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For Immediate Release

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Notice of Introduction of Restricted Stock Compensation Plan

NICHIIGAKKAN CO., LTD. (“Nichii” or the “Company”) hereby announces that at a meeting of its Board of Directors held today, the directors of the Company have resolved to introduce a restricted stock compensation plan (hereinafter the “Compensation Plan”) and make a proposal related to the Compensation Plan to the 46th annual meeting of shareholders (hereinafter the “Shareholders’ Meeting”) to be held on June 26, 2018. Details are as follows.

1. Purpose, etc. of introducing the Compensation Plan

(1) Purpose of introducing the Compensation Plan

The Compensation Plan will be introduced for the purpose of providing the directors of the Company, excluding outside directors (hereinafter “Eligible Directors”), with an appropriate incentive to sustainably enhance the corporate value of the Company and achieve the medium-term management plan and further promoting the sharing of value with shareholders.

*See “Notice of Formulation of Medium-Term Management Plan VISION 2025” published on May 11, 2018.

(2) Conditions for introducing the Compensation Plan

In the Compensation Plan, we will issue monetary claims to grant restricted shares to the Eligible Directors as compensation, and the introduction of the Compensation Plan will therefore be subject to gaining the approval of shareholders at the Shareholders’ Meeting regarding providing them with the compensation.

It was approved at the extraordinary meeting of shareholders held on January 20, 1992 that the annual amount of compensation for the directors of the Company would be 200 million yen or less (including directors’ bonuses and excluding salaries paid to the directors concurrently serving as an employee as their compensation as an employee) and at the 43rd annual meeting of shareholders held on June 25, 2015 that the annual number of subscription rights to shares to be issued as a stock-based compensation stock option to directors other than outside directors would be 45,000 or less. At the Shareholders’ Meeting, however, we will ask for the approval of shareholders regarding the termination of the stock-based compensation stock option in fiscal 2024 and the new introduction of the Compensation Plan to establish a separate compensation program under the Compensation Plan for the Eligible Directors of the Company only for seven years from fiscal 2018 to fiscal 2024.

2. Overview of the Compensation Plan

In the Compensation Plan, the restricted shares will consist of “tenure-based restricted shares,” which require continuous service for a certain period as the director of the Company or its subsidiary, and “performance target committed-restricted shares,” which require the achievement of performance targets set by the Board of Directors of the Company, such as operating income, on top of the aforementioned continuous service to lift the restriction of transfer. The Eligible Directors will pay all the monetary claims that will be granted by the Company based on the Compensation Plan as properties contributed in kind and receive the issuance or disposition of common shares of the Company.

As an amount deemed reasonable in light of the purpose of the Compensation Plan, monetary claims totaling 1,320,000 thousand yen a year as the upper limit per year for the tenure-based restricted shares and the performance target committed-restricted shares (however, salaries paid to the directors concurrently serving as an employee as their compensation as an employee are not included) will be granted to the Eligible Directors under the Compensation Plan and set up separately from the compensations above. The monetary claims will be granted only for seven years from the date of the resolution at the Shareholders’ Meeting. The specific time of granting and allocation to each Eligible Director will be determined by the Board of Directors.

The total number of common shares to be newly issued or disposed of under the Compensation Plan will be 132,000 or less per year in total for the tenure-based restricted shares and the performance target committed-restricted shares (however, if a share split (including the allotment of common shares of the Company without contribution) or a consolidation of shares of the Company’s common stock is conducted, with a day after the date of resolution at the Shareholders’ Meeting as the effective date, the total number will be adjusted within a reasonable range as required according to the ratio of the split and the ratio of consolidation, etc. after the effective date.), and they will be issued or disposed of only for seven years from the date of the resolution at the Shareholders’ Meeting. The amount to be paid per share will be the closing price of the Company’s common shares on the First Section of the Tokyo Stock Exchange on a business day before the date of the Company’s Board of Directors’ meeting in which the issuance or disposition of the Company’s common shares was resolved (or the closing price on the transaction day immediately prior thereto if no transaction is made on such business day).

The issuance or disposition of the Company’s common shares under the Compensation Plan will be subject to the conclusion of an agreement to restrict transfer that contains the following contents, among others, between the Company and the Eligible Directors to whom the restricted stock compensation will be granted: (1) The Eligible Directors shall not transfer, create a security interest on, or otherwise dispose of the allotted shares during a certain restriction period; and (2) The Company shall acquire the allotted shares free of charge if certain events occur. The allotted shares will be managed in a dedicated account to be opened by the Eligible Directors at Nomura Securities Co., Ltd. during the restriction period so that they will be unable to transfer, create a security interest on or otherwise dispose of the allotted shares during the restriction period.

In the Compensation Plan, subject to approval by the Board of Directors, the Company plans to grant a restricted stock compensation similar to that for the Eligible Directors to the directors of its wholly owned subsidiaries in Japan and executive officers of the Company who do not concurrently serve as directors, in addition to the Eligible Directors, and newly issue or dispose of its common shares.