

Notification on the Adoption of Performance-Based Stock Compensation Schemes

Haseko Corporation (the “Company”) announced that it made a resolution at its Board of Directors’ meeting held today to adopt a Board Benefit Trust scheme (the “BBT Scheme”) and a Stock-Granting Employee Stock Ownership Plan (the “ESOP Scheme), as described below. For details of the BBT System, the Company will make a resolution at its Board of Directors’ meeting to be held later and then will submit the subject to the 100th Ordinary General Meeting of Shareholders to be held late in June 2017 (the “General Meeting of Shareholders”) as an agenda for approval

Details

I. Adoption of the BBT Scheme

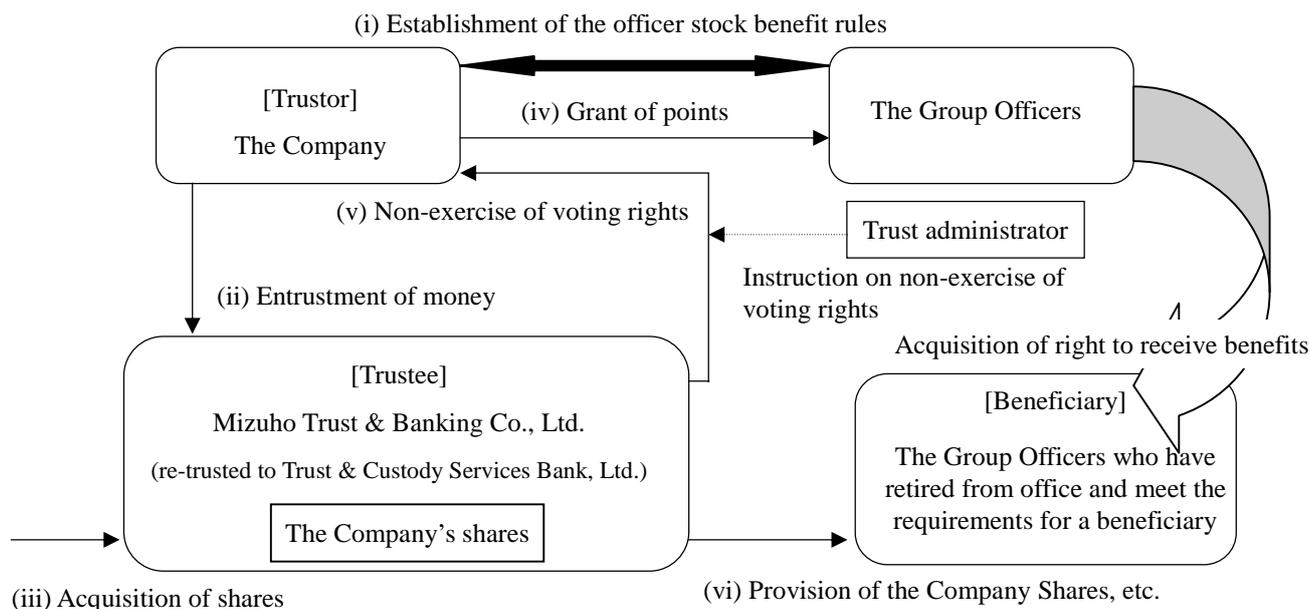
1. Background of Adoption of the BBT Scheme

The Company has resolved to adopt the BBT Scheme in order to further clarify the linkage between the remuneration for its Directors (excluding Outside Directors), Executive Vice Presidents, Executive Operating Officers, Senior Operating Officers and the presidents, etc. of its Group companies (the “Group Officers”) and the Company’s performance as well as its stock value. It is intended that, with the clearer linkage, the Group Officers should not only be able to enjoy the advantages of higher stock prices but also share the risk of a drop in the share price with the shareholders, so that the Group Officers have a stronger mindset for contributing to the Company’s better performance and increased corporate value over the medium to long term. The adoption of the BBT Scheme is subject to approval at the General Meeting of Shareholders.

2. Overview of the BBT Scheme

The BBT Scheme is a performance-based stock compensation scheme in which the Company’s shares are acquired through a trust (the “BBT Trust” as established under the BBT Scheme) by using the money contributed by the Company as the funds, and the BBT Trust provides the Group Officers with the Company’s shares and the amount of cash equivalent to the market price of the Company’s shares (the “Company Shares, etc.”) in accordance with the “officer stock benefit rules” set forth by the Company. The Group Officers will receive the benefit of the Company Shares, etc. as of the date of their retirement from office as a rule.

<Structure of the BBT Scheme>



(i) The Company establishes the “officer stock benefit rules” within the framework approved by the General Meeting of Shareholders, after a resolution is made on the directors’ remuneration under the BBT Scheme at the General Meeting of Shareholders.

(ii) The Company entrusts the money to the extent as approved by the resolution at the General Meeting of Shareholders in (i)

(iii) The BBT Trust acquires the Company’s shares through the stock market or by underwriting the disposition of the Company’s treasury stock, using the money entrusted in (ii) as the funds.

(iv) The Company grants points to the Group Officers based on the “officer stock benefit rules.”

(v) In accordance with the instructions from the independent trust administrator, the BBT Trust will not exercise the voting rights concerning the Company’s shares in the BBT Trust’s account.

(vi) The BBT Trust provides the Company’s shares to retired Group Officers who meet the requirements set forth in the “officer stock benefit rules” (the “Beneficiaries”), in proportion to the points granted to the said Beneficiaries. If the Group Officers meet the requirements set forth in the “officer stock benefit rules,” however, the BBT Trust provides them with an amount of cash equivalent to the market price of the Company’s shares for a certain percentage of the points granted to them.

II. Adoption of the ESOP Scheme

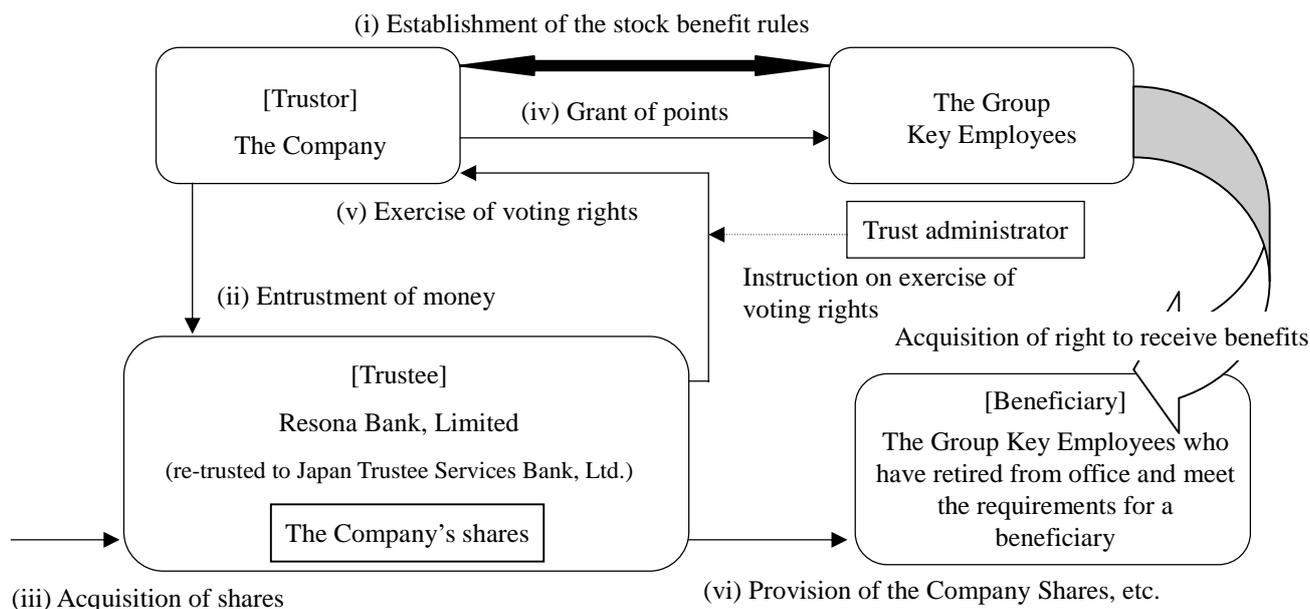
1. Background of Adoption of the ESOP Scheme

The Company has decided to adopt the ESOP Scheme in order to further reinforce the linkage between the treatment of the key employees of the Company and its group of companies (the “Haseko Group”) (the “Group Key Employees”) and the Company’s performance as well as its stock value. It is intended that, with the reinforced linkage, the Group Key Employees will share the economic effects with the shareholders and thus will become more willing and motivated to work for a higher stock price and better performance of the Haseko Group.

2. Overview of the ESOP Scheme

The ESOP Scheme is a scheme in which the Company’s shares are acquired through a trust (the “ESOP Trust” as established under the ESOP Scheme) by using the money contributed by the Company as the funds, and the ESOP Trust provides the Group Key Employees with the Company’s shares and the amount of cash equivalent to the market price of the Company’s shares (the “Company Shares, etc.”) in accordance with the “stock benefit rules” set forth by the Company. The Group Key Employees will receive the benefit of the Company Shares, etc. as of the date of their retirement from the Haseko Group companies as a rule.

<Structure of the ESOP Scheme >



- (i) The Company establishes the “stock benefit rules” upon the adoption of the ESOP Scheme.
- (ii) The Company entrusts the money for implementing the ESOP Scheme.
- (iii) The ESOP Trust acquires the Company’s shares through the stock market or by underwriting the disposition of the Company’s treasury stock, using the money entrusted in (ii) as the funds.
- (iv) The Company grants points to the Group Key Employees based on the “stock benefit rules.”
- (v) In accordance with the instructions from the trust administrator, the ESOP Trust will exercise the voting rights concerning the Company’s shares.
- (vi) The ESOP Trust provides the Company’s shares to the persons who meet the requirements set forth in the “stock benefit rules” (the “Beneficiaries”), in proportion to the points granted to the said Beneficiaries. If the Group Key Employees meet the requirements set forth in the “officer stock benefit rules,” however, the ESOP Trust provides them with an amount of cash equivalent to the market price of the Company’s shares for a certain percentage of the points granted to them.