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For immediate release

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**Notice Regarding the Introduction of a Performance-Linked  
Stock Compensation Scheme for Directors and Corporate Officers**

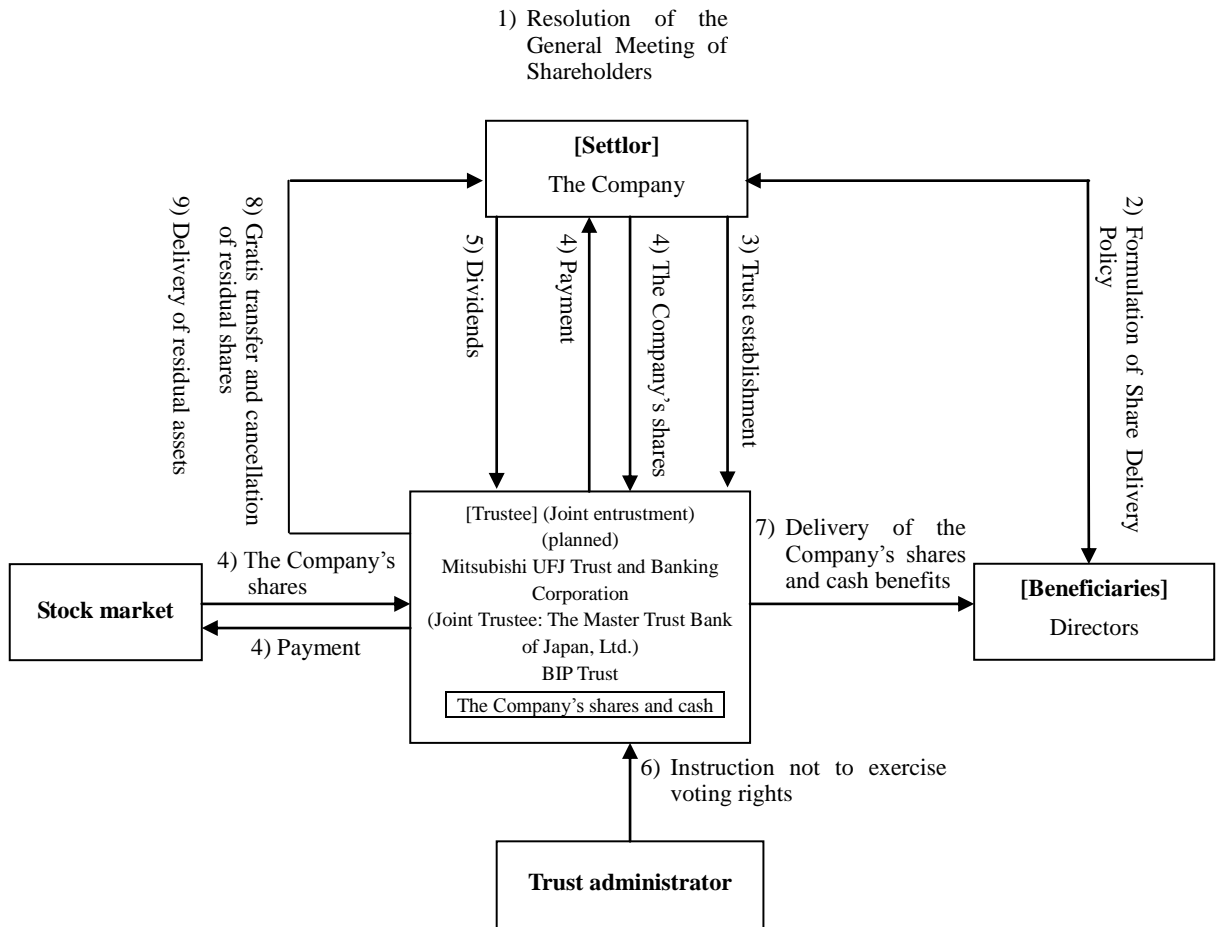
Sanden Holdings Corporation (hereinafter, Sanden Holdings) announced that, at the meeting of the Board of Directors held on May 22, the Company has reviewed its compensation scheme for Directors and Corporate Officers, and that a resolution was passed for the introduction of a Performance-Linked Stock Compensation Scheme (hereinafter, “the Scheme”). A proposal for the Scheme will be submitted to the 89th Term Ordinary General Meeting of Shareholders scheduled to be held on June 19, 2015 (hereinafter, the General Meeting of Shareholders). The details of the Scheme are described below.

**1. Introduction of the Scheme**

- (1) The Company will introduce the Scheme for Directors and Corporate Officers (excluding Outside Directors, and Directors and Corporate Officers residing overseas; hereinafter, collectively referred to as “Directors”) for the purpose of increasing their awareness of contributing to the growth in business results and corporate value in the medium-to-long term.
- (2) The introduction of the Scheme for Directors will be subject to the approval of the General Meeting of Shareholders. In addition, the Directors will, in principle, receive the actual shares at the time of their resignation from their positions as Directors.
- (3) As a Performance-Linked Stock Compensation Scheme, the Scheme will employ a framework

referred to as the executive compensation BIP (Board Incentive Plan) Trust (hereinafter, “BIP Trust”). The BIP Trust is an executive incentive plan modeled on Performance Share and Restricted Stock systems in the United States. Under this executive compensation scheme, the shares will be delivered to the Directors based on the level of attainment of management targets and their rank.

## 2. The Structure of the BIP Trust



- (1) The Company will receive approval for the introduction of the Scheme for Directors at the General Meeting of Shareholders.
- (2) The Company, at the meeting of the Board of Directors, will formulate a Share Delivery Policy for executive compensation relating to the introduction of the Scheme.
- (3) The Company will entrust money and establish a trust (the Trust) with the Company's Directors who have satisfied the conditions for being Beneficiaries. The money entrusted in the Trust will be within the scope of approval of the General Meeting of Shareholders mentioned in (1) above.
- (4) The Trust, in accordance with the instructions of the Trust administrator, will use the money entrusted in (3) above to acquire the Company's shares on the stock market. The number of shares will be within the scope of approval of the General Meeting of Shareholders mentioned in (1) above.
- (5) Dividends for the Company's shares in the Trust will be paid in the same way as with other shares of the Company.
- (6) Voting rights are not to be exercised on the Company's shares within the Trust throughout the Trust period.
- (7) During the Trust period, each fiscal year, Directors will be given a certain number of points based on the attainment of management objectives and their rank. When Directors retire, if they meet prescribed Beneficiary Conditions, the Company will deliver to them (hereinafter, Share Delivery, etc.) shares appropriate to the points they have accumulated and a portion in cash in an amount based on conversion of Company shares (hereinafter, Company Shares).
- (8) In the event that residual shares remain at the expiration of the Trust period as a result of the operating targets not being met during the Trust period or for other reasons, a gratis transfer of these residual assets will be made from the Trust to the Company, and upon acquiring these shares, the Company plans to implement the cancellation of these shares by resolution of the Board of Directors.
- (9) Upon conclusion of the Trust, the residual assets remaining after allocation to the Beneficiaries are to belong to the Company within the scope of the reserve fund for Trust expenses after deductions for stock purchases from Trust money.

#### **(1) Overview of the Plan**

Under this incentive plan, the delivery of the Company's shares will be conducted as executive compensation applicable to the three-year period from the fiscal year ending March 31, 2016 to the fiscal year ending March 31, 2018 (hereinafter, the "Applicable Period"), according to the level

of attainment of medium-term management plan targets and other criteria throughout the Applicable Period.

**(2) Procedures under the Plan**

The amounts to be paid from the Trust, the upper limit on shares to be purchased, and other necessary matters will be decided by the General Meeting of Shareholders.

**(3) Individuals eligible under the Plan (Beneficiary Conditions)**

Directors, after their resignations, who meet Beneficiary Conditions shall receive delivery of the Company's shares after the completion of stipulated Beneficiary confirmation procedures and based on accumulated points (in accordance with (5) below).

The Beneficiary Conditions are as follows:

- (1) Must have held the office of Director during the Applicable Period (including persons newly elected during the period)
- (2) Must have resigned from the office of Director (Refer to \*1 below)
- (3) Must not be a person who has resigned after being dismissed, etc., or a person who has committed an illegal act during his/her term of office
- (4) Must be a Director for whom the accumulated point calculation stipulated in item (5) below has been made
- (5) Must meet other conditions deemed necessary to attain the objectives of the Scheme

\*1 However, if the Trust period is extended, as provided for in line 3 of item (4) below, and, if at the end of the extended period, the Director in question still holds said position, at the maturing of the Trust, said Director will receive delivery of the shares during his term of office.

**(4) Trust period**

The Trust period shall be for approximately three years from August 28, 2015 (planned) to August 31, 2018 (planned).

Note that, at the General Meeting of Shareholders held three years from now, if a proposal is made and approved to continue the Trust, the Company may continue the Trust within the scope and for the period approved by the General Meeting of Shareholders, and, during the period of the extended

Trust, the Directors can continue to accumulate points (as stipulated in (5) below).

However, when the Trust expires and Directors for whom there is a possibility that they may meet the necessary conditions are still in office, from that time onward, points will no longer accumulate. However, from the time when said Directors retire until the time when the Company provides delivery of the shares, the Trust period may be extended for a maximum of 10 years.

**(5) Number of the Company's shares to be delivered to Directors**

During the period of the Trust, up until June of each year, for each fiscal year ending March 31 (hereinafter, Evaluation Fiscal Year), depending on the degree of attainment of management targets (refer to \*1 below) and the Director's rank, Directors will receive a certain number of points (refer to \*2 below). When said Directors retire, they will receive delivery of shares based on their accumulated points (hereinafter, Accumulated Points). One (1) point will correspond to one (1) of the Company's shares. However, in the event that the number of the Company's shares belonging to the Trust increases or decreases due to stock splits, gratis allotments, or stock consolidations, etc., the number of the Company's shares to be delivered per point shall be adjusted in a manner that is recognized to be reasonable.

\*1 The indicator for measuring the attainment of targets will be the consolidated ordinary income ratio.

\*2 Directors who retire during an Evaluation Fiscal Year will receive points proportional to the number of months they held office during that year.

**(6) The total amount of funds that may be placed in the Trust and the total number of shares that the Trust may acquire**

Upper limits on the total amount of funds that may be placed in the Trust and the total number of shares that may be acquired will be subject to approval by the General Meeting of Shareholders and such upper limits will be observed.

Upper limit on the amount of funds to be placed in the Trust                      ¥500 million\*

\*This is the upper limit during the term of the Trust and is the maximum amount of funds to be placed in the Trust for acquisition of shares plus Trust fees and expenses.

Upper limit on the total number of shares to be acquired                      915,000 shares

The upper limit on total money to be placed in the Trust was calculated by taking into consideration the current basic compensation of the Company's Directors and their bonuses, etc., and then adding the Trust fees and expenses.

At the General Meeting of Shareholders, a resolution is scheduled to be approved to place an upper limit of 305,000 points a year on the points scheduled to be awarded to Directors. If this resolution is approved, the upper limit on points will determine the upper limit to be observed on shares to be delivered to Directors. Therefore, the number of Company shares to be acquired by the Trust will be the upper limit on the number of shares corresponding to the scheduled annual number of points times three to be awarded over the Applicable Period (915,000 shares).

**(7) Method for acquiring the Company's shares by the Trust**

Plans call for the initial acquisition of shares by the Trust, which will be within the amount and number of shares stipulated in item (6) above, through the acquisition of own shares held by the Company (treasury shares) or purchases from the stock market. Details regarding the acquisition will be decided by the Company after approval is received in the General Meeting of Shareholders and publicly disclosed.

Note that during the term of the Trust, when the possibilities (a) that there may be a shortfall between the number of shares in the Trust that will be needed to redeem accumulated points with the specified number of Company shares and (b) assets of the Trust may be insufficient to pay Trust fees and expenses, within the limited specified in item (6), additional funds may be entrusted to the Trust.

**(8) Timing of the delivery of the Company's shares to Directors**

When a Director retires and satisfies the Beneficiary Conditions, he/she can receive delivery of 90% of the shares he/she is eligible to receive (and cash in lieu of shares when the number of shares is less than one trading unit) based on accumulated points after the completion of the procedures for confirmation of Beneficiary Conditions. The remainder of his/her shares will be converted into cash

within the Trust, and said Director will receive the corresponding amount in cash.

**(9) Exercise of voting rights of the Company's shares within the Trust**

In order to maintain a neutral position vis-à-vis management, no voting rights shall be exercised on the Company's shares during the Trust period (in other words, on the shares to be delivered to Directors prior to their actual delivery as provided for in item (5)).

**(10) Handling of dividends on the Company's shares within the Trust**

Dividends on the Company's shares within the Trust shall be received by the Trust and applied to Trust fees and Trust expenses for the Trust. In the event that residual assets remain at the conclusion of the Trust, after being applied towards Trust fees and Trust expenses, those among the Directors who meet the Beneficiary Conditions and are Beneficiaries based on the Trust contract will receive the transfer of the assets.

**(11) Handling at the conclusion of the Trust period**

In the event that residual shares remain at the expiration of the Trust period due to management targets not being met or for other reasons (excluding cases where Directors who may satisfy the Beneficiary Conditions remain in office and are scheduled to receive shares after the expiration of the trust), then gratis transfer of these residual shares will be made from the Trust to the Company, and, upon acquiring these shares, the Company plans to cancel them by a resolution of the Board of Directors.

Supplementary Information

Contents of the Trust Agreement to be concluded in fiscal 2015

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|---------------------|--|
| (1) Trust category  | Monetary trust other than a specific individually operated monetary trust (third-party benefit trust)        |
| (2) Trust objective | To provide incentives to the Directors of the Company  |
| (3) Trustor         | The Company  |
| (4) Trustee         | Mitsubishi UFJ Trust and Banking Corporation (planned) (Joint Trustee: The Master Trust Bank of Japan, Ltd.) |

(5) Beneficiaries	The Company's Directors who have met Beneficiary Conditions
(6) Trust administrator	Third party with no relationship of special interest with the Company (Certified Public Accountant)
(7) Date of trust agreement	August 28, 2015 (planned)
(8) Trust period	August 28, 2015 (planned) to August 31, 2018 (planned)
(9) Start of the Scheme	September 1, 2015
(10) Exercise of voting rights	Not to be exercised
(11) Type of shares to be acquired	Common stock of the Company
(12) Amount of entrustment	¥500 million (planned). Includes Trust fees and expenses
(13) Rights holder	The Company
(14) Residual assets	The Company, as the rights holder, shall receive residual assets within the scope of the reserve fund for Trust expenses after deductions for stock purchases from Trust money.

**(1) Administrative tasks related to the Trust and shares**

Administrative tasks related to the Trust: Mitsubishi UFJ Trust and Banking Corporation is to handle Trust-related administrative tasks as the Trust's trustee.

**(2) Administrative tasks related to the shares:**

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. is to handle administrative tasks related to delivering the Company's shares to Beneficiaries based on an administration entrustment agreement.

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