

Notice regarding the introduction of a performance-linked stock compensation plan

Tokyo, May 13, 2014—At a board meeting held today, the directors of CALBEE, Inc. (hereafter “CALBEE”) resolved to launch a new performance-linked stock compensation plan (hereafter “Compensation Plan”) pending approval at the Annual Meeting of Shareholders scheduled for June 25, 2014.

Details are as follows:

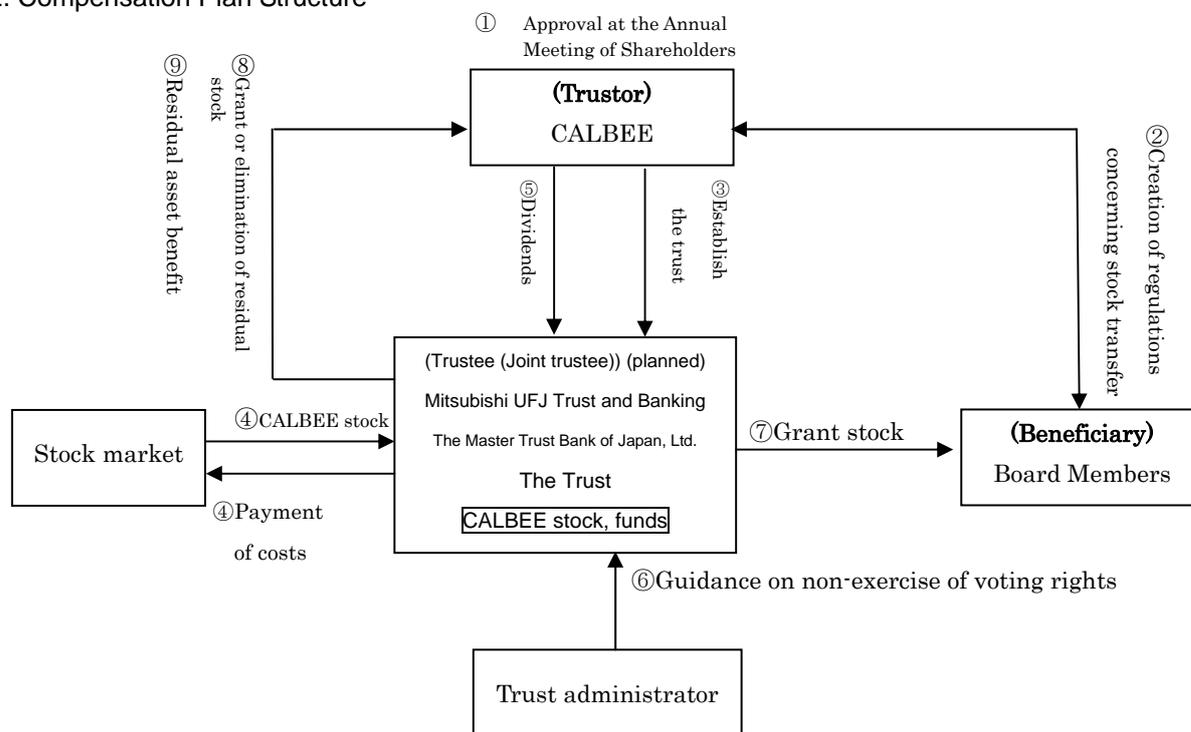
1. Introduction of the Compensation Plan

- (1) With the goal of increasing awareness of the importance of contributing to further enhancing CALBEE’s corporate value and performance over the medium- to long-term, CALBEE will introduce a performance-linked stock compensation plan. The plan will be highly transparent and objective and closely linked with the company’s performance for board members (excluding outside and part-time directors), and executives contractually bound to CALBEE including Senior Executive Officers and Executive Officers (hereafter “Board Members”) (note 1).
- (2) The introduction of the Compensation Plan is dependent on receiving approval at the Annual Meeting of Shareholders.
- (3) The performance-linked stock compensation plan will adopt the Board Incentive Plan Trust (hereafter “BIP Trust”) framework. The BIP Trust is an executive incentive plan based on the U.S. performance share and restricted stock plan that provides stock compensation in CALBEE shares to Board Members in accordance with performance targets achieved. This is a medium- to long-term incentive plan that awards stock to Board Members upon their retirement based on their annual performance targets achieved and their individual contributions. The trust aims to promote a medium- to long-term perspective among CALBEE Board Members sharing a common sense of interest with shareholders, and motivating management with a greater awareness of medium- to long-term results and share price (note 2).
- (4) In principle, Board Members will receive stock upon their retirement from CALBEE.

(Note 1) Board member compensation is composed of basic remuneration, bonuses, performance-linked stock compensation, retirement benefits and stock options. The last time stock options were issued was in 2010.

(Note 2) BIP Trust® is a registered trademark of Mitsubishi UFJ Trust and Banking.

2. Compensation Plan Structure



1. The introduction of this Compensation Plan is predicated on receiving approval at the Annual Meeting of Shareholders.
2. CALBEE's Board of Directors will enact bylaws regulating the award of stock through this Compensation Plan.
3. Within the Annual Meeting of Shareholders' approval as outlined in 1. funds will be reserved and a trust ("the Trust") established to award stock to Board Members who meet the beneficiary criteria.
4. According to the directions of its administrator, the Trust will use the funds reserved in 3. to acquire CALBEE shares on the stock market. The number of shares acquired will be in accordance with the consent granted by the Annual Meeting of Shareholders in 1.
5. Dividends from CALBEE stock in the Trust will be handled in the same way as with other stocks.
6. Voting rights for CALBEE stock in the Trust will not be exercised while it is held by the Trust.
7. While in the Trust, points will be awarded to Board Members based on the degree of results achieved and their individual contributions annually. Upon their retirement, Board Members who meet beneficiary criteria will receive CALBEE stock based on the number of points they have accrued.
8. Should any stock remain when the Trust expires due to failure to achieve performance targets, etc., it is planned that remaining stock will be transferred as a grant to CALBEE and eliminated in accordance with Board of Directors' resolution.
9. At the time of settlement, it is planned that any assets remaining in the Trust after distribution to beneficiaries be returned to CALBEE.

(1) Details of the Compensation Plan

This Compensation Plan will award stock based on achievement of targets for each fiscal year ending between March 31, 2015 and March 31, 2017, an applicable period of three fiscal years

(hereafter "Applicable Period").

(2) Annual Meeting of Shareholders resolution on introducing the plan

At the Annual Meeting of Shareholders necessary details, including the maximum amount of money placed in this Trust and the maximum amount of stock to be acquired, will be determined.

(3) Targets for Compensation Plan (criteria for beneficiaries)

After retirement, Board Members who meet the criteria for beneficiaries can complete set procedures for beneficiaries and receive stock from the Trust according to the number of points they have accumulated at the time of their retirement (as specified below in (5)).

The criteria for beneficiaries are as follows.

- ① Must be a contractually-bound Board Member of CALBEE during the applicable period (includes Board Members who join during the period. However, outside and part-time directors are excluded).
- ② Must be a retired Board Member.*
- ③ Must not have retired as a result of a disciplinary dismissal or have engaged in inappropriate conduct while in office.
- ④ Points accumulated will be determined according to the formula specified below in (5).
- ⑤ Achievement of other conditions specified as requirements for the performance-linked stock compensation plan.

*However, if the Trust's period is extended as defined below in the first paragraph of (4), and in the event that the extension period terminates while relevant Board Members are still in office, the Trust will terminate at that time and CALBEE stock will be awarded to applicable Board Members while they are still in office.

(4) Period of Trust

Approximately three years, from August 6, 2014 (planned) to August 31, 2017 (planned). However, if at the expiration of this period there are active Board Members who have possibly met the beneficiary requirements (defined in (5) below), points will not be awarded. However, once the Board Member retires and until the transfer of company shares to the Board Member has been completed, a maximum of 10 years, the period of this trust can be extended.

Furthermore, should the Annual Meeting of Shareholders three years hence approve the continuation of this Trust, the period of the Annual Meeting of Shareholder's resolution and of the Trust shall be extended, and points will continue to be awarded to Board Members during this extension period.

(5) Amount of stock for transfer to Board Members

The amount of stock to be awarded to Board Members will be determined by the number of points as defined below.

Each year during the Trust period Board Members will be individually awarded a prescribed number of points and upon their retirement will be awarded stock according to their accumulated points. One point will equate to one share of CALBEE stock.

If consolidated sales, ordinary profit and consolidated net profit targets (hereafter “performance targets”) are achieved at the fiscal year-end of March 31, the number of points to be awarded to Board Members will be determined May 31 (hereafter “fiscal year under evaluation”) on an annual basis over the period of the Trust. Within the period of the Trust whether or not points will be awarded shall be determined annually, and in the event that the performance targets are not achieved, points shall not be awarded.

* Performance targets for each fiscal year under evaluation will be the performance targets set at the beginning of that year. CALBEE’s performance targets will be announced in the consolidated financial statements at the beginning of each fiscal year.

*Adjustment of accumulated points due to stock splits, mergers, etc., can be made if it is recognized that impartial adjustment can be done during the period of the Trust.

The total number of points awarded to each Board Member annually (“total annual points”) shall be based on a sum of 1% the consolidated net profit target set at the beginning of the fiscal year under evaluation and determined in accordance with the below formula. However, there is an upper limit of 80,000 points to be awarded to Board Members annually. The total number of points accumulated for the year shall be within the maximum amount of stock for acquisition as below in (6), and in cases where the total number of points accumulated for the year exceed the applicable amount, the total number of accumulated points will be reduced by the excess amount. Furthermore, the maximum number of points awarded to each Board Member will be determined using their total annual points awarded for their individual contributions to the company’s results.

Formula for calculating total annual points:

Total annual points calculation formula:

Consolidated net profit target × 1% ÷ Average price of acquired stock

*1 point = 1 share

*Fractions under 100 points shall be discarded.

*Average price of acquired stock = Total amount of CALBEE stock in the Trust ÷ Number of shares acquired

(6) Total amount of funds for contribution to the Trust and total amount of stock to be acquired

The total amount of funds for contribution to the Trust and total amount of stock to be acquired is a matter requiring approval at the Annual Meeting of Shareholders. Upper limits are outlined below.

Maximum amount of funds for contribution to the Trust: 500 million yen*

*Total of funds for stock acquisition and Trust expenses.

Maximum amount of stock for acquisition: 190,000 shares

Maximum total amount of funds for contribution to the Trust is derived based on the current

compensation and bonuses of CALBEE Board Members and is calculated including Trust expenses.

Maximum amount of stock for acquisition is created based on the current share price in relation to the maximum total amount of funds for the Trust.

(7) Method of acquisition of CALBEE stock for the Trust

The acquisition of CALBEE stock for the Trust is planned to be done on the stock market within the scope for amount of stock and acquisition price outlined above in (6).

Furthermore, during the period of the Trust, in the event that the number of stocks in the Trust is insufficient for the number of points awarded to Board Members, or that the funds in the Trust are insufficient to pay the Fund's expenses, additional funds may be allocated to the Trust within the limits outlined above in (6).

(8) Period for stock to be transferred to Board Members

Upon the retirement of CALBEE Board Members who meet the beneficiary criteria, upon completion of set procedures for beneficiaries they will be awarded CALBEE stock from the Trust in accordance with the number of points they have accumulated.

(9) Exercise of voting rights for CALBEE stock in the Trust

In order to ensure the neutrality of CALBEE's management, voting rights for CALBEE stock in the Trust (specifically, CALBEE stock acquired prior to its being awarded to CALBEE Board Members as outlined above in (5)) shall not be exercised while in the Trust.

(10) Handling of dividends of CALBEE stock in this Trust

Dividends of CALBEE stock in the Trust will be received by the Trust and assigned to the Trust's expenses. Should there be a surplus at the termination of the Trust it will be paid to Board Members.

(11) Handling of the Trust period's termination

Should stock remains in the Trust upon its termination due to failure to achieve targets in the fiscal years under evaluation (excluding stock expected to be awarded to Board Members who have not retired at the time of the Trust's termination, but may meet beneficiary criteria upon retirement), under our shareholder return policy, upon termination of the Trust or the end of an extension period as specified above in the first paragraph of (4), remaining stock will be transferred as a grant to CALBEE and eliminated in accordance with Board of Directors resolution.

For reference:

Overview of trust agreement

1. Type of trust	Monetary Trust other than a specified solely administered monetary trust (Third Party Beneficiary Trust)
2. Purpose of trust	Provide incentives to CALBEE Board Members

3. Trustor	CALBEE, Inc.
4. Trustee	Mitsubishi UFJ Trust and Banking Corporation (planned) (Joint trustee: The Master Trust Bank of Japan, Ltd.)
5. Beneficiary	Retired CALBEE Board Members who satisfy beneficiary criteria
6. Trust administrator	Third party with no Company or financial relations (authorized CPA)
7. Trust indenture date	August 6, 2014 (planned)
8. Trust period	August 6, 2014 (planned) to August 31, 2017 (planned)
9. Plan launch date	September 1, 2014 (planned) (points to be awarded starting May 31, 2015)
10. Exercise of voting rights	Not to be exercised
11. Type of stock	Common CALBEE shares
12. Amount of stock	500 million yen (planned) (including Trust expenses)
13. Stock acquisition period	August 7, 2014 (planned) to August 29, 2014 (planned)
14. Stock acquisition method	Acquire on stock market
15. Rights holder	CALBEE, Inc.
16. Remaining assets	CALBEE, as rights holder will consider receivable assets remaining after deductions for stock purchases to fall within the scope of a reserve fund for Trust expenses.

Overview of details of business associated with Trust and stock

1. Trust-related business	Mitsubishi UFJ Trust and Banking's BIP Trust trustee to handle trust-related business. (planned)
2. Stock-related business	Mitsubishi UFJ Morgan Stanley Securities to handle business related to transferring CALBEE stock to beneficiaries on an outsourcing agreement basis. (planned)

ENDS