

May 19, 2020

To whom it may concern:

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### Notice Regarding Plan to Adopt Performance-Linked Compensation for Directors

As part of Fuji Oil Holdings' efforts to improve corporate governance, the Nomination and Compensation Advisory Committee, whose membership mainly comprises outside directors, has reviewed the company's system of director compensation and advised the company to adopt a new system under which internal directors (all subsequent references to "directors" refer exclusively to Fuji Oil Holdings' internal directors) receive performance-linked compensation through a trust. At a meeting held today, the company's Board of Directors resolved to adopt this system pending shareholder approval at the 92nd Ordinary General Meeting of Shareholders ("AGM") scheduled for June 18, 2020.

#### Purpose of the Proposed System

The existing system of director compensation consists of a base salary and bonus pay. The proposed system will add a third component, performance-linked compensation. By linking compensation more clearly with the company's performance and stock value, the proposed system will encourage directors to identify with the interests of shareholders regarding the benefits and risks associated with the company's stock trends. Consequently, directors will be more motivated to make the company perform better and to increase its enterprise value.

The proposed system, consisting of base salary, bonus pay, and performance-linked compensation, requires the approval of shareholders at the AGM.

(Current)

	Base Salary	Bonus Pay
Directors	○	○
Outside Directors	○	—

(Revised)

	Base Salary	Performance-Linked Compensation	
		Monetary reward (Bonus Pay)	Stock Compensation
Directors	○	○	○
Outside Directors	○	—	—

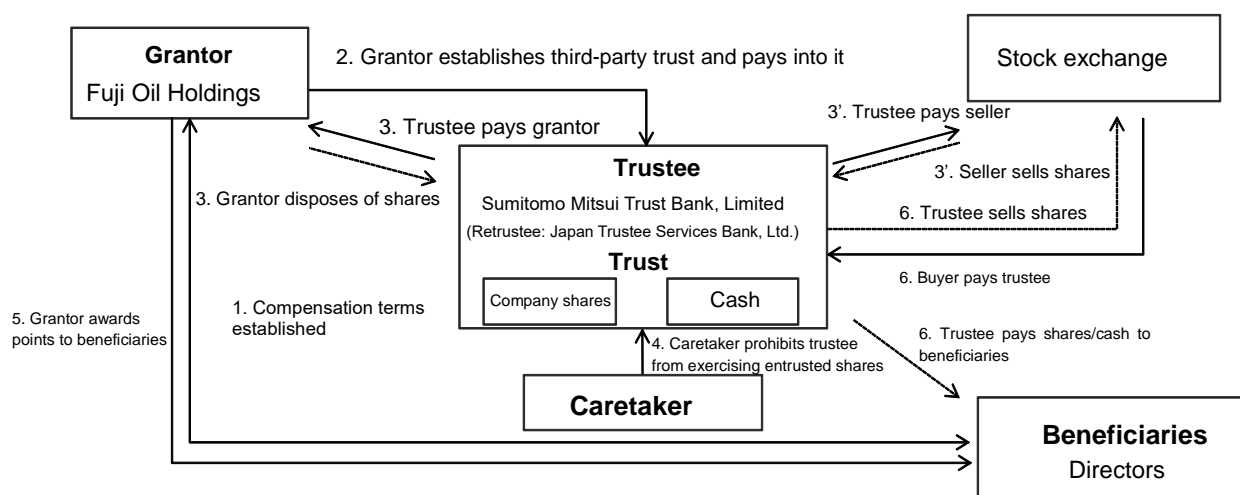
## Outline of the Proposed System

### 1. Procedures

Under the proposed system, Fuji Oil Holdings will establish a trust, which will hold the assets to be paid as performance-linked compensation. The trustee will purchase shares in Fuji Oil Holdings, hold the shares, and then deliver them to each director in an amount commensurate with the points the director has earned.

To be eligible to receive the shares, directors must have remained in office throughout the “eligibility period.” The eligibility period is the three fiscal years of FYE March 31, 2021, to FYE March 31, 2023. Except as otherwise specified, the directors will receive their allotted shares when they retire as director.

#### Schematic of the proposed system



1. Fuji Oil Holdings sets the “compensation terms” (the terms and conditions under which the directors can receive the stock compensation).
2. Fuji Oil Holdings (the grantor) establishes a third-party trust for the benefit of the directors. The company will provide a trust principal that is sufficient for the trustee to purchase the necessary amount of shares for the directors. The principal will be no larger than the amount approved at the AGM.
3. The trustee purchases the shares for the directors all at once. The purchase of the shares may be accomplished by Fuji Oil Holdings disposing of its treasury stock. Alternatively, the trustee may purchase the shares on the stock market (possibly in the after-hours session).
4. During the trust period, the trustee holds the shares for the beneficiaries under the supervision of a caretaker. The caretaker will be a third party independent from Fuji Oil Holdings and the company’s directors and officers. The caretaker will prohibit the trustee from exercising any voting rights pertaining to the entrusted shares for the duration of the trust period.
5. Fuji Oil Holdings awards points to directors pursuant to the compensation terms.
6. The directors receive from the trust an amount of shares commensurate with the points they earned, provided that they have satisfied the compensation terms and the trust agreement. Under certain circumstances stipulated in advance in the compensation terms or trust agreement, the trustee may sell some of a director’s allotted shares on the stock exchange and deliver to the director the cash proceeds from the sale.

After the trust period has expired, any shares remaining in the trust will be acquired by Fuji Oil Holdings for no consideration and then disposed of upon a resolution of the Board of Directors. Some of the cash remaining in the trust will be donated to a public interest corporation as stipulated in advance in the compensation terms and the trust agreement. The corporation will be one that has no interest relationship with any director of Fuji Oil Holdings.

The trustee, Sumitomo Mitsui Trust Bank, Limited, will re-trust the assets to Japan Trustee Services Bank, Ltd.

## **2. The Trust**

Provided that the proposed system is approved at the AGM, Fuji Oil Holdings will establish the trust and provide a principal that is sufficient for the trustee to purchase the necessary amount of shares in the company some time in advance. The amount of shares to be purchased will be as outlined in 6 below. The shares will be purchased with the method outlined in 5 below using the trust principal provided by Fuji Oil Holdings.

The trustee, Sumitomo Mitsui Trust Bank, Limited, will re-trust the assets to Japan Trustee Services Bank, Ltd.

## **3. Trust Period**

Initially, the trust period (the period during which the trust holds the assets) will run from August 2020 to August 2023. This period is renewable, as outlined in 4 below.

## **4. Maximum Amount of Trust Principal for Purchasing Shares**

Fuji Oil Holdings will establish the trust with a principal of no more than ¥600 million.\* The trustee will use this principal to purchase shares in the company for the benefit of directors who remain in office throughout the eligibility period and who satisfy all other requirements. The purchase of the shares may be accomplished by Fuji Oil Holdings disposing of its treasury stock. Alternatively, the trustee may purchase the shares on the stock market (possibly in the after-hours session).

\*The actual principal will also cover (in addition to the purchase of the shares) trust expenses such as the trustee and caretaker fees.

The proposed system may be extended. Specifically, the Board of Directors may resolve to extend the eligibility period for up to five years each time and to extend the trust period accordingly (or extend it in effect by transferring the assets to another trust established for the same purpose). In such case, Fuji Oil Holdings will add to the trust principal in order to cover the purchase of the additional company shares to be paid to the directors during the new eligibility period. The additional principal will be no more than the sum of ¥200 million multiplied by the number of fiscal years in the extended portion of the eligibility period. During the new eligibility period, points and company shares will be issued in accordance with 6) below.

If Fuji Oil Holdings decides to discontinue the proposed system (by not extending the eligibility period), the trust period may still be extended for the benefit of any director who, notwithstanding the points he or she has earned, intends to continue in office after the trust period was scheduled to expire. In such case,

the extended trust period may run until the director retires from office.

## **5. The Trust's Acquisition of the Company Shares**

The exact details of the purchase will be decided and disclosed at the AGM. The current plan is as mentioned earlier: The trustee will use monetary assets no greater than the amount specified in 4 above to purchase the shares, and the purchase will be accomplished by Fuji Oil Holdings disposing of its treasury stock or by an exchange on the stock market.

If the number of directors increases during the trust period, Fuji Oil Holdings may add to the trust principal, within the amount specified in 4 above, so that the trustee can purchase additional company shares to prevent a situation in which the existing entrusted shares fall short of the total points awarded to directors during the trust period.

## **6. Basis for Calculating Number of Entrusted Shares, Maximum Number of Shares**

### **6.1 *Awarding Points***

Pursuant to the compensation terms (the terms and conditions under which the directors can receive the stock compensation) set by the Board of Directors, Fuji Oil Holdings will award points to the directors according to their job title and the attainment of performance goals as of a date that falls in the trust period. The total points awarded in any fiscal year will be no more than 100,000.

### **6.2 *Redeeming Points for Shares***

Directors can redeem the points they earned as per 6.1 for company shares through the procedure outlined in 6.3. Each point is worth one share. However, if the company shares become subject to a stock split or reverse stock split, the number of the shares per point may be reasonably adjusted in proportion to the split or merged stock.

### **6.3 *Delivering the Shares***

Upon their retirement, and after completing the designated procedure, directors will receive from the trustee number of shares commensurate with the points they earned as per 6.2.

However, for the purpose of paying withholding tax on the compensation, the trustee may convert some of the entrusted shares into cash and pay this cash to the director instead of the shares. Directors may also receive cash instead of shares if the entrusted shares are liquidated following a takeover bid.

## **7. Voting Rights**

The trust will be supervised by a caretaker who is independent from Fuji Oil Holdings and the company's directors and officers. The caretaker will prohibit the trustee from exercising any voting rights pertaining to the entrusted shares. This measure will prevent Fuji Oil Holdings' management from influencing the exercise of said voting rights.

## 8. Dividends

The dividends pertaining to the entrusted shares will be paid into the trust and put toward the trustee's purchase of the company shares and the trustee's fees.

## 9. Treatment of Entrusted Company Shares and Cash upon Expiry of Trust Period

After the trust period has expired, any shares remaining in the trust will be acquired by Fuji Oil Holdings for no consideration and then disposed of upon a resolution of the Board of Directors. Some of the cash remaining in the trust will be donated to a public interest corporation as stipulated in advance in the compensation terms and the trust agreement. The corporation will be one that has no interest relationship with any director of Fuji Oil Holdings.

### Outline of prospective trust agreement

Grantor	Fuji Oil Holdings Inc.
Trustee	Sumitomo Mitsui Trust Bank, Limited Retrustee: Japan Trustee Services Bank, Ltd.
Beneficiaries	Directors of Fuji Oil Holdings who satisfy the beneficiary requirements
Caretaker	To be determined. The caretaker will be a third party independent from Fuji Oil Holdings and the company's directors and officers.
Exercise of voting rights	Voting rights pertaining to the entrusted shares will remain unexercised throughout the trust period.
Type of trust	Third-party trust categorized as a "trust of money other than 'money trust' [ <i>kinsen-shintaku</i> ]" (i.e., a monetary trust in which the property is not converted into cash).
Signing date	August 2020
Term	August 2020 to August 2023
Purpose	Ensure the delivery of company shares to the trust beneficiaries

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