

## Policies and Procedures in Determining the Remuneration

[Principle 3.1 Full Disclosure]

In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance:

iii) Board policies and procedures in determining the remuneration of the senior management and directors

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[Remuneration policy]

The Company configures its executive remuneration so that it is linked to operating performance and appropriately functions as an incentive with respect to providing consideration for creating corporate value with the aims of cultivating and securing superior management personnel, and contributing to the Company's sustainable development as a listed company.

[Remuneration determination procedure]

The Company strives to ensure independence and objectivity with respect to making decisions on specifics of executive remuneration and amounts paid to executives, and with respect to procedures for handling resolutions in that regard. Accordingly, the Board of Directors makes such decisions after matters have been discussed by the Remuneration Advisory Committee, a majority of whose membership consists of independent Outside Directors and is chaired by an independent Outside Director.

In addition, annual bonus amounts to be provided to Directors in relation to operating performance in a particular fiscal year are to be introduced as proposals at annual General Meetings of Shareholders in order to elicit the preferences of shareholders.

<Matters to be deliberated on by the Remuneration Advisory Committee>

- Policies regarding Director remuneration, etc.
- Plans for Director remuneration
- Amounts of Directors remuneration to be paid on an individual

[Purpose and summary of Remuneration]

The purpose and the summary of the elements making up the incentive scheme are as follows.

## Information Disclosure in accordance to the Corporate Governance Code

### <Basic remuneration>

All of the Directors and Audit & Supervisory Board Members are eligible to receive a monetary sum of fixed compensation as consideration for “fulfilling responsibilities.” Per resolution of the General Meeting of Shareholders, remuneration paid to Directors is limited to 70 million yen per month, and remuneration paid to Audit & Supervisory Board Members is limited to 18 million yen per month. The Company does not provide a retirement benefit.

### <Annual bonus>

Directors (excluding Outside Directors) are eligible to receive a monetary sum of performance-based remuneration amounting to within 0.5% of consolidated ordinary income as consideration for “generating profits and fostering the Company’s growth and development,” which is one of the aims of a joint-stock corporation.

To ensure that the annual incentive bonus amount provided to Directors and Audit & Supervisory Board Members in relation to operating performance in the subject fiscal year is in accordance with the will of the shareholders, this amount is tabled as a proposal at the annual General Meeting of Shareholders. (KPI: consolidated ordinary income for a single fiscal year)

### <Share-based remuneration>

Directors (excluding Outside Directors) are eligible to receive the following two types of stock compensation as performance-based remuneration in the form of shares, with the aim of heightening their incentive to enhance the medium- to long-term corporate value by further aligning their interests with those of shareholders.

#### (1) Stock delivery trust

This is awarded as consideration for “creating long-term shareholder value.”

Under this plan, the Company acquires money in trust up to a monetary amount decided at a General Meeting of Shareholders, and the Company’s stock, then delivers shares of stock to the Directors in line with their achievement of ROE (return on equity) targets. (KPI: ROE of the respective fiscal years)

#### (2) Performance-linked and restricted share-based remuneration

This remuneration is awarded in order to encourage recipients’ commitment to achieving the medium-term performance targets and enhancing shareholder value.

This remuneration plan corresponds with launch of the Medium-Term Management Plan, and is one whereby Company shares subject to transfer restrictions until the time of retirement are granted based on achievement of the consolidated operating income targets of the respective fiscal years during the term of the Medium-Term Management Plan. (KPI: Consolidated operating income during the term of the Medium-Term Management Plan)

## **Information Disclosure in accordance to the Corporate Governance Code**

Senior managers of the Company and Group companies are also eligible for the Restricted Share Remuneration.

[Determining amount of remuneration]

In conjunction with the policy detailed above, the Company strives to ensure that generally 10% of the Restricted Share Remuneration provided is in the form of stock compensation which serves as an incentive to enhance the medium- to long-term corporate value.

Means of determining amounts to be paid as performance-based remuneration are described as follows.

< Annual bonus >

Amounts to be paid on an individual level are determined on the basis of overall considerations, enlisting criteria worthy of the Company's focus as benchmarks (the notion of strengthening the management base and other qualitative factors, in addition to sales, earnings and other quantitative factors).

<Share-based remuneration>

(1) Stock delivery trust

The Plan is a share-based remuneration plan under which the Company contributes money to establish a trust and the trust acquires the Company's shares. The Company's shares corresponding to the number of points granted to individual Directors according to their ranks and ROE would then be delivered to them via the trust.

The number of shares to be delivered to each Director shall be determined by a calculation separately conducted for non-performance-linked and performance-linked portions using the base amount of share-based remuneration, which is computed based on the fixed compensation amount.

For a certain portion of the shares, money shall be delivered in lieu of shares after realization through sale within a trust.

However, the shares to be delivered are subject to transfer restrictions until the time of retirement from office as Director; and the transfer restrictions shall be lifted upon retirement.

## Information Disclosure in accordance to the Corporate Governance Code

<Calculation method>

Non-performance-linked portion = Base amount of share-based remuneration / Closing price of the Company's shares on the last day of each fiscal year

Performance-linked portion = Base amount of share-based remuneration × Performance-linked coefficient / Book value of the trust

The performance-linked coefficient is set to:

“1” if ROE is 13% or higher;

“0.5” if ROE is at least 8% and less than 13%; and,

“0” if ROE is less than 8%.

\*The ROE target is 13% under the 6th Medium-Term Management Plan.

The Ito Review report proposes ROE of 8% as a minimum target for listed companies.

### (2) Performance-linked and restricted share-based remuneration

Under the plan, monetary compensation receivables are awarded in line with the achievement of performance targets during the period that coincides with the Company's Medium-Term Management Plan, and the eligible Directors are granted shares of the Company's common stock subject to transfer restrictions until the time of retirement, in exchange for such monetary compensation receivables.

During the three fiscal years that coincide with the 6th Medium-Term Management Plan (from April 1, 2019 to March 31, 2022), the number of shares to be delivered is determined by multiplying the predetermined “standard number of shares to be delivered” by the “performance-linked coefficient,” each fiscal year during which targets for consolidated operating income have been achieved. The total number of shares are then granted in the final fiscal year.

The predetermined standard number of shares to be delivered to Directors is 3,000 shares. The performance-linked coefficient is 0.3 for the initial fiscal year and subsequent fiscal year, and then 0.4 for the final fiscal year.

(Example calculation: scenario involving delivery of shares)

Fiscal year ending March 31, 2020: Operating income target of 378 billion yen achieved → 3,000 shares × 0.3 = 900 shares

Fiscal year ending March 31, 2021: Operating income target of 390 billion yen achieved → 3,000 shares × 0.3 = 900 shares

Fiscal year ending March 31, 2022: Operating income target of 405 billion yen achieved → 3,000 shares × 0.4 = 1,200 shares

A total of 3,000 shares are to be delivered upon conclusion of final fiscal year.

(The performance-linked coefficient for a respective fiscal year is zero if the operating income target is not achieved.)

## Information Disclosure in accordance to the Corporate Governance Code

However, the shares to be delivered are subject to transfer restrictions until the time of retirement from the position of executive or employee, etc.(\*1), and the transfer restrictions shall be lifted at the time he or she retires or resigns.

In addition, the Company shall pay a monetary amount upon the recipient's retirement or resignation from his or her position of executive or employee, etc., due to the expiration of his or her term of office or other legitimate reason (excluding the case of death), up until the date on which details of the financial statements pertaining to the final fiscal year have been reported to the Ordinary General Meeting of Shareholders. The amount to be paid shall be obtained by multiplying the closing price of the Company's shares traded on the Tokyo Stock Exchange on the date of the recipient's retirement or resignation, by the number of shares obtained by multiplying the standard number of shares to be delivered by a "coefficient of in-office period(\*2)" set according to the recipient's length of time in office during the performance assessment period.

(\*1) A Director, Executive Officer (shikko-yaku), Executive Officer (shikko-yakuin) not concurrently serving as a Director, Audit & Supervisory Board Member, Employee, Counselor (komon) or Counselor (sodanyaku) or person with an equivalent position as the aforementioned of the Company or one of its subsidiaries

(\*2) The coefficient of in-office period is calculated as follows, according to the length of time a recipient has served in the position of executive or employee, etc. up until his or her retirement or resignation.

	Coefficient for each period
Remain in office until the last day of the 81st fiscal year:	0
Remain in office until the last day of the 82nd fiscal year:	0.3
Remain in office until the last day of the 83rd fiscal year:	0.6
Retire or resign after the end of the 83rd fiscal year and before the date of Right Allotment:	0.6

## **Information Disclosure in accordance to the Corporate Governance Code**

### [Stockholding guidelines]

The Company encourages its executives and employees to maintain holdings of its shares through shareholder associations and other such entities with the aims of cultivating the notion that their interests are in alignment with those of shareholders and giving rise to actions that exhibit respect for interests of shareholders.

In particular, the Company has established the stockholding guidelines described below with respect to its managers and managerial candidates who play important roles in ensuring the Companies sustainable growth and increasing its medium- to long-term corporate value. These guidelines generally specify that such parties are to maintain holdings amounting to a certain number of the Company's shares.

#### <Stockholding guidelines>

- |                               |  |
|-------------------------------|--|
| Directors of the Company:     | In principle, Directors of the Company should have at least 6,000 Company's shares within three years of their appointment     |
| Executive officers:           | In principle, Executive officers should have at least 3,000 Company's shares within three years of their appointment           |
| Directors of Group companies: | In principle, Directors of Group companies should have at least 2,000 Company's shares within three years of their appointment |

## Information Disclosure in accordance to the Corporate Governance Code

Reference: Executive remuneration system

	Basic remuneration	Bonus	Share-based remuneration	
			Stock delivery trust	Restricted share-based remuneration
Directors for operational execution	○	○	○	○
Outside Directors	○	—	—	—
Audit & Supervisory Board Members	○	—	—	—
(Resolution of a General Meeting of Shareholders)	(Directors) 57th Ordinary General Meeting of Shareholders held on June 27, 1996 (Audit & Supervisory Board Members) 80th Ordinary General Meeting of Shareholders held on June 25, 2019	Annual	(Introduction) 77th Ordinary General Meeting of Shareholders held on June 28, 2016 (Revision of terms and conditions) 80th Ordinary General Meeting of Shareholders held on June 25, 2019	80th Ordinary General Meeting of Shareholders held on June 25, 2019
(Note)	Retirement benefits were discontinued as of the 66th Ordinary General Meeting of Shareholders held on June 29, 2005			