

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

Kintetsu World Express, Inc. (“KWE”) announced that, at its meeting held on May 10, 2019, the Board of Directors of KWE resolved to introduce a performance-based stock compensation plan (the “Plan”) for directors of KWE (excluding outside directors and directors residing outside Japan; the same shall apply hereinafter).

Based on this resolution, KWE will submit a proposal regarding the introduction of the Plan to the 50th Ordinary General Meeting of Shareholders to be held on June 18, 2019 (the “Shareholders' Meeting”). The outline of the Plan is as follows:

### 1. Purpose of the Introduction of the Plan

- (1) Under the corporate philosophy of “contribute to the development of a global community through logistics services – by creating new values, sustaining the environment and collaborating with our clients, shareholders and employees,” the KWE Group’s first priority is to enhance corporate value while maintaining a good relationship with all our stakeholders.

The Plan is designed to establish a clearer linkage between compensation of directors and performance and stock price to help the realization of the corporate philosophy, and KWE proposes to introduce it with a view to incentivizing its directors to focus more on the medium- to long-term enhancement of corporate value, aiming to share common interest with our shareholders. <sup>(\*1)</sup>

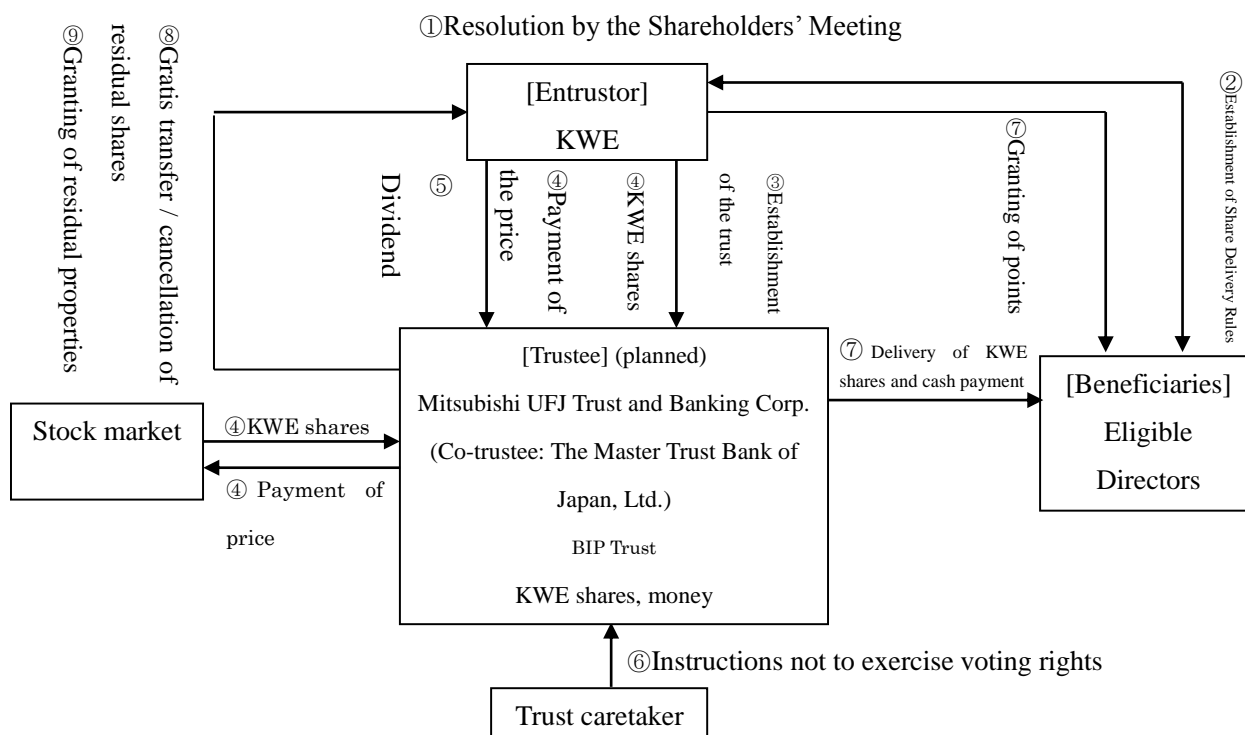
- (2) KWE will introduce the Plan using a structure called the Board Incentive Plan Trust (“BIP Trust”). (\*2) The BIP Trust is an incentive plan for directors under which shares of KWE acquired by the Plan and money equivalent to the liquidation value of such shares (“KWE shares, etc.”) are delivered and/or provided (“Delivery, etc.”) to directors based on, among others, the rank of positions and the degree of attainment of performance targets.

Upon the introduction of the Plan, compensation of directors will consist of “basic compensation” and “stock compensation.” However, the compensation of outside directors, who are independent from business execution, will consist of “basic compensation” only.

(\*1) The Nomination and Compensation Committee of KWE, which was established as an advisory body to the Board of Directors, has deliberated on the introduction of the Plan.

(\*2) The BIP Trust is an executive incentive plan designed based on the performance share plan and the restricted stock plan in the U.S.

## 2. Outline of the Plan



- ① The Shareholders' Meeting will pass a resolution approving the introduction of the BIP Trust.
- ② The Board of Directors of KWE will establish Share Delivery Rules that govern the BIP Trust.
- ③ KWE will establish a BIP Trust whose beneficiaries are directors satisfying certain beneficiary requirements ("Eligible Directors") by entrusting money to fund stock compensation to the Trustee; provided, however, that the amount of such money will not exceed the limit approved by the resolution of the Shareholders' Meeting referred to in ① above.
- ④ The BIP Trust will acquire KWE shares in the stock market or directly from KWE (disposition of treasury shares) using the money contributed in ③ above in accordance with the instructions of the trust caretaker. (Initially, KWE shares will be acquired in the stock market). The number of shares to be acquired by the BIP Trust will not exceed the limit approved by the resolution of the Shareholders' Meeting referred to in ① above.
- ⑤ Dividends on the KWE shares in the BIP Trust will be paid in the same manner as those on other KWE shares.
- ⑥ The voting rights of KWE shares in the BIP Trust will not be exercised during the trust period.
- ⑦ During the trust period, certain points are awarded to beneficiaries in accordance with the Share Delivery Rules. Beneficiaries will then receive the delivery of KWE shares in the number corresponding to a certain percentage of these points (shares less than one unit will be rounded up) and the provision of money equivalent to the liquidation value of the KWE shares corresponding to the remaining points after they are liquidated within the BIP Trust in accordance with the provisions of the trust agreement.
- ⑧ In cases where there are residual shares at the expiration of the trust period due to, for example, underachievement of performance targets, KWE plans to either continue to use the BIP Trust as a new stock compensation plan by way of the modification of the trust agreement and additional entrustment or acquire the residual shares without consideration through gratis transfer from the BIP Trust and

cancel them by a resolution of the Board of Directors.

- ⑨ Any residual dividends on KWE shares in the BIP Trust remaining at the expiration of the trust period will be utilized as funds to acquire KWE shares if the BIP Trust will continue to be used. If the BIP Trust will be terminated upon the expiration of the trust period, any residual dividends in excess of the trust expense reserve will be donated to an organization in which KWE and the Eligible Directors do not have any interest.

\* If, during the trust period, the number of shares in the BIP Trust might fall short of the number of shares corresponding to the number of share delivery points to be granted to Eligible Directors (prescribed in 2.(5) below; the same shall apply hereinafter), or the money in the trust property might be insufficient for the payment of trust fees and trust expenses, KWE may entrust additional money to the BIP Trust within the upper limit of trust money referred to in 2.(7) below.

#### (1) Structure of the BIP Trust

The BIP Trust is an incentive plan for directors under which KWE shares, etc. are delivered and/or liquidated for the provision of money to Eligible Directors based on, among others, the rank of positions and the degree of attainment of performance targets for each fiscal year.

The BIP Trust covers the three fiscal years corresponding to the medium-term management plan commencing in 2019 (three fiscal years from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022) (“Plan Period”).

#### (2) Plan introduction procedure

The Shareholders’ Meeting will pass a resolution to determine the upper limit of trust money to be contributed to the BIP Trust, the upper limit of the total number of the KWE Shares, etc. subject to the Delivery, etc. to Eligible Directors, and other necessary matters.

#### (3) Beneficiary requirements of the BIP Trust

Subject to the satisfaction of the following beneficiary requirements, the Eligible Directors will be entitled to the Delivery, etc. of KWE shares, etc. by the BIP Trust in the number corresponding to the number of Cumulative Points upon resignation (or death).

- ① A person who is in office as Eligible Directors during the Plan Period (including persons who become an Eligible Director during the Plan Period);
- ② A person who has resigned from office of director (resignation for this purpose includes becoming a director residing outside Japan due to overseas assignment; the same shall apply hereinafter);
- ③ A person who has neither resigned for his/her own convenience (excluding resignation for his/her own convenience due to unavoidable circumstances such as injury or illness) nor resigned or been dismissed for such reasons as having committed a certain illicit act or a serious violation of work/internal rules, etc. while in office; and;
- ④ A person who satisfies any other requirements prescribed in the trust agreement or the Share Delivery Rules that are deemed necessary to attain the aim of the Plan as a stock compensation plan.

#### (4) Trust period

##### ①Initial trust period

The initial trust period will be a period of approximately three years from August 13, 2019 (planned) to August 31, 2022 (planned).

##### ②Continuation of the BIP Trust

At the expiration of the trust period, the BIP Trust may be continued by way of the modification of the trust agreement and additional entrustment. In this case, the trust period of the BIP Trust will be extended for three years, and KWE will make additional contributions for the extended period within the upper limit of trust money approved by the Shareholders' Meeting and continue the granting of points and the Delivery, etc. of KWE shares, etc. to Eligible Directors during the extended trust period. However, in cases where such additional contributions are made, if there are any KWE shares (excluding KWE shares corresponding to the points granted to Eligible Directors the Delivery, etc. of which has not been completed yet) and money remaining in the trust property ("Residual Shares, etc.") as at the expiration of the trust period prior to the extension, the sum of the amount of Residual Shares, etc. and the additional trust money to be contributed will not exceed the upper limit of trust money approved by the Shareholders' Meeting.

If the BIP Trust is not continued and is terminated at the expiration of the trust period and any Eligible Directors who may meet the beneficiary requirements remain in office at the expiration of the trust period, although no further points will be granted to them after the expiration, the trust period of the BIP Trust may be extended for a period not exceeding ten years until the resignation of such Eligible Directors and the completion of Delivery, etc. of KWE shares, etc. to them.

#### (5) KWE shares, etc. subject to the Delivery, etc. to Eligible Directors

Points are granted to Eligible Directors every year during the trust period in accordance with a predetermined schedule. The number of points granted is calculated by multiplying base points, which are based on one's rank, by a performance factor <sup>(\*3)</sup>, which is based on the degree of attainment of performance targets for each fiscal year.

Eligible Directors will upon resignation (or death) be entitled to the Delivery, etc. of KWE shares, etc. based on their cumulative points ("Cumulative Points").

One point corresponds to one ordinary share of KWE. <sup>(\*4)</sup>

(\*3) The performance factor changes within the range of 0% and 200% based on the degree of attainment of performance targets set forth in the medium-term management plan. The degree of attainment of performance targets is evaluated using, among others, operating gross profit ratio, which is identified as a key indicator of the attainment of performance targets set forth in the medium-term management plan.

(\*4) If a stock split, reverse stock split, etc., occurs with respect to KWE shares during the trust period, the number of KWE shares per point will be adjusted based on the splitting ratio, reverse splitting ratio, etc., of KWE shares.

#### (6) Method of the Delivery, etc. of KWE shares, etc.

Eligible Directors who have satisfied the beneficiary requirements set forth in (3) above are entitled to the delivery of KWE shares in the number corresponding to a certain percentage of the number of Cumulative

Points (shares less than one unit will be rounded up) and the provision of money equivalent to the liquidation value of the KWE shares corresponding to the remaining Cumulative Points after they are liquidated within the BIP Trust.

\* If an Eligible Director satisfying the beneficiary requirements passes away during the trust period, all KWE shares corresponding to his or her Cumulative Points as of the date of his or her death will be liquidated within the BIP Trust and his or her heir will receive the provision of money equivalent to the liquidation value of the KWE shares. If an Eligible Director becomes a director residing outside Japan due to overseas assignment during the trust period, all KWE shares corresponding to his or her Cumulative Points as of the date of his or her overseas assignment will be liquidated within the BIP Trust and he or she will receive the provision of money equivalent to the liquidation value of the KWE shares.

(7) Upper limit of trust money contributed to the BIP Trust

KWE will establish a BIP Trust whose beneficiaries are Eligible Directors satisfying the beneficiary requirements for their stock compensation by contributing money not exceeding 250 million yen as compensation of Eligible Directors for the initial Plan Period.

The trust money includes funds to pay trust fees and trust expenses, in addition to funds for the BIP Trust to acquire shares.

(8) Upper limit of the number of KWE shares subject to the Delivery, etc. from the BIP Trust

The upper limit of the number of KWE shares subject to the Delivery, etc. to Eligible Directors from the BIP Trust pursuant to (6) above (including shares subject to liquidation) during the initial Plan Period will be 105,000 shares, which is calculated by multiplying 35,000 shares by the number of years in the Plan Period.

(9) Method acquiring KWE shares by the BIP Trust

The BIP Trust plans to acquire KWE shares in the stock market or directly from the Company (disposition of treasury shares) subject to the upper limit of the amount of funds to acquire KWE shares set forth in (7) above and the upper limit of the number of shares subject to the Delivery, etc. set forth in (8) above.

The BIP Trust scheduled to be established in 2019 plans to acquire KWE shares initially in the stock market.

(10) Exercise of voting rights pertaining to KWE shares in the BIP Trust

Voting rights of KWE shares in the BIP Trust will not be exercised during the trust period to ensure neutrality to company management.

(11) Treatment of dividends on KWE shares in the BIP Trust

Any dividends arising from KWE shares in the BIP Trust will be received by the BIP Trust and used to pay trust fees and trust expenses.

(12) Treatment of residual shares and dividends at the expiration of the trust period

Any residual shares remaining at the expiration of the trust period will be subject to the delivery to Eligible Directors if the BIP Trust will continue to be used for the Plan or a similar stock compensation plan. If the BIP Trust is terminated upon the expiration of the trust period (or the trust period after the extension if the trust period has been extended pursuant to the second paragraph in (4) above), KWE will acquire any residual

shares without consideration through gratis transfer from the BIP Trust and cancel them by a resolution of the Board of Directors as part of shareholder return measures.

Any residual dividends on KWE shares in the BIP Trust remaining at the expiration of the trust period will be utilized as funds to acquire KWE shares if the BIP Trust will continue to be used. If the BIP Trust will be terminated upon the expiration of the trust period (or the trust period after the extension if the trust period has been extended pursuant to the second paragraph in (4) above), any residual dividends in excess of the trust expense reserve will be donated to an organization in which KWE and the Eligible Directors do not have any interest.

#### (Reference)

#### (Outline of the trust agreement)

- ① Trust type           An individually operated designated trust of cash other than cash trust (third party benefit trust)
- ② Trust purpose       Introduction of a stock compensation plan to Eligible Directors
- ③ Entrustor           KWE
- ④ Trustee             Mitsubishi UFJ Trust and Banking Corporation (planned)  
(Co-trustee: The Master Trust Bank of Japan, Ltd.)
- ⑤ Beneficiaries       Eligible Directors satisfying the beneficiary requirements
- ⑥ Trust caretaker     A third party that does not have any interest in KWE (certified public accountant)
- ⑦ Trust agreement date   August 13, 2019 (planned)
- ⑧ Trust period         From August 13, 2019 (planned) to August 31, 2022 (planned)
- ⑨ Plan start date       August 13, 2019 (planned)
- ⑩ Exercise of voting rights   Not exercised
- ⑪ Type of acquired shares   Ordinary shares of KWE
- ⑫ Amount of trust money   250 million yen (planned) (including trust fees and expenses)
- ⑬ Timing of acquisition of shares   From August 16, 2019 (planned) to September 23, 2019 (planned)
- ⑭ Method of acquisition of shares   Acquisition in the stock market or directly from KWE (disposition of treasury shares) \* Initially, acquisition in the stock market
- ⑮ Holder of a vested right   KWE
- ⑯ Residual property   Residual property that can be received by KWE, which is a holder of a vested right, shall be within the limit of the trust expense reserve calculated by deducting the cost for acquiring the shares from the Trust from trust money.

#### Trust/share-related administration

- ① Trust-related administration:   Mitsubishi UFJ Trust and Banking Corporation, which will be the trustee, will perform trust-related administrative works.
- ② Share-related administration:   Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. will perform administrative works necessary for the delivery of KWE shares to the beneficiaries based on an administration service agreement.