

*May 17, 2019*

## **Notice Regarding the Adoption of a Remuneration System Based on Shares with Restriction on Transfer**

At the meeting of the board of directors held today, our company has revised the remuneration system for executives, and resolved to adopt a remuneration system based on shares with restriction on transfer (hereinafter referred to as “the System”), and submit a bill on the System to the 39<sup>th</sup> annual meeting of shareholders (hereinafter referred to as “the General Meeting of Shareholders”) to be held on June 27, 2019. The details are as follows.

### 1. Purpose in adopting the System, etc.

#### (1) Purpose in adopting the System

Our company plans to adopt the System, in which shares with restriction on transfer will be given to the Executives, so that the directors, excluding outside ones, and auditors, excluding outside ones, of our company (hereinafter referred to as “the Executives”) can share the merits and risks of share price fluctuations with shareholders and will be more willing to contribute to the rise in share price and the improvement of corporate value. The System was proposed, in response to the amendment to the tax system in fiscal 2016, including the revision to the timing of imposing income tax on executives and others of corporations and the inclusion of expenses for the services of executives and others of corporations in deductible expenses if shares with restriction on share or with other conditions for a certain period of time are given to executives and others of corporations as remunerations.

#### (2) Conditions for adopting the System

In the System, receivables are given to the Executives as remunerations for the allotment of shares with restriction on transfer. Therefore, it is necessary to obtain the approval of shareholders for the adoption of such remunerations at the General Meeting of Shareholders. At the 27<sup>th</sup> annual meeting of shareholders held on June 26, 2007, it was approved that the remuneration for a director of our company is up to 500 million yen per year (the remuneration for an outside director is up to 20 million yen; excluding the employee’s salary for an employee and director), and the remuneration for an auditor of our company is up to 60 million yen per year. However, considering the degree of contribution, etc. of the directors (excluding outside ones) and auditors (excluding outside ones) of our company comprehensively, we plan to request shareholders to approve, at the General Meeting of Shareholders, that the total amount of receivables offered to each director (excluding outside ones) of our company as remunerations in the form of shares with restriction on transfer is up to 200 million yen per year and that of each auditor (excluding outside ones) is up to 10 million yen per year, in addition to the above mentioned remunerations.

### 2. Outline of the System

#### (1) Allotment and provision of shares with restriction on transfer

Based on the resolution of the board of directors and the discussion with auditors of our company, we will provide the Executives with receivables as remunerations in the form of shares with restriction on transfer within the above-mentioned range, and each of the Executives will receive shares with restriction on transfer by contributing all of said receivables in kind.

The payment amount of shares with restriction on transfer will be determined by the board of directors of our company within the range where the Executives receiving said shares will not have some advantage, based on the closing price of the common share of our company at the Tokyo Stock Exchange on the business day before the date of resolution of the board of directors of our company regarding the issuance or disposal of said shares (if transactions are not made on that date, the closing price on the latest date of transactions will be used).

In addition, the above-mentioned receivables will be provided under the condition that the Executives have agreed with the above-mentioned in-kind contribution and concluded a

contract for allotment of shares with restriction on transfer including the contents mentioned in the following section (3).

(2) Total number of shares with restriction on transfer

The total number of shares with restriction on transfer allotted to directors (excluding outside ones) of our company (200,000) and the total number of shares with restriction on transfer allotted to auditors (excluding outside ones) of our company (10,000) shall be the upper limit of the number of shares with restriction on transfer allotted each fiscal year.

However, the total number of shares with restriction on transfer may be adjusted in a reasonable manner, if this is necessary in the cases of split or reverse split of common shares of our company (including the allotment of common shares without contribution) on or after the date of resolution of the bill or in similar cases.

(3) Contents of a contract for allotment of shares with restriction on transfer

For the allotment of shares with restriction on transfer, the following contents shall be included in a contract for allotment of shares with restriction on transfer concluded between our company and the Executives receiving shares with restriction on transfer based on the resolution of the board of directors of our company.

a) Details of the restriction on transfer

The Executives who have received shares with restriction on transfer shall not transfer said shares to a third party, establish the right of pledge, create a security interest for transfer, leave said shares to someone before death, bequeath said transfer, or commit any other acts of disposing of said shares during a period specified by the board of directors of our company, which is not less than 3 years (hereinafter referred to as "the Transfer-Restricted Period").

b) Free acquisition of shares with restriction on transfer

If any of the Executives who have received shares with restriction on transfer resigns or retires from the position as a director, an auditor, an executive officer, or an employee of our company or a subsidiary thereof before the first annual meeting of shareholders of our company since the start of the Transfer-Restricted Period, our company will acquire the shares with restriction on transfer allotted to said Executives (hereinafter referred to as "the Allotted Shares") free of charge, unless there is a reason considered reasonable by the board of directors of our company.

If some of the Allotted Shares have not been relieved of restriction on transfer in accordance with the provisions regarding the reason for relieving restriction on transfer in the following clause c) at the time of expiration of the Transfer-Restricted Period mentioned in the above clause a), our company will acquire said shares free of charge.

c) Lifting of restriction on transfer

Our company will remove the restriction on transfer from all of the Allotted Shares at the time of expiration of the Transfer-Restricted Period, as long as the Executives who have received shares with restriction on transfer keep serving as a director, an auditor, an executive officer, or an employee of our company or a subsidiary thereof until the first annual meeting of shareholders of our company since the start of the Transfer-Restricted Period.

However, if said Executives resign or retire from the position as a director, an auditor, an executive officer, or an employee of our company or a subsidiary thereof before the expiration of the Transfer-Restricted Period for a reason judged reasonable by the board of directors of our company, the number of the Allotted Shares whose restriction on transfer will be removed and the timing of lifting the restriction on transfer may be adjusted reasonably when necessary.

d) Handling in cases of organizational restructuring, etc.

If a contract for merger with our company being a merged one, a contract for exchange of shares or a share transfer plan with our company becoming a 100% subsidiary, or any other bill regarding organizational restructuring is approved at a general meeting of shareholders of our company (or approved by the board of directors of our company if a bill

for said organizational restructuring does not require the approval at a general meeting of shareholders of our company), our company will lift the restriction on transfer for the Allotted Shares whose quantity is specified reasonably by the board of directors of our company while considering the period from the start of the Transfer-Restricted Period to the date of approval for said organizational restructuring, before the effective date of said organizational restructuring.

In this case, our company will acquire the Allotted Shares whose restriction on transfer has not been lifted free of charge, immediately after the restriction on transfer is removed in accordance with the above provision.

For Reference:

Our company plans to allot the shares with restriction on transfer like the above-mentioned ones to the executive officers and employees of our company and directors and employees of subsidiaries thereof after the General Meeting of Shareholders.