

January 30, 2023

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Notice Concerning Introduction of “Employee Stock Ownership Association Trust-Type ESOP”

NOK Corporation (the “Company”) announces that it has resolved at the Board of Directors meeting held on January 30, 2023 to introduce an “Employee Stock Ownership Association Trust-Type ESOP” (hereinafter the “Plan”) as an incentive plan aimed at improving corporate value over the medium to long term and enhancing the benefits and welfare of employees by using the NOK Group’s employee stock ownership association.

1. Purpose of introduction

The Company shall introduce the Plan for the purpose of invigorating the NOK Group’s stock ownership association and promoting stable asset formation for NOK Group employees as part of enhancing the benefits and welfare of employees, and improving the NOK Group’s corporate value over the medium to long term by granting incentives to NOK Group employees to elevate their consciousness of participating in the running of the Company and improve business performance.

2. Overview of the Plan

The Company will introduce the Plan for NOK Group employees who are members of the “NOK Stock Ownership Association” (hereinafter the “Stock Ownership Association”).

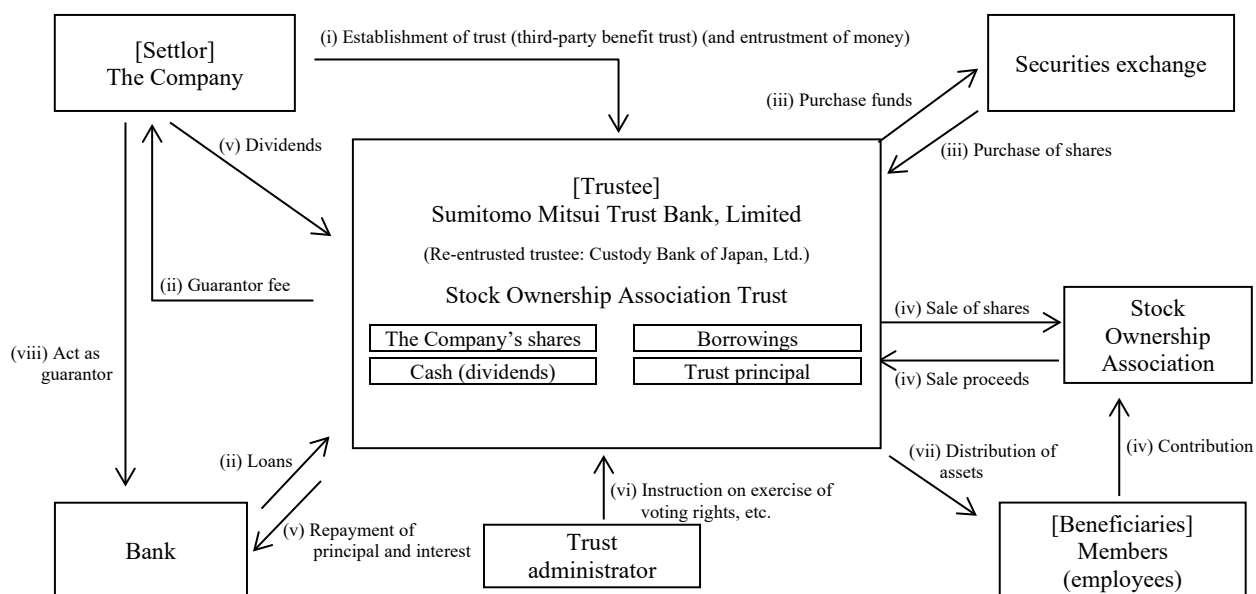
The Company will establish the “Employee Stock Ownership Association Trust (Third-Party Benefit Trust),” (hereinafter the “Stock Ownership Association Trust”), for which those NOK Group employees who are members of the Stock Ownership Association who meet certain beneficiary requirements.

The Stock Ownership Association Trust will make a bulk purchase of the Company’s shares at a number expected to be acquired by the Stock Ownership Association over the period of three years from the trust agreement by using funds acquired through borrowings. The Company will be guarantor for the aforementioned borrowings of the Stock Ownership Association Trust.

After the introduction of the Plan, acquisition of the Company’s shares by the Stock Ownership Association shall

be made by purchasing those shares from the Stock Ownership Association Trust. If gains equivalent to capital gains on sales of shares are accumulated within the Stock Ownership Association Trust through acquisitions of the Company's shares by the Stock Ownership Association, those gains will be distributed to the beneficiary NOK Group employees after the termination of the trust. On the other hand, if the Stock Ownership Association Trust is unable to settle borrowing debt due to the lowering of the Company's share price, the Company will repay the outstanding debt to the lending bank. In that case, no obligation will be borne by NOK Group employees who are members of the Stock Ownership Association.

3. Structure of the Plan



- (i) The Company will establish a Stock Ownership Association Trust.
- (ii) The Stock Ownership Association Trust will borrow the necessary funds from a bank for acquisition of the Company's shares. At the time of this borrowing, the Company, the Stock Ownership Association Trust and a bank will enter into a guarantor agreement stipulating that the Company will cover bank losses concerning the borrowings made by the Stock Ownership Association Trust. The guarantor fee will be paid by the Stock Ownership Association Trust to the Company as consideration for the guarantor agreement.
- (iii) The Stock Ownership Association Trust will make a bulk purchase of the Company's shares at a number expected to be acquired by the Stock Ownership Association during the trust period (transactions on the securities exchange (including off-auction transactions)).
- (iv) During the trust period, the Stock Ownership Association Trust in principle will sell its held shares to the Stock Ownership Association at market price on a specific day every month.
- (v) The Stock Ownership Association Trust will use the proceeds of share sales received from the sale of the Company's shares to the Stock Ownership Association along with the dividends received from held shares to repay the principal and interest of the borrowings from the bank.

- (vi) Throughout the trust period, the trust administrator, whose job is to protect the profits of the beneficiaries and provide oversight for the trustee, will carry out instruction on management of the assets in trust, including the exercise of voting rights.
- (vii) If there are residual assets inside the Stock Ownership Association Trust after the borrowings have been repaid with the proceeds of the sales of the Company's shares, the Stock Ownership Association Trust shall deliver dividends corresponding to the amount contributed during the trust period to the NOK Group employees who meet the beneficiary requirements.
- (viii) If borrowing debt is outstanding after residual assets inside the Stock Ownership Association Trust have been disposed of, the Company will repay the outstanding debt based on the guarantor agreement.

Sumitomo Mitsui Trust Bank, Limited, which will be the trustee under the Plan, will delegate management of the assets in trust to the re-entrusted trustee, Custody Bank of Japan, Ltd.

4. Overview of the Stock Ownership Association Trust

- (1) Settlor: The Company
- (2) Trustee: Sumitomo Mitsui Trust Bank, Limited
(re-entrusted trustee: Custody Bank of Japan, Ltd.)
- (3) Beneficiaries: Members of the Stock Ownership Association who meet the beneficiary requirements
- (4) Type of trust: Monetary trust (third-party benefit trust)
- (5) Date of trust agreement: February 22, 2023 (scheduled)
- (6) Trust period: February 22, 2023 to March 31, 2026 (scheduled)
- (7) Purpose of trust: Stable and continuous provision of the Company's shares to the Stock Ownership Association and delivery of the assets in trust to beneficiaries who are determined through the beneficiary determination process.

5. Details of the Stock Ownership Association Trust's acquisition of the Company's shares

- (1) Shares to be acquired: Common shares of the Company
- (2) Total amount for share acquisition: 2,300,000,000 yen (scheduled)
- (3) Timing of acquiring shares: February 22, 2023 to April 10, 2023 (scheduled)
- (4) Method of acquiring shares: To be acquired through transactions on the securities exchange (including off-auction transactions)