



# News Release

## **Takeda Announces Continuation of the Long-Term Incentive Plan for Members of the Board of Directors in Fiscal 2018**

**Osaka, Japan, May 15, 2018** -- Takeda Pharmaceutical Company Limited (“Company”) announced today that the meeting of the Board of Directors resolved to continue the long-term incentive plan (“LTI”) for members of the Board of Directors, which has been adopted since fiscal 2016<sup>(\*)1</sup>.

### 1. Outline of the LTI

- (1) Whereas the Company has introduced the LTI for Directors of the Company since fiscal 2016. Specifically, (1) for Directors who are not members of the Audit and Supervisory Committee (excl. External Directors and Directors residing overseas) (“Directors Eligible for Performance-linked Compensation”), the highly transparent and objective compensation system for Directors that is closely linked to company performance has been adopted in order to improve the Company’s mid- and long-term performance as well as raise awareness of the need to help increase the Company’s value, and on the other hand, (2) for Directors who are members of the Audit and Supervisory Committee and External Directors (“Directors Not Eligible for Performance-linked Compensation”), the highly transparent and objective compensation system for Directors that is not linked to company performance has been adopted, in order to ensure that their compensation is within the appropriate scope in consideration of the role to be fulfilled by them, and to thereby further promote their awareness of sharing common interest with the shareholders, while ensuring their audit/supervisory functions for the Company’s management<sup>(\*)2</sup>.
- (2) The LTI utilizes a mechanism called a Board Incentive Plan Trust (“BIP Trust”) under which the BIP Trust shall be established (including the cases where the Trust period of BIP Trust already established in the previous year is extended to allow the said BIP Trust to be continued; the same shall apply hereinafter) for Directors who are not members of the Audit and Supervisory Committee (excluding Directors residing overseas who are not External Directors) and Directors who are members of the Audit and Supervisory Committee (BIP Trust associated with Directors who are not members of the Audit and Supervisory Committee shall be referred to as the “NSV (Non-Supervisory) Trust” and those who are as the “SV (Supervisory) Trust” hereinafter.)

The NSV Trust in fiscal 2018 is formed by partially revising the existing BIP Trust, which was established as a long-term incentive plan (“old LTI”) for Directors (excl. External Directors and Directors residing overseas) of a then Company with Board of Company Auditors in 2015,

according to the content of the LTI to include an extension of the Trust term thereof and additional entrustment of money thereto, so that the said BIP Trust can be continued. Also, the SV Trust in fiscal 2018 is formed by allowing the SV Trust already established in fiscal 2016 to be continued and by adding additional entrustment of money into the said SV Trust.

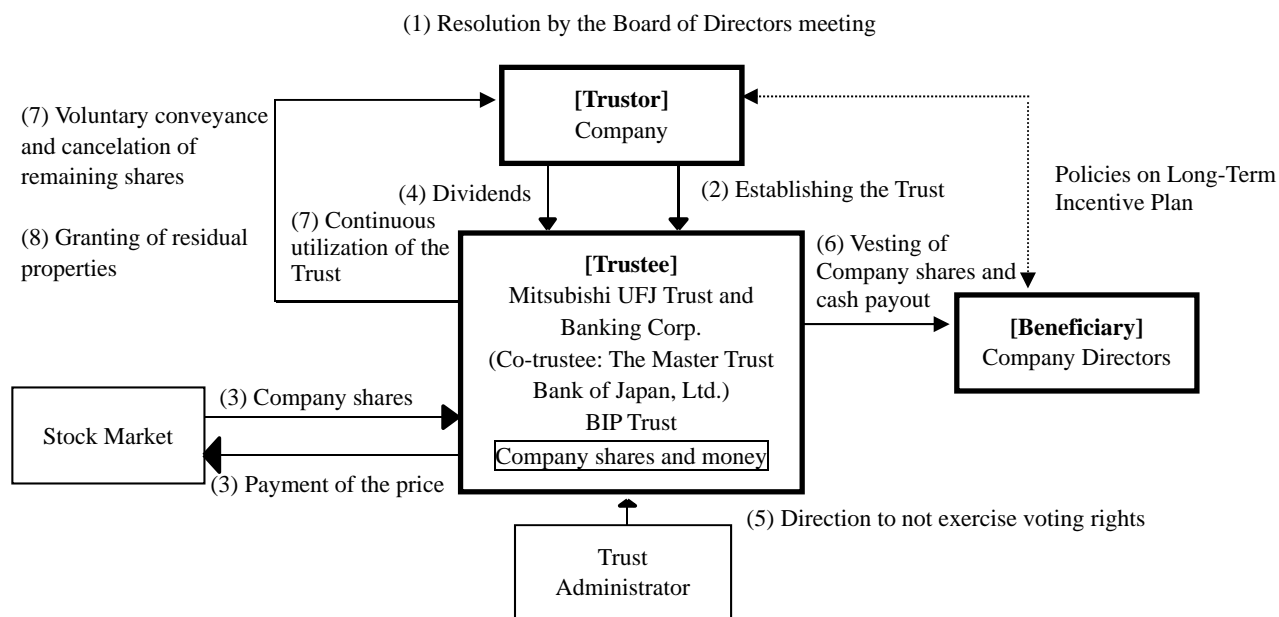
- (3) The BIP Trust is an incentive plan for Directors based on the Performance Share system and Restricted Stock system. The Company shares that are acquired by the BIP Trust and the amount of money equivalent to Company shares converted into cash (“Company Shares, etc.”) will be vested or paid (“vested, etc.”) to (1) Directors Eligible for Performance-linked Compensation based on the achievement of performance goals, etc. <sup>(\*3)</sup> at a set time along with dividends from Company shares. (2) For Directors Not Eligible for Performance-linked Compensation, the Company shares shall be vested, etc., at the time of resignation, a set amount regardless of the achievement of performance goals, etc. along with dividends from Company shares in light of securing proper and objective audit/supervisory function on the validity of execution.

(\*1) The compensation for Directors who are not members of the Audit and Supervisory Committee (excluding External Directors) consists of “Base Compensation,” “Bonus,” and “Performance-linked stock compensation.” The compensation for Directors who are members of the Audit and Supervisory Committee and External Directors consists of “Base Compensation” and “Non-Performance-linked stock compensation.”

(\*2) The Company has established the Compensation Committee with an External Director as its Chairperson, to serve as an advisory organization for the Board of Directors to ensure the appropriateness of Directors' compensation, etc. and the transparency in the decision-making process thereof. The continuation of this LTI has been deliberated at the Compensation Committee, prior to the resolution by the Board of Directors. The evaluation of the achievement of performance goals, etc. will be discussed at the Compensation Committee, and deliberated and determined at the Board of Directors.

(\*3) Performance goals are linked with mid- to long-term performance indicators, and adopt targets involving the achievement, etc. of transparent and objective indicators such as consolidated revenue, free cash flow, EPS, and R&D target, etc.

## 2. Structure of the BIP Trust (extension)



- (1) On adoption of the LTI, the Company shall adopt a resolution on the continuation of the LTI for fiscal 2018 by the Board of Directors Meeting.
- (2) For Directors who are not members of the Audit and Supervisory Committee and those who are, the Company extends the term of the Trust already established ("Trust") wherein Mitsubishi UFJ Trust and Banking Corporation is a Trustee and Company Directors who meet the beneficiary requirements are Beneficiaries and entrusts additional money to the Trust to the extent approved by the resolution at the Shareholders' Meeting.
- (3) The Trustee (of the Trust) acquires Company shares from the stock market using money contributed in procedure (2) in accordance with the directions of the Trust administrator.
- (4) Dividends will be paid for Company shares under the Trust as well as for other Company shares.
- (5) Voting rights will not be exercised during the Trust term with regard to Company shares under the Trust.
- (6) During the Trust term, pursuant to the policies on the Long-Term Incentive Plan of the Company, Beneficiaries will receive Company shares equivalent to a certain ratio of share conversion points after the points have been granted. Meanwhile, the Company shares in a number equivalent to the remaining share conversion points will be converted into cash in the Trust determined by the provision of the Trust Agreement and Beneficiaries will receive the monetary equivalent (Dividends from Company shares will also be paid to Beneficiaries corresponding to the number of Company Shares, etc. that are vested, etc. by the Trust.)
- (7) If there are residual shares at the expiry of the Trust term due to non-achievement of performance targets, resignation because of his/her own convenience, dismissal or for other reasons during the Trust term, the Trust may continue to be used as an incentive plan related to this LTI by changing the trust agreement and entrusting additional money to the Trust, or the Trust may voluntarily convey the said residual shares to the Company and the Company may acquire them without payment and cancel the residual shares by a resolution of the Board of Directors meeting.
- (8) Residual properties after distribution to Beneficiaries at the end of the Trust will belong to the Company to the extent of allowances for trust expenses, which are calculated by deducting the funds to acquire Company shares from the trust money. The portion exceeding the allowances for trust expenses will be donated to groups that have no conflict of interest with the Company and the Company Directors.

(Note) If there are no Company shares under the Trust due to the vesting, etc. of Company Shares, etc. to Beneficiaries, the Trust will be discontinued before expiry of the Trust term. The Company may entrust additional money to the Trust as funds to acquire Company shares and the Trust may acquire additional Company shares to the extent of funds necessary to acquire shares that were approved by the 140<sup>th</sup> annual Shareholders Meeting held on June 29, 2016 and to the extent of the Upper Limit Number for the Vesting of Shares set for Plan I & II and Plan III.

### 3. Content of the LTI and Plans

The LTI comprises plans for Directors who are not members of the Audit and Supervisory Committee (excluding External Directors and Directors residing overseas) (“Plan I”), External Directors (excluding Directors who are members of the Audit and Supervisory Committee) (“Plan II”), and Directors who are members of the Audit and Supervisory Committee (“Plan III”). In the LTI, the Company establishes the NSV Trust for Plan I and II, and the SV Trust for Plan III.

The Company establishes the NSV Trust in fiscal 2018 by allowing the BIP Trust already established in fiscal 2015 to be continued and the SV Trust in fiscal 2018 by allowing the SV Trust already established in 2016 to be continued.

Directors who are not members of the Audit and Supervisory Committee		Directors who are members of the Audit and Supervisory Committee	
Internal Directors <sup>(*)4</sup>	External Directors	Internal Directors	External Directors
Directors Eligible for Performance-linked Compensation	Directors Not Eligible for Performance-linked Compensation		
Plan I	Plan II	Plan III	
NSV Trust		SV Trust	

<sup>(\*)4</sup> Excluding Directors residing overseas.

#### 3.1 Plan I & II

##### (1) Period and Framework

The NSV Trust established in fiscal 2018 (“NSV Trust”) will vest, etc. a specified amount of Company Shares, etc., along with dividends from Company shares, as a compensation for Directors for three years, from the fiscal year ended March 31, 2019 up to the fiscal year ended March 31, 2021 (“Period A”).

Compensations under Plan I will consist of a Fixed Portion, in which a specified amount of Company Shares, etc. is vested, etc. each year, and a Variable Portion, where Company Shares, etc. are vested, etc. based on the achievements of performance goals, etc. during Period A.

Compensations under Plan II will consist of a Fixed Portion only, in which a specified amount of Company Shares, etc. is vested, etc. at the time of resignation.

The Company plans to continue the incentive plans related to Plan I & II following the next fiscal year and thereafter by establishing new BIP Trusts, or changing the existing BIP Trust, for which the Trust term will be expired, entrusting additional money, and thereby allowing the said BIP Trust to be continued. The incentive plans to be implemented in the next fiscal year and thereafter will be determined by resolution of the Board of Directors to the extent of the resolution approved by the 140<sup>th</sup> annual Shareholders' Meeting held on June 29, 2016.

(2) Eligibility for the Plan (Requirements for Beneficiaries)

Those who hold office as Directors who are not members of the Audit and Supervisory Committee (excl. External Directors and Directors residing overseas, "Internal Directors") at the time of establishment of the NSV Trust ("Eligible Persons I") may be vested, etc. the number of Company Shares, etc. corresponding to the share conversion points (provided in (4), below) on completing the specified procedures to be designated as a Beneficiary, if the Director satisfies the following requirements for Beneficiaries, at specified time annually from the NSV Trust.

Requirements for Beneficiaries in Plan I are as follows:

- (i) a person holds office as Internal Director as of June 1 of the given year during Period A; <sup>(\*5)</sup> <sup>(\*6)</sup> and
- (ii) a person satisfies other requirements found necessary to accomplish the purpose of the LTI Plan.

(\*5) If an Eligible Person I resigns (excluding the case of resignation due to his/her own convenience or dismissal), the share conversion points will be granted to the person and he/she may be vested, etc. the number of Company Shares, etc. corresponding to the share conversion points from the NSV Trust, just as if he/she had held office as an Internal Director upon expiry of the Trust term.

(\*6) If an Eligible Person I were to die during the trust period, an inheritor of the Eligible Person I may receive the amount of money equivalent to Company shares converted into cash corresponding to the share conversion points from the NSV Trust upon completing the specified procedures to be designated as a Beneficiary.

Those who hold office as External Directors (excl. Directors who are members of the Audit and Supervisory Committee; The same shall apply hereinafter) at the time of establishment of the NSV Trust ("Eligible Persons II") may be vested, etc. the number of Company Shares, etc. corresponding to the share conversion points (provided in (4), below) from the NSV Trust after resignation on completing the specified procedures to be designated as a Beneficiary, if the Director satisfies the following requirements for Beneficiaries.

Requirements for Beneficiaries in Plan II are as follows:

- (i) a person held office as External Director as of June 1, 2019;
- (ii) a person has resigned as an External Director <sup>(\*7)</sup>; and
- (iii) a person satisfies other requirements found necessary to accomplish the purpose of the LTI Plan.

(\*7) If an Eligible Person II were to die during the trust period, an inheritor of the Eligible Person II may receive the amount of money equivalent to Company shares converted into cash corresponding to the share conversion points from the NSV Trust upon completing the specified procedures to be designated as a Beneficiary.

(3) Trust Term to be Extended

The Trust term shall be approximately three years, from May 21, 2018 (scheduled) until the end of August 2021 (scheduled).

The NSV Trust may be continued as the incentive plan related to the Plan I & II by changing the trust agreement and entrusting additional money at the expiry of the extended Trust term. At the expiry of the extended trust term, when an Eligible Person II possibly meeting the requirements for Beneficiary holds office as External Director, the points shall not be granted to the concerned Eligible Person II thereon, though, the trust term of the NSV Trust may be extended to the maximum of ten years until the resignation of the concerning Eligible Person II from the office of External Director and the completion of vesting, etc. of Company Shares, etc. to the concerned Eligible Person II.

(4) Company Shares, etc. to be Vested, etc. to Eligible Person I & II

The number of Company shares to be vested, etc. to Eligible Person I & II is determined by the share conversion points that are granted in accordance with the following, where one share is equivalent to one share conversion point<sup>(\*)</sup>:

(\*) If Company shares under the NSV Trust increase or decrease due to share splitting, gratis allotment, reverse share splitting, etc., the Company will adjust the number of Company shares to be vested, etc. per share conversion point with a reasonable method.

First, the base points shall be granted to an Eligible Person I who holds office as Internal Director or an Eligible Person II who holds office as External Director as of July 1, 2018, by the following calculation formula.

[Base Points Calculation Formula]

Base annual compensation amount × Target ratio / Closing price of the Company share at the Tokyo Stock Exchange as of July 1, 2018 (if a closing price on the said date does not exist, the closing price on the day on which transactions were made immediately preceding the said date will be applicable.)

\* Fractions after the decimal point are disregarded.

\* Base annual compensation amount and Target ratio will be determined in consideration of the content and responsibility of duties of each Director, and the percentage of monetary and stock compensation in the overall compensation for Directors, and other factors.

Eligible Person I who holds office as Internal Director as on June 1 of each year from 2019 to 2021 shall be granted share conversion points calculated by the following formula.

[Calculation Formula of Share Conversion Points granted to Eligible Person I]

(i) For 2019 and 2020

[Initial base points × 50% × 1/3]

(ii) For 2021

[Initial base points × 50% × 1/3] + [Initial base points × 50%] × Achievement linked coefficient

\* Fractions after the decimal point are disregarded regarding the share conversion points in Years 1 and 2, and the total of fractions are added to the share conversion points in Year 3, where the fractions after the decimal point for the total shall be disregarded.

\* An achievement linked coefficient shall be determined between 0 and 200% based on the target achievements, etc. of consolidated revenue, free cash flow, EPS, R&D target, etc. for the period ending March 2021, which will be set at the establishment of Plan I. In this regard, however, when an Internal Director resigns and is appointed Director as a member of the Audit and Supervisory Committee, the achievement linked coefficient shall be 100% for the calculation regardless of the achievements, etc. of the Company's performance goals during Period A.

- \* Evaluation of performance achievements, etc. is deliberated and determined by the Board of Directors after reviewed by the Compensation Committee.
- \* Base points granted to Eligible Person I shall be reduced by the number equivalent to the base points used for the calculation of share conversion points in each fiscal year, i.e., the result of the calculation by [ ] employing the above formula.

If Eligible Person I resigns from the post of Internal Director (excluding the case of resignation due to his/her own convenience or dismissal), the share conversion points will be granted to the person and he/she may be vested, etc. the number of Company Shares, etc. corresponding to the share conversion points from the NSV Trust, just as if he/she had held office as Internal Director until the expiry of the Period A.

Eligible Person II who holds office as External Director as of June 1, 2019, shall be granted the share conversion points by the following formula.

[Calculation Formula of Share Conversion Points granted to Eligible Person II]

Initial base points × 100%

- \* All of the base points granted to Eligible Person II shall be reduced at the calculation of share conversion points.

If an Eligible Person II resigns from the post of External Director (excluding the case of resignation due to his/her own convenience or dismissal) on or before June 1, 2019, the share conversion points shall be calculated based on the above formula according to the base points accumulated up to the time of resignation and shall be promptly granted by the NSV Trust.

(5) Method and Timing of Vesting, etc. of Company Shares, etc. to Eligible Person I & II

Eligible Persons I who meet the requirements as Beneficiaries may, by following the specified procedures to be designated as a Beneficiary each year from 2019 to 2021, receive 50% of the Company shares (the number of shares less than share unit will be disregarded) corresponding to the share conversion points and also receive money equivalent to the residual Company shares (including those equivalent to the number of shares less than share unit described above) that are converted into cash under the NSV Trust after a specified period from the receipt of the share conversion points.

Eligible Persons II who meet the requirements as Beneficiaries may, by following the specified procedures to be designated as a Beneficiary at the time of resignation, receive 50% of the Company shares (the number of shares less than share unit will be disregarded) corresponding to the share conversion points and also receive money equivalent to the residual Company shares (including those equivalent to the number of shares less than share unit described above) that are converted into cash under the NSV Trust.

(6) Treatment of the Death of Eligible Person I & II

If Eligible Person I/II were to die during the Trust term, the base points granted will be converted into share conversion points. An inheritor of the Eligible Person I/II may receive money equivalent to the number of Company shares that correspond to the share conversion points by following the specified procedures to be designated as a Beneficiary.

(7) Scheduled Amount of Trust Money contributed to and Company Shares to be Vested, etc. by the NSV

## Trust

The Company is scheduled to pay Trust money of JPY 1.03Bn to the NSV Trust.

The aforementioned scheduled amount is calculated by adding trust fees and trust expenses to the funds to acquire shares calculated in consideration of current basic compensation, etc. of the Eligible Persons I & II.

During the Trust term to be extended, the total amount of Company Shares, etc. to be vested, etc. pursuant to (5) above, shall be up to the number that is obtained by dividing the upper limit of the trust money as approved by the 140<sup>th</sup> annual Shareholders' Meeting held on June 29, 2016, which is JPY 3 Bn. (JPY 2.7 Bn. for Plan I and JPY 0.3 Bn. for Plan II) paid to the NSV Trust by the closing price of Company share at the Tokyo Stock Exchange as of July 1 of the year in which the NSV Trust was established ("Upper Limit Number of the Vesting of Shares for Plan I & II"). If a closing price of the said date does not exist, the closing price of the date on which the transactions are made immediately before the said date will be applicable.

### (8) Method for the NSV Trust to Acquire Company Shares

The NSV Trust shall schedule the acquisition of Company shares from the stock market to the extent of the funds to acquire shares, as specified in (7) above.

For Plan I, the remaining shares in the BIP Trust already established in 2015 will be succeeded.

### (9) Exercising Voting Rights Related to Company Shares under the NSV Trust

Voting rights related to Company shares under the NSV Trust, i.e., Company shares before being vested, etc. to Eligible Persons I & II pursuant to the above (5) and (6), shall not be exercised during the Trust term, to ensure the neutrality of Company management.

### (10) Treatment of Dividends Related to Company Shares under the NSV Trust

Dividends related to Company shares under the NSV Trust shall first be received by the NSV Trust and then paid to Eligible Persons I & II (or its inheritor in case of (6)) corresponding to the number of Company Shares, etc. that are vested, etc. each year from the NSV Trust, along with Company Shares, etc. that are vested, etc. pursuant to the above (5) and (6). Any residuals at the expiry of the Trust will be donated to organizations that have no conflict of interest with the Company and the Company Directors.



(11) Treatment at the End of the Trust Term

If there are residual shares at the end of the Trust term due to non-attainment of performance targets, resignation due to his/her own convenience, dismissal, etc. during the Period A, the NSV Trust may continue to be used as the incentive plan related to Plan I & II by changing the trust agreement and paying additional money to the Trust. If the NSV Trust is terminated by expiry of the Trust term, the NSV Trust will voluntarily convey the residual shares to the Company as a measure of shareholder returns, and the Company will cancel the said shares by resolution of the Board of Directors.

3-2. Plan III

(1) Period and Framework

The SV Trust established in fiscal 2018 (“SV Trust”) will vest, etc. a specified amount of Company Shares, etc., along with the dividend payment from Company shares, for two years from the fiscal year ended March 31, 2019 up to the fiscal year ended March 31, 2020 (“Period B”).

Compensations under Plan III will consist of a Fixed Portion only, in which a specified amount of Company Shares, etc. is vested, etc. at the time of resignation.

The Company plans to continue the incentive plans for Plan III following the next fiscal year and thereafter by continuing the existing BIP Trust through establishing new BIP Trusts, or changing the existing BIP Trust for which the term has expired and entrusting additional money. The incentive plans to be implemented in the next fiscal year and thereafter will be determined by resolution of the Board of Directors to the extent approved by the 140<sup>th</sup> Ordinary Shareholders’ Meeting held on June 29, 2016.

(2) Eligibility of the Plan (Requirements for Beneficiaries)

Those who hold office as Directors who are members of the Audit and Supervisory Committee (“Members of the Audit and Supervisory Committee”) at the time of establishment of the SV Trust (“Eligible Persons III”) may be vested, etc. the number of Company Shares, etc. corresponding to the share conversion points (provided in (4), below) on completing the specified procedures to be designated as a Beneficiary, if the Members of the Audit and Supervisory Committee satisfies the following requirements for Beneficiaries after resignation from the SV Trust.

Requirements for Beneficiaries in Plan III are as follows:

- (i) a person held office as a Member of the Audit and Supervisory Committee during Period B;
- (ii) a person is resigned from a Member of the Audit and Supervisory Committee<sup>(\*9)</sup>; and
- (iii) a person satisfies other requirements found necessary to accomplish the purpose of the LTI Plan.

(\*9) If Eligible Person III were to die during the trust period, an inheritor of the Eligible Person III may receive the amount of money equivalent to Company shares converted into cash corresponding to the share conversion points such from the SV Trust upon completing the specified procedures to be designated as a Beneficiary.

(3) Trust Term to be Extended

The Trust term shall be approximately two years, from May 21, 2018 (scheduled) until the end of August 2020 (scheduled).

The SV Trust may be continued as the incentive plan for the Plan III by changing the trust agreement and entrusting additional money at the expiry of the extended Trust term. At the expiry of the extended trust term, when an Eligible Person III possibly meeting the requirements for Beneficiary holds office as a Member of the Audit and Supervisory Committee, the points shall not be granted to the concerned Eligible Person III thereon, though, the trust term of the SV Trust may be extended to the maximum of ten years until the resignation from the post of Member of the Audit & Supervisory Committee and the completion of vesting, etc. of Company Shares, etc. to the concerned Eligible Person III.

(4) Company Shares, etc. to be Vested, etc. to Eligible Persons III

The number of Company shares to be vested, etc. to Eligible Person III is determined by the share conversion points that are granted in accordance with the following, where one share is equivalent to one share conversion point<sup>(\*10)</sup>:

(\*10) If Company shares under the SV Trust increase or decrease due to share splitting, gratis allotment, reverse share splitting, etc., the Company will adjust the number of Company shares to be vested per share conversion point with a reasonable method.

First, base points shall be granted to an Eligible Person III who holds office as a Member of Audit and Supervisory Committee as of July 1, 2018, by the following calculation formula.

[Base Points Calculation Formula]

Base annual compensation amount × Target ratio / Closing price of Company shares at the Tokyo Stock Exchange as of July 1, 2018 (if a closing price on the said date does not exist, the closing price on the date on which the transactions are made immediately preceding the said date will be applicable.)

\* Fractions after the decimal point are disregarded.

\* Base annual compensation amount and Target ratio will be determined in consideration of the content and responsibility of duties of each Member of the Audit and Supervisory Committee, the percentage of monetary and stock compensation in overall compensation for Directors, and other factors.

Among those who are granted the above base points, the share conversion points shall be granted to Eligible Person III who holds office as a Member of Audit and Supervisory Committee as of June 1, 2019 by the following formula.

[Calculation Formula of Share Conversion Points granted to Eligible Person III]

Initial base points × 100%

\* All of the base points granted to Eligible Person III shall be reduced at the calculation of share conversion points.

Among Eligible Person III who hold office as a Member of Audit and Supervisory Committee as of July 1, 2018 and are granted base points, those who continue to hold office as a Member of Audit and Supervisory Committee as of July 1, 2019 shall be granted the base points by the following formula (excluding a Director who is elected as a substitute Member of Audit and Supervisory Committee and appointed as a Member of Audit and Supervisory Committee on or after July 1 of the fiscal year of the Ordinary Shareholders' Meeting in which such election is made).

[Calculation Formula of Additional Base Points]

Base annual compensation amount  $\times$  Target ratio / Closing price of Company share at the Tokyo Stock Exchange as of July 1, 2019 (if a closing price on the said date does not exist, the closing price on the day on which the transactions are made immediately preceding the said date will be applicable.)

\* Treatment of fractions after the decimal point and the determination method for the base annual compensation amount and target ratio are the same as those for the above base points.

Among Eligible Persons III who are granted the above additional base points, the share conversion points shall be granted to those who hold office as a Member of Audit and Supervisory Committee as of June 1, 2020 by the following formula.

[Calculation Formula of Share Conversion Points granted to Eligible Person III]

Additional base points  $\times$  100%

\* All of the additional base points granted to Eligible Person III shall be reduced at the calculation of share conversion points.

If a person resigns from the post of serving as a Member of the Audit and Supervisory Committee (excluding the case of resignation due to his/her own convenience or dismissal) by June 1, 2020, the share conversion points shall be calculated based on the above formula and shall be promptly granted according to the base points or additional base points accumulated up to the time of resignation.

(5) Method and Timing of Vesting, etc. Company Shares, etc. to Eligible Persons III

Eligible Persons III who meet the requirements as Beneficiaries may, by following the specified procedures to be designated as a Beneficiary at the time of resignation, receive 50% of the Company shares (the number of shares less than share unit will be disregarded) corresponding to the share conversion points and also receive money equivalent to the residual Company shares (including those equivalent to the number of shares less than share unit described above) that are converted into cash under the SV Trust.

(6) Treatment of the Death of a Eligible Persons III

If Eligible Person III were to die during the Trust term, the base points or additional base points granted will be converted into share conversion points and an inheritor of the Eligible Person III may receive money equivalent to the number of Company shares that correspond to the share conversion points by following the specified procedures to be designated as a Beneficiary.

(7) Scheduled Amount of Trust Money contributed to and Company Shares to be Vested, etc. by the SV Trust

The Company is scheduled to pay Trust money of JPY 60M to the SV Trust.

The aforementioned scheduled amount is calculated by adding trust fees and trust expenses to the funds to acquire shares calculated in consideration of current basic compensation, etc. of the Eligible Person III.

During the extended Trust term, the total amount of Company Shares, etc. to be vested, etc. pursuant to (5) above, shall be up to the number that is obtained by dividing the upper limit of the trust money paid to the SV Trust with approval at the 140<sup>th</sup> Ordinary Shareholder's Meeting held on June 29, 2016, which is 200 million yen, by the closing Company share price at the Tokyo Stock Exchange as of July 1 of the

year in which the SV Trust was established (“Upper Limit Number of the Vesting of Shares for Plan III”). If a closing price of the said date does not exist, the closing price on the date on which the transactions are made immediately before the said date will be applicable.

(8) Method for the SV Trust to Acquire Company Shares

The SV Trust shall schedule the acquisition of Company shares from the stock market to the extent of the funds needed to acquire shares, as specified in (7) above.

Of note, the remaining shares in the SV Trust established in fiscal 2016 shall be inherited to the Plan III.

(9) Exercising Voting Rights Related to Company Shares under the SV Trust

Voting rights related to Company shares under the SV Trust, i.e., Company shares before being vested to Eligible Persons III pursuant to (5) and (6) above) shall not be exercised during the Trust term to ensure the neutrality of Company management.

(10) Treatment of Dividends Related to Company Shares under the SV Trust

Dividends related to Company shares under the SV Trust shall first be received by the SV Trust and then paid to Eligible Person III (or its inheritor in case of (6)) corresponding to the number of Company Shares, etc. that are vested, etc. from the SV Trust at the time of the resignation, along with Company Shares, etc. that are vested, etc. pursuant to the above (5) and (6). Any residuals at the expiry of the Trust will be donated to organizations that have no conflict of interest with the Company and the Company Directors.

(11) Treatment at the End of the Trust Term

If there are residual shares at the end of the Trust term due to resignation because of his/her own convenience, dismissal, etc., the SV Trust may continue to be used as the incentive plan for the Plan III by changing the trust agreement and paying additional money to the Trust. If the SV Trust is terminated by expiry of the Trust term, the SV Trust will voluntarily convey the residual shares to the Company as a measure of shareholder returns, and the Company will cancel the shares by resolution of the Board of Directors.

(Reference)

[Trust Agreement]

#### 1. NSV Trust

- |   |  |
|---|--|
| (1) Type of Trust:                          | Money trust other than a specified money trust for separate investment<br>(Third party benefit trust)  |
| (2) Purpose of Trust:                       | To grant incentives to Directors who are not members of the Audit and Supervisory Committee.   |
| (3) Trustor:                                | The Company  |
| (4) Trustee:                                | Mitsubishi UFJ Trust and Banking Corporation<br>(Co-trustee: The Master Trust Bank of Japan, Ltd.)   |
| (5) Beneficiaries:                          | Person(s) who meet beneficiary requirements among Directors who are not members of the Audit and Supervisory Committee.  |
| (6) Trust administrator:                    | A third person who has no conflict of interest with the Company<br>(Certified public accountant)   |
| (7) Date of trust agreement:                | May 22, 2015 (The amendment contract for the trust term extension is scheduled to be concluded for May 21, 2018)   |
| (8) Trust term:                             | From May 22, 2015 to the end of August 2018 (The trust term is scheduled to be extended until the end of August, 2021 with the amendment contract dated May 21, 2018)  |
| (9) Start of the Plan:                      | July 1, 2018 (scheduled)   |
| (10) Exercise of voting rights:             | No voting rights will be exercised   |
| (11) Type of acquired shares:               | Common Company shares  |
| (12) Total amount of shares to be acquired: | 1.03 billion yen (scheduled) (including trust fees and trust expenses)   |
| (13) Time to acquire shares:                | From May 22, 2018 (scheduled) to the end of June, 2018 (scheduled)<br>(excluding the five business days before the end of each fiscal period (including the quarterly fiscal period))  |
| (14) Manner of share acquisition:           | To be acquired from the stock exchange market  |
| (15) Vested rights holder:                  | The Company  |
| (16) Residual properties:                   | Residual properties that the Company, which is the holder of vested rights, can receive are within the extent of allowances for trust expenses, which are calculated by deducting funds to acquire Company shares from the Trust money |

[Affairs related to Trust and Shares]

- |                                |  |
|--------------------------------|--|
| (1) Affairs related to trust:  | Mitsubishi UFJ Trust and Banking Corporation will be the Trustee of the BIP Trust and will engage in affairs related to the Trust.   |
| (2) Affairs related to shares: | Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. will engage in affairs related to vesting Company shares to Beneficiaries based on the agreement of entrustment of affairs. |

## 2. SV Trust

- (1) Type of Trust: Money trust other than a specified money trust for separate investment (Third party benefit trust)
- (2) Purpose of Trust: To grant incentives to Directors who are members of the Audit and Supervisory Committee.
- (3) Trustor: The Company
- (4) Trustee: Mitsubishi UFJ Trust and Banking Corporation  
(Co-trustee: The Master Trust Bank of Japan, Ltd.)
- (5) Beneficiaries: Person(s) who meet beneficiary requirements among Directors who are members of the Audit and Supervisory Committee.
- (6) Trust administrator: A third person who has no conflict of interest with the Company  
(Certified public accountant)
- (7) Date of trust agreement: August 3, 2016 (The amendment contract for the trust term extension is scheduled to be concluded for May 21, 2018)
- (8) Trust term: August 3, 2016 to the end of August 2018 (The trust term is scheduled to be extended until the end of August, 2020 with the amendment contract dated May 21, 2018)
- (9) Start of the Plan: July 1, 2018 (scheduled)
- (10) Exercise of voting rights: No voting rights will be exercised
- (11) Type of acquired shares: Common Company shares
- (12) Total amount of shares to be acquired: 60 million yen (scheduled) (including trust fees and trust expenses)
- (13) Time to acquire shares: From May 22, 2018 (scheduled) to the end of June, 2018 (scheduled) (excluding the five business days before the end of each fiscal period (including the quarterly fiscal period))
- (14) Manner of share acquisition: To be acquired from the stock exchange market
- (15) Vested rights holder: The Company
- (16) Residual properties: Residual properties that the Company, which is the holder of vested rights, can receive are within the extent of allowances for trust expenses, which are calculated by deducting funds to acquire Company shares from Trust money

### [Affairs related to Trust and Shares]

- (1) Affairs related to trust: Mitsubishi UFJ Trust and Banking Corporation will be the Trustee of the BIP Trust and will engage in affairs related to the Trust.
- (2) Affairs related to shares: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. will engage in affairs related to vesting Company shares to Beneficiaries based on the agreement of entrustment of affairs.