



May 14, 2018

Listed Company Name	TACHI-S CO., LTD.
Name of Representative	Taro Nakayama, President, CEO&COO (Code 7239: Tokyo Stock Exchange, 1st section)
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## **Notice concerning the Introduction of Performance-Linked Stock**

### **Compensation System for Officers**

We hereby announce that the Board of Directors resolved at a meeting held on May 14, 2018, that TACHI-S CO., LTD. (the “Company”) will introduce a Performance-Linked Stock Compensation System (hereinafter referred to as the “System”) for Company Directors (excluding Outside Directors and non-Executive Directors as below) and that it will submit a proposal concerning the introduction of the System at the 66<sup>th</sup> Annual General Meeting of Shareholders (hereinafter referred to as the “the General Meeting of Shareholders”), scheduled to be held on June 22, 2018.

#### 1. Introduction of the System

The compensation for Company Directors consists of a base compensation and bonuses. Going forward, the Company will introduce a new stock compensation system for Company Directors (excluding Outside Directors and non-Executive Directors; the same applies hereinafter.)

The System aims to enhance the Directors’ awareness of contributing to improving the medium- to long-term performance and growth of our corporate value by making clearer the link between compensation for Directors and the Company’s performance and stock value, and by having the Directors share profit and risks based on stock price fluctuations with shareholders.

Compensation for Company Directors will consist of a base compensation, bonuses and stock compensation following the introduction of the System.

Introduction of the System will be subject to approval of the proposal for compensation for officers at the General Meeting of Shareholders.

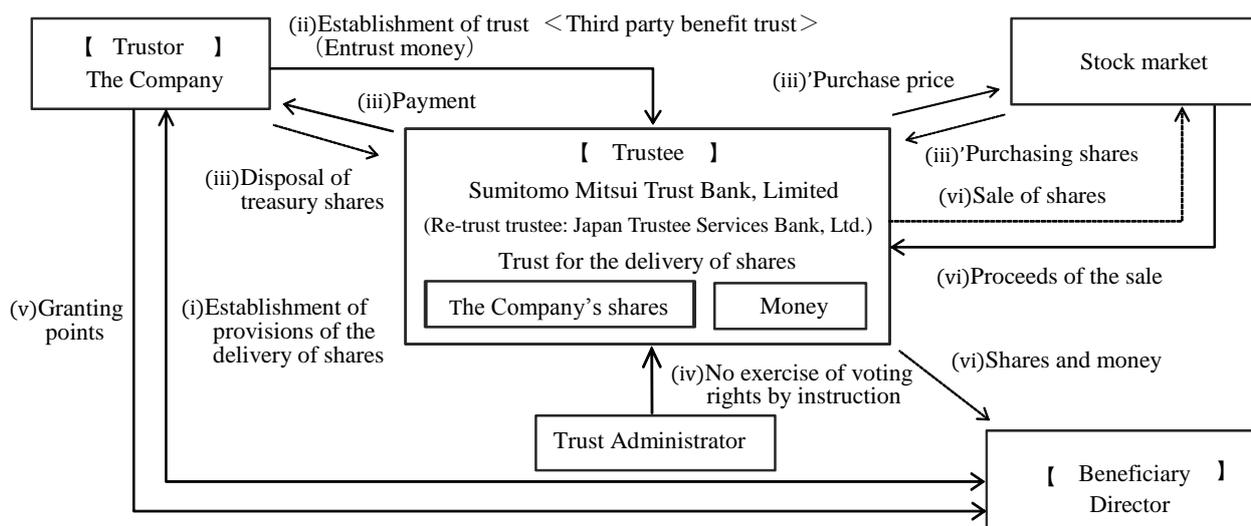
#### 2. Outline of the System

##### (1) The structure of the System

The System is a stock compensation system in which the trust (hereinafter referred to as “the Trust”), which the Company establishes through a money contribution, acquires Company shares, and Company shares that are equivalent to the number of points granted to each Director by the Company are delivered to each Director through the Trust.

In addition, the Company’s shares will be delivered to Company Directors in office for three fiscal years from the fiscal year ending March 31, 2019, to the fiscal year ending March 31, 2021 (hereinafter referred to as the “System Period”). The period in which Directors receive the Company’s shares is, in principle, the time of retirement of Directors.

< Outline of the Structure of the System >



- (i) The Company will establish provisions for the delivery of shares for Directors.
- (ii) The Company will establish a trust for the delivery of shares (Third party benefit trust), defining Directors as the beneficiaries (the Trust). Then the Company will entrust an amount or money sufficient to fund the acquisition of shares to the trustee (provided, however, that the sum is within the range of the amount approved at the General Meeting of Shareholders).
- (iii) The trustee will collectively acquire the number of Company shares that are expected to be delivered in the future (through methods such as disposal of treasury shares or acquisition from the exchange market (including after-hours trading)).
- (iv) The Company will specify a trust administrator (a person who is independent from the Company and the Company's officers) who will protect the interests of beneficiaries subject to the provision of shares and who will oversee the trustees through the trust period. Furthermore, the trust administrator will instruct the trustees not to exercise voting rights with respect to the Company's shares in the Trust and the trustees will not exercise voting rights through the trust period based on such instructions.
- (v) The Company will grant points to Directors based on the provision of shares.
- (vi) Directors who meet the requirements specified in the trust agreement concerning the Trust and the provision of shares, as beneficiaries of the Trust, will receive Company shares based on points granted by the trustee. Furthermore, in certain cases specified by the Trust agreement and the provision of shares in advance, money may be provided by selling on the exchange market part of the Company's shares to be provided.

With respect to residual assets in the Trust upon termination of the Trust, the Company plans to acquire all of the Company's shares without consideration and cancel them upon a resolution of the Board of Directors.

In addition, with respect to residual assets in the Trust upon termination of the Trust, the Company plans to contribute a certain amount of money in advance to a special public interest promotion corporation that has no conflicts of interest with the Company's Directors, as stipulated in the provision of shares and in the Trust agreement.

Sumitomo Mitsui Trust Bank, Limited, the trustee in the System, will entrust (re-trust) the administration of the trust assets to Japan Trustee Services Bank, Ltd.

## (2) Establishment of Trust

The Company will establish the Trust by contributing the funds required for the Trust to acquire in advance and over a certain period the number of Company shares that are reasonably expected to be required for provision in accordance with the following (6), subject to approval of the introduction of the System at the General Meeting of Shareholders. The Trust will acquire the Company shares using funds contributed by the Company through the following (5).

Sumitomo Mitsui Trust Bank, Limited, the trustee in the System, will entrust (re-trust) the administration of the trust assets to Japan Trustee Services Bank, Ltd.

## (3) Trust period

The trust period is scheduled to last for approximately three years, from August 2018 to August 2021. However, the trust period may be extended as in the following (4).

## (4) Maximum Amount of Trust Money Contributed as Funds for Acquiring Shares by the Trust

The Company will contribute the maximum total amount of 200 million yen as funds for the acquisition of the Company shares necessary for provision to Directors who are in office for the System period as compensation, and establish the Trust for Directors who meet certain requirements as beneficiaries. The Trust shall acquire the Company shares through money entrusted by the Company as funds through methods such as disposal of treasury shares by the Company or acquisition from the exchange market (including after-hours trading).

Note: Money that the Company actually entrusts to the Trust shall be the combined amount of the estimated amount of the necessary costs, including trust fees and trust administration fees, in addition to the above funds for acquiring Company shares

At the maturity of the Trust period (after extension if the System is continued by extending the trust period according to the following procedures), the System may be continued by extending the Trust period every three years (including the actual extension of the Trust period by transferring assets of the Trust to the Trust for the same purpose as the Trust established by the Company. The same applies hereinafter.) by a resolution of the Company's Board of Directors. In this case, the Company will additionally contribute the maximum amount of 200 million yen to the Trust by the extended trust period as additional funds to acquire Company shares necessary for provision to Directors by the System. In addition, in this case, the Company shall extend the System period according to the continuation of such System and the extension of the trust period and continue granting points as in the following (6) and the delivery of the Company's shares for the extended trust period.

In addition, even if the Company does not continue the System by extending the trust period as above, if there is a Director who has not yet retired, although points had already been granted at the maturity of the trust period, the trust period of the Trust may be extended until that Director retires and delivery of the Company shares is completed.

#### (5) Methods of Acquiring Company Shares by the Trust

The initial acquisition of the Company's shares by the Trust will be acquisition from the disposal of treasury shares by the Company or the exchange market within the maximum fund for acquiring the shares in the above (4), however, the details for methods for acquisitions will be determined and disclosed following the resolution by the General Meeting of Shareholders.

Further, in case that the number of the Company's shares in the Trust may be insufficient for the number of shares for the points granted to Directors during the trust period, such as by the increase in the number of Directors during the trust period, the Company's shares may be additionally acquired by entrusting additional money to the Trust within the maximum amount in trust money approved by the General Meeting of Shareholders in the above (4).

#### (6) Method for Calculating Number of Company Shares to be Provided to Directors, and Maximum Number

##### (i) Methods of granting points to Directors

The Company will grant each Director points based on position and the degree of attainment of performance targets at the date of granting points prescribed in the provision of shares during the trust period based on the provision of shares specified by the Company's Board of Directors.

However, the maximum number of total points granted to Directors by the Company will be 168,000 points per three fiscal years.

##### (ii) Delivery of Company Shares based on Number of Points Granted

Directors shall receive Company shares in accordance with the procedures in the following (iii) based on the points granted in the above (i).

One point shall equal one Company share. However, with regard to the Company's shares, in the case of events in which adjustments of the number of Company shares to be delivered, such as a share split or consolidation of shares, are reasonably considered, a reasonable adjustment shall be made based on the split ratio or ratio of consolidation of shares, etc.

##### (iii) Delivery of Company Shares to Directors

Delivery of Company shares in the above (ii) to each Director shall be made by the Trust by conducting the prescribed procedures determining the beneficiaries at the time of their retirement.

However, with regard to a certain percentage of Company shares among them, the Company may deliver money instead of shares after selling them to convert into money in the Trust in order to withhold tax fees, such as withholding income tax. In addition, if the Company shares in the Trust are converted into money, such as a case in which the Company shares in the Trust are settled upon applying for a takeover bid, the Company may deliver money instead of shares.

#### (7) Exercise of Voting Rights

Voting rights concerning the Company shares in the Trust shall not be exercised in the same way based on the instructions of the trust administrator independent from the Company and its officers. The Company plans to ensure neutrality in the Company's management with regard to the exercise of voting rights concerning the Company's shares in the Trust by using such a method.

(8) Handling dividends

The dividends for Company shares in the Trust shall be received by the Trust and allocated for payment for acquiring the Company's shares and trust fees, etc. of trustees concerning the Trust.

(9) Treatment of Company Shares and Money upon Termination of the Trust

With respect to residual assets in the Trust upon termination of the Trust, the Company plans to acquire all of the Company shares without consideration, and cancel them upon a resolution of the Board of Directors.

In addition, with respect to residual assets in the Trust upon termination of the Trust, the Company plans to contribute a certain amount of money to a special public interest promotion corporation that has no conflicts of interest with the Company's Directors, as stipulated in the provision of shares and the Trust agreement in advance.

(Reference) Outline for Trust Agreement concerning the Trust

Trustor	The Company
Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trust trustee: Japan Trustee Services Bank, Ltd.)
Beneficiaries	Company Directors who meet the requirements for beneficiaries
Trust administrator	Plan to elect a third party who has no conflicts of interest with the Company or the Company's officers
Exercise of voting rights	No exercise of voting rights concerning shares in the Trust through the Trust period
Type of trust	Money entrust other than money trust (Third-party benefit trust)
Date of trust agreement	August 2018 (scheduled)
Trust period	August 2018 to August 2021 (scheduled)
Purpose of trust	Provision of Company shares to beneficiaries