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Notice Regarding Adoption of Performance-Based Stock Compensation Plan

At a Board of Directors meeting held today, GS Yuasa Corporation (Tokyo Stock Exchange: 6674; “the Company”) resolved to adopt a new performance-based stock compensation plan (the “Plan”) for its directors (excluding outside directors; likewise below), using a trust as explained below. The Company will submit a resolution authorizing the Plan’s adoption for its shareholders’ approval at its 13th ordinary general meeting of shareholders on 29 June 2017 (the “2017 Ordinary General Meeting of Shareholders”).

The Company’s subsidiary GS Yuasa International Ltd. also plans to newly adopt a similar stock compensation plan that likewise uses a trust.

1. Purpose of the Plan’s Adoption

The Plan aims to elevate directors’ consciousness in terms of improving the Company’s medium/long-term operating performance and enhancing its corporate value by linking the directors’ compensation more explicitly with the Company’s operating performance and share price so the directors not only benefit from share price gains but also bear the risk of share price losses together with the Company’s shareholders. The Company has resolved to adopt the Plan subject to shareholder approval at the 2017 Ordinary General Meeting of Shareholders.

2. Overview of the Plan

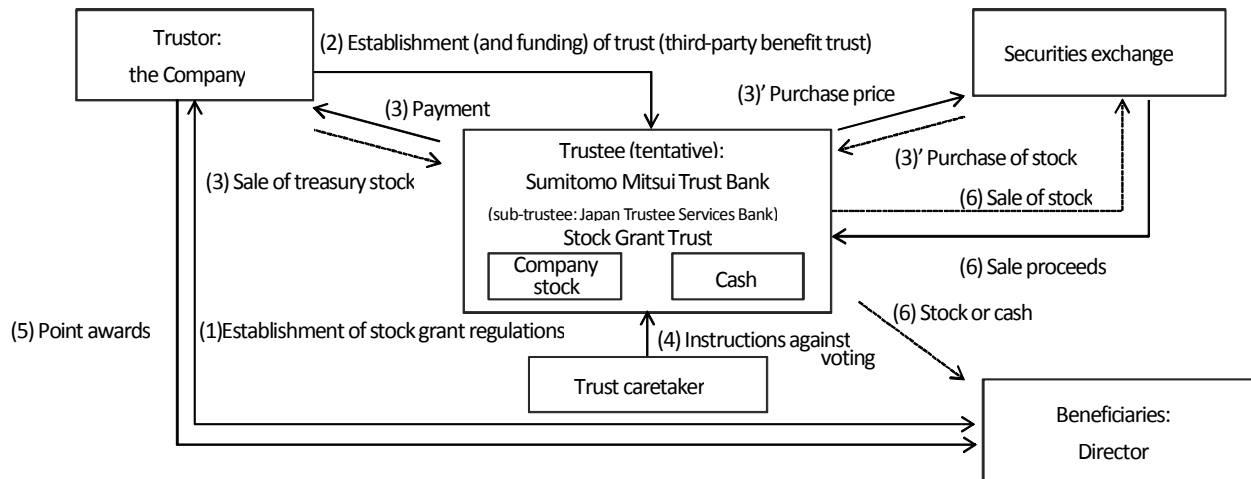
(1) Plan Overview

The Plan will be a performance-based stock compensation plan that grants shares of the Company’s stock to directors through a trust (the “Trust”) based on points awarded to directors in accord with stock grant regulations to be prescribed by the Company’s Board of Directors. The points will be awarded based largely on the directors’ rank and the degree of attainment of numerical targets set in terms of specified management metrics. The Company will set up the Trust by funding it with cash.

As a general rule, directors will receive the stock grants to which they are entitled at the completion of their tenure as directors.

The diagram below depicts how the Plan will operate.

Overview of How the Plan Will Operate



- (1) The Company prescribes stock grant regulations pertaining to its directors.
- (2) The Company sets up a stock grant trust (third-party benefit trust), the beneficiaries of which are directors that meet specified eligibility requirements. When doing so, the Company entrusts the trustee with funds sufficient to acquire the requisite number of shares of its stock (not to exceed the funding limit approved at a general meeting of shareholders).
- (3) The trustee acquires a considerable number of shares expected to be granted (from the Company's treasury stock holdings or a securities exchange (including off-hours trading sessions)).
- (4) The Company appoints a trust caretaker independent of both itself and its directors to protect the interests of the beneficiaries designated by the stock grant regulations and to oversee the trustee throughout the trust period. The caretaker instructs the trustee to refrain from exercising the voting rights attached to the shares held in trust. The trustee complies with the caretaker's instructions by not exercising said voting rights during the trust period.
- (5) The Company awards points to its directors in accord with its stock grant regulations.
- (6) Directors who meet the eligibility requirements stipulated in the stock grant regulations and the Trust's trust agreement receive grants of the Company's stock corresponding to their respective cumulative points as beneficiaries of the Trust. Under certain circumstances specified in advance in the stock grant regulations and trust agreement, the trust may sell, on a securities exchange, a portion of the shares to which directors are entitled and pay the directors cash in lieu of the shares thus sold.

The Plan's trustee, Sumitomo Mitsui Trust Bank, will entrust (sub-entrust) the trust's assets to the custodianship of Japan Trustee Services Bank.

(2) Establishment of Trust

Contingent on the Plan's adoption being approved at the 2017 Ordinary General Meeting of Shareholders, the Company will establish the Trust and fund it with the funds required for the trustee to acquire the number of shares of the Company's stock reasonably expected to be needed to fulfill stock grants to directors over a specified time period in accord with section (7) below. Using said funds, the Trust will acquire the Company's stock in accord with section (5) below.

The Plan's trustee, Sumitomo Mitsui Trust Bank, will entrust (sub-entrust) the trust's assets to the custodianship of Japan Trustee Services Bank.

(3) Trust Period

The trust will be established for a period of approximately two years, from August 2017 (tentative) to August 2019 (tentative). The Company may extend this trust period in accord with section (4) below.

(4) Limit on Trust Funding to Acquire Stock

The Trust will be established for the benefit of eligible directors and funded during the trust period stipulated above in section (3) with a maximum of 80 million yen (40 million yen per year) to acquire shares of the Company's stock needed to grant as compensation under the Plan to individuals serving as the Company's directors during the two years from April 1, 2017,

through March 31, 2019 (the “Applicable Period”). Using the funds entrusted by the Company, the Trust will acquire shares of the Company’s stock through a securities exchange or from the Company’s treasury stock holdings.

Note: In addition to said funds to be used to acquire the Company’s stock, the funds actually deposited in the Trust by the Company will include extra funds to cover estimated required expenses, including trust fees and trust caretaker fees.

The Plan may be renewed and the trust period extended upon their expiration by a resolution of the Company’s Board of Directors (including de facto extension of the trust period in the form of a transfer of the Trust’s entrusted assets to another trust established by the Company for the same purpose as the Trust’s; likewise below). If the trust period is extended, the Company will deposit additional funds into the Trust in an amount not to exceed 40 million yen multiplied by the trust-period extension’s length in years. Said funds are to be used to acquire the shares of the Company’s stock required to be granted to directors under the Plan. The Applicable Period also will be extended to coincide with any trust-period extension and renewal of the Plan. During any such extensions of the Applicable Period, the Company will continue to award points in accord with section (6) below and the Trust will continue to grant shares of the Company’s stock in accord with section (7) below.

However, even if the Company ceases to award points, if any directors who have been awarded points are still serving as directors as of the trust period’s expiration date, the Company may extend the Trust’s trust period until said directors have completed their tenure as directors and their stock grants have been completely fulfilled.

(5) How the Trust will Acquire the Company’s Stock

The Company plans for the Trust to initially acquire shares of its stock through a securities exchange or from its treasury stock holdings, subject to the funding limit stipulated in section (4) above. The Company will finalize and disclose the details of the Trust’s stock acquisition methods after the Plan’s adoption has been approved at the 2017 Ordinary General Meeting of Shareholders.

If, due to an increase in the number of directors or other such circumstances, the Trust is holding fewer shares of the Company’s stock than may be required to fulfill stock grants corresponding to the number of points to be awarded to directors during the trust period, the Company may deposit additional funds into the Trust, not to exceed the funding limit approved at the 2017 Ordinary General Meeting of Shareholders in accord with section (4) above, and the Trust may acquire additional shares of the Company’s stock.

(6) Calculation of Points to be Awarded to Directors

The Company will award points to its directors on the trust period’s specified point-award dates in accord with the stock grant regulations prescribed by its Board of Directors. Point awards will consist of rank-based points (the amount of which will be based largely on directors’ rank) and points based on the Company’s operating performance in the most recently completed fiscal year. The maximum number of total points the Company may award to its directors is 108,000 per year.

(7) Stock Grants to Directors

Directors will be granted 1.0 share of the Company’s stock per point they have been awarded. However, in the event of a stock split, reverse stock split or other circumstances deemed to reasonably warrant adjustment of the number of shares to be granted to directors, the Company will reasonably adjust the stock grants based on the stock-split ratio, reverse-stock-split ratio or other relevant factor.

The Company’s stock will be granted to directors by the Trust once the directors have complied with specified beneficiary settlement procedures at the end of their tenure as directors. However, the Trust may sell a certain portion of its holdings of the Company’s stock in the open market and distribute cash to directors in lieu of a corresponding portion of their stock grants. Additionally, if the Trust’s holdings of the Company’s stock are tendered in response to a takeover bid or otherwise liquidated, the Trust may distribute cash to directors in lieu of their entire stock grants.

(8) Voting

A trust caretaker independent of both the Company and its directors will direct the trustee to refrain from exercising the voting rights attached to the shares of the Company’s stock held in the Trust. The trustee will comply with the caretaker’s instructions by not exercising said voting rights during the trust period. This voting restriction is intended to ensure neutrality vis-à-vis the Company’s management with respect to the exercise of the voting rights of the shares of the Company’s stock held in the Trust.

(9) Treatment of Dividends

Dividends paid on shares of the Company's stock held in the Trust will be deposited into the Trust and used to cover costs incurred in acquiring the Company's stock, trust fees charged to the Trust by the trustee and/or other such expenses.

(10) Disposition of the Trust's Assets upon Its Termination

Of the Trust's residual assets at the time of its termination, all shares of the Company's stock will be distributed to the Company gratis. The Company plans to retire any such shares thus acquired, pursuant to a resolution of its Board of Directors. Of the Trust's other residual assets at the time of its termination, the Company plans to donate a portion of any cash to a charity in which none of its directors has any interest. The charity will be identified in advance in the stock grant regulations and trust agreement.

Reference: Overview of the Trust

(1) Name: Stock Grant Trust

(2) Trustor: GS Yuasa Corporation

(3) Trustee: Sumitomo Mitsui Trust Bank

(4) Beneficiaries: eligible directors

(5) Trust caretaker: third-party appointee unrelated to the Company (plan)

(6) Type of trust: pecuniary trust other than money trust (third-party benefit trust)

(7) Trust agreement execution date: August 2017 (tentative)

(8) Trust funding date: August 2017 (tentative)

(9) Trust period: August 2017 (tentative) through August 2019 (tentative)