

May 15, 2019

Company name : Nippon Paper Industries Co., Ltd.
Representative : Fumio Manoshiro, President
(Stock code: 3863, First Section, TSE)

Notice on Introduction of Stock Compensation Plan

Nippon Paper Industries Co., Ltd. (hereinafter referred to as the “Company”) hereby announces that it has resolved at the meeting of the Board of Directors held on May 15, 2019 to introduce a Stock Compensation Plan “Board Benefit Trust” (hereinafter referred to as the “Plan”), and to submit a proposal regarding the Plan to the 95th Ordinary General Meeting of Shareholders scheduled for June 27, 2019 (hereinafter referred to as the “General Meeting of Shareholders”), as described below.

1. Background and Objective of Introduction of the Plan

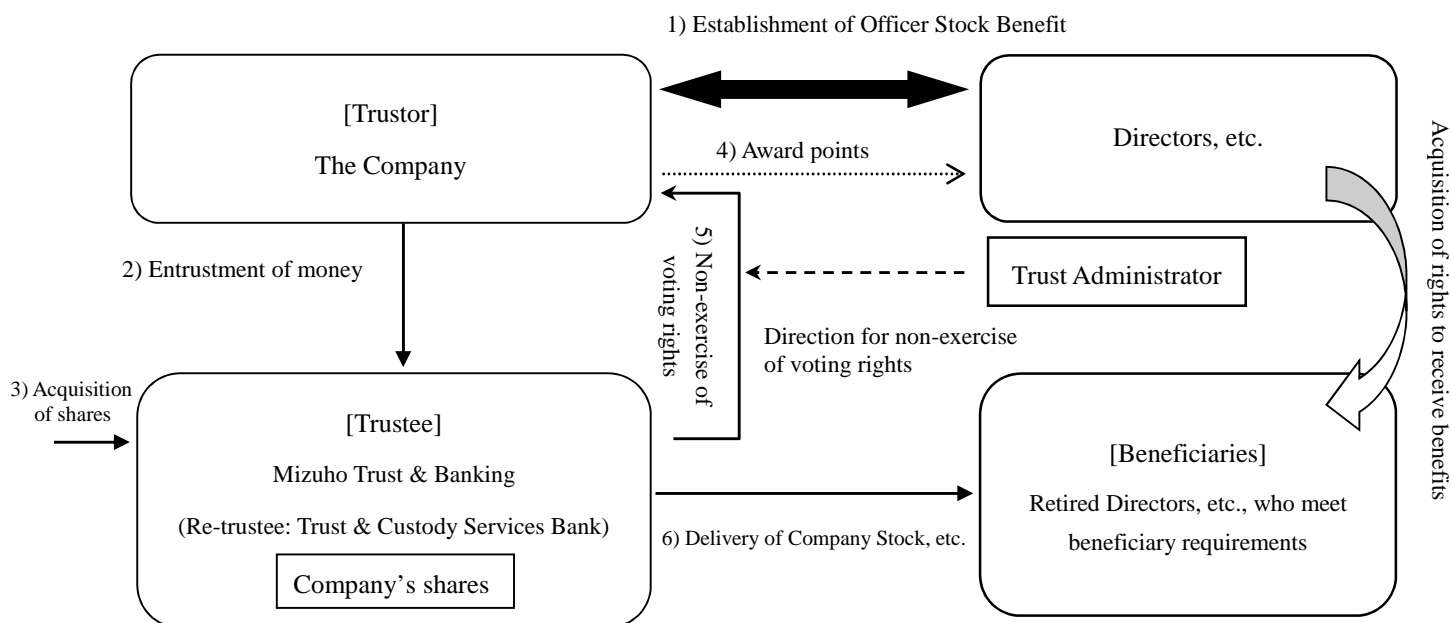
The Board of Directors of the Company resolved to introduce the Plan in order to make a clearer link between the compensation provided to Directors (excluding Outside Directors) and Corporate Officers, etc., (hereinafter collectively referred to as “Directors, etc.”) and the Company’s share value, and thereby increase their motivation to make contributions to improve the Company’s mid- to long-term performance and increase its corporate value by Directors, etc. sharing with shareholders not only the benefits of rising share prices but also the risks associated with falling share prices. The Plan will be introduced subject to the condition that approval by the shareholders is obtained with regard to Officers’ compensation at the General Meeting of Shareholders, and the Company will submit a proposal regarding the Plan to the General Meeting of Shareholders.

2. Overview of the Plan

(1) Outline of the Plan

The Plan is a stock compensation plan under which shares of the Company will be acquired through a trust (hereinafter, the trust established based on the Plan shall be referred to as the “Trust”) using money contributed by the Company as a source, and the Company’s shares and the money equivalent to the market value of the Company’s shares (hereinafter referred to as the “Company Stock, etc.”) will be delivered to the Directors, etc. through the Trust in accordance with the Officer Stock Benefit Regulations established by the Company. In principle, the Directors, etc. will receive delivery of the Company Stock, etc. upon their retirement from office.

<Structure of the Plan>



- 1) The Company obtains approval for Officers' compensation with regard to the Plan at the General Meeting of Shareholders, and establishes the "Officer Stock Benefit Regulations" within the framework of the approval received at the General Meeting of Shareholders.
- 2) The Company entrusts money within the framework of the approval received on the decision of the General Meeting of Shareholders in 1).
- 3) The Trust acquires shares of the Company using the money entrusted in 2) as a source through the stock market or the disposal of treasury stock of the Company.
- 4) The Company awards points to the Directors, etc. in accordance with the "Officer Stock Benefit Regulations."
- 5) The Trust will not exercise voting rights for the Company's shares held by the Trust account based on direction from the trust administrator, who is independent from the Company.
- 6) The Trust delivers the Company's shares to retired Directors, etc. who meet the beneficiary requirements set under the "Officer Stock Benefit Regulations" (hereinafter referred to as the "Beneficiaries") based on the number of points they have been awarded. If a Director, etc., meets certain requirements set under the "Officer Stock Benefit Regulations," the Company will pay, to a certain percentage of the points awarded, them money equivalent to the market value of such shares.

(2) Individuals subject to the Plan

Directors (excluding Outside Directors) and Corporate Officers, etc., who are not serving concurrently as Directors

(3) Trust period

From August 2019 (tentative) until the termination of the Trust (no termination date for the trust period will be set as the Trust shall continue for as long as the Plan continues. The Trust shall be terminated when

the Company's stock is delisted or the Officer Stock Benefit Regulations are abolished, etc.)

(4) Amount to be entrusted

Subject to the approval of the General Meeting of Shareholders on the introduction of the Plan, the Company will introduce the Plan to cover the three fiscal years from the fiscal year ending March 31, 2020 to that ending March 31, 2022 (hereinafter, this period is referred to as the "Initial Applicable Period," and the Initial Applicable Period and each three-fiscal-year period that starts after the Initial Applicable Period are each referred to as an "Applicable Period") and each subsequent Applicable Period, and will contribute the money defined below as a source for the Trust to acquire shares of the Company for the purpose of delivering Company Stock, etc. to the Directors, etc.

First, the Company will establish the Trust (August 2019 (tentative)) and contribute money equivalent to an amount expected as necessary funds for the Initial Applicable Period in the establishment of the Trust. The upper limit of the points to be awarded to the Directors, etc., based on the Plan is 80,000 points per fiscal year (including 25,000 points as the portion for Directors), as detailed in item (6) below, and, upon establishing the Trust, the Company will contribute a reasonable amount of funds to the Trust, taking into account the closing price of regular transactions of the Company's common stock on the Tokyo Stock Exchange immediately before. For reference, assuming a closing price of 2,132 yen as of May 14, 2019, the upper limit of the necessary funds referenced above will be approximately 512 million yen.

Further, after the Initial Applicable Period, the Company will, in principle, make additional contributions to the Trust every Applicable Period until the Plan ends by making a reasonable estimate of the number of shares necessary to deliver to the Directors, etc. based on the Plan in order for the Trust to maintain funds deemed necessary to acquire the shares in advance. Provided, however, that in cases where such an additional contribution is made and the Company's shares (excluding any undelivered portion of the Company's shares corresponding to the number of points awarded to Directors, etc., regarding each Applicable Period until immediately before) and money (hereinafter referred to as the "Remaining Shares") remain within the trust assets, the Remaining Shares are used as a source for delivery under the Plan in the following Applicable Period, and the Remaining Shares will be taken into account when calculating the additional contribution for the next Applicable Period. Any decision by the Company to make additional contributions will be disclosed in a timely and appropriate manner.

(5) Method of acquiring Company's shares and amount of shares to be acquired

The Trust will acquire the Company's shares through the stock market or the disposal of treasury shares of the Company using the funds contributed in (4) above as a source.

Shares for the Initial Applicable Period will be acquired within the upper limit of 240,000 shares soon after the Trust is established. Whenever the Trust acquires Company's shares, the details of the transaction will be disclosed in a timely and appropriate manner.

(6) Calculation method of Company Stock, etc., to be delivered to Directors

The Directors, etc. will be awarded the number of points as determined by their position every fiscal year

in accordance with the Officer Stock Benefit Regulations. The upper limit of the total number of points to be awarded to the Directors, etc., per fiscal year is 80,000 points (including 25,000 points as the portion for Directors). This has been determined through a comprehensive evaluation taking into account the current level of Officers' compensation provided, trends in the number of Directors, etc., future prospects, etc., and therefore, the Company deems it as appropriate.

With regard to the points awarded to the Directors, etc., one point shall be converted into one share of common stock in the Company when the Company Stock, etc., is delivered as described in (7) below (however, in the event of a stock split, gratis allotment of shares, or reverse stock split, etc., in relation to the Company's shares after the proposal is approved by the shareholders at the General Meeting of Shareholders, in accordance with the ratio thereof, reasonable adjustment shall be made to the upper limit of points, the number of points already awarded, or the conversion ratio).

In principle, the number of points awarded to Directors, etc., as a reference for delivery of the Company Stock, etc. described in (7) below, should be the number of points granted to said Directors, etc., by the time of their retirement (hereinafter, points calculated in this way shall be referred to as "Fixed Points").

(7) Calculation method of delivery of Company Stock, etc., and the amount of compensation, etc.

If a Director, etc., who has retired from office meets the beneficiary requirements prescribed in the Officer Stock Benefit Regulations, the said Director, etc. will be able to receive the Company's shares from the Trust after his/her retirement in proportion to the number of the Fixed Points in principle, as described in (6) above, by taking the prescribed procedures to confirm the beneficiary. However, if certain requirements set forth under the Officer Stock Benefit Regulations are met, the Company will pay, to a certain percentage, an amount of money equivalent to the market value of the Company's shares in lieu of delivering the shares themselves. In order to perform this money payment, the Trust may sell shares of the Company.

The amount of compensation, etc., received by the Directors will be the total number of points awarded to the Directors multiplied by the book value per share of the Company's shares held by the Trust (however, in the event of a stock split, gratis allotment of shares, or reverse stock split, etc., in relation to the Company's shares, reasonable adjustment shall be made in accordance with the ratio thereof).

(8) Exercise of voting rights

Voting rights related to the Company's shares held by the Trust account shall not be exercised without exception pursuant to the instructions of the trust administrator. In this way, the Trust will be able to ensure its neutrality with respect to the Company's management regarding the exercise of voting rights related to the Company's shares held by the Trust account.

(9) Dividends

Dividends related to the Company's shares held by the Trust account shall be received by the Trust to be allocated for payment to acquire the Company's shares or pay for the trustee's compensation, etc. related to the Trust. Any remaining dividends upon termination of the Trust will be donated to an organization that has no vested interest in the Company or its Directors, etc.

(10) Termination of the Trust

The Trust shall be terminated when the Company's stock is delisted or causes for the abolishment, etc. of the Officer Stock Benefit Regulations arise.

Of the residual assets in the Trust upon its termination, the Company's shares will be entirely acquired by the Company with no charge and be canceled pursuant to the resolution of the Board of Directors; and money excluding the portion contributed to an organization as described in (9) above will be received by the Company.

[Overview 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 also meet the beneficiary requirements under the Officer Stock Benefit Regulations
- 5) Trust Administrator : Third party without vested interest in the Company will be selected
- 6) Type of trust : Trust of money other than money trust (i.e., third-party benefit trust)
- 7) Trust agreement date : August 2019 (tentative)
- 8) Date of trusting money : August 2019 (tentative)
- 9) Period of trust : From August 2019 (tentative) until termination of the trust

(No termination date will be set as the Trust shall continue for as long as the Plan continues.)

[Overview of the Plan]

Individuals subject to the Plan	Directors (excluding Outside Directors) and Corporate Officers, etc., who are not serving concurrently as Directors
Initial Applicable Period	Three fiscal years (FY 2019 to FY 2021)
Expected contribution by the Company for the Initial Applicable Period as a source to acquire the necessary amount of Company's share for delivery to the Directors, etc.	Approximately 512 million yen (assuming a closing price of 2,132 yen as of May 14, 2019)
Acquisition method of Company's shares	Through the stock market or the disposal of treasury stock of the Company
Upper limit of points to be awarded to individuals subject to the Plan	80,000 points per fiscal year (including 25,000 points as the portion for Directors)
Money conversion of the upper limit of points to be awarded to individuals subject to the Plan (assuming a closing price of 2,132 yen as of May 14, 2019)	Approximately 171 million yen per fiscal year (including approximately 53 million yen as the portion for Directors)
Standard for awarding points	The number of points determined by their position
Period for delivery of Company Stock, etc., to individuals subject to the Plan	Upon their retirement from office, in principle