

News Release Dated June 27, 2018

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## Notice of Disposal of Treasury Stock for Restricted Stock Compensation

The Board of Directors of AOKI Holdings Inc. approved a resolution on June 27, 2018 to dispose of treasury stock for use as restricted stock compensation for directors.

### 1. Summary of Disposal of Treasury Stock

(1) Deadline	July 27, 2018
(2) Type and number of shares	AOKI Holdings common stock: 45,100 shares
(3) Price	1,606 yen per share
(4) Total proceeds	72,430,600 yen
(5) Offer or allotment method	Allotment of restricted stock
(6) Method of payment	In-kind contribution of monetary remuneration claims
(7) Recipients of restricted stock and number of shares to be allotted	7 directors of AOKI Holdings (except external directors): 24,300 shares 19 directors of subsidiaries of AOKI Holdings: 20,800 shares
(8) Other	AOKI Holdings has submitted the Securities Registration Statement regarding this disposal of treasury stock in accordance with the Financial Instruments and Exchange Act.

### 2. Reasons for the disposal of treasury stock

On May 23, 2018, the AOKI Holdings Board of Directors approved a resolution to introduce a restricted stock compensation plan for the directors of AOKI Holdings (except external directors) and the directors of subsidiaries. There are two reasons for introducing this plan. First, the ownership of this stock will give eligible directors a greater incentive to contribute to the sustained growth of corporate value. Second, holding this stock will further align the interests of eligible directors with the interests of shareholders.

At the 42nd Annual General Meeting of Shareholders that was held today, shareholders approved a resolution concerning the terms of the restricted stock compensation plan. This resolution included the following terms, as well as other items: (1) The establishment of annual compensation for eligible directors of up to 150 million yen for the purpose of distributing restricted stock; (2) The maximum number of AOKI Holdings common stock that can be issued or disposed of each year for the restricted stock compensation plan for eligible directors is 200,000; (3) The amount paid per share of the restricted stock is the closing price of AOKI Holdings common stock on the Tokyo Stock Exchange on the business day prior to the date of the corresponding resolution of the Board of Directors. If AOKI Holdings stock was not traded on that day, the closing price of the nearest prior trading day will be used instead.

The following section is a summary of the terms of the restricted compensation plan.

Directors who are eligible to participate in the restricted stock compensation plan will receive a monetary remuneration claim from AOKI Holdings that must be used entirely as a payment to receive newly issued or existing AOKI Holdings stock. The Board of Directors will determine the timing of these payments and the distribution of the restricted stock.

AOKI Holdings and each eligible director will sign a restricted stock allocation contract with terms concerning stock received in accordance with the restricted stock compensation plan. The contract has two major terms. First, during the mandatory holding period, eligible directors are prohibited from selling the allocated stock, pledging this stock as collateral or disposing of the stock in any other way. Second, under certain circumstances, AOKI Holdings can acquire with no payment stock that was allocated.

The total amount of monetary remuneration claims, which is 72,430,600 yen, and the total number of shares of AOKI Holdings common stock to be distributed by the restricted stock compensation plan, which is 45,100 shares, were determined based on the purposes of this plan, the performance of AOKI Holdings, the duties of the eligible directors and other applicable items. Furthermore, the mandatory holding period of three years was selected in order to accomplish the purposes of the plan, which are to increase the incentive to contribute to sustained growth of corporate value and align the interests of eligible directors with the interests of shareholders.

This disposal of treasury stock is for the purpose of distributing this stock in accordance with the restricted stock compensation plan to the eligible directors, which are expected to be 32 individuals. These directors will submit to AOKI Holdings all of the monetary remuneration claims they have received as payment for restricted stock.

### **3. Summary of the restricted stock allocation contract**

Each eligible director will sign a restricted stock allocation contract with AOKI Holdings. This contract will have the following major terms.

(1) Mandatory holding period: July 27, 2018 to July 26, 2021

(2) End of restriction on sale

In principle, the restriction on the sale of all stock received in accordance with the restricted stock allocation contract will end upon the completion of the mandatory holding period. For the restriction to end, an eligible director must remain a director, corporate auditor, executive officer or employee of AOKI Holdings or a subsidiary of AOKI Holdings during the entire mandatory holding period.

The restriction on the sale of the stock will end earlier in the event that an eligible director resigns or retires as a director, corporate auditor, executive officer or employee of AOKI Holdings or a subsidiary of AOKI Holdings for a legitimate reason. This may be the end of a term of office, reaching the mandatory retirement age or some other reason. The number of shares that can be sold is the number of shares originally received by the resigning or retiring eligible director through the restricted stock compensation plan multiplied by the fraction obtained by dividing the number of months the shares were held (including the month the shares were received and the month of the retirement or resignation) by 12. This fraction can be no larger than one and the number of shares of stock that are no longer restricted as a result of this calculation must be a multiple of the trading unit (tangen) of AOKI Holdings stock. Any remaining amount of less than one trading unit will be discarded.

(3) Acquisition of restricted stock by AOKI Holdings at no cost

If the decision is made to not end the restriction of restricted stock for which the sale is still prohibited, AOKI Holdings naturally has the right to acquire this stock at no cost immediately after this decision is made.

(4) Custody of restricted stock

During the mandatory holding period, restricted stock held by eligible directors will be placed in accounts established specifically for this purpose at Nomura Securities Co., Ltd. These accounts ensure that eligible

directors do not sell, pledge as collateral or dispose of in any other way the AOKI Holdings stock received through the restricted stock compensation plan. To ensure the effectiveness of the stock sale restrictions, AOKI Holdings and the eligible directors will sign contracts with Nomura Securities concerning the management of the accounts used for the custody of the restricted stock.

(5) Measures in the event of a reorganization or similar action

Irrespective of the holding period stipulated in the preceding item (1), the Board of Directors may approve a resolution that ends the restriction on the sale of restricted stock immediately prior to the day before the effective date of reorganization, etc. in the event that, during the mandatory holding period, the General Meeting of Shareholders (or Board of Directors if the approval of shareholders is not required) approves a resolution for a merger in which AOKI Holdings is dissolved, an exchange of stock, stock transfer plan or other reorganization or similar action that makes AOKI Holdings a wholly owned subsidiary. In this event, the number of shares that can be sold is the number of shares held by each eligible director through the restricted stock compensation plan on the day the reorganization was approved multiplied by the fraction obtained by dividing the number of months the shares were held (including the month the shares were received and the month of the reorganization resolution approval) by 12. This fraction can be no larger than one and the number of shares of stock that are no longer restricted as a result of this calculation must be a multiple of the trading unit (tangen) of AOKI Holdings stock. Any remaining amount of less than one trading unit will be discarded. In addition, AOKI Holdings naturally has the right to acquire at no cost immediately after the end of the sale restriction as explained in this section any stock for which the sale restriction was not ended by this calculation.

**4. Basis of calculation and information about the price per share**

Individuals who are to receive restricted stock obtained through the disposal of treasury stock will use monetary remuneration claims received from AOKI Holdings as the payment for the restricted stock compensation for the fiscal year ending in March 2019. To eliminate any ambiguity about the purchase price of this treasury stock, the price is the closing price of AOKI Holdings common stock on the first section of the Tokyo Stock Exchange on June 26, 2018 (1,606 yen), which is the business day prior to the Board of Directors resolution concerning the disposal of treasury stock. AOKI Holdings believes this is a reasonable price that is not significantly advantageous because the purchase price is the market price immediately prior to the Board of Directors resolution.

Reference: Restricted stock account and management flowchart

