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NIHON KOHDEN CORPORATION (6849)

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Announcement of Introduction of Restricted Stock Remuneration Plan

Nihon Kohden announced that it has decided to submit a proposal for introduction of a Restricted Stock Remuneration Plan (“Plan”) at the 69th Ordinary General Meeting of Shareholders to be held on June 25, 2020 for voting, following a meeting of the Board of Directors held today, which reviewed the Company’s executive remuneration plan and resolved to introduce the Plan.

1. Purpose and Conditions for Introduction of the Plan

(1) Purpose of Introduction of the Plan

The Company will introduce the Plan as a remuneration plan that allots stock with transfer restrictions (“Restricted Stock”) in order to provide incentives for Directors (excluding Directors serving as Audit & Supervisory Committee Members and Outside Directors; “Eligible Directors”) to continuously improve the Company’s corporate value, as well as to facilitate their sense of sharing value with shareholders.

(2) Conditions for Introduction of the Plan

Because monetary compensation receivables are paid as remuneration to Eligible Directors in order to allot shares under the Plan, the introduction of the Plan shall be subject to the approval of the Ordinary General Meeting of Shareholders with regard to the provision of such remuneration. It was previously approved at the Company’s 65th Ordinary General Meeting of Shareholders held on June 28, 2016 that the total amount of remuneration to Directors (excluding Directors serving as Audit & Supervisory Committee Members) be limited to within 400 million yen per year (including the maximum amount of Remuneration to Outside Directors, 30 million yen per year), not including the total amount of the Directors’ salaries as employees of the Company. In addition to the above Director’s remuneration, the Company plans to propose that the maximum amount of the monetary remuneration claims in respect of which Restricted Stock may be issued be set at 100 million yen per year, which the Company believes is reasonable in light of the purposes described above.

2. Overview of the Plan

(1) Allotment and Payment of Restricted Stock

The Company will grant monetary compensation receivables within the above annual limit as remuneration related to Restricted Stock to Eligible Directors based on a resolution of the Board of Directors of the Company. Each Eligible Director will receive Restricted Stock by making an in-kind contribution of all monetary compensation receivables.

The payment amount for Restricted Stock will be determined by the Board of Directors of the Company, based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day prior to the day when the Board of Directors of the Company makes a resolution related to the issuance or disposal of Restricted Stock (in case no trade is concluded on that day, the closing price on the most recent trading day before that), within a range such that the amount is not particularly advantageous to Eligible Directors who receive Restricted Stock.

The above monetary compensation receivables will be granted to Eligible Directors on the condition that they agree to the above in-kind contribution and that they have concluded with the Company an agreement on allotting Restricted Stock containing the terms stipulated in (3) below.

(2) Total Number of Shares of Restricted Stock

The maximum number of shares of Restricted Stock to be allotted to Eligible Directors will be 160,000 shares per fiscal year.

However, if a share split of the Company's common stock (including allotment of the Company's common stock without contribution), a share consolidation of the Company's common stock, or any other event occurs that requires an adjustment of the total number of shares of Restricted Stock to be allotted to Eligible Directors after the day of the resolution of this proposal, the Company may reasonably adjust the total number of Restricted Stock.

(3) Details of the Agreement on Allotting Restricted Stock

The agreement on allotting Restricted Stock to be concluded between the Company and Eligible Directors who receive an allotment of Restricted Stock based on a resolution of the Board of Directors of the Company shall contain the following terms.

(a) Details of the restriction on the transfer of shares

Eligible Directors to whom Restricted Stock is allotted may not transfer to a third-party, create a pledge or mortgage by transfer on, make an advancement, make a bequest, or otherwise dispose of Restricted Stock allotted to them ("Allotted Stock") during the period from the grant date of the Restricted Stock to the date when the Eligible Director retires from the position of Director or Operating Officer of the Company ("Transfer Restriction Period").

(b) Acquisition of Restricted Stock without compensation

If an Eligible Director who receives an allotment of Restricted Stock retires from both the position of Director and Operating Officer of the Company before the day of the first Ordinary General Meeting of Shareholders after the start of the Transfer Restriction Period, all of his or her Allotted

Stock will automatically be acquired by the Company without consideration except in the case that the Board of Directors of the Company deems that the reason for the resignation is valid.

The Company will automatically acquire all Allotted Stock without consideration if the restriction on transfer of the Allotted Stock has not been lifted at the expiration of the Transfer Restriction Period in (a) above based on the terms provided in (c) “Lifting of transfer restriction” below.

(c) Lifting of transfer restriction

On the condition that an Eligible Director to whom the Restricted Stocks were allotted has continuously held the position of Director or Operating Officer of the Company for the period commencing on the first date of the Transfer Restriction Period and ending on the date of the next Ordinary General Meeting of Shareholders to be held immediately following such first date, the transfer restriction on all of his or her Allotted Stock will be lifted by the Company when the Transfer Restriction Period expires.

However, even when an Eligible Director retires from both the position of Director and Operating Officer of the Company before the date of the next Ordinary General Meeting of Shareholders after the first date of the Transfer Restriction Period, if the Eligible director retires for reasons deemed valid by the Board of Directors of the Company, the transfer restriction may nevertheless be lifted, with the number of shares of Allotted Stock for which the transfer restriction will be lifted and the timing of the lifting of the transfer restriction to be reasonably adjusted as necessary.

(d) Treatment in the event of reorganization

During the Transfer Restriction Period, if proposals relating to a merger agreement in which the Company is the dissolving company, share exchange agreement or share transfer plan in which the Company becomes a wholly-owned subsidiary, or other reorganization, are approved at a General Meeting of Shareholders of the Company (or if approval at a General Meeting of Shareholders of the Company is not required in relation to the reorganization in question, approval by the Board of Directors of the Company), and if an Eligible Director whom the Restricted Stocks were allotted retires from both the position of Director and Operating Officer of the Company due to reorganization, the Company will lift the transfer restriction prior to the date on which the reorganization becomes effective for the number of shares of Allotted Stock that is reasonably calculated on the basis of the period from the beginning of the Transfer Restriction Period to the date of the approval of the reorganization, provided the effective date of the reorganization comes before the expiry of the Transfer Restriction Period.

At the time when the reorganization is approved, the Company will automatically acquire without compensation Allotted Stock on which the transfer restriction is not lifted, as of the day immediately preceding the effective date of the reorganization.

(Reference information)

The Company will allot stock with transfer restrictions which shall be equivalent to Restricted Stock described above to Operating Officers of the Company after the end of the 69th Ordinary General Meeting of Shareholders.