

Announcement Regarding Introduction of Performance-linked Stock-based Compensation Plan

Taikisha Ltd. (the “Company”), at its Board of Directors meeting held on May 15, 2019, resolved to introduce the Board Benefit Trust (BBT) (hereinafter referred to as the “Plan”), which is a performance-linked stock-based compensation plan, as outlined below, and also decided to submit a proposal regarding the Plan to the 74th Annual Shareholders’ Meeting to be held on June 27, 2019 (hereinafter referred to as the “Shareholders’ Meeting”).

1. Background and Purpose of Introduction

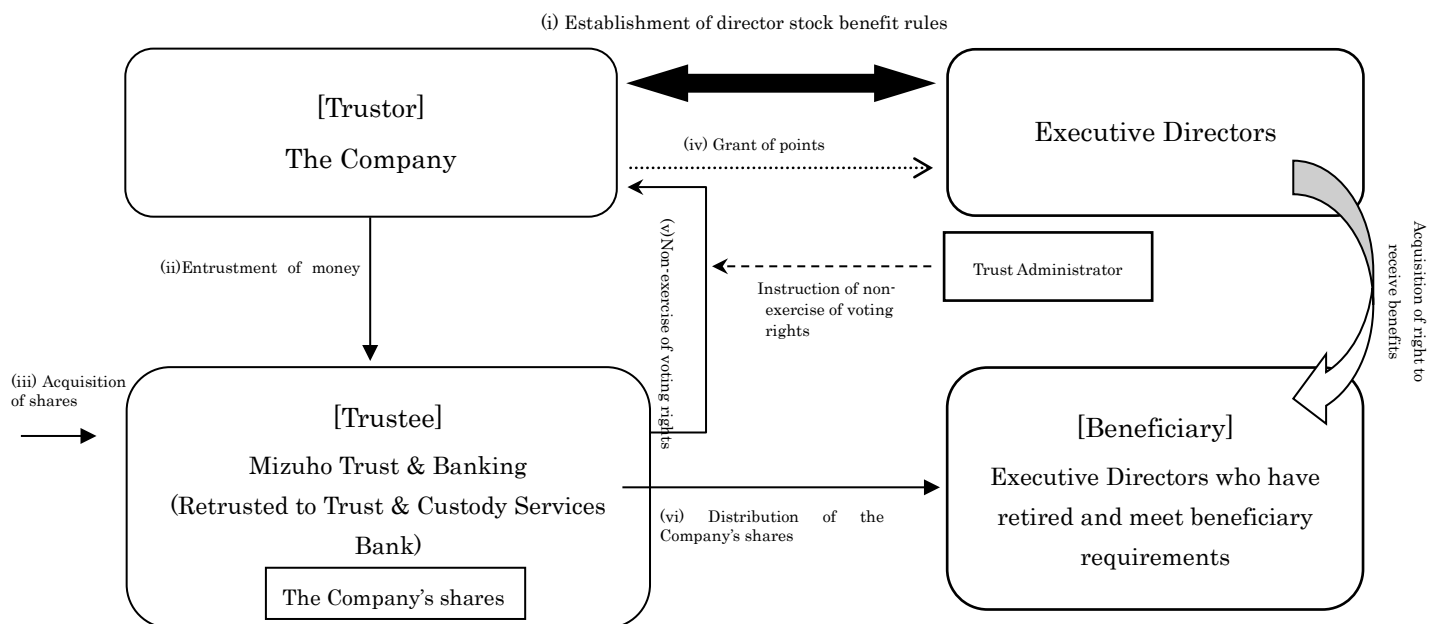
The Board of Directors of the Company decided to introduce the Plan, subject to shareholder approval of executive directors’ compensation at the Shareholders’ Meeting, for the purpose of further clarifying the link between the compensation of Executive Directors and the Company’s operating performance and stock value and enhancing their motivation to contribute to the improvement of operating performance in the medium and long term and to boost corporate value by sharing not only the benefit of stock price increases but also the risk of stock price decreases with shareholders.

2. Outline of the Plan

(1) Outline of the Plan

The Plan is a performance-linked stock-based compensation plan whereby the Company’s shares are acquired through a trust using money contributed by the Company (hereinafter, the trust established pursuant to the Plan is referred to as the “Trust”), and the Company’s shares and the amount of money equivalent to the value of the Company’s shares calculated based on market value are distributed through the Trust to Executive Directors as compensation in accordance with the director stock benefit rules established by the Company. The Company’s shares, etc. shall be granted to Executive Directors upon their retirement, in principle.

<Scheme of the Plan>



- (i) The Company shall establish the “director stock benefit rules” within the framework approved by the Shareholders’ Meeting by obtaining a resolution on executive directors’ compensation for the Plan at the Shareholders’ Meeting.
- (ii) The Company shall entrust money within the limit approved by the Shareholders’ Meeting as described in (1) above.
- (iii) The Trust shall acquire the Company’s shares through the stock market or by subscription to the disposal of the Company’s treasury stock, using money entrusted as described in (ii) above.
- (iv) The Company shall grant points to the Executive Directors based on the “director stock benefit rules.”
- (v) In accordance with instructions from a trust administrator independent from the Company, the Trust shall not exercise the voting rights attached to the Company’s shares in the Trust account.
- (vi) The Trust shall distribute the Company’s shares to the Executive Directors who have retired and meet the beneficiary requirements stipulated in the “director stock benefit rules” (hereinafter referred to as the “Beneficiaries”) based on the number of points granted to the said Beneficiaries. Note that the Executive Directors who meet the requirements provided in the “director stock benefit rules” shall receive cash in an amount equivalent to the market value of the Company’s shares for a certain percentage of the points granted to them.

(2) Beneficiaries of the Plan

Executive Directors

(3) Period of Trust

From August 2019 (scheduled) until the termination of the Trust (The Trust shall continue without determining a specific expiry date as long as the Plan remains in effect. The Plan shall be terminated upon the occurrence of events such as a delisting of the Company’s shares or abolition of the director stock benefit

rules.)

(4) Amount of Trust Money

On condition that the introduction of the Plan is approved at the Shareholders' Meeting, the Company will introduce the Plan for three fiscal years from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022 (hereinafter, the period covering the said three fiscal years is referred to as the "Initial Target Period" and the Initial Target Period and each three-year period after the Initial Target Period are referred to as the "Target Period") and for each subsequent Target Period. The Company shall contribute money to the Trust as described below as the fund to acquire the Company's shares through the Trust to distribute the Company's shares, etc. to Executive Directors.

At the start of the trust period provided in (3) above, the Company shall contribute funds of up to 450 million yen to the Trust as the funds necessary for the Initial Target Period.

After the Initial Target Period has elapsed, up until the termination of the Plan, the Company, in principle, shall make additional contributions to the Trust of up to 450 million yen in each Target Period. However, if, at the time such additional contributions are made, there remain the Company's shares (excluding the Company's shares corresponding to the number of points granted to Executive Directors for each Target period up to the immediately preceding Target Period and that have not been distributed to Executive Directors) and cash (hereinafter referred to as the "Residual Shares, etc.") in the trust assets, the maximum total amount of the Residual Shares, etc. (for the Company's shares, the monetary amount of the book value of the final day of the immediately preceding Target Period) and the amount of additional contributions to be made shall be set at 450 million yen.

When the Company decides to make additional contributions, details will be disclosed in a timely and appropriate manner.

(5) Method of Acquisition of the Company's Shares and the Number of Shares to be Acquired

The Trust shall acquire the Company's shares, using the funds contributed as provided in (4) above, either through the stock market or by subscription to the disposal of the Company's treasury stock.

In the Initial Trust Period, the Company shall acquire the Company's shares, up to a maximum limit of 198,600 shares, without delay after the establishment of the Trust.

Details of the acquisition of the Company's shares through the Trust shall be disclosed in a timely and appropriate manner.

(6) Calculation Method for the Number of the Company's Shares to be Granted to the Executive Directors

For each fiscal year, Executive Directors shall be granted points determined after taking into consideration matters such as their positions and performance achievement levels in accordance with the director stock benefit rules. The maximum total number of points that can be granted to Executive Directors shall be 66,200 points. This was decided after comprehensively taking into consideration the current level of executive directors' compensation, the trend and future prospects for the number of Executive Directors, and other factors, and is deemed to be fair and adequate.

The points granted to Executive Directors shall be converted to the number of the Company's shares by converting one point to one share of common stock of the Company, and the Company's shares thus calculated shall be granted as described in (7) below (however, in the event a stock split, a gratis allotment of shares, or a stock consolidation of the Company's shares is carried out after the approval and resolution by shareholders at the Shareholders' Meeting, the Company shall reasonably adjust the limit of the number of points, the number of points already granted or their conversion ratio, in accordance with the ratios of such stock-related actions).

The number of points of Executive Directors, which serves as the basis for the distribution of the Company's shares, etc. as described in (7) below, shall be, in principle, the number of points granted to the said Executive Directors until their retirement (hereinafter, the number of points thus calculated is referred to as the "Defined Number of Points").

(7) Distribution of the Company's Shares, etc.

In the event that Executive Directors have retired and meet the beneficiary requirements provided in the director stock benefit rules, the said Eligible Directors, in principle, shall receive from the Trust the Company's shares corresponding to the Defined Number of Points determined as provided in (6) above after retirement by carrying out a predetermined beneficiary determination procedure. Provided that the Executive Directors meet the requirements provided in the director stock benefit rules, they shall receive cash instead of the Company's shares in an amount equivalent to the market value of such shares for a certain percentage of the points. The Trust may sell the Company's shares to make such cash provisions.

(8) Exercise of Voting Rights

In accordance with instructions from the trust administrator, the voting rights attached to the Company's shares held in the Trust account shall not be exercised without exception. This approach intends to ensure neutrality in the Company's management regarding the exercise of the voting rights attached to the Company's shares held in the Trust account.

(9) Treatment of Dividends

The Trust shall receive dividends from the Company's shares held in the Trust account and allocate them to the payment of the costs for acquiring the Company's shares and to the trust fees for the Trust's trustees, etc. If the Trust is terminated, any residual funds in the Trust, including dividends, shall be provided to the Executive Directors who are in office at the time based on the number of points held by each Executive Director on a pro-rata basis, in accordance with the provisions of the director stock benefit rules.

(10) Termination of Trust

The Trust shall terminate upon the occurrence of events such as a delisting of the Company's shares or abolition of the director stock benefit rules.

Of the Trust's residual assets as at the termination of the Trust, the Company plans to acquire all of the Company's shares without consideration and to cancel them by resolution of the Board of Directors. Of the

Trust's residual assets as at the termination of the Trust, cash shall be provided to the Company, excluding the amount to be provided to Executive Directors as described in (9) above.

[Outline of the Trust]

- (i) Name :Board Benefit Trust (BBT)
- (ii) Trustor :The Company
- (iii) Trustee :Mizuho Trust & Banking Co., Ltd.
(Sub-trustee: Trust & Custody Services Bank, Ltd.)
- (iv) Beneficiaries :The Executive Directors who have retired and meet the beneficiary requirements provided in the director stock benefit rules
- (v) Trust administrator: A third party who has no conflict of interest with the Company is scheduled to be appointed
- (vi) Type of trust :Monetary trust other than cash in trust (third party beneficiary trust)
- (vii) Trust agreement date: August 2019 (scheduled)
- (viii) Cash entrustment date: August 2019 (scheduled)
- (ix) Period of trust : August 2019 (scheduled) until the termination of trust
(The Trust shall continue without determining a specific expiry date as long as the Plan remains in effect.)