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Listed company name: Nitto Denko Corporation  
Stock exchange listing: Tokyo, First Section  
Code number: 6988  
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## **Notice Concerning Introduction of Restricted Share and Performance-Linked Share-Based Remuneration Plan**

Nitto Denko Corporation (the "Company") hereby announces that it has decided to submit a proposal for introduction of a restricted share and performance-linked share-based remuneration plan (hereinafter, the "Plan") at the 153rd Ordinary General Meeting of Shareholders to be held on June 22, 2018 (hereinafter, the "Shareholders' Meeting") in light of the Company's review of the remuneration system for its Directors and Corporate Auditors and the resolution to introduce the Plan at the meeting of its Board of Directors on April 27, 2018.

### I. Purpose, etc. of the Plan's Introduction

#### 1. Purpose of the Plan's Introduction

The purpose of the Plan is to incentivize even more strongly the Company's Directors (excluding Outside Directors; hereinafter, "Targeted Directors") to contribute to mid- and long-term performance improvement and sustainable improvement of corporate value.

#### 2. Conditions for Introduction of the Plan

Because monetary remuneration receivables are provided as remuneration in order to allot shares to the Targeted Directors under the Plan, the introduction of the Plan shall be subject to the approval of the Company's shareholders at the Shareholders' Meeting with regard to the provision of such remuneration.

By taking each Director's contributions to the Company and other matters into consideration, the Company intends to request approval from its shareholders that the maximum annual remuneration of monetary receivables to be provided to the Targeted Directors as remuneration, etc. under the restricted share remuneration plan in lieu of warrants currently offered as an equity-based compensation stock option system be JPY243 million, which is separate from the maximum monthly remuneration of "not more than JPY30 million (including "not more than JPY3 million" for Outside Directors)" that was approved at the 150th Ordinary General Meeting of Shareholders held on June 19, 2015. The Company also plans to request approval from its shareholders that the maximum annual remuneration of the new mid-term performance-linked remuneration to be provided to the Targeted Directors in the form of monetary remuneration receivables as remuneration, etc. under the performance-linked share-based remuneration plan be JPY364 million yen.

### II. Overview of the Plan

#### 1. Overview of Restricted Share Remuneration

##### (1) Allotment and Payment of Restricted Shares

Based on the resolution of its Board of Directors, the Company shall provide to the Targeted Directors monetary receivables as remuneration for restricted shares within the abovementioned maximum annual amount of remuneration of monetary receivables, and each of the Targeted Directors will have restricted shares allotted by paying in such monetary remuneration receivables in full amount in the form of property contributed in kind.

The amount of restricted shares to be paid shall be the amount decided by the Company's Board of Directors within a range not specially advantageous to the Targeted Directors that receive such restricted shares, based on the closing price of the common shares of the Company in the Tokyo Stock Exchange on the business day immediately prior to the date of each resolution of the Board of Directors regarding issuance or disposal of said restricted shares (in the case that the transaction has not been established on that day, the closing price on the most recent trading day preceding that day shall be used).

The abovementioned monetary remuneration receivables shall be provided on the condition that the Targeted Directors have consented to abovementioned contributions in kind and have signed a restricted share allotment agreement that contains the details stipulated in (3) below.

(2) Total Number Restricted Shares

The upper limit of restricted shares to be allotted in each fiscal year shall be 32,000 shares, which is the total number of restricted shares to be allotted to the Targeted Directors.

Notwithstanding the above, the total number of said restricted shares may be adjusted within a reasonable scope when it becomes necessary to adjust the total number of restricted shares to be allotted in the event of share splits of the Company's common shares (including allotment of the Company's common shares without contribution), reverse share splits, etc.

(3) Details of the Restricted Share Allotment Agreement

When allotting restricted shares, the following details shall be contained in the restricted share allotment agreement that, based on the resolution of the Company's Board of Directors, is concluded between the Company and the Targeted Directors to whom restricted shares are allotted.

a) Details of Transfer Restriction

Targeted Directors to whom restricted shares have been allotted may not dispose of such restricted shares in any way, including transfer to third parties, establishment of right of pledge, offering as collateral, establishment of a mortgage, advancement, or bequest, for thirty years (hereinafter, the "Transfer Restriction Period").

b) Cancellation of Transfer Restrictions

The Company shall cancel transfer restrictions for all of the restricted shares allotted to the Targeted Directors (hereinafter, "Allotted Shares") upon the completion of the transfer restriction period, on the condition that said Targeted Directors have maintained the status of either Director, Vice President, or employee of the Company up until the date of the first Shareholders' Meeting of the Company after the transfer restriction period's commencement date.

Notwithstanding the above, in the event said Targeted Directors have deceased or stepped down or retired from the position of Director, Vice President, or employee of the Company before the expiration of the transfer restriction period and there are legitimate reasons otherwise deemed justifiable by the Company's Board of Directors, the number of Allotted Shares for which transfer restriction is cancelled and the timing of such cancellation shall be adjusted within a reasonable scope as necessary.

- c) Acquisition of Restricted Shares without Contribution
- i) The Company will naturally acquire without contribution the Allotted Shares in the event that the Targeted Directors to whom restricted shares have been allotted have stepped down or retired from the position of Director, Vice President, or employee of the Company by the day prior to the first Shareholders' Meeting of the Company after the transfer restriction period's commencement date, except when there are legitimate reasons otherwise deemed justifiable by the Company's Board of Directors.
- ii) The Company will naturally acquire without contribution any and all Allotted Shares for which transfer restriction has not been cancelled pursuant to the reasons for such cancellation described in b) above when the transfer restriction period stipulated in a) above has expired.
- iii) Other reasons for acquisition of restricted shares without contribution shall be stipulated in the restricted share allotment agreement based on the resolution of the Board of Directors of the Company.
- d) Treatment in the Event of Organizational Restructuring, Etc.

During the transfer restriction period, in the event that approval is given at the Shareholders' Meeting of the Company (or at a meeting of the Board of Directors of the Company in the case that approval by the Shareholders' Meeting of the Company is not required regarding organizational restructuring, etc.) on matters regarding merger agreements under which the Company becomes the disappearing company, share exchange agreements or share transfer plans under which the Company becomes a wholly owned subsidiary of another company, or any other agenda items regarding organizational restructuring, etc., the Company will, by resolution of the Board of Directors of the Company and prior to the date on which such organizational restructuring, etc. enters into force, cancel transfer restrictions for the Allotted Shares in a number reasonably determined by taking into account the period from the commencement day of the transfer restriction period to the day on which such organizational restructuring, etc. is approved.

In such cases, the Company will naturally acquire without contribution any and all Allotted Shares for which transfer restrictions are not cancelled immediately after the transfer restrictions have been cancelled pursuant to the provisions above.

(Reference)

Application of the Restricted Share Remuneration Plan to Vice Presidents of the Company

The Company plans to allot restricted share remunerations like those above to its Vice Presidents after the close of the Shareholders' Meeting.

- 2. Overview of Performance-Linked Share-Based Remuneration
- (1) Structure of Performance-Linked Share-Based Remuneration  
The structure of performance-linked shared based remuneration is as follows.
- a) The Company will decide at its Board of Directors meeting the numerical targets that are required to specifically calculate the number of the Company's common shares to be provided to each Targeted Director (hereinafter, the "Number of Shares Provided"), which is set based on operating income, ROE, etc., including consolidated indicators, methods of calculating payment rates in accordance with achievement of such numerical targets, and other information.
- b) After three consecutive fiscal years (hereinafter, the "Applicable Term"; The first Applicable Term shall be the three fiscal years from that ending March 31, 2019 to that ending March 31, 2021; Thereafter, the Company plans to offer performance-linked shared-based remunerations in each fiscal year after that ending March 31, 2019 for a new Applicable Term of three consecutive fiscal years, in which each fiscal year is the first fiscal year of the term), the Company will decide at its Board of Directors meeting the number of shares to be provided to each Targeted Director based on payment rates, etc. to be calculated

in accordance with the achievement of each numerical target in the Company's performance, etc. during the Applicable Term.

- c) The Company will provide monetary remuneration receivables to be contributed in kind to each Targeted Director in accordance with the Number of Shares Provided to each Targeted Director as determined in b) above. The amount of the Company's common shares to be paid per share shall be the amount decided by the Company's Board of Directors within a range not specially advantageous to the Targeted Directors that receive such restricted shares, based on the closing price of the common shares of the Company in the Tokyo Stock Exchange on the business day immediately prior to the date of each resolution of the Board of Directors regarding issuance of new shares or disposal of treasury shares by the Company (in the case that the transaction has not been established on that day, the closing price on the most recent trading day preceding that day shall be used).
  - d) The Company's common shares shall be allotted to each Targeted Director by contributing all monetary remuneration receivables in kind that were provided as described in c) above for the purpose of making contributions in kind when the Company issues new shares or disposes of treasury shares.
- (2) Calculation Methods for the Number of Shares Provided based on Performance-Linked Share-Based Remuneration

The Company calculates the Number of Shares Provided by using the following formula.

[Formula for calculating the Number of Shares Provided]

Number of Shares Provided\*1 = Standard Number of Shares Provided to each Targeted Director\*2 x Payment rate\*3

\*1 Fractions less than 100 shares resulting from the calculation will be rounded down to 100 shares.

\*2 To be decided by the Company's Board of Directors after taking the individual's position, etc. into account

\*3 To be calculated within the scope of 0% to 150% based on the method decided by the Company's Board of Directors in accordance with the achievement of each numerical target of the Company's performance, etc.

The maximum total number of the Company's common shares allotted to the Targeted Directors as in (1) d) above shall be 48,400 shares; provided, however, that if the total number of shares issued by the Company increases or decreases due to reverse share splits, share splits, allotment of shares without contributions, etc., then the maximum total number of common shares thus allotted and the number of Allotted Shares to each Targeted Director will be adjusted according to the percentage of such increase or decrease.

Furthermore, if there is a possibility that the maximum amount of monetary remuneration receivables stipulated above or the total number of the Company's common shares thus allotted will be exceeded if the Company's common shares are allotted in the numbers calculated using the above formula, then the number of Allotted Shares to each Targeted Director will be decreased within reason as determined by the Company's Board of Directors on a pro-rata basis, etc. to the extent that the total amount of such monetary remuneration receivables and the total number of the Company's common shares thus allotted are not exceeded.

- (3) Requirements for Providing the Company's Common Shares to the Targeted Directors

Under the performance-linked share-based remuneration plan, the Company's common shares will be provided to each Targeted Director if the following requirements for providing the shares are met after the Applicable Term has ended. The Company's common shares will be provided to the Targeted Directors

through the issuance of new shares or disposal of treasury shares by the Company. The Targeted Directors to whom the Company's common shares will be provided and the numbers of such shares will be determined at the Company's Board of Directors meeting after the Applicable Term has ended and in accordance with the requirements for providing the shares stipulated in a) or c) below and the calculation method stipulated in (2) above.

- a) The Targeted Director continuously served as a Director of the Company (excluding Outside Directors) during the Applicable Term.
- b) The Targeted Director has not committed any illegal acts as defined by the Company's Board of Directors.
- c) The Targeted Director fulfills any other requirements stipulated by the Company's Board of Directors in order to achieve the objectives of the performance-linked share-based remuneration plan.

Performance-linked share-based remunerations for the Applicable Term will not be provided to individuals who resigned from the position of Director of the Company (excluding Outside Directors) during the Applicable Term or who assumed the position of Director of the Company (excluding Outside Directors) during the Applicable Term. During the Applicable Term, in the event that approval is given at the Shareholders' Meeting of the Company (or at a meeting of the Board of Directors of the Company in the case that approval by the Shareholders' Meeting of the Company is not required regarding organizational restructuring, etc.) on matters regarding merger agreements under which the Company becomes the disappearing company, share exchange agreements or share transfer plans under which the Company becomes a wholly owned subsidiary of another company, or any other agenda items regarding organizational restructuring, etc., the performance-linked share-based remunerations for the said Applicable Term will not be provided.