

May 9, 2017

**To whom it may concern:**

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**Notice: Regarding the Introduction of a Performance-Linked  
Share Compensation System**

SCREEN Holdings Co., Ltd. (hereinafter “SCREEN HD” or the “Company”) hereby announces that, based on a resolution passed at its Board of Directors meeting held today, the Company has decided to introduce a performance-based compensation system that employs a trust account through which it grants Company shares to directors, excluding outside directors, who serve SCREEN HD and its subsidiaries (hereinafter “recipients”). This resolution will be referred to the upcoming 76th Ordinary General Meeting of Shareholders (hereinafter the “General Meeting of Shareholders”) scheduled for June 27, 2017, for approval.

**1. Purpose of Introducing the New Compensation System**

The introduction of this compensation system is intended to tighten the link between compensation paid to recipients and corporate performance, including the share value, of the Company and its subsidiaries. Under this system, recipients’ benefits will grow in step with rises in the share price while also being exposed to the risk of plunges in the share price. Accordingly, the new compensation system will better position recipients to share both the benefits and risks of fluctuations in share price with regular shareholders, thereby sharpening their motivation to improve corporate performance and value over the medium to long term. With this in mind, said resolution was passed at the Board of Directors meeting on the presumption of its approval by the General Meeting of Shareholders.

**2. Outline of the Compensation System**

**(1) Performance-Linked Share Compensation**

In accordance with in-house rules on the grant of shares formulated by the boards of directors of the Company and its subsidiaries, each recipient will be granted points based on their position and their contributions toward achieving numerical performance targets for key management indicators. Prior to this, a trust account (hereinafter the “trust”) established by SCREEN HD will acquire Company shares. Eligible recipients will thus receive shares from the trust in an amount that corresponds to points accumulated. In general, these shares will be delivered at the time of the individual’s retirement from office.

**(2) Establishment of the Trust**

Once the introduction of the system has been approved by the General Meeting of Shareholders, the Company will establish the trust account and entrust it with the funds needed to purchase Company shares. Based on a reasonable assessment of the number of Company shares expected to be granted to recipients over the three years going forward in accordance with clause (7) below, the value of funds being entrusted shall be sufficient to acquire all such shares at the time of the system’s inception. The trust will, in turn, appropriate these funds to secure the necessary shares by using methods detailed in clause (5) below. In addition, Sumitomo Mitsui Trust Bank, Limited is commissioned to serve as a trustee for this system, with Japan Trustee Services Bank, Ltd. serving as a re-trustee managing these funds.

(3) **Term of the Trust**

Three years from August 2017 to 2020 (scheduled); however, the term may be extended in accordance with clause (4) below.

(4) **Upper Limit of Funds Entrusted to Execute Share Purchases**

The Company will designate recipients who meet prescribed conditions as beneficiaries of the trust and pay into said trust fund up to ¥1,170 million during the term presented in clause (3) above for the purpose of acquiring Company shares to be granted to the designated recipients (of this, up to ¥750 million of the funds will be entrusted for the sole purpose of acquiring shares to be granted to recipients serving SCREEN HD). To be eligible, a recipient must have served as a director during the three fiscal years from April 1, 2017 to March 31, 2020 (hereinafter, the “initial compensation period”; each consecutive three-period following this initial term will be deemed a “subsequent compensation period”). In addition, although all funds are to be entrusted to the trust through SCREEN HD, individual subsidiaries will be responsible for furnishing the funds necessary to acquire shares for dispensation to eligible recipients at their respective operations. The trust will then acquire Company shares through transactions (including after-hours transactions) at stock exchange markets or the acceptance of treasury stock disposed of by the Company.

(Note: The actual total amount of funds entrusted by the Company to the trust will comprise the aforementioned funds for share purchases as well as trust fees, compensation for custodians and other estimated expenses.)

At the expiration of the trust term, the compensation system may be continued if the boards of directors of the Company and its subsidiaries approve such continuation. In such cases, the trust term will be extended for the three years of the subsequent compensation period. (The trust term may also be extended if funds entrusted to the aforementioned trust are transferred to a different trust established by the Company for similar purposes.) The same shall apply to any extended trust term.

When the trust term is extended, additional funds of up to ¥1,170 million will be entrusted during such extended term to acquire shares to be granted to recipients (of this, up to ¥750 million will be entrusted for the sole purpose of acquiring shares granted to recipients serving SCREEN HD). The granting of points and shares in accordance with clauses (6) and (7) presented below, respectively, will continue until the end of such term.

In addition, if, as of the expiration of the ongoing trust term, any recipient is not fully rewarded with shares in an amount corresponding to the number of points the individual in question has been granted, such term may be extended without continuing the grant of further points to the recipient and until the residual number of shares can be delivered.

(5) **Methods Used by the Trust to Acquire Company Shares**

To acquire Company shares using funds set aside with the upper limit prescribed in clause (4) above, the trust will engage in transactions at stock exchange markets or accept treasury stock disposed of by the Company. Details of such methods will be determined following the General Meeting of Shareholders and publically disclosed.

In addition, if, due to an increase in the number of directors or other reason, the number of Company shares secured by the trust are found to be insufficient because the total number of points awarded to recipients has exceeded the initial assessment of the number needed, the Company may entrust additional funds within the upper limit prescribed in clause (4) above so that the trust can acquire additional shares.

(6) **Methods for Determining the Number of Points to Be Granted to Each Recipient**

In accordance with in-house rules on the grant of shares formulated by the boards of directors of the Company and its subsidiaries, each recipient will be granted a number of points based on his/her position and individual performance, with the date of the point issuance being set by said rules within the trust term. However, the upper limit of total points granted to all recipients shall be 117,000 points (of which, up to 75,000 points shall be granted to recipients serving SCREEN HD) for each compensation period.

(7) **Grant of Company Shares to Directors**

The number of Company shares to be granted to each recipient will be determined by multiplying the number of points awarded to such recipient by 1.0. (However, in cases where the value of shares to be granted has been

deemed excessive or insufficient due to the impact of such events as a share split or reverse share split, such number may be reasonably adjusted by taking the share split ratio or reverse share split ratio into account.)

Each recipient then receives Company shares from the trust at the time of their retirement from the office, executing prescribed procedures to finalize their status as a beneficiary of the trust. In addition, a certain portion of such shares will be converted into cash by the trust and granted to the recipient. Moreover, if any Company shares held by the trust were converted into cash prior to the delivery to the recipient due to such reasons as the shares becoming subject to tender offer and settled in cash, the trust may provide the recipient with cash in lieu of such shares.

**(8) Exercise of Voting Rights**

In accordance with advice of custodians who are independent of the Company and its subsidiaries as well as of directors serving the Company and its subsidiaries, none of voting rights associated with Company shares held by the trust can be exercised. The nullification of such voting rights is intended to secure the neutrality of shares held by the trust in relation to the management of the Company and its subsidiaries.

**(9) Dividends**

Dividends that derive from Company shares held by the trust will be kept by the trust and be appropriated to cost for purchasing Company shares and compensating trustees.

**(10) Treatment after the Termination of the Trust**

As for the treatment of residual assets held by the trust at the time of its termination, plans call for transferring all Company shares to SCREEN HD free of charge. Such shares would then be retired based on a resolution of the Board of Directors. At the same time, cash held by the trust would be partially or entirely donated to a specified public service promotion corporation in which no director or other key person serving the Company or its subsidiaries has any interest whatsoever. To that end, plans call for incorporating clauses governing such donation into the aforementioned in-house rules on the grant of shares as well as in a trust agreement.

**Reference: Outline of the Trust**

- (i) Name: A share-granting trust for directors
- (ii) Trustor: SCREEN Holdings Co., Ltd.
- (iii) Trustee: Sumitomo Mitsui Trust Bank, Limited
- (iv) Beneficiaries: Directors, etc., who meet prescribed conditions
- (v) Custodians: Plans call for appointing external parties who have no interests in the Company and its subsidiaries as well as directors and other key personnel serving the Company and its subsidiaries
- (vi) Type of trust: Third-party benefit trust (money held in trust other than money trust)
- (vii) Date of the execution of the trust agreement: August 2017 (scheduled)
- (viii) Date of the entrustment of funds: August 2017 (scheduled)
- (ix) Term of the trust: August 2017 to 2020 (scheduled)