

Policy on Compensation

1. Basic Policy

(1) Compensation for Directors (excluding External Directors)

Compensation for Directors (excluding External Directors) consists of fixed compensation (monthly compensation) as compensation for the execution of duties, compensation linked to consolidated business performance in the fiscal year under review (monetary bonuses), and non-monetary compensation (restricted stock compensation) as long-term incentive compensation. The standard ratio of each compensation is as follows.

Compensation items	Fixed compensation	Variable compensation	
	Monthly compensation	Monetary bonuses	Restricted stock compensation
Setting standard(ratios)	67.5%	20.0%	12.5%

(2) Compensation for External Directors and Auditors

i) Compensation for External Directors

Compensation for External Directors shall consist solely of fixed compensation (monthly compensation) from the perspective of their roles and independence. The specific amount of compensation shall be determined in accordance with the method of determining fixed compensation in the compensation of Internal Directors.

ii) Compensation for Auditors

From the perspective of high independence, compensation shall consist of monthly compensation only. The specific amount of compensation shall be determined through consultation among the Auditors.

2. Method of determining compensation for Directors (excluding External Directors), etc.

(1) Fixed compensation

Fixed compensation (monthly compensation) shall be appropriately calculated in accordance with a predetermined table of monthly compensation standards for executives within the range of maximum amount of compensation of Directors which was determined by the resolution of the General Meeting of Shareholders and shall be determined by resolution of the Board of Directors after deliberation by the Nomination & Compensation Advisory Committee.

(2) Performance-linked compensation (monetary bonuses)

With regard to performance-linked compensation(monetary bonuses), the base amount of bonuses shall be set within the range of compensation, after evaluation by the Representative Director and President, CEO of the degree of contribution of each Director for each type of Operating Profit, Order, ROE and ESG using the following calculation formula, and shall be

resolved at the Board of Directors meeting after deliberation by the Nomination & Compensation Advisory Committee.

Payment Category	target	percentage	Method of Payment Calculation
Payments as short-term incentives	Directors (Managing Principal and President of group companies)	30%	① Basic bonus amount×30%× ② Operating income Coefficient (Consolidated)
		20%	① Basic bonus amount×20%×② Commissioned Company Profit Coefficient and Commissioned Order coefficient
	Directors (Business Division and International Affairs)	30%	① Basic bonus amount×30%×② Operating income Coefficient (Consolidated)
		20%	① Basic bonus amount×20%×② Commissioned Order coefficient
	Directors (Other than the above)	50%	① Basic bonus amount×50%×② Operating income Coefficient(Consolidated)
Payments as long-term incentives	All Directors	50%	① Basic bonus amount×50%×ROE evaluation index
		+20%	① Basic bonus amount×20%×ESG evaluation index

(3) Non-monetary compensation (restricted stock compensation)

With regard to non-monetary compensation (restricted stock compensation), the number of shares granted shall be calculated according to the position and shall be determined by resolution of the Board of Directors after deliberation by the Nomination & Compensation Advisory Committee. In addition, the Transfer Restriction Period shall expire at the time of retirement of officers. With regard to non-monetary compensation (restricted stock), provisions shall be established to the effect that the Company may, after deliberation by the Board of Directors, acquire all shares granted without consideration in the following cases : (i) cases where the Director has been engaged in the business of a company that competes with the Group without the consent of us, (ii) cases where the Director has caused damage to us due to fraudulent accounting or large losses, etc., or (iii) other cases where we have judged that the shares should be acquired without consideration.