

# Press Release



**TOKAI TOKYO FINANCIAL HOLDINGS, INC.**

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(TSE, NSE: 8616)

August 26, 2019

## Issuance of Stock Acquisition Rights as Stock Options

Tokai Tokyo Financial Holdings, Inc. (hereinafter “the Company”) announces that a meeting of the Board of Directors held today determined in concrete the matters regarding the issuance of stock acquisition rights as stock options (hereinafter the “Stock Acquisition Rights”) granted to such parties that include Executive Directors, and employees of both the Company and its subsidiaries (hereinafter “the Parties”). Such act of the meeting of the Board of Directors was approved by the 107<sup>th</sup> Ordinary Shareholders’ Meeting of the Company that was held on June 26, 2019. Further, the issuance of the Stock Acquisition Rights at this time has been handled in accordance with the provisions of Articles 236, 238 and 239 of the Companies Act of Japan. The details of the matters are described below.

1. Reasons necessitating the subscription offer of the Stock Acquisition Rights with preferential conditions:

The issuance of Stock Acquisition Rights to the Parties is aimed at improving consolidated performance by providing the Parties with a common incentive to improve the performance of the Tokai Tokyo Financial Group as a whole, while pursuing harmonization of the Parties’ interests with those of shareholders of the Company.

2. The details of Allocation regarding the Parties and the number of the Stock Acquisition Rights to be allocated to respective group of the Parties

Executive Directors of the Company	2	39 rights
Employees of the Company	247	1,156 rights
Executive Directors of the Company’s Subsidiaries	23	148 rights
Employees of the Company’s Subsidiaries	5	20 rights
Total	277	1,363 rights

\* Please note that the number of the Stock Acquisition Rights for each category of the Parties indicated above is the maximum quota specifically granted to the category in advance. Therefore, if the number of rights actually applied for any category fails to reach respective quota, the allocable number of rights for such category of the Parties shall be equal to the number of rights actually applied.

3. Description of the Stock Acquisition Rights:

1) Name of the Stock Acquisition Rights: “The Eleventh Stock Acquisition Rights”

2) Number of shares to be issued upon exercise of the Stock Acquisition Rights:

The number of shares to be issued upon exercise of each of the Stock Acquisition Rights (hereinafter the “Number of Shares Granted”) shall be one thousand (1,000) shares of common stock of the Company.

In the event the Company splits its common stock (including the gratis allotment of the Company’s common stock, the same being applied hereinafter) or consolidates its common stock after the allocation of Stock Acquisition Rights, the Number of Shares Granted under Stock Acquisition Rights which have remained unexercised at the time of the stock split or stock consolidation will be adjusted in accordance with the following formula. Any fraction of less than one (1) share resulting from the adjustment shall be disregarded.

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

In addition to the above, in the event of the Company’s merger with another company, a company split, a capital reduction of the Company, or any other event in which adjustment of the Number of Shares Granted is similarly required after the allocation of the Stock Acquisition Rights, the Company may suitably adjust the Number of Shares Granted to the extent the Company considers reasonable.

3) Payment in exchange of the granted Stock Acquisition Rights:

No payment shall be required for the Stock Acquisition Rights.

4) The Value of assets to be paid-in to the Company’s capital at the time of exercising the Stock Acquisition Rights, or the method of calculating such a value:

The value of assets to be paid-in at the time of exercising Stock Acquisition Rights shall be the amount paid per share to be issued by the exercise of the Stock Acquisition Rights (hereinafter “the Exercise Price”) multiplied by the Number of Shares Granted. The Exercise Price shall be equal to the product of (\*) the price determined by the following rule  $\times$  (multiplied by) 1.05. Any fraction of less than one (1) yen resulting from the calculation shall be rounded up to the nearest yen.

(\*) The price determination rule: The higher price of either the average of the daily closing prices of the common stocks of the Company in regular transactions at the Tokyo Stock Exchange, Inc. on each of the trading days (excluding days on which no trading is made) in the calendar month immediately prior to the month when the Stock Acquisition Rights are allocated, or the closing price of the common stock of the Company in regular transactions at the Tokyo Stock Exchange, Inc. on the allocation date (if there is no closing price on the allocation date, the most recent closing price prior to the allocation date shall apply).

If the Company splits or consolidates its common stock after the allocation date, the Exercise Price is adjusted by the following formula, and any fraction of less than one (1) yen resulting from such adjustment shall be rounded up.

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

If the Company issues new shares of common stock or disposes of its treasury stocks at less than the current market price (except in the case of responding to either exercise of Stock Acquisition Rights or request for the additional purchase of shares constituting less than one unit), then the Exercise Price shall be adjusted by the following formula, and any fraction of less than one (1) yen resulting from such adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price before adjustment} \times \left( \frac{\text{Number of shares already issued}}{\text{Number of shares already issued} + \text{Number of shares newly issued}} + \frac{\text{Number of shares newly issued} \times \text{Amount paid per share}}{\text{Current market price per share}} \right)}{\text{Number of shares already issued} + \text{Number of shares newly issued}}$$

In the formula above, “Number of shares already issued” is the remaining number when the total number of treasury stock of the Company is subtracted from the total number of outstanding shares of the Company. Further, if the Company disposes of its treasury stocks, “Number of shares newly issued” in the formula above shall read “Number of treasury stock disposed of,” and “Amount paid-in per share” shall read “Disposal value per share” respectively.

In addition to the foregoing, in the event of merger of the Company with another Company, a company split, a capital reduction of the Company, or any similar case in which adjustment of the Exercise Price is required after the allocation of the Stock Acquisition Rights, the Company may suitably adjust the Exercise Price to the extent the Company considers reasonable.

5) The date when after-adjustment Exercise Price becomes applicable for the acquisition of stocks:

In case the Exercise Price adjustment is made in accordance with the formula described in the immediately preceding clause 4), the date of the payment of such adjusted price shall be specified as follows:

- (i) If the stocks are given at the price below then the prevalent market price, the “after-adjustment” price shall become applicable on the day immediately following originally determined payment date or later. (Also, the subject price shall become applicable a day or more after the date when allotment to shareholders is executed if such is the case.)
- (ii) If the Company issues stocks by way of stock-split, the “after-adjustment” price becomes applicable a day or more after the date when the share allotment to shareholders for stock-split is executed.
- (iii) If the Company issues stocks by way of consolidating its stocks, the “after-adjustment” price becomes applicable on or after the date when such stock consolidation takes effect.

6) Notification:

If the Company modifies or adjusts the Stock Acquisition Rights in any manner with respect to any part thereof, it shall handle appropriately any such modification and/or adjustment, and it shall notify without delay the Stock Acquisition Rights holders of the details of such modification and/or adjustment, the effective date of such modification and/or adjustment, and other relevant matter(s) in accordance with the Stock Acquisition Rights Allocation Agreement it concludes with the holders of Stock Acquisition Rights.

7) Measures to be taken in the event of reorganization such as merger or company split:

In the event of the Company engaging in absorption-type merger (limited to cases where the

Company does not survive after merger), consolidation-type merger, company split and other reorganizations (hereinafter referred to as the “Reorganization Actions” excluding stock transfer and stock exchange), the Company shall issue the Stock Acquisition Rights of the company that is described in provisions of (a) through (e) of Item 8 of Paragraph 1 of Article 236 of the Companies Act of Japan (hereinafter the “Reorganized Company), to each holder of Stock Acquisition Rights remaining at the time the Reorganization Actions become effective (hereinafter the “Remaining Stock Acquisition Rights”), based on the conditions described below. The above stated issuance, however, shall be carried out only if the statement is made in one of the following agreements to the effect that Stock Acquisition Rights of the Reorganized Company is granted in accordance with the conditions given in (i) through (viii) below:

Absorption-type merger agreement, Consolidation-type merger agreement, Absorption-type company split agreement, and Incorporation-type company split plan

- (i) Number of new Stock Acquisition Rights of the Reorganized Company to be issued:  
Same as the number of Stock Acquisition Rights that are held by the holder of remaining Stock Acquisition Rights shall be issued.
- (ii) Type of shares of the Reorganized Company to be issued upon the exercise of Stock Acquisition Rights: Common stocks of the Reorganized Company.
- (iii) Number of shares of the Reorganized Company to be issued upon the exercise of Stock Acquisition Rights:  
The number shall be determined after the reasonable adjustment is made by taking into account the conditions of Reorganization Actions and other factors (hereinafter “the Number of Shares after the succession”). Any fraction of less than one (1) share resulting from the adjustment shall be disregarded.
- (iv) Exercise period for the Stock Acquisition Rights:  
The exercise period shall be from either the commencement date of the exercise period for the Stock Acquisition Rights as described in 9) below, or the effective date of the Reorganization Actions, whichever is later, to the final day of the exercise period for the Stock Acquisition Rights as described in 9) below.
- (v) Matters concerning the capital and capital reserve to be increased by the issuance of shares upon exercise of Stock Acquisition Rights:  
Decisions shall be made in accordance with 10) below.
- (vi) Value of assets to be paid-in at the time of exercising Stock Acquisition Rights:  
The value shall be the Exercise Price, as described in 4) above, that has been adjusted in a reasonable manner by taking into account the conditions of Reorganization Actions and other factors, multiplied by the number of shares after the succession.
- (vii) Other conditions for Stock Acquisition Rights:  
Decisions shall be made in accordance with 8) and 14) below.
- (viii) Restriction on the transfer of Stock Acquisition Rights:  
Any transfer of Stock Acquisition Rights requires the approval of the Board of Directors of the Reorganized Company.

8) Reasons for acquisition of the Stock Acquisition Rights:

In the event that the Stock Acquisition Rights are not transferred to a new company in accordance with the provisions of an agreement concerning an absorption-type merger (limited to cases where the Company does not survive after merger), consolidation-type merger, company split, stock transfer or stock exchange, etc. (includes company split agreement, stock transfer plan, etc.) or the resolution so made by the Shareholders’ Meeting, the Company shall be able to acquire the Stock Acquisition

Rights free of payment on the date to be determined separately by its Board of Directors.

- 9) Exercise period for the Stock Acquisition Rights:  
October 1, 2021 through September 30, 2026, Japan standard time
  - 10) Matters concerning the capital and additional capital reserve increased by the issuance of shares upon exercise of Stock Acquisition Rights:
    - (i) The amount of capital to be increased by the issuance of shares upon exercise of Stock Acquisition Rights shall be the half of the maximum limit of capital increase, as calculated in accordance with the provisions of Article 17, Paragraph 1 of the Company Accounting Regulation, and any fraction of less than one (1) yen arising as a result of such calculation shall be rounded up to the nearest one (1) yen.
    - (ii) The amount of capital reserve to be increased by the issuance of shares upon exercise of Stock Acquisition Rights shall be the amount obtained by deducting the capital to be increased, as provided in (i) above, from the maximum limit of capital increase, as also provided in (i) above.
  - 11) Restriction on the obtainment of Stock Acquisition Rights through transfer:  
Any obtainment of Stock Acquisition Rights through transfer requires the approval of the Board of Directors of the Company.
  - 12) The institution that processes the payment for stocks to be acquired by exercising the Stock Acquisition Rights: Nihonbashi Chuo Branch, MUFG Bank, Ltd.
  - 13) Any fractions of less than one (1) share of the number of shares to be issued to the holder of the Stock Acquisition Rights who has exercised Stock Acquisition Rights shall be disregarded.
  - 14) Other conditions for the exercise of Stock Acquisition Rights:
    - (i) Holders of Stock Acquisition Rights shall be in the position of directors or employees (including those who are seconded to the Company or its subsidiaries) of the Company or its subsidiaries at the time of exercising Stock Acquisition Rights, excluding cases where such positions are relinquished due to proper reasons including retirement after the full term service completion, mandatory retirement, and resignation or retirement at the request of the Company or any of its subsidiaries.
    - (ii) If any one of the cases below applies, the holder of Stock Acquisition Rights shall be ineligible to exercise the unexercised Stock Acquisition Rights:
      - (a) When a holder is dismissed by the resolution of the shareholders' meeting of the Company or its any one of the subsidiaries, or dismissed on disciplinary grounds, or when they resign or retire for personal reasons;
      - (b) When a holder is given a court sentence of imprisonment or greater severity;
      - (c) When a holder files a petition for bankruptcy or civil rehabilitation proceedings, or when a holder is subject to petition for seizure, provisional seizure, preservation, or provisional disposition, or is subject to coercive collection.
  - 15) Total number of Stock Acquisition Rights to be granted: 1,363\*
- \* The number of rights for each category of the Parties indicated above is the maximum quota specifically granted to respective category in advance. Therefore, if the number of rights actually

applied for any category fails to reach respective quota, the allocable number of rights for such category of the Parties shall be equal to the number of rights actually applied.

16) The date of the Stock Acquisition Rights allocation: September 6, 2019, Japan standard time

Please note that no share option certificate shall be issued associated with this allocation.

< Reference >

1. The date of the meeting of the Board of Directors of the Company in which the resolution was adopted to submit the subject matter for approval by the Regular General Meeting of Shareholders:  
May 20, 2019
2. The date of the Regular General Meeting of Shareholders in which the subject matter was approved:  
June 26, 2019

(end)

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