

*News Release Dated May 23, 2018*

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## **Notice Regarding Termination of Directors' Retirement Benefits and Introduction of Restricted Stock Compensation Plan**

AOKI Holdings Inc. hereby serves notice that at a meeting held on May 23, 2018 the Board of Directors reviewed the directors' compensation plan and approved a resolution to submit a proposal to the 42nd Annual General Meeting of Shareholders scheduled for June 27, 2018 for the termination of directors' retirement benefits and introduction of a restricted stock compensation plan.

### **1. Termination of directors' retirement benefits**

As part of measures to revise compensation for directors, the current retirement benefits for directors will end at the close of the shareholders meeting scheduled for June 27, 2018. To provide compensation for individuals who remain directors after this shareholders meeting, AOKI Holdings plans to give these individuals retirement benefit termination payments once they are no longer directors in accordance with the Company's standards. A resolution concerning these retirement benefit termination payments will be submitted at the June 27, 2018 shareholders meeting.

### **2. Reason for introduction of the new compensation plan**

There are two reasons for the establishment of a restricted stock compensation plan. First, the ownership of AOKI Holdings stock will give directors a greater incentive to contribute to the sustained growth of corporate value. Second, holding this stock will further align the interests of directors (except external directors) with the interests of shareholders.

### **3. Summary of the restricted stock compensation plan**

#### **(1) Amount of compensation and number of shares**

Eligible directors (all directors other than external directors) will receive a monetary remuneration claim for the allocation of restricted stock. These directors can then use these claims as a payment to receive AOKI Holdings stock that is newly issued or disposed of. At the 32nd Annual General Meeting of Shareholders held on June 20, 2008, shareholders approved a resolution to limit total annual compensation for directors to 450 million yen (not including salaries paid to directors who are also employees). AOKI Holdings plans to ask shareholders for approval of additional annual compensation for directors of up to 150 million yen for the purpose of distributing this restricted stock. The Board of Directors will determine when this compensation is paid and how much each director receives.

The maximum number of shares of AOKI Holdings common stock that is issued or disposed of for the restricted stock compensation plan is 200,000. If there is a common stock split (including a gratis allocation of stock without consideration) or a stock consolidation after the approval of this compensation plan, the maximum number of shares will be adjusted within a reasonable range as needed in order to reflect the split or consolidation ratio and other factors. The amount to be paid per share is the closing price of AOKI Holdings common stock on the Tokyo Stock Exchange on the business day prior to date of the corresponding resolution of the Board of Directors. If AOKI Holdings stock was not traded on that day, the closing price on the nearest prior trading day will be used instead.

(2) Contract for allocation of restricted stock

AOKI Holdings and eligible directors will sign a contract with restrictions on the transfer of ownership of AOKI Holdings common stock issued or disposed of through the restricted stock compensation plan. The contract will have the following major terms.

- 1) Eligible directors are prohibited from selling stock that was allocated, pledging this stock as collateral, or disposing of the stock in any other way during the mandatory holding period.
- 2) In certain circumstances, AOKI Holdings can acquire with no payment stock that was allocated.

During the mandatory holding period, restricted stock held by eligible directors is to be placed in an account established specifically for this purpose at Nomura Securities Co., Ltd. The use of this account will ensure that eligible directors do not sell, pledge as collateral or dispose in any other way the AOKI Holdings common stock received through the restricted stock compensation plan.

Reference

If shareholders approve the restricted stock compensation plan at the 42nd Annual General Meeting of Shareholders scheduled for June 27, 2018, subsidiaries of AOKI Holdings plan to establish the same restricted stock compensation plan for their own directors.