



February 13, 2019

Company Name	Otsuka Holdings Co., Ltd.
Name of Representative	Tatsuo Higuchi President and Representative Director, CEO
Code Number	4578, First Section of the Tokyo Stock Exchange
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Notice of Introduction of Restricted Stock Compensation Plan

Otsuka Holdings Co., Ltd. (the “Company”) has resolved at the Meeting of Board of Directors held on February 13, 2019 to revise the remuneration system for directors and officers, and to submit a Proposal (the “Proposal”) regarding the introduction of a restricted stock compensation plan (the “Plan”) to the 11th Ordinary General Meeting of Shareholders (the “General Meeting of Shareholders”) scheduled to be held on March 28, 2019.

1. Purpose of and Requirement for Introduction of the Plan

(1) Purpose of Introducing the Plan

The purpose of the Plan is to grant the directors, excluding outside directors, (the “Directors Covered by the Plan”) incentives to achieve the medium-term management plan and sustainably improve the medium- to long-term performance and corporate value of the Company, and to further share more of that value with the shareholders.

(2) Requirement for Introduction of the Plan

Under the Plan, the Company will make payment of monetary compensation claims as remuneration for a grant of shares with transfer restriction of the Company to the Directors Covered by the Plan. Therefore, obtaining the approval of the shareholders at the General Meeting of Shareholders to pay the pertinent stock compensation is a condition for the introduction of the Plan.

It should be noted that, at the 2nd Ordinary General Meeting of Shareholders held on June 29, 2010, an approval was obtained for a compensation amount for the Company’s directors of 1.5 billion yen or less per year (excluding the employee salary of directors concurrently serving as employees of the Company). At the 8th Ordinary General Meeting of Shareholders held on March 30, 2016, aside from the said compensation limitation, the Company resolved to introduce a share remuneration-type stock options system as a mid-term incentive plan which applied to the three (3) year period commencing from the business year ending on December 31, 2016 and ending on the business year ending on December 31, 2018; however, this plan has been terminated due to the lapse of the applicable period. At this General Meeting of Shareholders, the Company will request the shareholders’ approval to newly introduce this Plan and set a compensation limitation for this Plan for the Directors Covered by the Plan separately from the above-mentioned existing compensation limitation.

2. Overview of the Plan

As an incentive plan primarily aimed at achieving the medium-term management plan, this Plan grants the Directors Covered by the Plan shares with restrictions on transfer, attachment of security interest and other dispositions (the "Transfer Restrictions") for a fixed term. The release of such Transfer Restrictions will be subject to the conditions of remaining in office for a certain term and meeting certain performance achievements.

In this new incentive plan, the Company aims to achieve a more effective remuneration system as an incentive to sustainably improve medium- to long-term performance and corporate value, by combining the multiple release conditions of the Transfer Restrictions, including performance achievement, and simultaneously granting shares with transfer restrictions in the first business year which will be evaluated based on the performance of the next several business years.

Under this Plan, the Directors Covered by the Plan pay all of the monetary compensation payments paid by the Company under this Plan as property contributed in kind (*genbutsu shusshi*) and then acquires newly issued or disposed common shares of the Company.

The total amount of the monetary compensation claim paid to the Directors Covered by the Plan based on this Plan will be one billion yen or less per year (not including the employee salary of directors concurrently serving as employees of the Company). The specific payment timing and allocation for each Director Covered by the Plan will be decided in a meeting of the Board of Directors after consulting with the Company's Corporate Governance Committee and receiving the report from such committee.

The total number of the Company's common shares newly issued or disposed of by the Company under the Plan will be 160,000 shares or less per year. However, in the event of share splitting (including share allotment without contribution), share consolidation of the Company's common shares, or other necessary adjustments of the Company's common shares newly issued or disposed occurring after the conclusion of the General Meeting of Shareholders, adjustments will be reasonably made to the total number of shares. The amount paid in per share will be the amount determined by the Board of Directors within the scope that is not an amount that is particularly advantageous to the Directors Covered by the Plan who subscribe for said common shares. The amount will also be based on the closing price of the common shares of the Company on the Tokyo Stock Exchange market on the business day before the date of each resolution of the Board of Directors (in the case that the transaction has not been established on that day, the closing price on the most recent trading day preceding that day).

When issuing or disposing of the common shares of the Company under the Plan, the Company will conclude a restricted stock allocation agreement with the Directors Covered by the Plan, which includes the following provisions: (i) the allotted shares will be subject to Transfer Restrictions for a fixed term; (ii) the Company will acquire the allotted shares at no cost upon the occurrence of specified events; and (iii) a fixed term of office and performance achievement will be release conditions for the above-noted Transfer Conditions.

To prevent the transfer of shares during the transfer restriction period, the allotted shares will be managed in a dedicated account established with Nomura Securities Co., Ltd. by the Directors Covered by the Plan.

It should be noted that, in addition to the Directors Covered by the Plan, the Company also plans to grant the directors of the Company's affiliated companies who do not concurrently serve as directors of the Company shares with transfer restrictions through a restricted stock compensation plan similar to this Plan.

[For Reference]

The Company, based on the completion of the Second Medium-Term Management Plan with the 2018 fiscal year as its final year, plans to formulate and announce the Third Medium-Term Management Plan that covers the period from fiscal year 2019 to 2023 on May 30, 2019. The shares with transfer restrictions that are to be granted under this Plan during the target period of the Third Medium-Term Management Plan are supposed to be set as a remuneration system reflecting the achievement status of the Third Medium-Term Management Plan by combining multiple performance achievement conditions based on consolidated revenue, consolidated operating income and other indicators that are listed throughout the Third Medium-Term Management Plan.

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