

October 30, 2020

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Notice of the Introduction of a Performance-linked Stock Compensation Plan for Directors

Meiko Network Japan Co., Ltd. (the “Company”) resolved, at the meeting of its Board of Directors held on August 24, 2020, to introduce a stock compensation plan using a trust (the “Plan”) for the Directors and the employees of the Company and the main group subsidiaries of the Company as stated in the Notice of the Introduction of a Stock Compensation Plan for the Directors and the Employees of the Group dated August 24, 2020. The Company now hereby announces that, at the meeting of its Board of Directors held on October 30, 2020, it resolved as follows to submit to the 36th Annual Meeting of Shareholders scheduled to be held on November 20, 2020 (the “Shareholders Meeting”) a proposal to introduce the Plan for the Directors of the Company (excluding Outside Directors as follows).

1. Introduction of the Plan

The compensation of the Directors of the Company consisted of basic compensation, officers’ bonuses and stock options. However, the Company has now decided to stop awarding new stock options and to introduce a new stock compensation plan for the Directors of the Company.

The purpose of the Plan is as follows: The Plan will further clarify the link between the compensation of the Directors and the business performance and stock value of the Company. The Directors will share the benefits and risks of stock price fluctuations with shareholders. This will raise the awareness of the Directors to contribute to improving business performance and to increasing corporate value in the mid- to long-term.

The compensation of the Directors of the Company will consist of basic compensation, officers’ bonuses and stock compensation with the introduction of the Plan.

The introduction of the Plan is subject to approval at the Shareholders Meeting.

If the introduction of the Plan is approved at the Shareholders Meeting, the Company also plans to introduce a performance-linked stock compensation plan for the Directors of the main group subsidiaries of the Company (the “Directors of the Subsidiaries”). This will be the same as the one for the Directors of the Company. In this case, the Directors of the Subsidiaries will be the beneficiaries of the trust in the Plan in the same way as with the Directors of the Company. In addition, the Company will also entrust the trust with the funds to acquire the shares to be granted to the Directors of the Subsidiaries.

2. Overview of the Plan

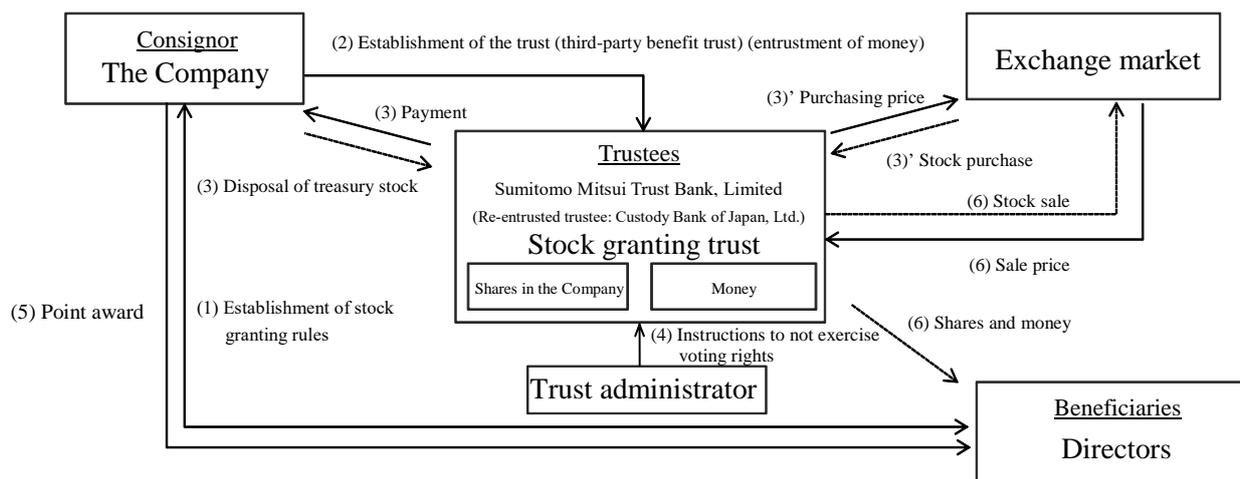
1) Mechanism of the Plan

The Plan is a stock compensation plan. The trust established with the contribution of money by the Company (the “Trust”) will acquire shares in the Company. The Trust will then grant to the Directors

the number of the shares in the Company equivalent to the number of points awarded to the Directors by the Company.

The shares in the Company will be granted to the Directors of the Company in office during the four fiscal years from the fiscal year ending August 31, 2021 to the fiscal year ending August 31, 2024 (the “Applicable Period”) in the Plan. In principle, the Directors will receive the shares in the Company when they retire as Directors.

Overview of the Mechanism of the Plan



- (1) The Company will establish stock granting rules for the Directors.
- (2) The Company will establish a stock granting trust (third-party benefit trust) with the Directors serving as the beneficiaries (the “Trust”). At that time, the Company will entrust money of an amount equivalent to the stock acquisition funds to the trustees. (However, this will be within the range of the amount approved at the Shareholders Meeting for the funds to acquire the shares to be granted to the Directors of the Company.)
- (3) The trustees will collectively acquire the number of the shares in the Company equivalent to that expected to be granted in the future. (This will be done by the disposal of treasury stock or by acquisition from an exchange market (including off-auction trading).)
- (4) The Company will appoint a trust administrator (a party independent of the Company and the officers of the Company) to protect the interests of the beneficiaries subject to the stock granting rules and to supervise the trustees through the trust period. The trust administrator will instruct the trustees to not exercise voting rights for the shares in the Company in the Trust. The trustees will then not exercise those voting rights through the trust period based on the said instructions.
- (5) The Company will award points to the Directors based on the stock granting rules.
- (6) The Directors who have satisfied the requirements stipulated in the stock granting rules and the trust agreement pertaining to the Trust will receive from the trustees the shares in the Company equivalent to the points they have been awarded as beneficiaries of the Trust. If applicable to certain grounds stipulated in advance in the stock granting rules and the trust agreement, some of the shares in the Company to be granted to the beneficiaries will be sold on an exchange market and the money given to them.

The Company plans to acquire all the shares in the Company from among the residual assets of the Trust upon the termination of the Trust at no cost and to then cancel them with a resolution of its Board of Directors.

In addition, the Company plans to donate a certain amount of money from among the residual assets of the Trust upon the termination of the Trust to a specified public-service promotion corporation that has no interests with the Directors of the Company by stipulating this in advance in the stock granting rules and the trust agreement.

Sumitomo Mitsui Trust Bank, Limited, which will be the trustee under the Plan, will outsource the management (re-entrustment) of the trust assets to the Custody Bank of Japan, Ltd.

2) Establishment of the Trust

The Company will establish the Trust by contributing the funds necessary for the Trust to acquire in advance for a certain period of time the number of the shares in the Company equivalent to that reasonably expected to be necessary to grant shares in the Company to the Directors in accordance with 6) below. This will be subject to the introduction of the Plan being approved at the Shareholders Meeting. The Trust will then acquire the shares in the Company with the funds contributed by the Company serving as the capital as described in 5) below.

Sumitomo Mitsui Trust Bank, Limited, which will be the trustee under the Plan, will outsource the management (re-entrustment) of the trust assets to the Custody Bank of Japan, Ltd.

3) Trust Period

The trust period will be for approximately four years from January 2021 (planned) to January 2025 (planned). However, the trust period may be extended as described in 4) below.

4) Amount of the Upper Limit on the Trust Money to Be Contributed as Stock Acquisition Funds to the Trust

The Company will contribute money up to a total amount of 280 million yen to compensate Directors in office during the Applicable Period as the necessary funds to acquire the shares in the Company to grant shares in the Company to the Directors through the Plan during the Applicable Period. It will then establish the Trust with the Directors who have satisfied certain requirements serving as the beneficiaries. The Trust will acquire the shares in the Company by disposal of treasury stock from the Company or by acquisition from an exchange market (including off-auction trading) with the money entrusted by the Company serving as the capital.

Note: The money actually entrusted to the Trust by the Company will be an amount that combines the estimated amount for the trust compensation, trust administrator compensation and other necessary expenses in addition to the above funds to acquire the shares in the Company.

The Applicable Period may be extended by determining a period of no more than five fiscal years each time with a decision by the Board of Directors of the Company. At the same time, as a result of this, the trust period of the Trust may be extended (this includes an extension of the trust period in substance with a transfer of the trust assets of the Trust to a trust that has the same purpose as the Trust established by the Company; the same shall apply hereinafter) and the Plan may continue. In this case, the Company will contribute additional money to the Trust up to an amount obtained by multiplying the number of fiscal years in the Applicable Period for the said extension by 70 million yen as the necessary funds to acquire the additional shares in the Company to grant shares to the Directors through the Plan during the Applicable Period for the said extension. The awarding of points and the granting of shares in the Company in 6) below will then continue.

Furthermore, even if the Applicable Period is not extended and the Plan does not continue like above, if there is a Director who has yet to retire even though he/she has been already been awarded points at the expiration of the trust period, the trust period of the Trust may be extended up to when the said Director retires and receives the shares in the Company.

5) Method of Acquiring Shares in the Company by the Trust

The Company plans for the initial acquisition of the shares in the Company by the Trust to be achieved by acquisition through disposal of treasury stock from the Company or acquisition from an exchange market within the range of the upper limit of the stock acquisition funds in 4) above. However, the Company will disclose the details of the acquisition method upon making a decision after the Shareholders Meeting.

If the possibility arises that the number of shares in the Company in the Trust will be less than the number of shares to support the number of points awarded to Directors during the trust period due to an increase in the number of Directors during the trust period, the Company may entrust additional money to the Trust within the range of the upper limit of the trust money in 4) above to acquire additional shares in the Company.

6) Method of Calculating and the Upper Limit of the Shares in the Company Granted to the Directors

(1) Method of Awarding Points to the Directors

The Company will award points according to position and the degree of achievement of performance targets on the point award date stipulated in the stock granting rules during the trust period to the Directors based on the stock granting rules stipulated by the Board of Directors of the Company.

However, the total number of points awarded to the Directors by the Company will be limited to 40,000 per fiscal year.

(2) Granting of Shares in the Company to Support the Number of Points Awarded to the Directors

The Directors will receive shares in the Company according to the procedures in (3) below depending on the number of points they are awarded in (1) above.

One point is one share in the Company. Nevertheless, if there is an event for which it is recognized that it will be reasonable to adjust the number of shares in the Company to be granted to the Directors (e.g., a stock split or reverse stock split) in regards to the shares in the Company, a reasonable adjustment will be made according to the said split ratio or reverse split ratio.

(3) Granting of Shares in the Company to the Directors

The granting of shares in the Company in (2) above to the Directors will be performed by the Trust. In principle, this will be done by the Directors performing the prescribed beneficiary settlement procedures at the time of their retirement.

However, a certain percentage of the shares in the Company among these may be converted into cash through a sale by the Trust for the Company to withhold tax payment funds (e.g., income tax withheld at source) and then cash may be given to the Directors instead of the shares in the Company. Moreover, if the shares in the Company in the Trust are converted into cash (e.g., if the shares in the Company in the Trust are settled by applying for a tender offer), cash may be given to the

Directors instead of the shares in the Company.

7) Exercising of Voting Rights

The voting rights pertaining to the shares in the Company in the Trust will not be exercised at all based on the instructions of the trust administrator independent from the Company and the officers of the Company. The Company intends to ensure neutrality in the management of the Company in regards to the exercising of the voting rights pertaining to the shares in the Company in the Trust with this method.

8) Handling of Dividends

The dividends pertaining to the shares in the Company in the Trust will be received by the Trust. The Trust will then allocate those dividends to the cost of acquiring the shares in the Company and the trust compensation of the trustee relating to the Trust.

9) Handling of the Shares in the Company and the Money upon the Termination of the Trust

The Company plans to acquire all the shares in the Company from among the residual assets of the Trust upon the termination of the Trust at no cost and to then cancel them with a resolution of its Board of Directors.

In addition, the Company plans to donate a certain amount of money from among the residual assets of the Trust upon the termination of the Trust to a specified public-service promotion corporation that has no interests with the Directors of the Company by stipulating this in advance in the stock granting rules and the trust agreement.

Reference: Overview of the Trust Agreement Pertaining to the Trust

Consignor:	The Company
Trustees:	Sumitomo Mitsui Trust Bank, Limited (Re-entrusted trustee: Custody Bank of Japan, Ltd.)
Beneficiaries:	Those who have satisfied the beneficiary requirements among the Directors of the Company and the Directors of the Subsidiaries
Trust administrator:	The Company plans to elect a third party independent from the Company and the officers of the Company
Exercising of voting rights:	The voting rights pertaining to the shares in the Trust will not be exercised during the trust period
Type of trust:	Trust of money other than a money trust (third-party benefit trust)
Trust contract date:	January 2021 (planned)
Trust period:	January 2021 to January 2025 (planned)
Purpose of the trust:	To grant shares in the Company to the beneficiaries based on the stock granting rules