



April 25, 2014

Company name: Nitta Gelatin Inc.  
Representative: Norimichi Soga, Representative Director and President  
(Stock code: 4977; First Section of Tokyo Stock Exchange)  
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## **Notice Regarding Introduction of Stock Compensation-type Stock Options**

Nitta Gelatin Inc. has announced that at a Board of Directors' meeting held on April 25, 2014, the Company has passed a resolution to submit a proposal regarding the introduction of stock compensation-type stock options for the Company's directors (excluding outside directors) at the 75th Ordinary General Meeting of Shareholders scheduled for June 26, 2014.

### **1. Introduction of Stock Compensation-Type Stock Options**

The Company has decided to allot stock compensation-type stock options to the Company's directors (excluding outside directors), in which shares may be granted upon the exercise of stock acquisition rights for an exercise price per share of one (1) yen. The purpose of these stock options is to provide additional incentive for directors to contribute to raising the share price and enhancing corporate value, and to vigorously push ahead to achieve the goals of medium-term management plans. This will be accomplished by aligning the interests of directors and shareholders by having the directors share the benefits of an increase in the stock price as well as the risk of a decrease in the stock price.

### **2. Details of Stock Compensation-Type Stock Options**

The amount of remuneration, etc. for the Company's directors was approved at the 66th Ordinary General Meeting of Shareholders held on June 28, 2005, with the amount of remuneration for directors not to exceed 200 million yen per fiscal year (excluding employee remuneration for directors concurrently serving as employees). These remuneration amounts, etc., have remained in force to this day. Separately from the abovementioned remuneration amounts, the Company proposes to grant stock acquisition rights as stock compensation-type stock options to the Company's directors (excluding outside directors) in cases where a certain business performance threshold is attained, according to business results, with such remuneration not to exceed 100 million yen per fiscal year. This is to more strongly link directors' remuneration with a stock price reflecting the Company's corporate value.

The specific details of the stock acquisition rights to be granted as stock compensation-type stock options to the Company's directors (excluding outside directors) are as follows.

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

The class of shares underlying the stock acquisition rights shall be the Company's common stock.

The maximum number of shares that may be granted due to the exercise of stock acquisition rights on any day within one year of the day of the Ordinary General Meeting of Shareholders for each fiscal year shall be 200,000.

The number of shares underlying each stock acquisition right (hereinafter, “the number of shares to be granted”) shall be 100 shares. However, in the event that the Company conducts a stock split of its common stock (including the gratis allotment of common shares; hereinafter, the same as the stipulations for a stock split) or a stock consolidation on or after the day of resolution of this proposal (hereinafter, “the resolution date”), the Company shall adjust the number of shares to be granted according to the formula below, and any fraction under one (1) share resulting from such adjustment shall be rounded down.

$$\begin{aligned} &\text{Number of shares to be granted after adjustment} = \\ &\text{Number of shares to be granted before adjustment} \times \text{Stock split or stock consolidation ratio} \end{aligned}$$

In addition to the foregoing, in the event that the Company conducts a merger or corporate split, or in any other equivalent cases that require the adjustment of the number of shares to be granted on or after the resolution date, the Company shall be able to adjust the number of shares to be granted with a scope deemed rational under the circumstances. Furthermore, in the event that the Company changes the stock trading unit for its common stock on or after the resolution date (excluding cases involving a stock split or stock consolidation; hereinafter, the same as the stipulations for a change in the stock trading unit), the Company shall be able to rationally adjust the number of shares to be granted according to the percentage change in the stock trading unit, for stock acquisition rights issued by resolution of the Board of Directors on or after the effective date for the change in the stock trading unit.

**(2) Total number of stock acquisition rights**

The maximum number of stock acquisition rights to be allotted to the Company’s directors (excluding outside directors) on any day within one year of the day of the Ordinary General Meeting of Shareholders for each fiscal year shall be 2,000 (100 shares of common stock per stock acquisition right) . However, in the event the number of shares to be granted is adjusted due to a change in the stock trading unit of the Company’s common stock, the Company shall be able to rationally adjust the total number of stock acquisition rights according to the percentage change in the stock trading unit.

**(3) Amount to be paid in upon exercise of stock acquisition rights**

The amount to be paid in per stock acquisition right shall be determined by the Board of Directors based on the fair value of the stock acquisition rights computed using impartial calculation methods such as the Black-Scholes model upon allocation of stock acquisition rights.

Directors allocated stock acquisition rights shall offset the amount to be paid in with monetary compensation receivable from the Company, in lieu of payment.

**(4) Total amount to be invested upon exercise of stock acquisition rights**

The amount to be invested upon exercise of stock acquisition rights shall be the amount to be paid-in per share, for each share that can be granted due to the exercise of stock acquisition rights, which shall be one (1) yen, multiplied by the number of shares granted.

**(5) Exercise period of stock acquisition rights**

The Company's Board of Directors shall determine the exercise period within a period not to exceed 40 years from the allotment date.

**(6) Limits on acquisition of stock acquisition rights via assignment**

Approval of the Board of Directors of the Company shall be required for the acquisition of stock acquisition rights via assignment.

**(7) Conditions for exercising stock acquisition rights**

Conditions, including those enabling the recipients of stock acquisition rights allotments who have lost their position as a Director of the Company to exercise their stock acquisition rights from the day after the day they lose their position, shall be determined by the Company's Board of Directors.

**(Reference)**

After the 75th Ordinary General Meeting of Shareholders is adjourned, the Company plans to pass a Board of Directors resolution to allot the same aforementioned stock options (stock acquisition rights) as stock compensation-type stock options to its executive officers.