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To Whom It May Concern

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### **Notice on the Introduction of Performance-Linked Stock Compensation Plan for Officers**

The Company hereby announces that at its Board of Directors' meeting held today, it reviewed the officer compensation plan and resolved to introduce a performance-linked stock compensation plan using a trust (the "Plan") for the Directors of the Company (excluding external Directors as detailed below), and a proposal regarding the Plan will be submitted to the 102nd Ordinary General Meeting of Shareholders scheduled for June 21, 2019 (the "Meeting"). Details are as follows.

#### **1. Introduction of the Plan**

The Company's Directors' compensation has been composed of monetary compensation, i.e. basic compensation and bonuses. The Company reviewed its overall officer compensation and would like to introduce a new performance-linked stock compensation plan for Directors.

The Plan is intended to further clarify the linkage of Directors' compensation to the Company's business performance and its share value, and by having Directors share both the benefits and risks of fluctuation in share prices, raise Directors' motivation to contribute to enhancing the Company's performance and corporate value over the medium- to long-term.

Under the Plan, Directors' compensation will be composed of basic compensation as well as those linked to performance, i.e. short-term incentives and long-term incentives (the latter is the Plan's stock compensation).

The Plan shall be introduced subject to the approval of the proposal on officer compensation at the Meeting.

Furthermore, provided that the Plan is approved at the Meeting, the Company intends to introduce a similar performance-linked stock compensation plan for Corporate Officers who are under a mandate agreement with the Company (the "Corporate Officers"). In that case, the Corporate Officers as well as the Directors will become beneficiaries of the trust established by the Company to operate the Plan (the "Trust"). The funds contributed by the Company to the Trust to acquire shares shall also include those for delivery to the Corporate Officers.

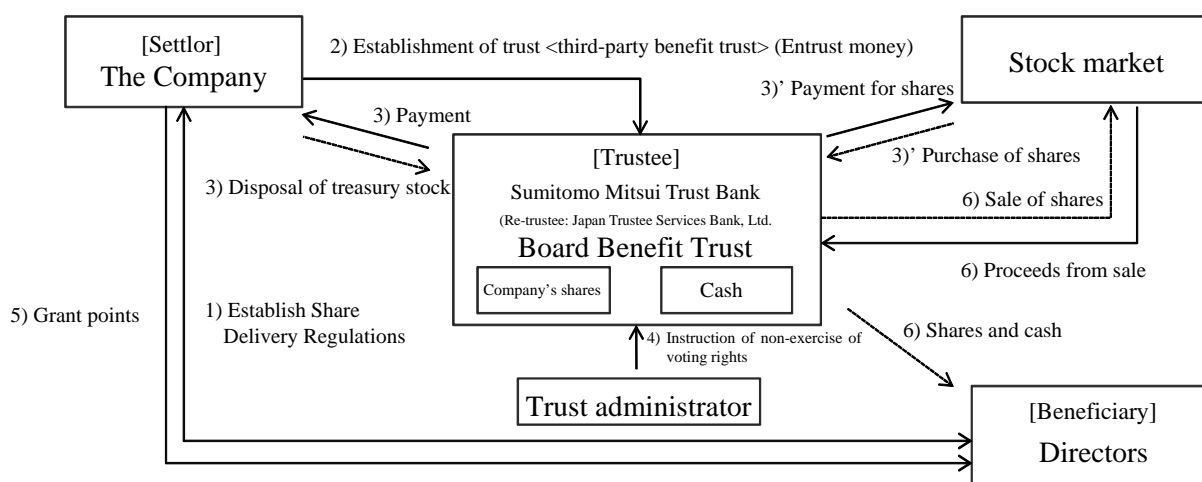
#### **2. Outline of the Plan**

##### **(1) Structure of the Plan**

The Plan is a stock compensation plan under which the Company's shares will be acquired through a trust (the Trust) using cash contributed by the Company, and a number of the Company's shares will be delivered through the Trust to each Director corresponding to the number of points they have been awarded.

In principle, Directors will receive delivery of the Company's shares upon their retirement from office.

<Outline of the Plan's Structure>



- 1) The Company establishes the Share Delivery Regulations for the Directors.
- 2) The Company establishes a Board Benefit Trust (third-party benefit trust) with the Directors as beneficiaries (the Trust), and entrusts to the trustees cash in the amount necessary to acquire the shares (However, the amount of funds to acquire the shares for delivery to the Directors shall be within the range approved at the Meeting).
- 3) The trustees acquire the Company's shares in bulk in a number covering those for future delivery (acquired through the disposal of treasury stock or through the stock market (including off-auction trading)).
- 4) A trust administrator (who is independent from both the Company and the Officers) will be designated to protect the interests of the beneficiaries under the Share Delivery Regulations and supervise the trustees throughout the trust period. In addition, the trust administrator will instruct to the trustees the non-exercise of voting rights for the Company's shares held by the Trust, and the trustees will not exercise the voting rights throughout the trust period.
- 5) The Company awards points to the Directors based on the Share Delivery Regulations.
- 6) Directors who satisfy the requirements under the Share Delivery Regulations and the Trust's trust agreement will be delivered a number of the Company's shares from the trustee equivalent to the number of points awarded as beneficiaries of the Trust. If the Director meets certain conditions set under the Share Delivery Regulations or the trust agreement, the Company will sell on the stock market a portion of the Company's shares for delivery, and pay the proceeds in cash to the Director.

Of the residual assets in the Trust at its termination, the Company's shares will be acquired collectively by the Company without consideration and be canceled pursuant to a resolution of the Board of Directors.

Furthermore, a certain amount of cash from the Trust's residual assets shall be donated to specified public interest corporations without special interests in the Directors as predetermined in the Share Delivery Regulations and the trust agreement.

The trustee designated under the Plan, Sumitomo Mitsui Trust Bank, Limited, will entrust management (re-trust) of the trust assets to Japan Trustee Services Bank, Ltd.

(2) Establishment of the Trust

Subject to the approval of the Plan at the Meeting, the Company will establish the Trust and contribute funds for the Trust to acquire in advance a reasonably estimated number of the Company's shares necessary for delivery in accordance with (6) below. The funds contributed by the Company will be the source for the Trust to acquire the Company's shares as detailed in (5) below.

The trustee designated in the Plan, Sumitomo Mitsui Trust Bank, Limited, will entrust management (re-trust) of the trust assets to Japan Trustee Services Bank, Ltd.

(3) Trust period

The trust period will be approximately three years from August 2019 (planned) to August 2022 (planned), provided the trust period may be extended as detailed in (4) below.

(4) Maximum amount of funds to be contributed for acquiring shares

The Company will establish the Trust with Directors who satisfy certain requirements as its beneficiaries and contribute funds to acquire the Company's shares necessary for delivery to Directors under the Plan during the three fiscal years from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022 (the "Applicable Period") in cash of up to ¥270 million in total as compensation for Directors serving during the Applicable Period. The Trust will acquire the Company's shares using cash entrusted by the Company through the disposal of treasury stock or through the stock market (including off-auction trading).

Note: The actual amount of cash entrusted to the Trust by the Company includes an amount to cover expenses such as trust fees, trust administrator fees, etc., in addition to the funds to acquire the Company's shares detailed above.

In addition, the Board of Directors may decide to extend each Applicable Period within a period of five fiscal years, upon which the Plan may be continued by extending the period of the Trust (including the virtual extension of the trust period by transferring the assets in the said Trust to another trust established for the same purpose. The same applies hereinafter.). In this case, the Company will make an additional contribution to the Trust of cash obtained by multiplying the number of fiscal years in the extended period by an amount of up to ¥90 million as additional funds to acquire the Company's shares for delivery to the Directors under the Plan during the Applicable Period of this extension, and continue to award points and deliver the Company's shares as detailed in (6) below during the trust period.

Furthermore, even if the Plan is discontinued, if there are any unretired Directors with awarded points at the completion of the trust period, the period of the Trust may be extended until these Directors retire and the Company's shares are delivered to them.

(5) Method for the Trust to acquire the Company's shares

The Trust is to initially acquire the Company's shares through the Company's disposal of treasury stock or the stock market within the maximum amount referred to in (4) above, but the details of the acquisition method shall be decided upon the resolution of the Meeting and will subsequently be disclosed.

If, during the trust period, the shares in the Trust become possibly insufficient for the number of shares corresponding to the number of points awarded to the Directors during the trust period due to events such as an increase in the number of Directors, additional cash may be contributed to the Trust for additional acquisition of the Company's shares within the maximum trust amount referred to in (4) above.

(6) Calculation method of the Company's shares to be delivered to Directors and their maximum number

1) Awarding points to Directors

Based on the Share Delivery Regulations established by the Board of Directors, the Company awards points to each Director on the dates stipulated in the Share Delivery Regulations during the trust period according to their position and achievement rate of performance targets. However, the total number of points the Company awards the Directors shall be up to 90,000 points per fiscal year.

For the current fiscal year, the Compensation Committee shall determine medium- to long-term performance targets such as consolidated operating profit and ROE, for points to be awarded in a range of 0% to 150% depending on the achievement rate, etc. as provided in the Share Delivery Regulations.

2) Delivering the Company's shares according to the number of points awarded

Directors shall receive the delivery of the Company's shares according to the number of points awarded in 1) above, following the process detailed in 3) below.

One point is equal to one share of the Company. However, in the event of a stock split or a reverse stock split of the Company's shares or other events that justify an adjustment to the number of the Company's shares to be delivered, the Company shall make reasonable adjustments mainly according to the ratio of the split or reverse split.

3) Delivery of Company's shares to Directors

In principle, the Trust will deliver the Company's shares referred to in 2) above to each Director upon their retirement from office by taking the prescribed procedures to confirm the beneficiary.

However, the Company may liquidate a certain portion of the Company's shares by selling them within the Trust mainly for withholding income taxes, and deliver cash instead of the Company's shares. The Company may deliver cash instead of the Company's shares if those in the Trust are liquidated due to a settlement for subscription to a tender offer, or other events.

(7) Exercise of voting rights

Voting rights for to the Company's shares in the Trust shall not be exercised without exception pursuant to the instructions of the trust administrator, who is independent from the Company and its Officers. This is intended to ensure that the exercise of voting rights for the Company's shares in the Trust is neutral to the Company's management.

(8) Dividends

Dividends for the Company's shares in the Trust shall be received by the Trust mainly to fund the acquisition of the Company's shares or the payment of trust fees to the trustees.

(9) Treatment of the Company's shares and cash upon termination of the Trust

Of the residual assets in the Trust at its termination, the Company's shares will be acquired collectively by the Company without consideration and be canceled pursuant to a resolution of the Board of Directors.

Furthermore, a certain amount of cash from the Trust's residual assets shall be donated to specified public interest corporations without special interests in the Directors as predetermined in the Share Delivery Regulations and the trust agreement.

(Reference 1) Outline of the Trust's trust agreement

Settlor	The Company
Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trustee: Japan Trustee Services Bank, Ltd.)
Beneficiaries	Directors and Corporate Officers who satisfy the beneficiary requirements
Trust administrator	A third party independent from the Company and its Officers
Exercise of voting rights	Voting rights for shares held in the Trust will not be exercised throughout the trust period.
Type of trust	Trust of cash other than money trust (i.e., third-party benefit trust)
Trust agreement date	August 2019 (planned)
Trust period	August 2019 to August 2022 (planned)
Objective of the trust	Deliver the Company's shares to beneficiaries based on the Share Delivery Regulations

(Reference 2) Views regarding the Company's Directors' compensation are as follows.

Purpose of revision	The Company will revise the officer compensation plan in terms of the levels and composition of compensation for further leverage to provide sound incentives for sustainable growth.
Compensation standards	The Company will establish appropriate compensation levels to enhance business performance in consideration of the surrounding business environment and the levels of other companies.
Compensation composition ratio	The reference compensation composition ratio for a standard achievement of performance targets has been established at 70% for basic compensation, 20% for short-term incentives, and 10% for long-term incentives (stock compensation). The Company plans to increase the composition of short-term incentives and long-term incentives (stock compensation) in stages to further enhance shareholder-oriented management.
Basic compensation	Determined based on the positions and responsibilities of the Company's Directors
Short-term incentives	The amount to be delivered fluctuates mainly according to the achievement rate of performance targets for each fiscal year, thereby to appropriately motivate officers for the sustainable improvement of business performance. Subject to deliberations of the Compensation Committee, a voluntary committee composed by a majority of independent external Directors and chaired by an external Director. Net sales and operating profit are the main performance-linked indicators for the current fiscal year.
Long-term incentives (stock compensation)	Performance-linked stock compensation will be provided as a long-term incentive under the Plan. In the Plan, shares will be delivered to the Company's Directors upon their retirement from office through a trust. The number of shares to be delivered fluctuates based on the achievement rate of performance targets over three fiscal years. Consolidated operating profit and ROE are the main performance-linked indicators for the current fiscal year.

Current standard Directors' compensation system

Current	Fixed	Performance-linked
	Basic compensation	Bonuses

Standard Directors' compensation system after revision

After revision	Fixed	Performance-linked	
	Basic compensation	Short-term incentive	Long-term incentive (stock compensation)

\* The Company is planning to increase the composition of the performance-linked portion (short-term incentives, long-term incentives (stock compensation)) in stages in the future.