



May 9, 2018

PRESS RELEASE

Company: Kanematsu Corporation
Representative: Kaoru Tanigawa, President
Securities Code: 8020 First Section of the Tokyo Stock
Exchange
Contact: Taro Unno, General Manager, Finance
Dept.
(Phone: 03-5440-8000)

Notice of Introduction of Performance-Linked Stock Compensation Plan for Directors

Kanematsu Corporation (the “Company”) hereby announces, as detailed below, that its Board of Directors passed a resolution at the meeting held May 9, 2018 to introduce a new performance-linked stock compensation plan (hereinafter referred to as the “Plan”) utilizing a trust service, for directors of the Company (excluding outside directors; the same shall apply hereinafter), and will submit a proposal on introduction of the Plan to the 124th Ordinary General Meeting of Shareholders to be held on June 22, 2018 (hereinafter referred to as the “General Meeting of Shareholders”).

1. Introduction of the Plan

Compensation of directors of the Company previously consisted of “fixed monthly compensation” and “performance-linked compensation,” but the Company will now introduce a new stock compensation plan for directors of the Company.

The aims of introduction of Plan is to further clarify the linkage between compensation of directors and the corporate performance and stock value of the Company and to encourage directors to contribute to mid- to long-term improvement in the corporate performance and expansion of corporate value because they will share the benefits and risks of stock price fluctuations with the shareholders.

As a result of introduction of the Plan, compensation of directors of the Company will consist of “fixed monthly compensation,” “performance-linked compensation” and “performance-linked stock compensation.” Introduction of the Plan is subject to approval of the proposal on directors’ compensation at the General Meeting of Shareholders.

If introduction of the Plan is approved at the General Meeting of Shareholders, the Company plans to introduce a performance-linked stock compensation plan for its executive officers similar to that for directors of the Company. In this case, executive officers will also become beneficiaries of the trust under the Plan in the same way as directors of the Company. In addition to the funds entrusted for the acquisition of shares to be delivered to directors of the Company, the Company will also entrust funds for the acquisition of shares to be delivered to its executive officers.

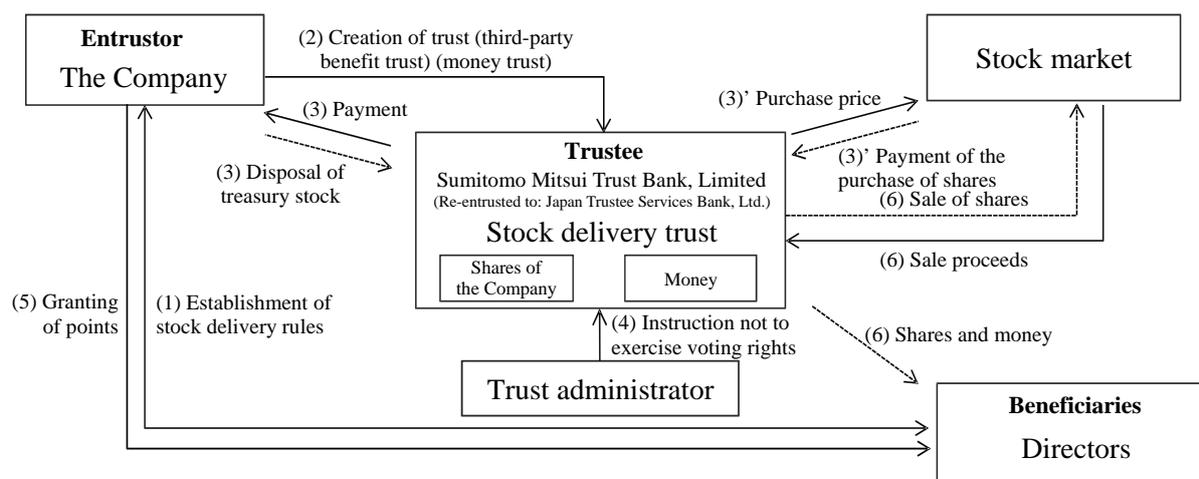
2. Outline of the Plan

(1) Structure of the Plan

The Plan is a stock compensation plan whereby a trust (hereinafter referred to as the “Trust”) established by the Company through the contribution of money will acquire shares of the Company, and the shares of the Company in the number equivalent to the number of points granted to each director by the Company will be delivered to each director via the Trust.

Under the Plan, shares of the Company will be delivered to directors of the Company who are in office during the period covered by the Company’s Medium-Term Management Plan (initially, this period shall be the six fiscal years from the fiscal year ending March 31, 2019 to the fiscal year ending March 31, 2024). Directors will receive delivery of the Company’s Shares, etc. upon their retirement, in principle.

<Outline of Structure of the System>



* As explained above, if the Company introduces the Plan for its executive officers as well, its executive officers will also be beneficiaries of the Plan.

- (1) The Company will establish stock delivery rules that apply to its directors.
- (2) The Company will create a stock delivery trust (third-party-benefit trust) with directors as beneficiaries. When doing so, the Company will entrust the amount of money (limited to an amount within the purview approved by the General Shareholders’ Meeting) equivalent to funds for the acquisition of shares to the Trustee.
- (3) The Trustee will collectively acquire shares of the Company equivalent to the number expected to be delivered in future (either by means of acquisition from the stock market (including off-floor trading) or by means of the disposal of treasury stock).
- (4) Throughout the period of the Trust, the Company will appoint a trust administrator (to be limited to be a party independent of the Company and its officers) who is responsible for protecting the interests of the beneficiaries who are covered by the stock delivery rules and supervising the Trustee. The trust administrator will give instructions not to exercise any voting rights associated with the shares of the Company kept within the Trust, and the Trustee will not exercise voting rights throughout the period of the Trust in accordance with such instructions.
- (5) Pursuant to the stock delivery rules, the Company will grant points to directors.
- (6) The directors fulfilling requirements prescribed in the stock delivery rules and the trust agreement relating to the Trust will receive from the Trustee, as beneficiaries of the Trust, delivery of shares of the Company according to the points they have been granted. In certain specific cases set forth in advance in the stock delivery rules and the trust agreement, the Company may sell part of the shares of the Company to be delivered in the stock market and deliver money.

Sumitomo Mitsui Trust Bank, Limited, which is the Trustee under the Plan, will delegate (re-entrust) management of the trust property to Japan Trustee Services Bank, Ltd.

(2) Creation of the Trust

On condition that approval for introduction of the Plan is obtained at the General Meeting of Shareholders, the Company will create the Trust by contributing the funds necessary for the Trust to acquire, a certain period in advance, shares of the Company in the number reasonably expected to be required for delivery pursuant to (6) below. As discussed in (5) below, the Trust will acquire shares of the Company by applying the funds contributed by the Company as a source of its funds.

(3) Period of the Trust

The period of the Trust will be around six years, starting in August 2018 (scheduled) and ending in August 2024 (scheduled). As stated in (4) below, the period of the Trust may be extended.

(4) Upper Limit on the Amount of Trust Money to be Contributed to the Trust as a Source of Funds with which to Acquire Shares

The Company will create the Trust, with directors fulfilling certain specific requirements as the beneficiaries, by contributing, as compensation for directors in office during the initial period of the Medium-Term Management Plan, money up to a limit of four hundred and fifty million yen (¥450,000,000) in total as funds for acquiring shares of the Company that need to be delivered to directors under the Plan during the period of the Trust. The Trust will use the money left in trust by the Company as the source of funds to acquire shares of the Company either by means of acquisition from the stock market (including off-floor trading) or from the Company by means of the disposal of treasury stock. For information, in the case of acquisition of the shares of the Company at the closing price on May 8, 2018, the maximum number of the shares of the Company which can be obtained with the funds of 450 million yen which is the upper limit of the funds for acquisition of the shares of the Company is 266,114 shares.

Note: The money the Company will actually entrust to the Trust will be the sum of the abovementioned funds for acquiring shares of the Company and the expected amount of costs necessary for trust fees, trust administrator fees, etc. If the Company also introduces the Plan for its executive officers as well, as explained earlier, the Company will also entrust funds for acquiring shares of the Company needed for delivery to executive officers.

If the Company reaches the performance targets under the Medium-Term Management Plan between the start of the second fiscal year and the end of the penultimate fiscal year of the Medium-Term Management Plan period, the Medium-Term Management Plan will end as of the fiscal year in which the performance targets are reached, and the Company may establish a Medium-Term Management Plan (hereinafter referred to as the “New Medium-Term Management Plan”) that will cover no more than six fiscal years. In this case, each time the expiration date of the final fiscal year under the New Medium-Term Management Plan exceeds the expiration date of the period of the Trust, before expiration of the period of the Trust, the Company may, by a resolution of its Board of Directors, extend the period of the Trust to align it with the period of the New Medium Term Management Plan (includes when the Company for all extents and purposes extends the period of the Trust by transferring the trust property of the Trust to a trust with a purpose identical to that of the Trust established by the Company; the same shall apply hereinafter) .

Regardless of whether or not the performance targets under the Medium-Term Management Plan are reached, each time the period of the Trust expires (or each time the extended period of the Trust expires if the

Company extends the period of the Trust in accordance with the procedure explained above or below), the Company may, by a resolution of its Board of Directors, extend the period of the Trust to align it with a Medium-Term Management Plan period covering up to a limit of the next six fiscal years, and continue the Plan.

If the Company extends the Period of the Trust in accordance with either of the foregoing, the Company will additionally contribute money up to a limit of the amount obtained by multiplying the number of years of the extension of the period of the Trust by seventy-five million yen (¥75,000,000) to the Trust as funds for acquiring additional shares of the Company that will need to be distributed to Directors under the Plan. Furthermore, in this case, the Company will continue to award points as explained in (6) below and deliver shares of the Company within the extended period of the Trust.

Even If the Company does not extend the period of the Trust and does not continue the Plan, etc., if, at the time of expiration of the period of the Trust, there are any directors who have already been granted points but have not yet retired, the Company may extend the period of the Trust until such time as such directors retire and delivery of shares of the Company is completed.

(5) Method of Acquisition by the Trust of Shares of of the Company

The Company plans to have the Trust initially acquire shares of the Company either by means of acquisition from the stock market from the Company or by means of the disposal of treasury stock, within the upper limit of the funds for acquiring shares stipulated in (4) above, but it will determine and disclose further details of the acquisition method after the resolution at the General Meeting of Shareholders.

If, during the period of the Trust, an increase in the number of Directors or other cause gives rise to the possibility that the number of shares of the Company kept within the Trust will fall short of the number of shares corresponding to the number of points to be granted to the directors during the period of the Trust, the Company may have the Trust acquire additional shares by leaving additional money in trust within the scope of the upper limit on the Trust Money approved by the General Meeting of Shareholders as stated in (4) above.

(6) Calculation Method and Upper Limit of Shares of the Company to be Delivered to Directors

(i) Method of granting points to directors

In accordance with the stock delivery rules established by the Board of Directors of the Company, each time a Medium-Term Management Plan ends (however, for directors who retire or die during the period of a Medium-Term Management Plan, on the day when they retire or die), the Company will grant points to each director according to their roles and the degree of attainment of corporate performance targets, etc. set out in the Medium-Term Management Plan, on a point granting date stipulated in the stock delivery rules within the period of the Trust.

The upper limit of the aggregate number of points granted to directors by the Company will be the number obtained when the number of years of such Medium-Term Management Plan is multiplied by 140,000 points. Since the upper limit of the Medium-Term Management period is six fiscal years, the upper limit of the aggregate number of points granted to Directors for a Medium-Term Management Plan will be 840,000 points in total. If the targets under the Medium-Term Management Plan are reached before the end of the period of such Medium-Term Management Plan period, and the Company

establishes a new Medium-Term Management Plan, the upper limit of the aggregate number of points granted to directors by the Company will be the number obtained by multiplying the number of years of the Medium-Term Management period until the fiscal year in which the performance targets are reached by 140,000 points.

(ii) Delivery of shares of the Company according to the number of points granted

The directors will receive the delivery of shares of the Company in accordance with the procedure explained in (iii) below according to the number of points they have been awarded based on (i) above

One point represents one share of the Company's stock; provided, however, that if a share split, reverse share split or other event for which it would be considered reasonable to adjust the number of shares of the Company to be delivered occurs with respect to the shares of the Company, then the Company will make reasonable adjustments depending on the ratio of such stock split or reverse stock split, etc.

(iii) Delivery of shares of the Company to directors

Delivery of shares of the Company described in (ii) above to each director will be made from the Trust after he/she performs the established beneficiary determination procedures at the time of his/her retirement.

However, a certain portion of such shares will be sold and converted into money within the Trust to allow the Company to withhold funds for the payment of withholding income tax, etc., and will be distributed in cash instead of the shares. If the shares of the Company left within the Trust are converted into money, for example, if a tender offer is accepted and settled with respect to such shares, the Company may make delivery in money instead of the shares.

(7) Exercise of Voting Rights

Pursuant to the instructions of the Trust Administrator who will be independent of the Company and its officers, the voting rights associated with the shares kept within the Trust will not be exercised without exception, which will assure the neutrality of the Company's management in relation to exercise of the voting rights of such shares.

(8) Handling of Dividends

Dividends on the shares of the Company kept within the Trust will be received by the Trust, and will be applied towards payment for acquisition of the shares of the Company, trust fees for the Trustee associated with the Trust, etc.

(9) Handling of Shares of the Company and Money at the Time of Termination of the Trust

Of the residual property left within the trust at the time of termination of the Trust, the Company plans to acquire all residual shares of the Company without consideration and to then cancel them by a resolution of the Board of Directors.

Of the residual property left within the Trust at the time of termination of the Trust, pursuant to the provisions of the stock delivery rules and the trust agreement, the Company plans to donate a certain amount of residual cash to specified public-service promotion corporations having no stake in the directors of the Company.

(For Reference) Outline of Trust Agreement Concerning the Trust

| | |
|---------------------------|--|
| Entrustor | The Company |
| Trustee | Sumitomo Mitsui Trust Bank, Limited (Re-entrusted to: Japan Trustee Services Bank, Ltd.) |
| Beneficiaries | Directors of the Company (or directors of the Company and executive officers of the Company if the Company introduces the Plan for its executive officers as well) fulfilling beneficiary requirements |
| Trust administrator | The Company plans to select a third party that does not have any stake in the Company and its officers |
| Exercise of voting rights | Voting rights associated with shares kept within the trust will not be exercised during the period of the Trust |
| Type of trust | Trust of money other than money trust (third-party-benefit trust) |
| Trust agreement date | August 2018 (scheduled) |
| Period of trust | August 2018 to August 2024 (scheduled) |
| Purpose of trust | To deliver shares of the Company to beneficiaries in accordance with the stock delivery rules |