

March 23, 2020

Company name:	SanBio Co., Ltd. (Code: 4592 TSE Mothers)
Name of representative:	Keita Mori, Representative Director and President
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Announcement on Issuance Plans, etc. of Stock Options (Share Acquisition Rights)

SanBio Company Limited (the “**Company**”) hereby announces that by the resolution of Board of Directors dated as of March 23, 2020, the Company decided to submit to the Company’s 7th annual general meeting of shareholders, to be held on April 28, 2020, a proposal for approval of the plan to issue stock options to the employees of the Company and the Company’s subsidiary (including an employee who also serves as a Director of the Company) as follows.

1. Reasons for Proposal

In order to motivate and improve the morale of the employees of the Company and of the Company’s subsidiary (including an employee who also serves as a Director of the Company) to improve business performance as well as to secure talented human resources and to contribute to the mid- to long-term enhancement of corporate value of the Company group as a whole, the Company would like to issue employees of the Company and of the Company’s subsidiary share acquisition rights as stock options.

When issuing those share acquisition rights, the Company, in accordance with the provisions of Articles 238 and 240 of the Companies Act, determines by a resolution of the Board of Directors the terms and conditions of the share acquisition rights; however, in light of the fact that in issuing share acquisition rights to U.S. resident employees of the Company’s subsidiary, SanBio, Inc., which is located in California in the U.S., it may be necessary to set out the details of the plan to issue share acquisition rights by a resolution of a general meeting of shareholders under the U.S. law, the Company has decided to submit a proposal to the Company’s 7th annual general meeting of shareholders, to be held on April 28, 2020, for the approval of (i) the SanBio Company Limited 2020-2022 Incentive Stock Option Plan detailed in 2. below (the “**2019 Incentive Plan**”) and (ii) the SanBio Company Limited 2020 – 2022 Stock Option Plan For Employees detailed in 3. below (the “**2020 Plan**”) which constitute the details of such plans to issue share acquisition rights.

The aim of the share acquisition rights to be issued under the 2020 Incentive Plan is to have employees (including an employee who also serves as a Director of the Company) earn a profit equivalent to the amount of increase in the Company’s share price after the allotment date by setting the exercise price for those share acquisition rights at a price that is not less than the fair price for those shares as of the allotment date of the share acquisition rights (refer to 2.(5) below), and the aim of the share acquisition rights under the 2020 Plan is to grant employees substantial stock-based remuneration by setting the exercise price of those share acquisition rights at 1 Japanese yen (refer to 3.(5) below). The Company believes that by issuing both of these stock options, it will be possible to utilize stock options as a means of securing talented human resources as well as to motivate and improve the morale of employees from various directions with a view towards enhancing corporate value for the Company group as a whole over the mid- to long-term.

An employee who also serves as a Director of the Company is expected to be included in the employees of the Company and the Company’s subsidiary subject to the 2020 Incentive Plan, and the

Company has decided to submit to the Company's 7th annual general meeting of shareholders, a proposal for approval of remuneration, etc. for Directors as for grant of stock options to such employee also serving as a Director of the Company. This proposal seeks approval (i) to issue share acquisition rights to a Director of the Company as stock options with the maximum value of such share acquisition rights to be 100,000,000 Japanese yen; and (ii) for such share acquisition rights to be issued to a Director as part of the 2020 Incentive Plan, with the maximum number of such share acquisition rights to be issued to a Director to be 35,000 rights (the shares subject to those share acquisition rights are 35,000 shares of the Company's common stock).

Although the maximum number of shares subject to the share acquisition rights to be issued under the 2020 Incentive Plan is 66,000 shares of the Company's common stock (equivalent to approximately 0.1% of the total number of shares issued as of the last day of the previous business year, January 31, 2020) and the maximum number of shares subject to the share acquisition rights to be issued under the 2020 Plan is 97,400 shares of the Company's common stock (equivalent to approximately 0.2% of the total number of shares issued as of the last day of the previous business year, January 31, 2020), since the total number of shares subject to the share acquisition rights to be acquired and cancelled as described in the press release titled "Announcement on Acquisition and Cancellation of Stock Options (Share Acquisition Rights)" dated as of March 16, 2020 is 6,449 shares (equivalent to approximately 0.01% of the total number of shares issued as of the last day of the previous business year, January 31, 2020), and the purpose of both plans are, as described above, to motivate and improve the morale of the employees of the Company and of the Company's subsidiary to improve business performance as well as to secure talented human resources and to contribute to the mid- to long-term enhancement of corporate value of the Company group as a whole, the Company believes that this is an appropriate scale.

2. Details of the 2020 Incentive Plan

(1) Share Acquisition Rights to be Granted under the 2020 Incentive Plan

Share acquisition rights issued by the Company (referred to as the "**Share Acquisition Rights**" hereinafter in this section 2). Share Acquisition Rights may be granted as incentive stock options (referred to as "**ISOs**" hereinafter in this section 2) within the meaning of Section 422 of the U.S. Internal Revenue Code (the "**Code**") or Share Acquisition Rights that do not qualify as ISOs.

(2) Persons to be Granted the Share Acquisition Rights

Employees of the Company and its subsidiaries within the meaning of Code Section 424(f)

Note: The employees described above include an employee who also serves as a Director of the Company.

(3) Type and Total Number of Shares Subject to Share Acquisition Rights

Up to 66,000 shares of common stock in the Company (equivalent to approximately 0.1% of the total number of shares issued as of the last day of the previous business year, January 31, 2020)

If any Share Acquisition Rights expire or become unexercisable without having been exercised in full, the unpurchased shares which were subject thereto (the "**Recycled Shares**") will become available for future grant or sale under the 2020 Incentive Plan (unless the 2020 Incentive Plan has terminated, and subject to the limitations under section (9) below).

In the event of stock split, stock consolidation, stock dividend, recapitalization, combination, reclassification, or other distribution of the Company's equity securities without the receipt of consideration by the Company, of or on the Company's common stock, then in accordance with Code Section 424 and, for any Share Acquisition Rights with respect to a California employee, Section 260.140.41 of the California Code of Regulations, the number of shares that are subject to the Share Acquisition Rights will be proportionately adjusted using the following formula; provided, however, that such adjustment shall only apply to the shares that are subject to the Share Acquisition Rights with respect to which the exercise thereof has not yet become effective

at the time of such stock split, stock consolidation or other applicable transaction. Any fraction of a share resulting from such adjustment shall be rounded down to the nearest whole share.

Number of shares after adjustment

= (Number of shares before adjustment) x (ratio of stock split or stock consolidation, etc.)

In addition to the foregoing, in the event of allotment of shares without contribution or any other corporate action that would change in the number of issued shares of stock (excluding the number of treasury shares held by the Company) effected without receipt of consideration by the Company, the Company shall adjust the number of shares to be acquired upon exercise as appropriate within a reasonable range taking into consideration the terms of such allotment of shares without contribution or such other corporate action, in each case in accordance with Code Section 424 and, for any Share Acquisition Rights with respect to a California employee, Section 260.140.41 of the California Code of Regulations.

(4) Amount Payable per Share Acquisition Right Upon Grant

No payment of money is needed.

(5) Outline of Description and Value of the Asset to be Contributed upon Exercise of Share Acquisition Rights

The asset to be contributed to the Company upon exercise of Share Acquisition Rights will be cash.

The value of the asset to be contributed in consideration for one (1) share of common stock of the Company upon exercise of the Share Acquisition Right (referred to as the “**Exercise Price**” hereinafter in this section 2) shall be not less than the fair market value of such share on the grant date of the Share Acquisition Rights.

In the event of stock split, stock consolidation, stock dividend, recapitalization, combination, reclassification, or other distribution of the Company’s equity securities without the receipt of consideration by the Company, of or on the Company’s common stock, then in accordance with Code Section 424 and, for any Share Acquisition Rights with respect to a California employee, Section 260.140.41 of the California Code of Regulations, the Exercise Price will be adjusted using the following formula; provided, however, that such adjustment shall only apply to the Exercise Price of the Share Acquisition Rights that have not been exercised at the time of such stock split, stock consolidation or other applicable transaction. Any fraction resulting from such adjustment shall be rounded up to the nearest whole yen.

$$\begin{array}{lcl} \text{Exercise Price after} & & \text{Exercise Price before adjustment} \\ \text{adjustment} & = & \hline & & \text{Ratio of stock split or stock} \\ & & \text{consolidation, etc.} \end{array}$$

In addition to the foregoing, in the event of allotment of shares without contribution or any other corporate action that would change in the number of issued shares of stock (excluding the number of treasury shares held by the Company) effected without receipt of consideration by the Company, the Company shall adjust the Exercise Price as appropriate within a reasonable range taking into consideration the terms of such allotment of shares without contribution or such other corporate action, in each case in accordance with Code Section 424 and, for any Share Acquisition Rights with respect to a California employee, Section 260.140.41 of the California Code of Regulations.

(6) Term of Share Acquisition Rights

Any Share Acquisition Rights under the 2020 Incentive Plan must have a term not longer than ten (10) years from the date of grant.

(7) Non-transferability of Share Acquisition Rights

Unless determined otherwise by the board of directors of the Company, Share Acquisition Rights with respect to a California employee may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the employee who was granted the Share Acquisition Rights, only by the employee who was granted the Share Acquisition Rights. If the board of directors of the Company makes any Share Acquisition Rights transferrable, such Share Acquisition Rights may be transferred only (i) by will, (ii) by the laws of descent and distribution, or (iii) as permitted by Rule 701 of the U.S. Securities Act of 1933, as amended (referred to as the “**Securities Act**” hereinafter in this section 2). Further, until the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (referred to as the “**Exchange Act**” hereinafter in this section 2), or after the board of directors of the Company determines that it is, will, or may no longer be relying upon the exemption from registration under the Exchange Act as set forth in Rule 12h-1(f) promulgated under the Exchange Act (referred to as the “**Rule 12h-1(f) Exemption**” hereinafter in this section 2), the Share Acquisition Rights, or prior to exercise, the shares subject to the Share Acquisition Rights, may not be pledged, hypothecated or otherwise transferred or disposed of, in any manner, including by entering into any short position, any “put equivalent position” or any “call equivalent position” (as defined in Rule 16a-1(h) and Rule 16a-1(b) of the Exchange Act, respectively), other than to (i) persons who are “family members” (as defined in Rule 701(c)(3) of the Securities Act) through gifts or domestic relations orders, or (ii) to an executor or guardian of the Participant upon the death or disability of the Participant, in each case, to the extent required for continued reliance on the Rule 12h-1(f) Exemption. Notwithstanding the foregoing sentence, the board of directors of the Company, in its sole discretion, may determine to permit transfers to the Company or in connection with a change in control of the Company or other acquisition transactions involving the Company to the extent permitted by Rule 12h-1(f) or, if the Company is not relying on the Rule 12h-1(f) Exemption, to the extent permitted by the 2020 Incentive Plan.

(8) Exercisability of Share Acquisition Rights

With respect to a California employee, the right to exercise a Share Acquisition Right, to the extent that the holder of the Share Acquisition Right is entitled to exercise on the date his or her employment with the Company or its subsidiaries terminates, will remain exercisable until the earliest of:

- (i) six (6) months following the date of termination if termination was caused by death or disability or such longer period of time as is specified in the terms and conditions or warrant agreement governing the Share Acquisition Right;
- (ii) thirty (30) days following the date of termination if termination was caused by other than death or disability or such longer period of time as is specified in the terms and conditions or warrant agreement governing the Share Acquisition Right; or
- (iii) The maximum term to expiration of the Share Acquisition Right.

(9) Term of the 2020 Incentive Plan

Any Share Acquisition Rights under the 2020 Incentive Plan must be granted within three (3) years from the earlier of (a) the date of adoption of the 2020 Incentive Plan by the Company’s board of directors or (b) the date that the 2020 Incentive Plan is approved by the Company’s shareholders; provided, however, that any Share Acquisition Rights granted under the 2020 Incentive Plan that cover solely Recycled Shares may be granted after such date, but in all cases, must be granted within ten (10) years from the earlier of (i) the date of adoption of the 2020 Incentive Plan by the Company’s board of directors or (ii) the date that the 2020 Incentive Plan is approved by the Company’s shareholders.

(10) Information to 2020 Incentive Plan Participants

Beginning on the earlier of (i) the date that the aggregate number of participants under this 2020 Incentive Plan is five hundred (500) or more and the Company is relying on the Rule 12h-1(f) Exemption, and (ii) the date that the Company is required to deliver information to participants pursuant to Rule 701 under the Securities Act, and until such time as the Company becomes

subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, no longer is relying on the Rule 12h-1(f) Exemption or no longer is required to deliver information to participants in the 2020 Incentive Plan pursuant to Rule 701 under the Securities Act, the Company shall provide to each participant in the 2020 Incentive Plan the information described in paragraphs (e)(3), (4), and (5) of Rule 701 under the Securities Act not less frequently than every six (6) months with the financial statements being not more than 180 days old and with such information provided either by physical or electronic delivery to the participants in the 2020 Incentive Plan.

(11) Shareholder Approval of the 2020 Incentive Plan

The 2020 Incentive Plan must be approved by a majority of the outstanding securities of the Company entitled to vote, no later than twelve (12) months after the date the 2020 Incentive Plan is adopted by the Company's board of directors.

(12) Other Terms and Conditions

The Company can set the other terms and conditions for each issuance of the Share Acquisition Rights under the 2020 Incentive Plan pursuant to the Companies Act of Japan and the articles of incorporation of the Company.

3. Details of the 2020 Plan

(1) Share Acquisition Rights to be Granted under the SanBio Company Limited 2020-2022 Stock Option Plan for Employees (referred to as the **"2020 Plan"** hereinafter in this section 3.)

Share acquisition rights issued by SanBio Company Limited (the **"Share Acquisition Rights"**).

(2) Persons to be Granted the Share Acquisition Rights

Employees of SanBio Company Limited (the **"Company"**) and its subsidiaries within the meaning of the U.S. Internal Revenue Code (the **"Code"**) Section 424(f)

(3) Type and Total Number of Shares Subject to Share Acquisition Rights

Up to 97,400 shares of common stock in the Company (equivalent to approximately 0.2% of the total number of shares issued as of the last day of the previous business year, January 31, 2020)

If any Share Acquisition Rights expire or become unexercisable without having been exercised in full, the unpurchased shares which were subject thereto will become available for future grant or sale under the 2020 Plan (unless the 2020 Plan has terminated).

In the event of stock split, stock consolidation, stock dividend, recapitalization, combination, reclassification, or other distribution of the Company's equity securities without the receipt of consideration by the Company, of or on the Company's common stock, then in accordance with Code Sections 424 and 409A and, for any Share Acquisition Rights with respect to a California employee, Section 260.140.41 of the California Code of Regulations, the number of shares that are subject to the Share Acquisition Rights will be proportionately adjusted using the following formula; provided, however, that such adjustment shall only apply to the shares that are subject to

the Share Acquisition Rights with respect to which the exercise thereof has not yet become effective at the time of such stock split, stock consolidation or other applicable transaction. Any fraction of a share resulting from such adjustment shall be rounded down to the nearest whole share.

Number of shares after adjustment

= (Number of shares before adjustment) x (ratio of stock split or stock consolidation, etc.)

In addition to the foregoing, in the event of allotment of shares without contribution or any other corporate action that would change in the number of issued shares of stock (excluding the number of treasury shares held by the Company) effected without receipt of consideration by the Company, the Company shall adjust the number of shares to be acquired upon exercise as appropriate within a reasonable range taking into consideration the terms of such allotment of shares without contribution or such other corporate action, in each case in accordance with Code Sections 424 and 409A and, for any Share Acquisition Rights with respect to a California employee, Section 260.140.41 of the California Code of Regulations.

(4) Amount Payable per Share Acquisition Right Upon Grant

No payment of money is needed.

(5) Outline of Description and Value of the Asset to be Contributed upon Exercise of Share Acquisition Rights

The asset to be contributed to the Company upon exercise of Share Acquisition Rights will be cash.

The value of the asset to be contributed in consideration for one (1) share of common stock of the Company underlying the Share Acquisition Right upon exercise of such Share Acquisition Right shall be one (1) Japanese yen.

(6) Term of Share Acquisition Rights

Any Share Acquisition Rights under the 2020 Plan must have a term not longer than ten (10) years from the date of grant.

(7) Non-transferability of Share Acquisition Rights

Unless determined otherwise by the board of directors of the Company, Share Acquisition Rights with respect to a California employee may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the employee who was granted the Share Acquisition Rights, only by the employee who was granted the Share Acquisition Rights. If the

board of directors of the Company makes any Share Acquisition Rights transferrable, such Share Acquisition Rights may be transferred only (i) by will, (ii) by the laws of descent and distribution, or (iii) as permitted by Rule 701 of the U.S. Securities Act of 1933, as amended (referred to as the “**Securities Act**” hereinafter in this section 3.). Further, until the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (referred to as the “**Exchange Act**” hereinafter in this section 3.), or after the board of directors of the Company determines that it is, will, or may no longer be relying upon the exemption from registration under the Exchange Act as set forth in Rule 12h-1(f) promulgated under the Exchange Act (referred to as the “**Rule 12h-1(f) Exemption**” hereinafter in this section 3.), the Share Acquisition Rights, or prior to exercise, the shares subject to the Share Acquisition Rights, may not be pledged, hypothecated or otherwise transferred or disposed of, in any manner, including by entering into any short position, any “put equivalent position” or any “call equivalent position” (as defined in Rule 16a-1(h) and Rule 16a-1(b) of the Exchange Act, respectively), other than to (i) persons who are “family members” (as defined in Rule 701(c)(3) of the Securities Act) through gifts or domestic relations orders, or (ii) to an executor or guardian of the Participant upon the death or disability of the Participant, in each case, to the extent required for continued reliance on the Rule 12h-1(f) Exemption. Notwithstanding the foregoing sentence, the board of directors of the Company, in its sole discretion, may determine to permit transfers to the Company or in connection with a change in control of the Company or other acquisition transactions involving the Company to the extent permitted by Rule 12h-1(f) or, if the Company is not relying on the Rule 12h-1(f) Exemption, to the extent permitted by the 2020 Plan.

(8) Exercisability of Share Acquisition Rights

With respect to a California employee, the right to exercise a Share Acquisition Right, to the extent that the holder of the Share Acquisition Right is vested in his or her Share Acquisition Right on the date his or her employment with the Company or its subsidiaries terminates, will remain exercisable during the exercise period of the Share Acquisition Right specified in the warrant agreement governing the Share Acquisition Right (such period, the “**Exercise Period**”) from the first day of the Exercise Period until the earliest of:

- (i) six (6) months following the later of (A) the first day of the Exercise Period, and (B) the date of termination if termination was caused by death or disability or such longer period of time as is specified in the terms and conditions or warrant agreement governing the Share Acquisition Right;
- (ii) thirty (30) days following the later of (A) the first day of the Exercise Period, and (B) the date of termination if termination was caused by other than death or disability or such longer period of time as is specified in the terms and conditions or warrant agreement governing the Share Acquisition Right; or
- (iii) The maximum term to expiration of the Share Acquisition Right.

(9) Term of the 2020 Plan

Any Share Acquisition Rights under the 2020 Plan must be granted within three (3) years from the earlier of (a) the date of adoption of the 2020 Plan by the Company's board of directors or (b) the date that the 2020 Plan is approved by the Company's shareholders.

(10) Information to 2020 Plan Participants

Beginning on the earlier of (i) the date that the aggregate number of participants under this 2020 Plan is five hundred (500) or more and the Company is relying on the Rule 12h-1(f) Exemption, and (ii) the date that the Company is required to deliver information to participants pursuant to Rule 701 under the Securities Act, and until such time as the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, no longer is relying on the Rule 12h-1(f) Exemption or no longer is required to deliver information to participants in the 2020 Plan pursuant to Rule 701 under the Securities Act, the Company shall provide to each participant in the 2020 Plan the information described in paragraphs (e)(3), (4), and (5) of Rule 701 under the Securities Act not less frequently than every six (6) months with the financial statements being not more than 180 days old and with such information provided either by physical or electronic delivery to the participants in the 2020 Plan.

(11) Shareholder Approval of the 2020 Plan

The 2020 Plan must be approved by a majority of the outstanding securities of the Company entitled to vote, no later than twelve (12) months after the date the 2020 Plan is adopted by the Company's board of directors.

(12) Other Terms and Conditions

The Company can set the other terms and conditions for each issuance of the Share Acquisition Rights under the 2020 Plan pursuant to the Companies Act of Japan and the articles of incorporation of the Company.