjust the number of shares in scope of the stock acquisition rights (the "Number of Allotted Shares"). However, such an adjustment shall be made to the number of shares in scope of stock acquisition rights to which the Optionee has not executed their rights as at the time of stock split/consolidation. Any fraction of a share resulting from such adjustment shall be rounded down to the nearest whole share.

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

Additionally, if any circumstance not described above necessitates an adjustment to the Number of Allotted Shares, it shall be adjusted within the rational boundaries.

- (b) Amount to be paid upon exercise of each stock acquisition rights

The amount of payment for the exercise of the stock acquisition rights shall be an amount per share to be delivered upon exercise of the stock acquisition rights (the "Exercise Price"), multiplied by the number of shares to be issued.

The Exercise Price shall be an amount obtained by multiplying the average of the closing prices (regular way) of the Company's shares of common stock on the Tokyo Stock Exchange for each day (excluding days on which no trading was reported) of the month immediately preceding the month to which the allotment date of the stock acquisition rights belong, by 1.05 with any fraction of one (1) yen rounded upwards; provided however, that if the Exercise Price is lower than the closing price of the shares of the Company on the allotment date of stock acquisition rights, such closing price shall become the Exercise Price (if no transaction is made on that day, the closing price of the Company's shares on the day immediately preceding shall become the Exercise Price).

If the Company proceeds with a stock split or consolidation, the formula below shall be used to adjust the Exercise Price, and any fraction of a yen after such adjustment shall be rounded up to the nearest whole yen.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of stock split or consolidation}}$$

If the Company issues new shares that is less than the market price or dispose of treasury stocks (excluding any exercise of the stock acquisition rights), the formula below shall be used to adjust the Exercise Price, and any fraction of a yen after such adjustment shall be rounded up to the nearest whole yen.

$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price before adjustment} \times \left( \frac{\text{Number of issued and outstanding shares}}{\text{Number of issued and outstanding shares} + \text{Number of newly issued shares}} + \frac{\text{Number of newly issued shares} \times \text{Issue price per share}}{\text{Share price before new issuance}} \right)}{\text{Number of issued and outstanding shares} + \text{Number of newly issued shares}}$$

"The number of issued and outstanding shares" used in the above formula shall be the total number of issued and outstanding shares of the Company less the number of treasury stocks held

by the Company, and if the Company disposes of treasury stocks, "newly issuance (issued)" shall be read as the "disposition of (disposed) treasury stocks".  
Additionally, if any circumstance not described above necessitates an adjustment to the Exercise Price, the price shall be adjusted within the rational boundaries.

(c) Exercise period of the stock acquisition rights

From May 10, 2012 to April 24, 2022

(d) Conditions of exercise of the stock acquisition rights

A person granted the stock acquisition rights shall be in the position of director, statutory auditor or employee of the Company or its subsidiaries upon exercise of the stock acquisition rights. Provided, however, that this provision shall not apply if the person retires from his or her position as a director, statutory auditor or employee of the Company or its subsidiaries due to the end of his or her term, mandatory retirement or other reasonable cause

(e) Matters related to capital and capital reserve increase by the issuance of shares upon exercise of the stock acquisition rights

- (i) The amount of capital increase by the issuance of shares upon exercise of the stock acquisition rights shall be one half of the capital increase limit calculated by the rule provided for in Paragraph 1, Article 17 of the Accounting Rules, and any fraction of a yen after such calculation shall be rounded up to the nearest whole yen.
- (ii) The amount of capital reserve increase by the issuance of shares upon exercise of the stock acquisition rights shall be the capital increase limit mentioned in (i) above minus the amount of capital increase provided for in (i) above.

(f) Restriction on the acquisition of stock acquisition rights by transfer

Acquisition of stock acquisition rights by transfer shall require an approval of the Company's board of directors.

(g) Terms and conditions of acquisition of stock acquisition rights

- (i) If a merger agreement to make the Company the non-surviving party of the merger, a merger and split agreement or a new establishment and split agreement that will result in a split of the Company, or a share exchange agreement or share transfer plan to make the Company a wholly-owned subsidiary of another party is approved by the shareholder's meeting of the Company (or if such a decision does not require the approval of the shareholder's meeting and if such a resolution is adopted by the Company's board of directors), the Company may acquire all the stock acquisition rights outstanding as at the date of such an approval/resolution, at no cost, on the date designated by the Company's board of directors.
- (ii) If a person previously granted the stock acquisition rights no longer satisfies the conditions to exercise their rights as provided for in Item (d), the Company may acquire their stock acquisition rights at no cost.

(h) Decision-making policy for the relinquishment of the stock acquisition rights at the time of an organizational restructuring and the grant of the stock acquisition rights of the restructured company

If the Company is merged to become the non-surviving party of a merger, is split and acquired, is split and established as a new company, or proceeds with a share exchange agreement or share transfer plan (all of the above is hereafter collectively referred to as an "act of organizational restructuring"), the stock acquisition rights that remain as at the time of the act of organizational restructuring coming into effect ("Remaining Stock Acquisition Rights") shall be treated as follows. The Company shall grant the Optionee the stock acquisition rights of the joint stock company provided for in a to e of Paragraph 1 Item 8 of Article 236 of the Corporation Law ("Restructured Company"), whichever is applicable to the particular company, on the conditions described below. In this case, the Remaining Stock Acquisition Rights shall be relinquished, and stock acquisition rights pertaining to the Restructured Company shall be newly issued. This arrangement is limited to the case where the grant of the stock acquisition rights by the

Restructured Company on the conditions described below is prescribed in the relevant acquisition/merger agreement, new establishment/merger agreement, acquisition/split agreement, new establishment/split plan, share exchange agreement, or share transfer plan.

- (i) The number of the new stock acquisition rights to be granted by the Restructured Company  
The number of the new stock acquisition rights granted to the Optionee by the Restructured Company shall be equal to the number of the Remaining Stock Acquisition Rights of the Company that the Optionee owns.
  - (ii) Class of shares of the Restructured Company in scope of the stock acquisition rights  
The class of the shares shall be the common shares of the Restructured Company.
  - (iii) Number of shares of the Restructured Company in scope of the stock acquisition rights  
The number shall be decided pursuant to Item (a), after consideration of the terms and conditions of the act of organizational restructuring.
  - (iv) Amount to be paid upon exercise of each stock acquisition rights  
The amount to be paid upon exercising the newly granted stock acquisition rights shall be the Exercise Price after restructuring (deduced from the adjustment to the Exercise Price provided for in Item (b) after consideration of the terms and conditions of the act of organizational restructuring) multiplied by the number of shares in scope of the stock acquisition rights of the Restructured Company as provided for in (iii) above.
  - (v) Exercise period of the stock acquisition rights  
From either the initial date of the Exercise Period provided for in Item (c) or the effective date of the act of organizational restructuring, whichever is the later, to the final date of the Exercise Period provided for in Item (c)
  - (vi) Matters related to capital and capital reserve increase by the issuance of shares upon the exercise of the stock acquisition rights  
These matters shall be determined pursuant to Item (e).
  - (vii) Restriction on the acquisition of stock acquisition rights by transfer  
Acquisition of stock acquisition rights by transfer shall require an approval of the Restructured Company's board of directors.
  - (viii) Terms and conditions of acquisition of stock acquisition rights  
These shall be determined pursuant to Item (g).
  - (ix) Other terms and conditions of exercising the stock acquisition rights  
These shall be determined pursuant to Item (d).
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- (i) Rule pertaining to the fraction of a share upon exercise of the stock acquisition rights  
If the number of shares issued to the Optionee after the exercise of their stock acquisition rights is found to have a fraction of a share, the fraction shall be rounded down to the nearest whole share.
  - (j) stock acquisition rights certificates  
The Company shall not issue any stock acquisition rights certificate.

## II. Stock Options as Stock-based Compensation

1. Reason for issuing the stock acquisition rights and persons to whom the stock acquisition rights are allotted  
In order to further clarify the link between the compensation to the Directors and the Company's business performance/value of its shares, and making the Directors share not only the benefits of higher share prices but also the risks of lower share prices with shareholders, the stock acquisition rights as stock options as stock-based compensation are allotted to five (5) Directors.
2. Outline of the issuance of the stock acquisition rights
  - (1) Name of the stock acquisition rights  
Chugai Pharmaceutical Co., Ltd. 2012 Stock Acquisition Rights
  - (2) Total number of the stock acquisition rights  
817 units

The above number is the number scheduled for allotment. If the total number of the stock acquisition rights to be allotted reduces, including without limitation the case of no proposal of acceptance, the aggregated amount of the stock acquisition rights to be allotted shall be the total number of the stock acquisition rights to be issued.

(3) The stock acquisition rights issue price and its calculation method

The amount to be paid for each stock acquisition right shall be an amount of the option value per share multiplied by the allotted shares (fractions shall be rounded up). Such option value per share shall be calculated by using the Binominal Model.

The Director to whom the stock acquisition rights are allotted shall offset the remuneration amount with payment debt of the stock acquisition rights instead of the monetary payment.

(4) Grant Date of the stock acquisition rights

May 10, 2012

(5) Details of the stock acquisition rights

(a) Class and number of shares in scope of the stock acquisition rights

100 common shares of the Company per one (1) stock acquisition right

In case of a stock split or stock consolidation by the Company, the formula below shall be used to adjust the number of shares in scope of the stock acquisition rights (the "Number of Allotted Shares"). However, such an adjustment shall be made to the number of shares in scope of the stock acquisition rights to which the Optionee has not executed their rights as at the time of stock split/consolidation. Any fraction of a share resulting from such adjustment shall be rounded down to the nearest whole share.

$$\begin{array}{l} \text{Number of Allotted Shares} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Number of Allotted Shares} \\ \text{before adjustment} \end{array} \times \begin{array}{l} \text{Ratio of stock split} \\ \text{or consolidation} \end{array}$$

Additionally, if any circumstance not described above necessitates an adjustment to the Number of Allotted Shares, it shall be adjusted within the rational boundaries.

(b) Amount to be paid upon exercise of each stock acquisition right

The price per share to be delivered upon exercise of the stock acquisition rights (the "Exercise Price") shall be one yen (¥1). The amount of the payment required for the exercise of the stock acquisition rights shall be the Exercise Price multiplied by the Number of Allotted Shares to be issued.

(c) Exercise period of the stock acquisition rights

From May 10, 2012 to April 24, 2042

(d) Conditions of exercise of the stock acquisition rights

A person granted the stock acquisition rights may exercise all stock acquisition rights in the lump within ten (10) days (in case the 10th day is holiday, it shall be next business day) from the next day of the date on which he/she loses the position as the Director of the Company.

(e) Matters related to capital and capital reserve increase by the issuance of shares upon exercise of the stock acquisition rights

(i) The amount of capital increase by the issuance of shares upon exercise of the stock acquisition rights shall be one half of the capital increase limit calculated by the rule provided for in Paragraph 1, Article 17 of the Accounting Rules, and any fraction of a yen after such calculation shall be rounded up to the nearest whole yen.

(ii) The amount of capital reserve increase by the issuance of shares upon exercise of the stock acquisition rights shall be the capital increase limit mentioned in (i) above minus the amount

of capital increase provided for in (i) above.

- (f) Restriction on the acquisition of the stock acquisition rights by transfer  
Acquisition of the stock acquisition rights by transfer shall require an approval of the Company's board of directors.
- (g) Terms and conditions of acquisition of stock acquisition rights
- (i) If a merger agreement to make the Company the non-surviving party of the merger, a merger and split agreement or a new establishment and split agreement that will result in a split of the Company, or a share exchange agreement or share transfer plan to make the Company a wholly-owned subsidiary of another party is approved by the shareholder's meeting of the Company (or if such a decision does not require the approval of the shareholder's meeting and if such a resolution is adopted by the Company's board of directors), the Company may acquire all stock acquisition rights outstanding as at the date of such an approval/resolution, at no cost, on the date separately determined by the Company's board of directors.
- (ii) If a person previously granted the stock acquisition rights no longer satisfies the conditions to exercise their rights as provided for in Item (d), the Company may acquire their stock acquisition rights at no cost on the date separately determined by the Company's board of directors.
- (h) Decision-making policy for the relinquishment of the stock acquisition rights at the time of an organizational restructuring and the grant of the stock acquisition rights of the restructured company  
If the Company is merged to become the non-surviving party of a merger, is split and acquired, is split and established as a new company, or proceeds with a share exchange agreement or share transfer plan (all of the above is hereafter collectively referred to as an "act of organizational restructuring"), the stock acquisition rights that remain as at the time of the act of organizational restructuring coming into effect ("Remaining Stock Acquisition Rights") shall be treated as follows. The Company shall grant the Optionee the stock acquisition rights of the joint stock company provided for in a to e of Paragraph 1 Item 8 of Article 236 of the Corporation Law ("Restructured Company"), whichever is applicable to the particular company, on the conditions described below. In this case, the Remaining Stock Acquisition Rights shall be relinquished, and stock acquisition rights pertaining to the Restructured Company shall be newly issued. This arrangement is limited to the case where the grant of the stock acquisition rights by the Restructured Company on the conditions described below is prescribed in the relevant acquisition/merger agreement, new establishment/merger agreement, acquisition/split agreement, new establishment/split plan, share exchange agreement, or share transfer plan.
- (i) The number of the new stock acquisition rights to be granted by the Restructured Company  
The number of the new stock acquisition rights granted to the Optionee by the Restructured Company shall be equal to the number of the Remaining Stock Acquisition Rights of the Company that the Optionee owns.
- (ii) Class of shares of the Restructured Company in scope of the stock acquisition rights  
The class of the shares shall be the common shares of the Restructured Company.
- (iii) Number of shares of the Restructured Company in scope of the stock acquisition rights  
The number shall be decided pursuant to Item (a), after consideration of the terms and conditions of the act of organizational restructuring.
- (iv) Amount to be paid upon exercise of each stock acquisition right  
The amount to be paid upon exercising the newly granted stock acquisition rights shall be the price per share (¥1) multiplied by the number of shares in scope of the stock acquisition rights of the Restructured Company as provided for in (iii) above.
- (v) Exercise period of the stock acquisition rights  
From either the initial date of the Exercise Period provided for in Item (c) or the effective date of the act of organizational restructuring, whichever is the later, to the final date of the Exercise Period provided for in Item (c).
- (vi) Matters related to capital and capital reserve increase by the issuance of shares upon the exercise of the stock acquisition rights

- These matters shall be determined pursuant to Item (e).
- (vii) Restriction on the acquisition of stock acquisition rights by transfer  
Acquisition of stock acquisition rights by transfer shall require an approval of the Restructured Company's board of directors.
  - (viii) Terms and conditions of acquisition of stock acquisition rights  
These shall be determined pursuant to Item (g).
  - (ix) Other terms and conditions of exercising the stock acquisition rights  
These shall be determined pursuant to Item (d).
- (i) Rule pertaining to the fraction of a share upon exercise of the stock acquisition rights  
If the number of shares issued to the Optionee after the exercise of their stock acquisition rights is found to have a fraction of a share, the fraction shall be rounded down to the nearest whole share.
- (j) The stock acquisition rights certificates  
The Company shall not issue any stock acquisition rights certificate.