

## **Policies for Determining Compensation for Directors and Executive Officers**

The Company shall set out its compensation system for Directors and Executive Officers based on the size and nature of its business, as well as from the perspective of securing talents and sustainability by taking into account a balance in terms of the levels of compensation for officers at its industry peers or peers of equivalent size and salary for employees. The system shall be designed so that each person's compensation is composed of fixed or variable portions and monetary amounts or shares according to individual positions and responsibilities.

### **1. Policies and procedures for determining the compensation, etc., of Directors (excluding Directors who are Audit & Supervisory Committee Members) and Executive Officers**

The compensation system for Directors who concurrently serve as Executive Officers (excluding Directors who are Audit & Supervisory Committee Members; the same shall apply hereinafter for 1.), and Executive Officers shall consist of basic compensation and performance-based variable compensation to provide sound medium- to long-term incentive towards sustainable growth and to aim at sharing interests with shareholders. Performance-based variable compensation shall consist of performance-based monetary compensation as an incentive to achieve performance targets for each fiscal year and performance-based stock compensation, etc. as an incentive to achieve medium- to long-term performance targets, etc.

For Directors who do not concurrently serve as Executive officers including Outside Directors, compensation shall consist solely of basic compensation as they provide supervision and advice to the management of the Company from a standpoint independent of business execution. As an exception, the Company pays performance-based stock compensation to the Chairman and Director not serving concurrently as Chairman and Executive Officer, in light of such responsibilities as chairing meetings of the Board of Directors.

The compensation ratio for those who are to receive performance-based variable compensation shall be set to encourage motivation to contribute to enhancing corporate performance not only in the short term but also in the medium- to long-term, and the compensation ratio of basic compensation to performance-based variable compensation shall be approximately 5:5 to 8:2, according to individual positions, when corporate performance targets are achieved in an average manner. In such a case, the ratio of performance-based monetary compensation and performance-based stock compensation within performance-based variable compensation shall be set based on a ratio of 1:3.

The Company shall not pay officers' retirement benefits to any Director or Executive Officer.

#### **(1) Basic Compensation**

Fixed monetary compensation is paid on a monthly basis based on individual positions and responsibilities. The total amount shall be not more than JPY510 million per year (including not more than JPY150 million per year for Outside Directors), provided, however, that it does not include the employee salary portion of Directors who concurrently serve as employees.

For Executive Officers whose main responsibilities are the execution of business of the Company's affiliates and who concurrently serve as Executive Officers of the Company, compensation shall, as a general rule, be determined separately from the compensation of regular Executive Officers (hereinafter, persons whose compensation is to be determined separately shall be referred to as "Concurrent Executive Officers")

#### **(2) Performance-based Variable Compensation**

##### **<Performance-based monetary compensation>**

Persons eligible for the plan shall be Directors who serve concurrently as Executive Officers, and Executive Officers (excluding Concurrent Executive Officers).

Consolidated recurring profit, which measures profitability of the overall business, and consolidated ROE, which measures the rate of profit on capital, shall be adopted as performance-linked indicators, and the base values shall, as a general rule, be the target values upheld in the medium-term management plan of the Company, and determined by the Board of Directors for each fiscal year upon deliberation by the Compensation Advisory Committee, described below. After the conclusion of each fiscal year, the performance-based coefficient is calculated by dividing the actual value of each performance-linked indicator by the base value and adding together the weighted values of each resulting value. The coefficient shall vary between 0 and 2.0, and the amount derived by multiplying the unit monetary compensation amount based on the individual position by the performance-based coefficient shall be paid after the conclusion of each fiscal year. The upper limit to the amount shall be JPY300 million per fiscal year for the total number of persons eligible for the plan.

**<Performance-based stock compensation, etc.>**

Persons eligible for the plan shall be Directors who serve concurrently as Executive Officers, the Chairman and Director not serving concurrently as Chairman and Executive Officer, and Executive Officers (excluding Concurrent Executive Officers), on condition that they are residents of Japan.

The Company has introduced a performance-based stock compensation plan (Board Incentive Plan) involving a trust with superior transparency and objectivity. The target period shall be three consecutive fiscal years (and each three fiscal year period thereafter, if it is extended), and fixed points based on individual positions and variable points calculated based on the degree of achievement of performance targets, etc. shall be granted. The number of shares equivalent to the number of fixed points (3 shares per point; the same shall apply hereinafter unless otherwise noted) shall be delivered after the conclusion of each fiscal year, and the number of shares equivalent to the number of variable points shall be delivered after the conclusion of the three fiscal year period (Part of these shares shall be given out in a monetary amount equivalent to the exchange value of the shares. Hereinafter, the same shall apply). However, the shares delivered based on fixed points will be subject to a three-year transfer restriction. (From the perspective of insider trading regulations, all delivered shares shall also be subject to appropriate transfer restrictions in accordance with internal rules.)

The Company's TSR (Total Shareholder Return) including dividends, in light of sharing interests with shareholders, and the Company's own ESG indicators based on its ESG policy, in light of ESG management, shall be adopted as performance-linked indicators. The values for each indicator shall be calculated by comparing the growth rate of the Company's TSR with the Tokyo Stock Exchange Stock Price Index (TOPIX) growth rate, as well as with the growth rates of competitors' TSRs, with regard to TSR, and based on the degree of achievement of the Company's own ESG indicators mentioned above with regard to the ESG indicators, and determined by the Board of Directors after the conclusion of three fiscal years, upon evaluation by the Compensation Advisory Committee. The performance-linked coefficient is calculated by adding together the weighted values of each resulting value and shall vary between 0 and 2.0. The number of shares equivalent to the number of variable points calculated by multiplying the points according to individual position for three fiscal years by the performance-linked coefficient shall be delivered.

The maximum contribution to the trust shall be a total of JPY 1.6 billion over three fiscal years (including trust and other fees. For periods after extensions, if there are any remaining shares, etc. from before the extension, then the amount shall be reduced accordingly.) and the maximum number of shares to be acquired by eligible persons shall be a total of three million shares over the three fiscal years (If during the period, a reverse share split, share split or similar event occurs, the number of points and the maximum number of shares to be acquired shall be adjusted.).

If a person eligible for the plan retires during the period (excluding cases of retirement for personal reasons or dismissal), or becomes no longer eligible for the plan due to a change in position (including a change to a position that is eligible only for the fixed points, in regard to the variable points), shares equivalent to the number of fixed and variable points accumulated up to that point in time when the eligible person retired or became no longer eligible shall be delivered

without delay, upon completing certain procedures (in regard to the variable points, each case will be determined on an individual basis by the Board of Directors, upon evaluation of the number of points accumulated up to that point in time by the Compensation Advisory Committee taking into account the performance-linked indicators for the three fiscal years mentioned above and the concept of the coefficient). If an eligible person passes away during the period, it will be treated in a similar manner but the monetary amount equivalent to the exchange value of all the shares shall be paid to the survivors.

If a person eligible for the plan commits improper acts or other misconduct during the applicable period, the Company may confiscate all points granted or seek, retroactively for the past three years, monetary compensation equivalent to the value of the shares delivered based on the number of fixed points

Persons who are not eligible because they do not reside in Japan shall be paid a cash amount equivalent to the points calculated and granted through the same mechanism.

Regarding compensation for Directors and Executive Officers, the payment amounts of compensation shall be decided by the Board of Directors based on proposals by the President within the range of the total amount and substance decided by the resolution of the General Meeting of Shareholders, with the involvement of Outside Directors through discussions at the Compensation Advisory Committee, which has been established as an advisory committee for the Board of Directors. The Committee shall comprise Chairman, President, and Outside Directors including Audit & Supervisory Committee Members, and shall be chaired by an Outside Director and composed of a majority of Outside Directors. The Committee shall engage in discussion on determining the payment amounts of compensation, and in deliberation of other important matters related to compensation of Directors and Executive Officers, such as policies, procedures and system design, and shall report or submit the results to the Board of Directors.

## **2. Policies and procedures for determining the compensation, etc., of Directors who are Audit & Supervisory Committee Members**

The Compensation of Directors who are Audit & Supervisory Committee Members shall consist solely of basic compensation as they are responsible for the functions and roles of conducting audits of the Company from a standpoint independent of business execution, and the total amount shall be not more than JPY220 million per year. The specific individual amounts of compensation shall be decided through discussions among Directors who are Audit & Supervisory Committee Members including Outside Directors.

The Company shall not pay officers' retirement benefits to any Director who is an Audit & Supervisory Committee Member.