



February 9, 2023

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Notice on changing of Long-term incentive (Stock-based compensation)

At the Board of directors meeting held on February 9, 2023, the Company resolved to introduce "Executive reward BIP Trust" (hereinafter referred to as "BIP Trust" ^(*1)) as a new Long-term incentive (Stock-based compensation) plan (hereinafter referred to as "the Plan") to replace the existing Long-term incentives (Stock-based compensation) plan (hereinafter referred to as "the Former stock-based compensation plan") approved at the Ordinary general meeting of shareholders for FY2020 held on March 25, 2021 for the Company's directors of the Company (excluding Directors who are Audit and supervisory committee members and Outside directors, hereinafter referred to as "Executive directors").

Compensation for the Company's Executive directors consists of base salary, annual bonus, reserved retirement payment, Long-term incentives (Stock-based compensation) (Performance Share Unit plan (hereinafter referred to as the "PSU") and Restrictive Stock Unit plan (hereinafter referred to as the "RSU"). This resolution changes the content of "Long-term incentives (Stock-based compensation)" to use BIP Trust.

As a result, the Company will submit to the Company's Ordinary general meeting of shareholders for FY2022 (hereinafter referred to as the "General meeting of shareholders") scheduled to be held on March 28, 2023. We would like to inform you as follows. The specific performance-linked mechanism of this system has been established by inheriting the contents of the Former stock-based compensation plan and is described in "3. I . (1) Outline of BIP Trust" and below.

The Company also plans to introduce a Stock-granting ESOP Trust ^(*2) for the Company's Executive officers, employees recognized by the Company, and Executive officers and employees of Group subsidiaries designated by the Company and will announce the timing of the introduction and the details of the total amount of shares to be acquired as soon as they are decided.

1. Abolition of the Former stock-based compensation plan

The Company will abolish the Former stock-based compensation plan subject to approval of the BIP Trust proposal at the General meeting of shareholders. Subject to the commencement of the Plan, points equivalent to the standard amount calculated under the Former stock-based compensation plan or the number of common shares scheduled to be vested will be granted under the Plan as a transitional measure from the Former stock-based compensation plan, and shares will be vested from the Plan.

2. Purpose of introducing the Plan, etc.

(1) The Company will introduce the Plan with aiming to increase the motivation of Executive directors subject to the Plan to contribute to the medium- to long-term improvement of corporate value and the rise in stock prices of Group companies, to strengthen the competitiveness of acquisition and retention of talent rich in diversity from the perspectives of nationality and experience, and to further enhance incentives for sharing profit awareness with shareholders and improving corporate value.

(2) The Plan vests the Company shares acquired under the Plan and money equivalent to the exchange price of the Company's shares (hereinafter referred to as "Company shares, etc."). (hereinafter referred to as "Vesting, etc.") to Executive directors).

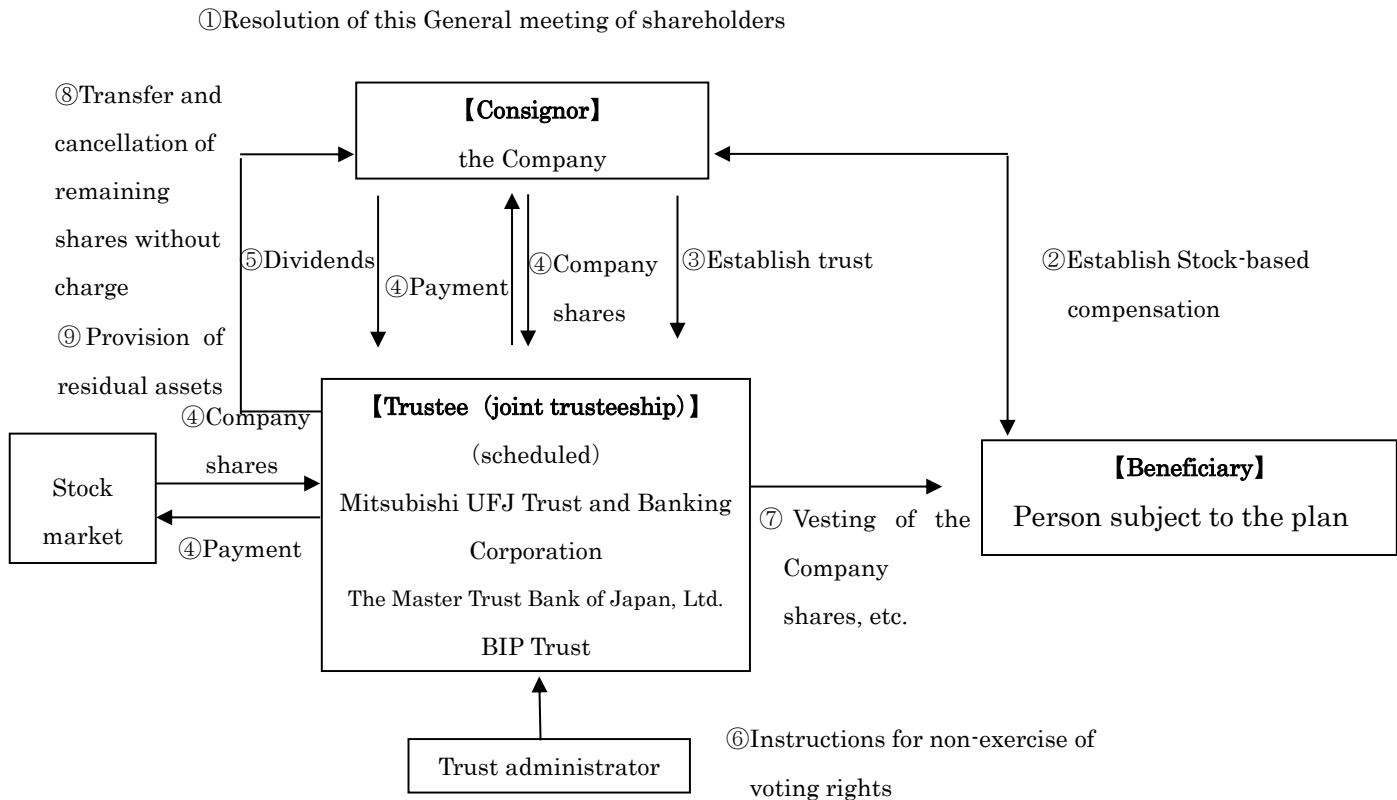
(3) The introduction of a BIP Trust is subject to the approval of officer remuneration at the General meeting of shareholders.

*1 BIP (Board Incentive Plan) Trust is an incentive plan for executives based on the Performance Share and Restricted Stock plans in the United States.

*2 ESOP (Employee Stock Ownership Plan) Trust is an incentive plan for employees based on the ESOP system in the United States.

3. Outline of the Plan

I. Structure of BIP Trust



- 1) The Company will obtain approval for the introduction of the BIP Trust at this General meeting of shareholders.
- 2) The Company shall establish Stock-based compensation regulations concerning the contents of the BIP Trust at the Board of directors meeting.
- 3) The Company will establish a BIP Trust in which the money that will be the source of the Company's Stock-based compensation will be entrusted to a trustee and the Executive directors who satisfy the requirements for beneficiaries ("the Eligible directors") will be the beneficiaries. The amount of money that the Company may contribute shall be limited to the amount approved by the General Meeting of Shareholders in 1) above.
- 4) The BIP Trust acquires the Company's shares from the stock market or the Company (Treasury stock) using the money contributed in 3) above as the source of funds in accordance with the instructions of the Trust administrator. The number of shares to be acquired by the BIP Trust shall be within the range approved by the General meeting of shareholders in 1) above.
- 5) Dividends will be paid to the Company's shares in the BIP Trust in the same manner as other Company shares.

6) Voting rights shall not be exercised with respect to the Company's shares in the BIP Trust throughout the trust period.

7) As a transitional measure from the Former stock-based compensation plan, without delay after the establishment of the BIP Trust, Executive directors who were subject to the Former stock-based compensation plan will be granted points equivalent to the base amount calculated under the Former stock-based compensation plan or the number of the Company's common shares to be granted.

During the trust period, a certain number of points will be granted to the Eligible directors according to their responsibilities and the degree to which they have achieved performance targets.

To the Eligible directors who meet certain beneficiary requirements, as described in (8) below, the number of shares of the Company's stock, etc. corresponding to the number of points will be vested after the end of the applicable period and at the time of retirement.

As described in (8) below, as a rule, the Company shares equivalent to a certain percentage of such points (rounded up to the nearest unit) will be vested, and the remainder will be converted into cash within the BIP Trust and paid out in an amount equivalent to the amount of the conversion price.

8) In the event that residual shares remain at the end of the trust period due to failure to achieve the Company's performance targets, etc., the BIP Trust will either continue to be used as a new Stock-based compensation plan by amending the Trust agreement and implementing an additional trust, or the BIP Trust will transfer such residual shares to the Company without compensation and cancel them by a resolution of the Board of directors.

9) The remainder of the dividends on the Company's shares in the BIP Trust that arise at the expiration of the trust period will be used to fund the acquisition of shares if the BIP Trust is used continuously, but if the BIP Trust is terminated due to expiration of the trust period, it will be donated to an organization that has no interest in the Company or the Eligible directors.

(Note) During the trust period, if the number of shares in the BIP Trust may fall short of the number of shares corresponding to the number of points (set forth in (5) below) to be determined for the Eligible directors, or if the money in the trust assets may fall short of the payment of trust fees and expenses, additional money may be placed in the BIP Trust within the maximum amount of trust money set forth in (6) below.

(1) Overview of BIP Trust

The BIP Trust covers three consecutive business years (hereinafter referred to as the "applicable period". The initial target period is three fiscal years, from the fiscal year ending December 31, 2023 to the fiscal year ending December 31, 2025. After the fiscal year ending on December 31, 2023, the Company plans to continue to cover three consecutive fiscal years at the beginning of a new fiscal year.), In the first fiscal year where the target period begins, points equivalent to the standard amount by job responsibility will be granted to the Eligible directors. After the expiration of the target period or upon retirement of the Eligible director, the Company shall vest number of shares, etc. equivalent to the points granted.

Specifically, the Plan consists of "Performance Share Unit Plan (PSU)" and "Restricted Stock Unit Plan (RSU)". PSU: Points granted according to position, etc. in the first fiscal year when the target period begins will fluctuate according to the degree of achievement of Company performance during the target period. The Company's shares, etc. corresponding to the points shall be vested after the expiration of the target period. RSU: At the time of the retirement of the Eligible director, the Company shall vest the Company's shares, etc. in accordance with the points granted according to their position, etc. in the first fiscal year when the target period begins.

The main purpose of "Performance Share Unit Plan (PSU)" is to motivate the Eligible directors to improve corporate value over the medium to long term, and of "Restricted Stock Unit Plan (RSU)" is to share value with shareholders and to strengthen the retention of excellent talent.

(2) Resolutions of the General meeting of shareholders

The maximum amount of trust money to be contributed to the BIP Trust and the maximum total number of shares, etc. to be vested, etc. to the Eligible directors and other necessary matters shall be resolved at this General meeting of shareholders.

If the BIP Trust is to be continued as set forth in (4) below, the Board of directors, within the scope of the approval resolution of this General meeting of shareholders, shall decide to amend the Trust agreement and make additional contributions to the BIP Trust at the expiration of the trust period.

(3) Eligibility for BIP Trust (Beneficiary requirements)

Subject to fulfillment of the following requirements for beneficiaries, the Eligible directors may be vested from the BIP Trust the Company's shares, etc. equivalent to the number of points granted to them after completing the prescribed procedures for determining beneficiaries.

The beneficiary requirements are as follows

【Performance Share Unit Plan (PSU) 】

- 1) Must be the Eligible director during the applicable period (including those who became the Eligible directors on or after the date of commencement of the Plan).
- 2) The person must not have resigned from office for personal reasons (excluding retirement for personal reasons due to unavoidable circumstances) during the eligible period, committed certain acts of misconduct while in office, or been dismissed for material violations of duties, internal regulations, etc.
- 3) Other requirements deemed necessary to achieve the purpose of the Stock-based compensation plan and stipulated in the Trust agreement or the Stock-based compensation regulations.

【Restricted Stock Unit Plan (RSU) 】

- 1) Must be the Eligible director during the applicable period (including those who newly became an Executive director on or after the date of commencement of the Plan).
- 2) Retired of the Eligible director
- 3) The person has not resigned for personal reasons (excluding resignation for personal reasons due to unavoidable circumstances) during the eligible period, for having committed certain acts of misconduct during his/her term of office, or for having committed material violations of duties, internal regulations, etc.
- 4) Other requirements deemed necessary to achieve the purpose of the Stock-based compensation plan and stipulated in the Trust agreement or the Stock-based compensation regulations.

(4) Trust period

a. Initial trust period

The period will be approximately three years from May 2023 (planned) to May 2026 (planned).

b. Continuation of BIP Trust

At the expiration of the trust period, the trust period of the BIP Trust can be extended for the same period as the initial trust period by amending the Trust agreement.

In such case, for each extended trust period, the Company will make additional contributions within the maximum amount to be contributed to the BIP Trust for such new subject period to the extent approved by the General meeting of shareholders and will continue to grant points to the Eligible directors during the extended trust period.

However, if there are any remaining shares of the Company in the trust assets before the extension (Excluding shares of the Company equivalent to points granted to the

Eligible directors that have not been vested, etc. and money (hereinafter referred to as "Remaining Shares, etc.")), the total amount of the remaining shares, etc. and the additional trust amount shall be within the maximum amount of the trust money approved and resolved at the General meeting of shareholders.

This extension of the trust period is not limited to one time, and the trust period may be re-extended thereafter.

(5) Number of shares, etc. of the Company's stock, etc. to be vested, etc. to the Eligible directors

The number of shares of the Company's common stock to be vested to the Eligible directors will be determined as one share of the Company's common stock for each point in accordance with the number of points calculated in accordance with the respective point calculation formulas for the "Performance Share Unit Plan (PSU)" and the "Restricted Stock Unit Plan (RSU)" set forth below.

In the event of a stock split or reverse stock split of the Company's shares or other events for which it is deemed fair to adjust the number of points, the number of the Company's shares per point will be adjusted in accordance with the split ratio, reverse stock split ratio, etc.

① Performance Share Unit Plan (PSU)

After the start of each applicable period, base points are awarded, and after the end of the applicable period, "Performance-linked points" are granted, which are calculated based on the degree of achievement of performance targets for the applicable period.

< Formula for calculating "Performance-linked points" >

Base points (base amount by position / stock price*1) x performance-linked coefficient*2

② Restricted Stock Unit Plan (RSU)

After the start of each eligible period, "Fixed points" will be awarded according to the size of the Eligible director's position, calculated based on the following point calculation formula.

< Fixed Point Formula >

Base amount by position ÷ stock price*1

※1 The average closing price of the Company's common stock on the Tokyo Stock Exchange, Inc. during the one-month period prior to the day before the date of the Company's annual General Meeting of Shareholders to be held in the first fiscal year during each subject period

※2 The performance-linked coefficient varies between 0% and 150% depending on the achievement of performance targets (ROE and Sales) during the subject period.

- (6) Maximum amount of trust money to be contributed to the BIP Trust and maximum number of Company shares, etc. to be vested

The total amount of trust money to be contributed by the Company to the BIP Trust during the trust period and the total number of the Company's shares, etc. to be vested, etc. to the Eligible directors shall be subject to the following limits, subject to approval by the resolution of this General meeting of shareholders.

- ① The maximum amount of trust money*1 to be contributed to the BIP Trust as Stock-based compensation to the Eligible directors during the initial trust period

Total 2,880 million yen

*1 The maximum amount of trust fund is calculated by adding trust fees and trust expenses to the stock acquisition fund, taking into consideration the current compensation level of the Eligible directors.

In addition to the above, the Company will use 848 million yen in this fiscal year as a source of funds to acquire shares related to points to be granted as a transitional measure from the Former stock-based compensation plan.

- ② The maximum number of shares of the Company's shares, etc. to be vested by the BIP Trust as Stock-based compensation for such Eligible directors within the initial trust period.

Total 1.8 million shares

* The maximum number of shares of the Company's shares, etc. to be vested, etc. is calculated based on the above maximum amount of trust funds, with reference to past stock prices, etc.

In addition to the above, the number of shares equivalent to the total number of points granted as a transition measure from the former Stock-based compensation plan in the current fiscal year shall be 530,000 shares.

- (7) Method of acquisition of the Company's shares by BIP Trust

The acquisition of the Company's shares by BIP Trust is scheduled to be made on the stock market or from the Company within the limits of the maximum amount of trust money to be contributed to the BIP Trust and maximum number of Company shares, etc. to be vested, as described in (6) above.

(8) Method and timing of vesting of the Company's shares, etc. to the target directors

①Performance Share Unit System (PSU)

In principle, the timing of the vesting of the Company's shares, etc. under the Performance Share Unit (PSU) system will be after the end of the applicable period.

In principle, the Eligible directors who meet the beneficiary requirements in (3) above shall, after the end of the Eligible Period, to be vested Company shares, etc. in accordance with the performance-linked points calculated in accordance with (5) above.

In this case, the Eligible director shall, for the purpose of securing tax payment funds, be vested number of shares of the Company equivalent to a certain percentage of the performance-linked points, exchange the remaining number of Company shares equivalent to the performance-linked points in the BIP Trust, and receive a monetary benefit equivalent to the exchange disposal amount.

②Restricted Stock Unit (RSU)

In principle, the timing of the vesting of the Company's shares, etc. under the Restricted Stock Unit (RSU) is at the time of the retirement of the Eligible director.

In principle, the Eligible director who satisfies the requirements for beneficiaries in (3) above shall, upon retirement, be vested of the Company's shares, etc. in accordance with the fixed points calculated in accordance with (5) above.

In this case, for the purpose of securing tax payment funds, the Eligible director shall be vested number of shares of the Company equivalent to a certain percentage of the fixed points, and the number of shares of the Company equivalent to the remaining fixed points shall be exchanged in the BIP Trust and receive a monetary payment equivalent to the exchange disposal proceed.

(9) Exercise of voting rights for the Company's shares in the BIP Trust

To ensure neutrality in management, voting rights shall not be exercised for the Company's shares in the BIP Trust during the trust period.

(10) Handling of dividends on the Company's shares in the BIP Trust

Dividends on the Company's shares in the BIP Trust are received by the BIP Trust and used to cover the BIP Trust's trust fees and trust expenses.

(11) Treatment upon termination of BIP Trust

If residual shares accrue at the expiration of the trust period, the BIP Trust will continue to be used by changing the Trust agreement and making additional trusts, or the remaining shares will be transferred from the BIP Trust to the Company free of charge and canceled by resolution of the Board of directors.

In addition, the remainder of dividends on the Company's shares in the BIP Trust generated at the expiration of the trust period will be used as share acquisition funds if the BIP Trust continues to be used, but in the event of termination of the BIP Trust, it will be donated to an organization that has no interest in the Executive director.

【Reference】

●Details of the BIP Trust agreement

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|--------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| (1) Types of trusts | Monetary trusts other than specified solely managed monetary trusts (other-benefit trusts) |
| (2) Purpose of the trust | Provision of incentives for Executive directors |
| (3) Consignor | The Company |
| (4) Trustee | Mitsubishi UFJ Trust and Banking Corporation (planned)
(Co-Trustee: Japan Master Trust Bank, Ltd. (planned)) |
| (5) Beneficiary | Executive directors who meet the requirements for beneficiaries |
| (6) Trust administrator | Third parties who have no interest in the Company (Certified Public Accountants) |
| (7) Trust agreement date | May 2023 (planned) |
| (8) Duration of the trust | May 2023 ~ May 2026 (planned) |
| (9) System start date | June 1, 2023 (planned) |
| (10) Exercise of voting rights | shall not be exercised. |
| (11) Types of shares to be acquired: | Common shares of the Company |
| (12) Maximum trust amount | 3,728 million yen (The Company's maximum amount. Includes trust fees and trust expenses. (planned) |
| (13) How to acquire shares | Acquired from the stock market or from the Company |

End