

1. This document is an English translation of the official Japanese text of “Notice Regarding Introduction of Stock Benefit Trust (J-ESOP) and Stock Benefit Trust (Employee Shareholding Association Purchase-type)”.
2. In the event of any discrepancies between this translation and the Japanese original, the original shall prevail.

August 6, 2019

Junya Suzuki

Chairman of the Board, President and CEO

Nissha Co., Ltd.

Exchanges Listed: Tokyo Stock Exchanges, First Section 7915

Contact: Hayato Nishihara

Senior Executive Vice President, CFO, Director of the Board

T +81 75 811 8111

## **Notice Regarding Introduction of Stock Benefit Trust (J-ESOP) and Stock Benefit Trust (Employee Shareholding Association Purchase-type)**

Nissha Co., Ltd. (hereinafter, the “Company”) hereby announces that its Board of Directors approved a resolution at a meeting held today to introduce a “Stock Benefit Trust (J-ESOP)” and a “Stock Benefit Trust (Employee Shareholding Association Purchase-type)” (hereinafter, collectively, the “Plan”) for the purpose of providing an incentive for the improvement of the Company’s corporate value in the medium-term and advancing benefits for its employees.

### **1. Purpose for Introducing the Plan**

The Company conducted an examination of a ESOP (Employee Stock Ownership Plan), an employee compensation plan that is common in the United States as a part of employee incentive plans, from the point of view of fostering a sense of belonging for employees and raising their awareness of the Company’s share price and the like, and recently decided to introduce the Plan.

The introduction of the Plan is expected to contribute to an increase in employee interests in the improvement of the share price and business performance and to greater ambition in employee work efforts.

## 2. Overview of the Plan

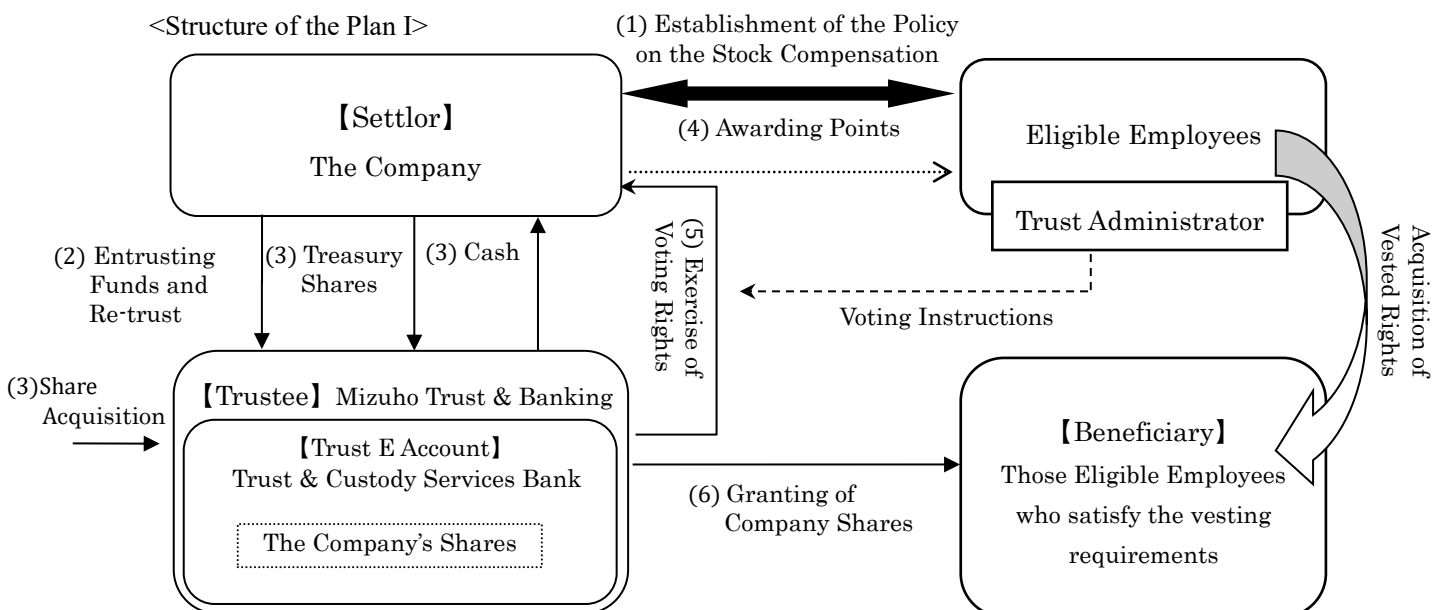
### (1) Overview of the Stock Benefit Trust (J-ESOP)

The Stock Benefit Trust (J-ESOP) (hereinafter, the “Plan I”) is an incentive plan that grants the Company’s shares to employees of the Company and a portion of its subsidiary companies (hereinafter, “Eligible Employees”) who satisfy the set requirements pursuant to the Policy on the Stock Compensation prescribed in advance by the Company.

With the introduction of the Plan I, the Company, as the settlor, will enter into a Stock Benefit Trust (J-ESOP) Agreement (hereinafter, “Trust Agreement I”; and the trust established pursuant to Trust Agreement I is referred to as “Trust I”) with the trustee, Mizuho Trust & Banking Co., Ltd. Additionally, Mizuho Trust & Banking Co., Ltd. will enter into a re-trust agreement with Trust & Custody Services Bank, Ltd. regarding the management of securities and other trust assets by Trust & Custody Services Bank, Ltd. as the sub-trustee.

The Company will award points to Eligible Employees based on their individual degree of contribution and the like, and will grant the Company’s shares equivalent to the awarded points when set terms and conditions are met and vested rights are granted. The shares granted to Eligible Employees, including future shares, will be acquired using cash funds contributed in advance to the trust E account (hereinafter, the “Trust E Account”) established at Trust & Custody Services Bank, Ltd., and will be managed separately as trust assets.

Furthermore, the timing of establishment, the amount, the method of acquisition and other details of Trust I will be appropriately disclosed as soon as they are established.



- (1) The Company will establish the Policy on the Stock Compensation in the introduction of the Plan I.
- (2) The Company will contribute cash to the trustee (Mizuho Trust & Banking) and will establish a third-party benefit trust to facilitate the advance acquisition of the shares to be awarded to Eligible Employees in the future pursuant to the Policy on the Stock Compensation. The trustee (Mizuho Trust & Banking) will re-trust the contributed cash to the Trust E Account.
- (3) The Trust E Account will use these funds to acquire the Company's shares via the stock market or by subscription to the disposition of the Company's treasury shares.
- (4) The Company will award points to Eligible Employees pursuant to the Policy on the Stock Compensation.
- (5) The Trust I will exercise the voting rights for the Company's shares held in the Trust E Account in accordance with the voting instructions from the trust administrator.
- (6) The Trust I will grant the Company's shares to those Eligible Employees who satisfy the vesting requirements set forth in the Policy on the Stock Compensation (hereinafter, the "Beneficiary") in the number of shares equivalent to the points awarded to the corresponding Beneficiary.

## **(2) Overview of the Stock Benefit Trust (Employee Shareholding Association Purchase-type)**

The Stock Benefit Trust (Employee Shareholding Association Purchase-type) (hereinafter, "Plan II") is an incentive plan that returns the merits from price increases in the Company's shares to all employees enrolled in the NISSHA Employee Shareholding Association (hereinafter, the "Shareholding Association").

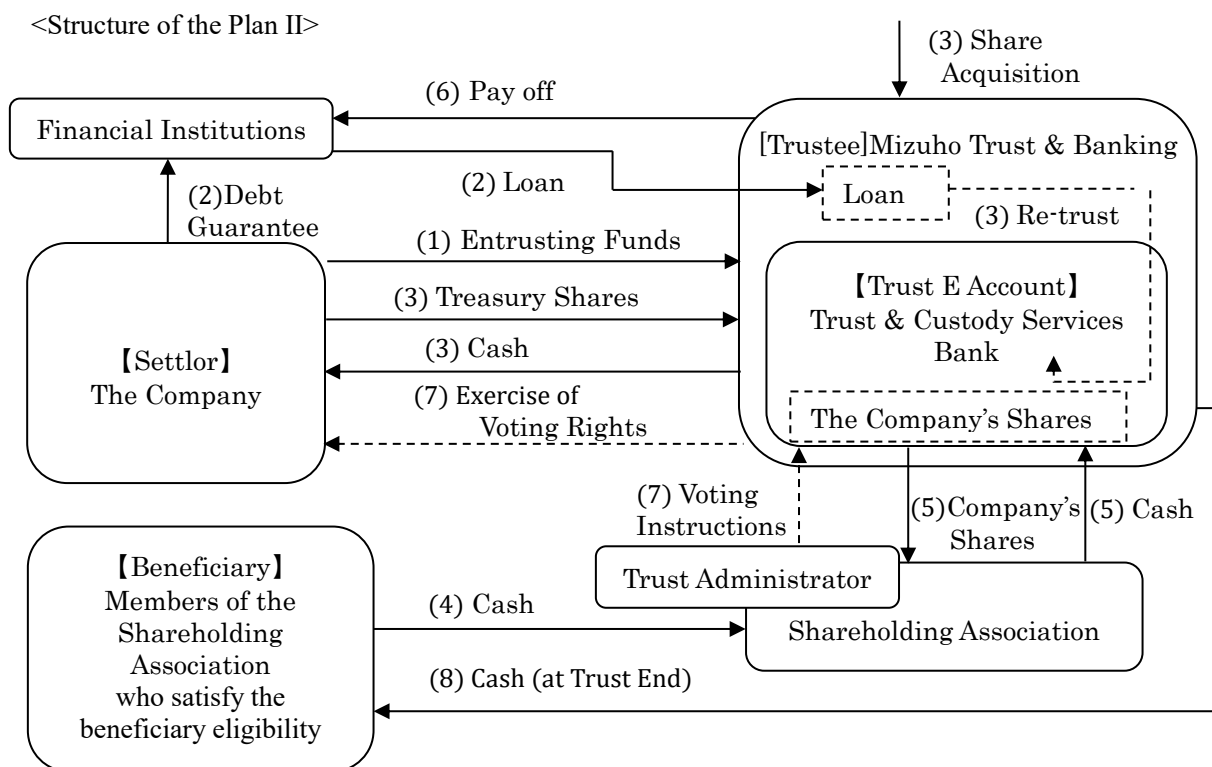
With the introduction of Plan II, the Company, as the settlor, will enter into a Stock Benefit Trust (Employee Shareholding Association Purchase-type) Agreement (hereinafter, "Trust Agreement II"; and the trust established pursuant to Trust Agreement II is referred to as "Trust II") with the trustee, Mizuho Trust & Banking Co., Ltd. Additionally, Mizuho Trust & Banking Co., Ltd. will enter into a re-trust agreement with Trust & Custody Services Bank, Ltd. regarding the management of securities and other trust assets by Trust & Custody Services Bank, Ltd. as the sub-trustee.

Trust & Custody Services Bank, Ltd. will be entitled to collectively acquire to the Trust E Account in advance the number of the Company's shares equivalent to the number of shares anticipated to be purchased by the Shareholding Association over the next three years, and then sell the Company's shares when the shares are purchased by the Shareholding Association. If proceeds from the sale of shares are accumulated in the trust assets for the Trust II up through the time of the ending of the trust through the sale of the Company's shares

from the Trust E Account to the Shareholding Association, this cash shall be distributed as residual assets to the members of the Shareholding Association who satisfy the beneficiary eligibility requirements.

Meanwhile, since the Company provides a guarantee when the trustee (Mizuho Trust & Banking) takes out a loan in order for the Trust E Account to acquire the Company's shares, in a case in which the trustee (Mizuho Trust & Banking) has an outstanding loan balance equal to the loss on the sale of shares as of the time of the ending of the trust due to a drop in the Company's share price or the like, the Company will pay off the outstanding loan balance pursuant to the guarantee agreement.

Furthermore, the timing of establishment, the amount, the method of acquisition and other details of Trust II will be appropriately disclosed as soon as they are established.



- (1) The Company will contribute cash to the Trust E Account and will establish a third-party benefit trust.
- (2) The trustee (Mizuho Trust & Banking) will borrow funds for the acquisition of shares from financial institutions. (The Company will provide a debt guarantee to the financial institutions.)
- (3) The trustee (Mizuho Trust & Banking) will re-trust the borrowed funds to the Trust E Account, and the Trust E Account will use these funds to acquire the Company's shares via the stock market or by subscription to the disposition of the Company's treasury shares.

- (4) Members of the Shareholding Association will contribute cash to the Shareholding Association in conjunction with the company contributions.
- (5) The Shareholding Association will use the purchase funds contributed each month by employees to purchase the Company's shares from the Trust E Account at market value.
- (6) The trustee (Mizuho Trust & Banking) will use the proceeds in the Trust E Account from the sale of shares to the Shareholding Association to pay off the loan principal, and the Trust E Account will use the dividends and the like received from the Company to pay off the interest.
- (7) Throughout the trust term, the Trust II will exercise the voting rights for the Company's shares held in the Trust E Account in accordance with the voting instructions from the trust administrator.
- (8) The Trust II will end upon the conclusion of the trust term, for scarcity of trust assets or for other reasons. The residual shares in trust will be converted into cash upon the ending of the trust, and once the loan is repaid in full, any remaining cash will be distributed to the members of the Shareholding Association who satisfy the beneficiary eligibility requirements.  
  
(If the trustee (Mizuho Trust & Banking) is unable to pay off the loan using the trust assets at the ending of the trust, the Company will perform on its debt guarantee to pay off the loan.)

End