



May 11, 2021

To whom it may concern

TOKAI Holdings Corporation
Katsuhiko Tokita, President & CEO
(Code No. 3167 Tokyo Stock Exchange First Section)

Notice Regarding Issuance of Stock Options (Stock Acquisition Rights)

TOKAI Holdings Corporation (hereinafter referred to as the "Company") announces that, at a meeting held today, the Board of Directors resolved to submit to the Company's 10th Ordinary General Meeting of Shareholders (hereinafter referred to as the "General Meeting") to be held on June 25, 2021 a proposal requesting approval to delegate to the Company's Board of Directors the determination of subscription requirements for stock acquisition rights to be issued gratis as stock options in accordance with the provisions of Articles 236, 238 and 239 of the Companies Act. Details are as follows.

- I. Reasons for inviting persons to subscribe to stock acquisition rights with particularly favorable conditions
As part of projects to commemorate the 10th anniversary of the Tokai Group's transition to a holding company structure, the Company would like to issue stock acquisition rights as stock options gratis to employees of the Company as well as to Directors and employees of the Company's subsidiaries mainly to increase incentive and motivation to improve the Group's performances and enhance its corporate value.
- II. The maximum number of stock acquisition rights for which the Board of Directors will be authorized to determine subscription requirements based on the matters determined at the General Meeting and requirement for payment of monies
 1. The maximum number of stock acquisition rights for which the Board of Directors will be authorized to determine subscription requirements based on delegation
The maximum number of stock acquisition rights specified in item III. below shall be eleven thousand five hundred (11,500).
The maximum number of shares of common stock of the Company to be delivered upon exercise of stock acquisition rights shall be one million one hundred and fifty thousand (1,150,000). If the number of shares to be granted (defined below) is adjusted as prescribed in item III.1. below, however, the adjusted number of shares to be granted shall be the product of the adjusted number of shares to be granted multiplied by the above-mentioned maximum number of stock acquisition rights.
 2. No payment of monies shall be required for the stock acquisitions rights for which the Board of Directors will be authorized to determine subscription requirements based on delegation.
- III. Features of the stock acquisition rights for which the Board of Directors will be authorized to determine subscription requirements based on matters determined at the General Meeting
 1. Class and number of shares underlying stock acquisition rights
The class of shares underlying stock acquisition rights shall be shares of common stock of the Company, and the number of shares underlying each stock acquisition right (hereinafter referred to as the "Number of Shares

to be Granted") shall be one hundred (100).

However, if the Company conducts a stock split (including a gratis allotment of the Company's common stock; the same definition applies to stock splits described below) or consolidation of its common stock after the close of the General Meeting, the Number of Shares to be Granted shall be adjusted in accordance with the following formula. Fractional shares arising out of the adjustment shall be discarded.

Adjusted Number of Shares to be Granted = Original Number of Shares to be Granted x Stock Split or Stock Consolidation Ratio

The provisions of 3.(2)(i) shall apply to the day the Adjusted Number of Shares to be Granted becomes effective.

In addition to the above items, when the Company implements a merger or a company split or is otherwise similarly required to adjust the Number of Shares to Be Granted after the close of the General Meeting, the Company reserves the right to adjust the Number of Shares to be Granted within reasonable limits.

When the Number of Shares to be Granted is adjusted, the Company shall notify each person holding stock acquisition rights listed in the original register of stock acquisition rights (hereinafter referred to as "Stock Acquisition Right Holders") or publicly announce necessary information no later than the day prior to the day the Adjusted Number of Shares to be Granted becomes effective. Provided, however, that in cases where the Company is prevented from making such notification or public announcement by the day before the said application date, it will do so immediately on the application date or soon thereafter.

2. Value of assets to be contributed upon exercise of each stock acquisition right

The value of property to be contributed upon the exercise of each stock acquisition right shall be the paid-in amount per share deliverable upon exercise of each stock acquisition right (hereinafter referred to as the "Exercise Price") multiplied by the Number of Shares to be Granted.

The Exercise Price shall be either the product of the multiplication of the average of the daily closing price of the common stock of the Company in regular trading on the Tokyo Stock Exchange (hereinafter referred to as the "Closing Price") during the month (excluding dates where no trading is made) immediately prior to the month containing the date on which stock acquisition rights are allotted (hereinafter referred to as the "Allotment Date") by 1.05, with any fractions of less than ¥1 rounded up; or the Closing Price on the Allotment Date (or in the event that there is no Closing Price on that date, the Closing Price of the immediately preceding day on which the Company's common stock were traded), whichever is higher. Provided, however, that the Exercise Price shall be subject to adjustment provided for in 3. below.

3. Adjustment of the Exercise Price

(1) If, after the Allotment Date, the Company effects either (i) or (ii) below with respect to its common stock, the Exercise Price shall be adjusted according to the formula described below respectively (hereinafter referred to as the "Exercise Price Adjustment Formula"). Fractions of less than ¥1 resulting from such adjustment shall be rounded up.

(i) If the Company effects a stock split or a consolidation of its stock

$$\text{Adjusted Exercise Price} = \text{Original Exercise Price} \times \frac{1}{\text{Ratio of stock split or stock consolidation}}$$

(ii) If the Company issues new shares of common stock or disposes of shares of treasury stock at a price lower than the market price (excluding the sale of shares of treasury stock pursuant to the provision of

Article 194 of the Companies Act [Demand for Sale of Shares Less than One Unit by Holders of Shares Less than One Share Unit], the conversion of securities that shall or may be converted to shares of common stock of the Company, or the exercise of stock acquisition rights with which the delivery of shares of common stock of the Company can be requested [including bonds with stock acquisition rights])

$$\text{Adjusted Exercise Price} = \frac{\text{Original Exercise Price} \times (\text{Number of Issued Shares} + \frac{\text{Number of Newly Issued Shares} \times \text{Payment Amount per Share}}{\text{Market Price}})}{\text{Number of Issued Shares} + \text{Number of Newly Issued Shares}}$$

- i. The “market price” to be used in the Exercise Price Adjustment Formula shall be the average of the Closing Price (including indicative prices; the same applies hereinafter) on each of the 30 trading days commencing on the 45th trading day prior to the date on which the adjusted exercise price becomes effective (hereinafter referred to as the “Effective Date”) as specified in item (2) below (excluding those days on which there is no Closing Price). The "average of the Closing Price" shall be calculated to the first decimal place by rounding off fractions of a yen from the second decimal place.
 - ii. The “Number of Issued Shares” to be used in the Exercise Price Adjustment Formula shall be the number equal to the number of the Company's shares of common stock issued and outstanding minus the total number of shares of common stock which the Company possesses as treasury stock on the record date if applicable, or otherwise on the day one (1) month preceding the Effective Date.
 - iii. In the case where the Company is disposing of its own shares, “Number of Newly Issued Shares” used in the Exercise Price Adjustment Formula shall be read as “Number of Treasury Stock to be Disposed.”
- (2) The Effective Date of the adjusted exercise price shall be determined in accordance with the following provisions.
- (i) When adjusted in accordance with (1) (i) above, the adjusted exercise price shall be effective from the day after the record date of the stock split (or the effective date of the stock split if no record date is specified) in the case of a stock split, or from the effective date of the stock consolidation in the case of a stock consolidation. However, when the stock split is conditional upon the General Meeting of Shareholders' approval of a proposal to increase the amount of capital or reserves by decreasing the surplus, and when a date on or before the closing date of the General Meeting of Shareholders was set as the record date for the stock split, the adjusted exercise price shall, from the day following the closing date of the General Meeting of Shareholders, be applied retroactively to the day following the record date.
- For Stock Acquisition Right Holders who exercised their stock acquisition rights between the day following the record date for the stock split and the closing date of the General Meeting of Shareholders in the case specified in the provisory clause above (the number of shares deliverable through the exercise of the stock acquisition rights shall hereafter be referred to as the “Number of Shares Deliverable through Exercise of Stock Acquisition Rights prior to the Stock Split”), the number of shares of the Company's common stock to be delivered shall be adjusted by the following formula. Fractions of less than one share resulting from adjustment shall be discarded.

$$\text{Number of Newly Issued Shares} = \frac{(\text{Original Exercise Price} - \text{Adjusted Exercise Price}) \times \text{Number of Shares Deliverable through Exercise of Stock Acquisition Rights prior to the Stock Split}}{\text{Adjusted Exercise Price}}$$

- (ii) When adjusted in accordance with (1) (ii) above, the adjusted Exercise Price shall be effective from the day following the payment date for the issuance or the disposition (if the payment period is set, then the last day of the payment period) (or if there is a record date, from the day following the record date).
- (3) In cases other than those specified in (1) (i) or (ii) above, in the event of gratis allotment of other types of shares to holders of common stock, the distribution of shares of another company to holders of common stock after the Allotment Date, or any other event similar thereto where an adjustment of Exercise Price is required after the Allotment Date, the Company may adjust the Exercise Price within reason after taking into consideration the terms and conditions of such allotment, distribution, etc.
- (4) If the Exercise Price is adjusted, the Company shall notify Stock Acquisition Right Holders or publicly announce necessary information by the day before the Effective Date. Provided, however, that in cases where the Company is prevented from making such notification or public announcement by the day before the said application date, it will do so immediately on the application date or soon thereafter.

4. Exercise period of stock acquisition rights

The exercise period shall be a period of five years commencing on the second anniversary of the Allotment Date.

5. Matters concerning increase in capital and capital reserve upon issuance of shares through the exercise of stock acquisition rights

- (1) The amount by which the capital increases through the issuance of shares upon the exercise of stock acquisition rights shall be one-half (1/2) of the upper limit of the increase in the amounts of capital and other items calculated pursuant to the provisions of Article 17, paragraph 1 of the Company Accounting Ordinance, and any fraction of less than ¥1 arising from the calculation shall be rounded up.
- (2) The amount by which the capital reserve increases through the issuance of shares upon the exercise of stock acquisition rights shall be the upper limit of the increase in the amounts of capital and other items described in (1) above, less the increase in the amount of capital set out in (1) above.

6. Restriction on acquisition of stock acquisition rights by transfer

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

7. Clause on the acquisition of stock acquisition rights

When any of the proposals described in (1), (2), (3), (4) or (5) below are approved by a general meeting of shareholders of the Company (or resolved at a meeting of the Board of Directors of the Company when a resolution of a general meeting of shareholders is not required), the Company may acquire the stock acquisition rights without consideration on a date to be determined separately by the Board of Directors of the Company.

- (1) Proposal for approval of a merger agreement under which the Company is to be dissolved
- (2) Proposal for approval of a company split agreement or company split plan under which the Company is to

be split

- (3) Proposal for approval of a stock exchange agreement or stock transfer plan under which the Company is to become a wholly owned subsidiary
 - (4) Proposal for approval to change the Company's Articles of Incorporation to establish provisions concerning the requirement for the Company's approval with regard to the acquisition of all outstanding shares through a transfer
 - (5) Proposal for approval to change the Company's Articles of Incorporation to establish provisions concerning the requirement for the Company's approval with regard to the acquisition through a transfer of shares issued upon the exercise of these stock acquisition rights or concerning the acquisition by the Company of all shares issued upon the exercise of stock acquisition rights by resolution of the Company's General Meeting of Shareholders
8. Policy for determining details of delivery of stock acquisition rights of reorganized company in the event of reorganization

If the Company engages in a merger (only if the Company ceases to exist after the merger), absorption-type company split or incorporation-type company split (in each case only if the Company is the split company), or a stock exchange or stock transfer (in each case only if the Company become a wholly-owned subsidiary) (hereinafter collectively referred to as the "Reorganization Actions"), the Company shall deliver to Stock Acquisition Right Holders who hold any stock acquisition rights remaining (hereinafter referred to as the "Remaining Stock Acquisition Rights") directly before the effective date of the Reorganization Actions (effective date of absorption-type merger in case of absorption type merger, date of incorporation of joint stock company established by consolidation-type merger in case of consolidation-type merger; effective date of absorption-type split in case of absorption-type split; date of incorporation of company established by incorporation-type split in case of incorporation-type split; effective date of stock exchange in case of stock exchange; or date of incorporation of parent company established by stock transfer in case of stock transfer; the same applies hereinafter) the stock acquisition rights of the relevant stock companies listed in Article 236, paragraph 1, item (viii)-(a) through (e) of the Companies Act (hereinafter referred to as the "Reorganized Company"). Provided, however, that the foregoing shall be on the condition that the delivery of stock acquisition rights by the Reorganized Company in accordance with each of the following items 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 stock exchange agreement or a stock transfer plan.

- (1) Number of stock acquisition rights of the Reorganized Company to be delivered
The same number as the number of the Remaining Stock Acquisition Rights held by Stock Acquisition Right Holders shall be delivered in each case.
- (2) Class of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
Shares of common stock of the Reorganized Company
- (3) Number of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
The number of shares shall be determined in accordance with 1. above after taking into consideration factors such as the terms and conditions of the Reorganization Actions.
- (4) Value of assets to be contributed upon exercise of each stock acquisition right
The value of assets to be contributed upon exercise of each stock acquisition right to be delivered shall be the amount obtained by multiplying the exercise price after reorganization, obtained through adjustment of

the Exercise Price provided for in 2. above taking into consideration factors such as the terms and conditions of the Reorganization Actions, by the number of shares of the Reorganized Company to be issued upon exercise of each of such stock acquisition rights as determined in accordance with (3) above.

(5) Exercise period of stock acquisition rights

The period shall commence on either the commencement date of the period during which the stock acquisition rights may be exercised as provided for in 4. above or the effective date of the Reorganization Actions, whichever is later, and end on the expiration date of the period during which the stock acquisition rights may be exercised as provided for in 4. above.

(6) Matters concerning increase in capital and capital reserve upon issuance of shares through the exercise of stock acquisition rights

Matters shall be determined in accordance with 5. above.

(7) Restriction on acquisition of stock acquisition rights by transfer

Any acquisition of stock acquisition rights by transfer shall require approval by resolution of the Board of Directors of the Reorganized Company.

(8) Clause on the acquisition of stock acquisition rights

Provisions shall be determined in accordance with 7. above.

(9) Other conditions for exercise of stock acquisition rights

The conditions shall be determined in accordance with 10. below.

9. Arrangement for any fractional shares arising from exercise of stock acquisition rights

When there are any fractional shares in the number of shares to be delivered to Stock Acquisition Right Holders who exercise stock acquisition rights, such fractional shares shall be discarded.

10. Other conditions for exercise of stock acquisition rights

If Stock Acquisition Right Holders waive the stock acquisition rights, the relevant stock acquisition rights may not be exercised thereafter.

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