

June 6, 2018



Koki Ando

President and Representative Director, CEO

## **Notice of Issuance of Stock Options as Compensation (Stock Acquisition Rights) to the Company's Directors**

Nissin Foods Holdings Co., Ltd. (President and Representative Director, CEO: Koki Ando: hereinafter "the Company") announces that at a meeting of its Board of Directors held on June 6, 2018, the Company decided to issue stock acquisition rights, stock options as compensation, to three directors of the Company (excluding outside directors) under the provisions of Article 238 and Article 240, Paragraph 1 of the Companies Act. Granting stock acquisition rights of 0.5 billion yen maximum a year as compensation etc. to the Company's directors has been approved under the approved items of the agendas of the 60th annual shareholders' meeting held on Jun 27, 2008; that is, the Determination of Stock Options as Compensation to the Directors and their Amount. Details are as follows.

1. Reason of issuing the stock acquisition rights as stock options

The Company aims to increase earnings and its enterprise value and will issue stock acquisition rights for value to the Company's directors to boost their motivation and morale by allowing them to share benefits and risks associated with stock prices with its shareholders and thereby to increase its enterprise value.

If all the stock acquisition rights are exercised, the issued shares as of the date of the resolution to issue the stock acquisition rights will be diluted by as much as 0.03%. However, if the stock price rises as the issuance of the stock acquisition rights are intended to, the Company's enterprise value and shareholder value will increase, which in turn will serve the interests of existing shareholders.

2. Name of the stock acquisition rights

The 36th series of stock acquisition rights of Nissin Foods Holdings Co., Ltd.

3. Recipients of the stock acquisition rights and the number of them

Three directors of the Company (excluding outside directors)

4. Number of stock acquisition rights to be allotted

336

5. Details of the stock acquisition rights

(1) Class and number of shares underlying the stock acquisition rights

The class and number of shares underlying a stock acquisition right shall be 100 common shares of the Company.

If after the date of allotment (specified in 6. (3); the same hereinafter) the Company conducts a stock split (including the allotment of common shares without contribution; the same hereinafter) or a reverse stock split of common stock, the number of shares underlying the stock acquisition right shall be adjusted using the formula below (the ratio of the allotment of common shares without contribution shall be calculated on the assumption that no shares are allocated to treasury stock). The adjustment applies to the number of shares underlying the stock acquisition rights that have not been exercised at the time of adjustment. The number of shares shall be rounded down to the nearest integer.

Number of shares after adjustment = Number of shares before adjustment × Stock split ratio or reverse stock split ratio

In the case of a stock split, the number of shares after adjustment shall apply from the day immediately following the record date. In the case of a reverse stock split, it shall apply from the effective date. If a stock split is conducted on the condition that an item for reducing surplus and increasing capital or capital reserves is approved at the Company's meeting of shareholders and if the record date of the stock split is before the end of the shareholders' meeting, the number of shares to be granted after adjustment shall apply retroactively from the day immediately following the record date after the day immediately after the end of the shareholders' meeting. If there is any unavoidable reason requiring an adjustment of the number of shares underlying the stock acquisition right other than the above after the date of allotment, the number of shares shall be adjusted to the extent reasonable.

If the number of shares underlying the stock acquisition right is adjusted, the Company shall notify the holders of stock acquisition rights listed on the stock acquisition right registry of necessary information by the day immediately before the day of application of the number of shares after adjustment. If the Company cannot notify them of the information, it shall notify them as soon as possible.

- (2) Value of the property to be contributed when a stock acquisition right is exercised  
The value of the property to be contributed when a stock acquisition right is exercised shall be the price of each share to be delivered on exercise of the stock acquisition right (hereinafter “Exercise Price”), or one yen, multiplied by the number of shares underlying the stock acquisition right.
- (3) Period when the stock acquisition rights can be exercised  
From June 28, 2018 to June 27, 2058
- (4) Increases in capital and capital reserves when shares are issued on exercise of stock acquisition rights
- (i) The amount of an increase in capital when shares are issued on exercise of stock acquisition rights shall be half of the upper limit of an increase in capital etc. calculated under Article 17, Paragraph 1 of the Ordinance on Company Accounting. The calculation shall be rounded up to the nearest yen.
  - (ii) The amount of an increase in capital reserves when shares are issued on exercise of stock acquisition rights shall be the upper limit of an increase in capital etc. mentioned in (i) less the increase in capital prescribed in (i).
- (5) Constraint on the transfer of stock acquisition rights  
The acquisition of stock acquisition rights by assignment shall require the approval of the Company’s Board of Directors.
- (6) Grounds for the acquisition of stock acquisition rights
- (i) The Company may acquire stock acquisition rights without consideration on a day that shall be determined by its Board of Directors if any of the following items are approved at the Company’s shareholders’ meeting (or if it is approved by resolution of the Company’s Board of Directors if a resolution of the shareholders’ meeting is not necessary): an item for approving a merger agreement where the Company will be a merged company, an item for approving an absorption-type company split agreement or an incorporation-type company split plan where the Company will be a split company, or an item for approving a share exchange agreement or a share transfer plan where the Company will be a wholly-owned subsidiary.
  - (ii) The Company may acquire stock acquisition rights without consideration on a day that shall be determined by its Board of Directors if the Company’s shareholders’ meeting approves an item for amending the articles of incorporation for the Company to acquire all the shares of the class of shares underlying the stock acquisition rights by resolution of the shareholders’ meeting.
- (7) Delivery of stock acquisition rights in the case of a merger, an absorption-type company split, an incorporation-type company split, a share exchange, or a share

transfer

If the Company is involved in a merger (limited to a merger where the Company is to be extinguished), an absorption-type company split, an incorporation-type company split, a share exchange, or a share transfer (hereinafter collectively a "Reorganization"), stock acquisition rights of a stock company specified in Article 236, Paragraph 1, Item 8 (a) - (e) of the Companies Act (hereinafter "Reorganized Company") shall be delivered to the holders of the stock acquisition rights remaining immediately before the Reorganization comes into force (hereinafter "Remaining Stock Acquisition Rights") under the conditions described below, provided that the delivery of stock acquisition rights of the Reorganized Company under the conditions below is prescribed in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement, or a share transfer plan. In this case, the Remaining Stock Acquisition Rights shall be extinguished, and the Reorganized Company shall deliver new stock acquisition rights.

- (i) Number of stock acquisition rights of the Reorganized Company to be delivered  
The number of stock acquisition rights of the Reorganized Company to be delivered shall be the same as the number of stock acquisition rights held by the holder of the Remaining Stock Acquisition Rights.
- (ii) Class of shares in the Reorganized Company underlying the stock acquisition rights  
The common stock of the Reorganized Company
- (iii) Number of shares in the Reorganized Company underlying the stock acquisition right  
The number of shares shall be determined in consideration of item (1) and the conditions of the Reorganization.
- (iv) Value of the property to be contributed when a stock acquisition right is exercised  
The value of the property to be contributed when a stock acquisition right to be delivered is exercised is the Exercise Price after the Reorganization, which will have been adjusted in consideration of the conditions of the Reorganization, multiplied by the number of shares in the Reorganized Company underlying the stock acquisition right determined in item (iii).
- (v) Period when the stock acquisition rights can be exercised  
The period when the stock acquisition rights to be delivered can be exercised shall be from the start date of the period specified in (3) or the effective date of the Reorganization, whichever is later, to the last day of the period specified in (3).

- (vi) Increases in capital and capital reserves when shares are issued on exercise of stock acquisition rights  
Increases in capital and capital reserves when shares are issued on exercise of stock acquisition rights shall be determined as described in (4).
  - (vii) Constraint on the acquisition of stock acquisition rights by assignment  
The acquisition of stock acquisition rights by assignment shall require the approval of the Reorganized Company's Board of Directors.
  - (viii) Grounds for the acquisition of stock acquisition rights and conditions for exercising them  
The grounds for the acquisition of stock acquisition rights and the conditions for exercising them shall be determined by the Company's Board of Directors at the time of the Reorganization in line with the rules described (6) and (9).
- (8) Treatment of fractions  
The number of shares to be delivered to a holder of stock acquisition rights who will exercise stock acquisition rights shall be rounded down to the nearest integer.
- (9) Conditions for exercising stock acquisition rights
- (i) Holders of stock acquisition rights may exercise stock acquisition rights only for ten days from the day immediately following the day when they lose all their positions as the Company's directors.
  - (ii) Unless holders of stock acquisition rights win the approval of the Company in writing in advance, the following shall be applied;
    - (a) Holders of stock acquisition rights may not exercise stock acquisition rights if they become an officer, employee, or advisor, or take up any other position in a competitor (a company running a competing business against the Company or any of its subsidiaries) while they are in the position of the Company's officer or employee, or within one year from the date when they lose their positions as described in (i).
    - (b) If it is revealed that holders of stock acquisition rights perform any acts described in (a) after they exercised stock acquisition rights, the Company shall reclaim the Exercise Price multiplied by the number of shares underlying the stock acquisition right.
  - (iii) Holders of stock acquisition rights may not divide a stock acquisition right and exercise part of it.
  - (iv) Holders of stock acquisition rights may not exercise stock acquisition rights if they i) commit a serious violation of laws and regulations, ii) violate the articles of incorporation of the Company or any other subsidiary, or iii) are removed from office or dismissed. If it is revealed that holders of stock acquisition rights

perform any acts described above in i) or ii) after they exercised stock acquisition rights, the Company shall reclaim the Exercise Price multiplied by the number of shares underlying the stock acquisition right.

- (v) Holders of stock acquisition rights may not exercise stock acquisition rights if they offer to waive all or part of their stock acquisition rights. (If they offer to waive part of their stock acquisition rights, they may not exercise that part of stock acquisition rights.)
- (vi) In the event of the death of a holder of stock acquisition rights, a person who succeeds to all the stock acquisition rights through inheritance (hereinafter the "Successor of the Rights") may exercise the stock acquisition rights within ten months of the death of the holder of stock acquisition rights regardless of item (i) only if only one among the heirs of the stock acquisition rights is the Successor of the Rights. In the event of the death of the Successor of the Rights, no heirs of the Successor of the Rights may not inherit the stock acquisition rights.

#### 6. Other subscription requirements

##### (1) Number of stock acquisition rights for subscription

336

##### (2) Amount to be paid in for a stock acquisition right and payment method

The amount to be paid in for a stock acquisition right (hereinafter "Paid-in Amount") shall be the option price of a share calculated using the Black-Scholes formula and basic numbers below multiplied by the number of shares underlying a stock acquisition right (rounded off to the nearest yen). The amount is the fair value of the stock acquisition right, and the issuance of the stock acquisition rights is not favorable issuance.

The Company assumes the obligation to pay monetary compensation equivalent to the amount calculated by multiplying the Paid-in Amount by the number of stock acquisition rights to be granted to the Company's directors who will be holders of stock acquisition rights. The Company's directors to whom stock acquisition rights will be granted shall set off their claims for the monetary compensation against the Company in lieu of the payment of the Paid-in Amount.

$$C = Se^{-qT}N(d) - Xe^{-rT}N(d - \sigma\sqrt{T})$$

$$d = \frac{\ln\left(\frac{S}{X}\right) + \left(r - q + \frac{\sigma^2}{2}\right)T}{\sigma\sqrt{T}}$$

- (i) The option price per share ( $C$ )
  - (ii) Stock price ( $S$ ): The closing price of the Company's common stock in regular transactions at the Tokyo Stock Exchange on June 27, 2018 (the basic price on the following trading day if there is no closing price)
  - (iii) Exercise Price ( $X$ ): (the amount to be paid in for a share to be delivered on exercise of stock acquisition rights for subscription: one yen)
  - (iv) Expected remaining period ( $T$ ): 12.949 years
  - (v) Stock price volatility ( $\sigma$ ): The rate of variability of the stock price calculated based on the closing price of the Company's common stock in regular transactions on each trading day in 12.949 years (from July 16, 2005 to June 27, 2018)
  - (vi) Risk-free interest rate ( $r$ ): The interest rate of the government bond whose remaining years is equivalent to the expected remaining period
  - (vii) Dividend yield ( $q$ ): Dividend per share (the actual dividend for the past 12 months) / Stock price specified in item (ii)
  - (viii) Cumulative distribution function (standard normal distribution) ( $N(\cdot)$ )
- (3) Date of allotment of the stock acquisition rights  
June 27, 2018
- (4) Due date of payment for stock acquisition rights  
June 27, 2018