

Notice Regarding Introduction of Performance-linked Stock Compensation Plan



March 26, 2019

Name of listed company: Nissan Chemical Corporation

Stock Exchange: Tokyo

Code Number: 4021

URL: <https://www.nissanchem.co.jp/eng/>

Representative: Kojiro Kinoshita, President & CEO

Inquiry to: Takeshi Matsuoka, General Manager of CSR & Public Relations Office, Corporate Planning Dept.

This is to notify that the Company resolved at its Board of Directors' meeting held today to introduce a performance-linked stock compensation plan called a Board Benefit Trust (BBT) (hereinafter referred to as the "Plan") contingent on approval at the 149th Ordinary General Meeting of Shareholders (hereinafter referred to as the "General Meeting of Shareholders") to be held in late June 2019. Details are as follows:

1. Background and purpose of the Plan

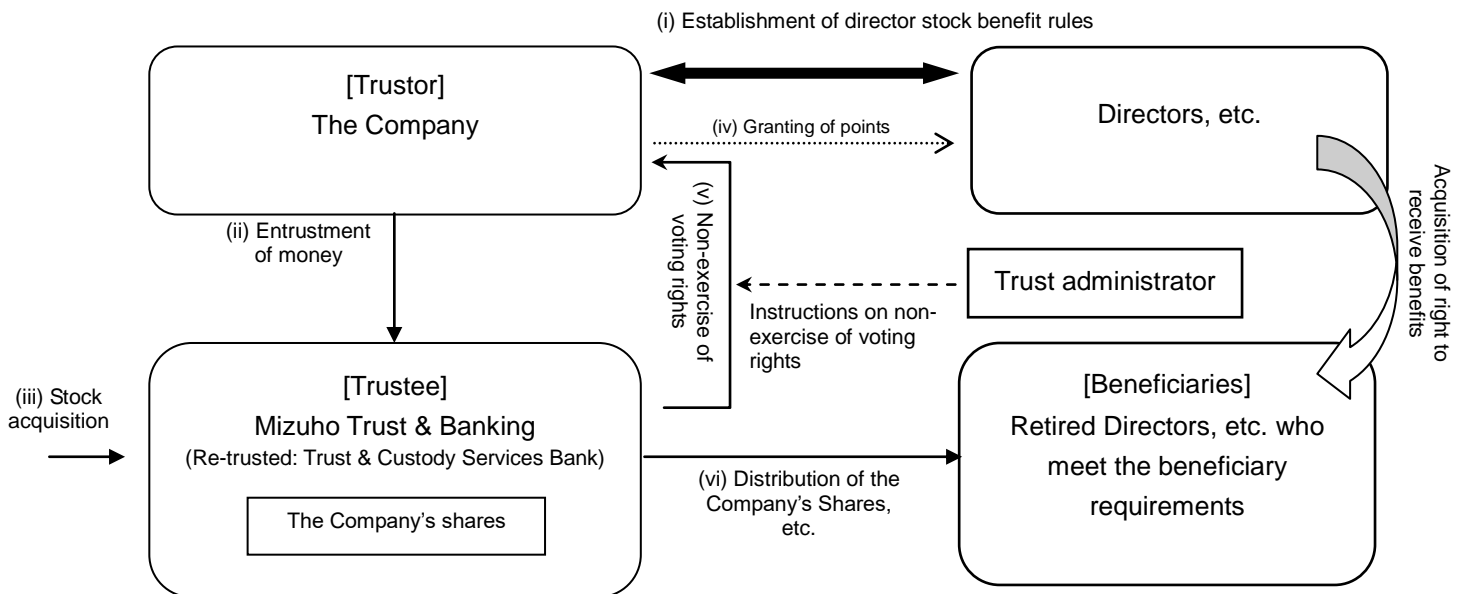
The Company's Board of Directors passed a resolution to introduce the Plan on the condition of gaining approval from shareholders at the General Meeting of Shareholders with regard to director compensation. The Plan aims to further clarify the linkage between compensation for directors (excluding outside directors; the same applies hereinafter unless otherwise specified), executive officers and associate executive officers (hereinafter collectively referred to as the "Directors, etc.") and the Company's business performance and stock value and to encourage Directors, etc. to contribute to mid- to long-term improvement in the corporate performance and expansion of corporate value because they will share the benefits and risks of stock price fluctuations with the shareholders.

2. Outline of the Plan

(1) Outline of the Plan

The Plan is a performance-linked stock compensation plan under which money contributed by the Company is used as funds to acquire the Company's shares through a trust (hereinafter the trust set up under the Plan is referred to as the "Trust") and the Company's shares and the cash equivalent to the market price of the Company's Shares (hereinafter the "Company's Shares, etc.") are provided through the Trust to Directors, etc. in accordance with director stock benefit rules established by the Company. The Directors, etc. will receive benefit of the Company's Shares etc. as of the date of their retirement from office, as a rule.

<Framework of the Plan>



- (i) The Company passes a resolution on compensation of directors in relation to the Plan at the General Meeting of Shareholders and establishes director stock benefit rules within the framework of approval received at the General Meeting of Shareholders.
- (ii) The Company entrusts the money within the amount approved at the General Meeting of Shareholders as set forth in (i).
- (iii) The Trust acquires the Company's shares through the stock market or by underwriting the disposition of the Company's treasury stock using the money entrusted in (ii) as funds.
- (iv) The Company grants points to the Directors, etc. based on the director stock benefit rules.
- (v) In accordance with instructions from the trust administrator, who is independent from the Company, the Trust shall not exercise voting rights concerning the Company's shares in the Trust account.
- (vi) The Trust distributes to those among the retired Directors, etc. who meet the beneficiary requirements stipulated in the director stock benefit rules (hereinafter referred to as the "Beneficiaries") the Company's shares based on the number of points granted to the Beneficiaries. However, in the case where Directors, etc. meet the requirements stipulated in the director stock benefit rules, they shall receive in respect of a certain percentage of the points granted to them an amount of cash equivalent to the market price of the Company's shares.

(2) Individuals subject to the Plan

Directors (outside directors are not subject to the Plan), executive officers and associate executive officers

(3) Period of the Trust

From August 2019 (tentative) until the Trust ends. (With respect to the period of the Trust, the Trust shall continue without a specific ending date, continuing for as long as the Plan continues. The Plan shall end if the Company's shares are delisted, the director stock benefit rules are discontinued, or similar grounds arise.)

(4) Money left in the Trust

On the condition that the introduction of the Plan is approved at the General Meeting of Shareholders, the Company shall introduce the Plan targeting the three business years from the business year ending March 31, 2020 to the business year ending March 31, 2022 (hereinafter the period of the three business years concerned is referred to as the "Initial Covered Period" and the Initial Covered Period and each three-business year period that begins after the Initial Covered Period has elapsed are referred to as the "Covered Period" respectively) and, in order to distribute the Company's Shares, etc. to Directors, etc., the

Company will provide the money described below to the Trust as funds to acquire the Company's shares via the Trust.

Firstly, at the start of the Trust period set out in (3) above, the Company will contribute to the Trust funds up to a limit of 800 million yen (of which 300 million yen is for Directors) as the necessary funds corresponding to the Initial Covered Period.

Furthermore, even after the Initial Covered Period has elapsed, until such time as the Plan ends, the Company shall for each Covered Period additionally contribute to the Trust funds up to a limit of 800 million yen (of which 300 million yen is for Directors), as a rule. However, in the case where such an additional contribution is made, if the Company's shares (excluding the Company's shares equivalent to the number of points that have been granted to Directors, etc. in relation to any preceding Covered Period and that have yet to be distributed to the Directors, etc.) and money (hereinafter referred to collectively as the "Remaining Shares, etc.") remain in the Trust assets, the sum total of the value of the Remaining Shares, etc. (the book value of the Company's shares on the last day of the previous Covered Period) and the additionally contributed money shall be not exceed 800 million yen (of which 300 million yen is for Directors).

Throughout the Covered Period, including the Initial Covered Period, the Company may make multiple contributions of funds to the Trust until such time as the aggregate amount of contributions during the Covered Period concerned reaches the upper limits set out above. The Company will disclose its decision to make additional contributions in a timely and appropriate manner.

(5) Acquisition method of the Company's shares and number of shares to be acquired

The Trust shall acquire the Company's shares through the stock market or by underwriting the disposition of the Company's treasury stock, using the funds contributed in accordance with (4) above to finance the acquisitions and no new shares shall be issued.

As a reference, based on the assumption of the acquisition of shares at the closing price on March 25, 2019, the maximum number of shares that will be acquired using up to a limit of 800 million yen in funds contributed by the Company to finance the acquisition of shares to be distributed to Directors, etc. in relation to the Initial Covered Period will be 160,000 shares. The Company will disclose details of acquisitions of the Company's shares via the Trust in a timely and appropriate manner.

(6) Calculation method for the number of the Company's shares to be distributed to Directors, etc.

For each business year, the Company shall provide Directors, etc. with points, the number of which is determined in light of factors such as their rank and level of performance in accordance with the director stock benefit rules.

Points granted to Directors, etc. shall be converted at a ratio of one share of common stock per point when providing the Company's shares, etc. as described in (7) below. (However, in the event of a stock split, an allotment of shares without contribution, a stock consolidation or similar following shareholders' approval of the resolution of this proposal at the General Meeting of Shareholders, the number of points already granted or the conversion ratio will undergo a rational adjustment according to the ratio of the stock split, allotment of shares without contribution, stock consolidation or similar.)

The number of points of Directors, etc. that will serve as the basis for the distribution of the Company's shares, etc. described in (7) below shall be the number of points granted to the Directors, etc. concerned until such time as they retire from office, as a rule (hereinafter, the points calculated in this way are referred to as the "Final Number of Points").

(7) Distribution of the Company's shares, etc.

In the case where Directors, etc. have retired from office and satisfy the beneficiary requirements set out in the director stock benefit rules, the Directors, etc. concerned will, after retiring from office, receive distribution of the Company's shares in a number according to the Final Number of Points as determined in accordance with the description in (6) above, as a rule, after taking prescribed procedure for determining beneficiaries. However, in the case where Directors, etc. meet the requirements stipulated in the director stock benefit rules,

they shall receive in respect of a certain percentage of the points granted to them an amount of cash equivalent to the market price of the Company's shares in place of distribution of the Company's shares. The Trust may sell the Company's shares in order to provide the cash.

(8) Exercise of voting rights

In accordance with instructions from the trust administrator, the voting rights represented by the Company's shares held in the Trust's account shall not be exercised without any exception. Adoption of this approach is intended to ensure neutrality in the management of the Company with respect to the exercise of voting rights represented by the Company's shares held in the Trust's account.

(9) Treatment of dividends

The Trust shall receive dividends from the Company's shares held in the Trust's account and shall use them for payment to acquire the Company's shares and for trust fees, etc. for the trustee of the Trust. In addition, in the case where the Trust is terminated, dividends remaining in the Trust shall be distributed to Directors, etc. in office at that time, in proportion to the number of points held by each, in accordance with the provisions of the director stock benefit rules.

(10) Treatment upon termination of the Trust

The Trust shall terminate in the case where grounds such as a delisting of the Company's shares or the termination of the director stock benefit rules have arisen. The Company plans to acquire without consideration all the Company's shares included in the remaining assets of the Trust upon termination of the Trust and to then cancel them by a resolution of the Board of Directors. As for the cash included in the remaining assets of the Trust upon termination of the Trust, the balance after deduction of the cash distributed to Directors, etc. in accordance with (9) above shall be distributed to the Company.

[Outline of the Trust]

- (1) Name of trust: Board Benefit Trust (BBT)
- (2) Trustor: The Company
- (3) Trustee: Mizuho Trust & Banking Co., Ltd. (Re-trustee: Trust & Custody Services Bank, Ltd.)
- (4) Beneficiaries: Retired Directors, etc. who meet the requirements as beneficiaries as stipulated in the director stock benefit rules
- (5) Trust administrator: A third party having no conflicts of interest with the Company will be appointed.
- (6) Type of trust: Money trust other than cash trust (third-party beneficiary trust)
- (7) Date of trust agreement: August 2019 (tentative)
- (8) Date when money is entrusted: August 2019 (tentative)
- (9) Period of trust: From August 2019 (tentative) to until the Trust ends. (The Trust shall continue without a specific ending period, continuing as long as the Plan continues.)