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Announcement of the Issuance of Stock Acquisition Rights (Stock Options with Charge)

AOKI Holdings Inc. (the “Company”) announces that at the meeting of its Board of Directors on November 18, 2015, it resolved to issue stock acquisition rights to directors (excluding external directors), executive officers and employees of the Company and its subsidiaries, as described below. These stock acquisition rights will be issued without approval of a general meeting of shareholders, as the rights are issued with charge at the price equivalent to the fair value and not particularly favorable for individuals who are allotted the stock acquisition rights.

1. Purpose of and Reasons for Offering the Stock Acquisition Rights

The stock acquisition rights will be issued to directors (excluding external directors), executive officers and employees of the Company and its subsidiaries and these individuals will purchase these rights. The purpose of issuing the rights is to contribute to growth in corporate value by reinforcing solidarity among AOKI Group companies and increasing the motivation of the directors, executive officers and employees of these companies to achieve growth in sales and earnings.

In addition, these stock acquisition rights may not be exercised unless and until the consolidated earnings of the Company achieves the predetermined standards as provided in the section “2. Summary of the Issuance of the Stock Acquisition Rights, (8) Conditions for the exercise of the stock acquisition rights.” If the all of the stock acquisition rights are exercised, there will be an increase of approximately 1.01% in the total number of common shares outstanding. Accordingly, the Company believes that the level of dilution is reasonable.

2. Summary of the Issuance of the Stock Acquisition Rights

(1) Name of the stock acquisition rights

AOKI Holdings Stock Acquisition Rights No. 5 (Stock Options with Charge)

(2) Persons to be allotted the stock acquisition rights and the number thereof, and the number of stock acquisition rights to be allotted

	Persons to be allotted	Number of stock acquisition rights
Directors (excluding external directors; hereinafter the same shall apply), executive officers and employees of the Company:	20	6,350
Directors, executive officers and employees of subsidiaries of the Company:	26	2,800

(3) Class and number of shares underlying the stock acquisition rights

The class of the shares underlying the stock acquisition rights shall be common shares of the Company, and the number of shares underlying the stock acquisition rights (the “Number of Shares Granted”) shall be 100 shares for each right.

However, if the Company splits or consolidates its shares (including the allotment of common shares of the Company without consideration; the same shall apply hereinafter for the provisions of a share split) after the date of allotment of the stock acquisition rights (the “Date of Allotment”), with respect to any stock acquisition rights not exercised at the time of the share split or the consolidation of shares, among the stock acquisition

rights, the Number of Shares Granted shall be adjusted according to the following calculation formula:

$$\begin{aligned} & \text{Number of Shares after Adjustment} \\ & = \text{Number of Shares before Adjustment} \times \text{Ratio of the Split or Consolidation} \end{aligned}$$

In addition to the adjustment above, upon the occurrence of any unavoidable events that require an adjustment of the Number of Shares Granted, the Company may adjust the number of shares as the Board of Directors of the Company deems necessary.

In this regard, any fractions of less than one share arising from the adjustment above shall be discarded.

(4) Total number of stock acquisition rights

The total number of stock acquisition rights shall be 9,150.

The above number is the number of planned allotment; if the total number of stock acquisition rights to be allotted is less than the number described above because not all of the stock acquisition rights were subscribed to or for any other reasons, the total number of stock acquisition rights to be issued shall be the total number of stock acquisition rights to be allotted.

(5) Amounts to be paid upon allocation of the stock acquisition rights

The issue price for one stock acquisition right shall be 9,700 yen. In this regard, the amount is determined by the third-party evaluation organization YAMADA FAS Co., Ltd. by referring to the price calculated by a Monte Carlo simulation, taking into consideration the share price and other information of the Company. The assessment was conducted based on the closing price of 1,554 yen for the Company share on the Tokyo Stock Exchange on the day preceding the Board of Directors' resolution for issuance of the stock acquisition rights, share price volatility of 29.202%, dividend yield of 2.574%, risk-free interest rate of 0.069%, as well as the certain conditions in accordance with the terms and conditions of issuance for the stock acquisition rights (exercise price of 1,554 yen per share, rights exercise period of 6.57 years, requirement to fulfill certain conditions for sales and earnings).

(6) Value of assets to be contributed upon the exercise of the stock acquisition rights

The value of assets to be contributed upon the exercise of the stock acquisition rights shall be the amount calculated by multiplying the amount to be paid per share granted or transferred upon the exercise of the stock acquisition rights (the "Exercise Price") by the Number of Shares Granted.

The Exercise Price shall be 1,554 yen.

In addition, upon the occurrence of any of the following events after the Date of Allotment of the stock acquisition rights, the Exercise Price shall be adjusted as provided in the respective items below.

- i. If the Company splits or consolidates its common shares, the Exercise Price shall be adjusted according to the following calculation formula, and any fractions of less than one yen arising from the adjustment shall be rounded up:

$$\begin{aligned} & \text{Exercise Price after Adjustment} \\ & = \text{Exercise Price before Adjustment} \times (1 / \text{Ratio of the Split or Consolidation}) \end{aligned}$$

- ii. If the Company issues new common shares or disposes its treasury shares of common shares at a price below the market price (other than the issuance of new shares upon the exercise of the stock acquisition rights or the disposal of treasury shares or the transfer of treasury shares upon the exchange of shares), the Exercise Price shall be adjusted according to the following calculation formula, and any fractions of less than one yen arising from the adjustment shall be rounded up:

Exercise Price after Adjustment = Exercise Price before Adjustment x $\frac{\{\{\text{Number of Issued Shares} + [(\text{Number of Shares Newly Issued} \times \text{Amount to be Paid per Share}) / \text{Market Price per Share}]\} / (\text{Number of Shares Issued} + \text{Number of Shares Newly Issued})\}}$

In the formula above, the “Number of Shares Issued” shall be the number of shares calculated by deducting the number of treasury shares from the total number of shares issued, and when disposing of treasury shares, the “Number of Shares Newly Issued” shall be replaced by the “Number of Shares to be Disposed” and the “Amount to be Paid per Share” shall be replaced by the “Amount of Disposition per Share.”

- iii. If the Company conducts a merger, company split, or any other similar corporate procedure that requires an adjustment of the Exercise Price, it shall be adjusted to the necessary and reasonable extent.

(7) Period for the exercise of the stock acquisition rights

The period for the exercise of the stock acquisition rights starts on July 1, 2016, and expires on June 30, 2022.

(8) Conditions for the exercise of the stock acquisition rights

- i. Individuals who receive the stock acquisition rights (the “Rights Holders”) can exercise these rights only if consolidated operating profit in the consolidated statement of income (non-consolidated statement of income if there is no consolidated statement of income) in the Securities Report for any fiscal year ending in March 2016 through March 2021 is either at least the amount in the following items (a) or (b) If this condition is met, the Rights Holders can exercise up to the designated percentage of rights held at any time during the year beginning on the July 1 following the submission of the Securities Report for the fiscal year in which the operating profit requirement of item (a) or (b) was fulfilled.

(a) Consolidated operating profit of at least 27 billion yen

Pct. of rights that can be exercised: 50%

(b) Consolidated operating profit of at least 30 billion yen

Pct. of rights that can be exercised: 100%

- ii. The Rights Holders must be directors, auditors, executive officers or employees of the Company or its subsidiaries when exercising their rights, unless they retire upon the expiration of their term of office or mandatorily, or the Board of Directors determines that there are good and reasonable reasons otherwise.
- iii. Upon the death of Rights Holders, their heirs shall not be entitled to exercise their stock acquisition rights.

(9) Matters regarding the amount of capital and capital reserve to be increased as a result of the issuance of shares upon the exercise of the stock acquisition rights

- i. The amount of capital to be increased as a result of the issuance of shares upon the exercise of the stock acquisition rights shall be half of the maximum amount of increase in capital, etc. to be calculated pursuant to Article 17, Paragraph 1 of the Company Accounting Ordinance, and any fractions of less than one yen arising from the calculation shall be rounded up.
- ii. The amount of capital reserve to be increased as a result of the issuance of shares upon the exercise of the stock acquisition rights shall be the amount calculated by subtracting the amount of increase in capital described in i. above from the maximum amount of increase in capital, etc. described in i. above.

(10) Provisions regarding the acquisition of the stock acquisition rights

- i. If a Rights Holder is no longer able to exercise the stock acquisition rights as prescribed in item (8) or as determined in the Stock Acquisition Rights Allocation Agreement, before the exercise, the Company may acquire the remaining rights without consideration on a date determined by the Board of Directors of the Company.

- ii. The Company may acquire the stock acquisition rights without consideration on a date determined by the Board of Directors of the Company in the event the following proposals (a), (b), (c), (d) and (e) are approved by a resolution of the general meeting of shareholders of the Company (in case resolution of the general meeting of shareholders is not required, by an approval of the Board of Directors of the Company).
 - (a) A proposal for an approval of a merger agreement under which the Company shall be the dissolving company.
 - (b) A proposal for an approval of a company split agreement or a company split plan under which the Company shall be the splitting company.
 - (c) A proposal for an approval of a share exchange agreement or a share transfer plan under which the Company shall be the wholly owned subsidiary.
 - (d) A proposal for an approval of an amendment to the Articles of Incorporation to establish new provisions by which any acquisition by way of transfer of shares to be issued by the Company will be subject to the Company's approval.
 - (e) A proposal for an approval of amendments to the Articles of Incorporation to establish new provisions by which any acquisition by way of transfer of the class of any shares to be issued upon exercise of the stock acquisition rights to be offered will be subject to the Company's approval or the Company may acquire all of the shares in the relevant class (if any) to be issued upon exercise of the stock acquisition rights following the resolution made by the general meeting of shareholders.

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

The acquisition of the stock acquisition rights by transfer shall be subject to the approval of the Board of Directors of the Company.

(12) Treatment of the stock acquisition rights in relation to corporate reorganization

If the Company conducts a merger (only those through which the Company becomes a dissolving company), absorption-type or incorporation-type company split (in either type, only those through which the Company becomes a splitting company), or a share exchange or transfer (in either case, only those through which the Company becomes a wholly owned subsidiary) (hereinafter collectively referred to as the "Corporate Reorganization"), the Company shall grant the stock acquisition rights of the stock company described in Article 236, Paragraph 1, Item 8 (a) to (e) of the Companies Act (hereinafter referred to as the "Restructured Company"), as appropriate, to any Rights Holders who hold the remaining stock acquisition rights (hereinafter referred to as the "Remaining Stock Acquisition Rights") immediately before the date of the implementation of the Corporate Reorganization (the effective date of the absorption-type merger in the case of an absorption-type merger, the date of establishment of the company established by a consolidation-type merger in the case of a consolidation-type merger, the effective date of the absorption-type company split in the case of an absorption-type company split, the date of establishment of the splitting company in the case of an incorporation-type company split, the effective date of the share exchange in the case of a share exchange, or the date of establishment of the wholly-owning parent company upon the share transfer in the case of a share transfer; the same shall apply hereinafter), as appropriate, only to the extent that the absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan provided for the issuance of the stock acquisition rights of the Restructured Company according to the provisions of the respective items below:

- i. Number of stock acquisition rights of the Restructured Company to be issued
The same number as the Remaining Stock Acquisition Rights held by the Rights Holders.
- ii. Class of shares of the Restructured Company underlying the stock acquisition rights of the Restructured Company

Common shares of the Restructured Company.

iii. Number of shares of the Restructured Company underlying the stock acquisition rights of the Restructured Company

Shall be determined in accordance with the provisions of (3) above, taking into consideration the conditions for the Corporate Reorganization and any other related matters.

iv. Value of assets to be contributed upon the exercise of the stock acquisition rights

The value of assets to be contributed upon the exercise of the respective stock acquisition rights issued by the Restructured Company shall be the amount obtained by multiplying the amount paid in after the restructuring, which shall be obtained by adjusting the Exercise Price described in (6) above by the number of shares of the Restructured Company underlying the stock acquisition rights of the Restructured Company, which shall be determined according to iii. above, taking into consideration the conditions for the Corporate Reorganization and any other related matters.

v. Period for the exercise of the stock acquisition rights

The period shall start from either the first date of the period for the exercise of the stock acquisition rights provided in (7) above or the effective date of the Corporate Reorganization, whichever comes later, and expire upon the date of expiration of the period for the exercise of the stock acquisition rights provided in (7) above.

vi. Matters regarding the amount of capital and capital reserve to be increased as a result of the issuance of shares upon the exercise of the stock acquisition rights

Shall be determined in accordance with the provisions of (9) above.

vii. Restriction on the acquisition of the stock acquisition rights by transfer

Acquisition of the stock acquisition rights by transfer shall be subject to approval by a resolution of the Board of Directors of the Restructured Company.

viii. Conditions for the exercise of the stock acquisition rights

Shall be determined in accordance with the provisions of (8) above.

ix. Provisions regarding the acquisition of the stock acquisition rights

Shall be determined in accordance with the provisions of (10) above.

(13) Agreement on fractions of less than one share arising upon the exercise of stock acquisition rights

Any fractions of less than one share included in the shares issued to the Rights Holders who exercise their stock acquisition rights shall be discarded.

(14) Date of allotment of the stock acquisition rights

December 3, 2015

(15) Payment date for the stock acquisition rights

December 11, 2015

(16) Certificates of the stock acquisition rights

The Company does not issue certificates of the stock acquisition rights.