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Toagosei to Dispose of Treasury Shares as Restricted Share Remuneration for Directors, etc.

Toagosei Co., Ltd. announced today that a resolution was passed at the meeting of its Board of Directors today regarding the disposal of treasury shares as share-based remuneration as follows.

1. Overview of the disposal

(1) Payment date	May 19, 2021
(2) Class and number of shares to be disposed	The Company's common stock: 86,364 shares
(3) Disposal amount	1,300 yen per share
(4) Total amount of disposal	112,273,200 yen
(5) Planned grantees	6 of the Company's directors (*1): 22,200 shares 17 of the Company's executive officers (*2): 42,564 shares 2 of the Company's fellows: 4,800 shares 4 directors of the Company's subsidiary (*3): 9,600 shares 3 executive officers of the Company's subsidiary: 7,200 shares *1. Excludes directors who act as Audit and Supervisory Committee members and outside directors. *2. Excludes non-residents. *3. Excludes non-full-time directors.
(6) Other	The Company has submitted a securities report on this disposal of treasury shares per the Financial Instruments and Exchange Act.

2. Purpose and reason for disposal

The Company passed a resolution on this disposal of treasury shares at the meeting of the Board of Directors held today with the purpose of providing incentives to the Company's Directors (excluding Directors who act as Audit and Supervisory Committee members and outside directors) (hereinafter, "Eligible Directors") as well as directors (excluding outside directors) and executive officers of the Company's subsidiary (hereinafter, together with the Eligible Directors, referred to as the "Eligible Officers") to sustainably enhance the company's corporate value over the medium to long term, and to further promote the sharing of value with the Company's shareholders.

Furthermore, at the 107th Ordinary General Meeting of Shareholders held on March 27, 2020, approval was given to pay monetary remuneration receivables of less than 100 million yen per annum to Eligible Officers as in-kind investment of assets related to the granting of restricted shares as well as to establish a restriction period for restricted shares for the period until the Eligible Officers no longer maintain their status as director or executive officer of the Company or the Company's subsidiary, or other status defined by the Company's Board of Directors, pursuant to the restricted share remuneration system

(hereinafter, “the System” resolution introduced at the meeting of the Board of Directors held on January 30, 2020).

An overview of this System is presented below.

Overview of the System

Eligible Officers shall make in-kind contribution of all monetary remuneration receivables paid by the Company and its subsidiary in accordance with the System, and shall, in return, receive shares of the Company’s common stock that will be issued or disposed of by the Company and its subsidiary.

The total number of shares of the Company’s common stock that will be issued or disposed of under the System to the Eligible Officers shall be within 80,000 shares per annum. The payment amount per share will be determined by the Board of Directors within range that does not particularly benefit the Eligible Officers receiving the allotment by using the closing price of the Company’s common stock traded on the Tokyo Stock Exchange on the business day prior to the date of the resolution of the Board of Directors (if no trading is reported on this day, the closing price on the most recent day trading is reported) as the basis.

When issuing or disposing of the Company’s common stock under the System, the Company and Eligible Officers receiving the allotment shall enter into a restricted share allotment agreement, whose contents shall include the following.

(a) Eligible Officers shall not transfer, establish a security interest on, or otherwise dispose of the company’s common stock allotted under the allotment agreement during a predetermined period.

(b) Under certain circumstances, the Company shall acquire said common stock at no consideration.

Considering the purpose of the System as well as the scope of duties of the eligible persons and other matters, the Company will grant 86,364 shares of the Company’s common stock as an in-kind investment totaling 112,273,200 yen in monetary remuneration receivables to (1) six of the Company’s directors, 17 of its executive officers, and two of its fellows as well as (2) four directors and three executive officers of Aron Kasei Co., Ltd., a subsidiary of the Company, pursuant to the resolution of the company’s Board of Directors (hereinafter, collectively referred to as “the Grantees”).

Overview of the Restricted Share Allotment Agreement

The Company will conclude a Restricted Share Allotment Agreement (hereinafter, “the Allotment Agreement”) individually with the Grantees. An overview of the Allotment Agreement is presented below.

(1) Restriction period

The Grantees cannot transfer, establish a security interest on, or otherwise dispose of the allotted stock for the period from May 19, 2021 (payment date) to the day they no longer hold the position of director, executive officer, or fellow of the Company or its subsidiary.

(2) Conditions for removal of restrictions

The restriction for all of the allotted shares will be removed on the day the restriction period ends under the condition that the Grantees remain as a director, executive officer or fellow of the Company or its subsidiary continuously for the period from the payment date until the day of the conclusion of the annual general meeting of shareholders for the fiscal year ending December 31, 2021. However, when the Grantees no longer maintain the above position(s) due to reasons deemed reasonable by the Board of Directors (excluding death), from the point in time immediately after the loss of this position, the restriction will be removed for the allotted shares calculated based on the result of multiplying the number of months from the month including the payment date until the month including the date of the loss of status divided by 11 (if this number exceeds 1, then 1) by the number of allotted shares (fractional shares shall be rounded off).

In addition, if the Grantees no longer maintain the above position(s) due to their death, the restriction will be removed for all of the allotted shares at the point in time immediately after the loss of said status.

(3) Acquisition by the Company at no consideration

The Company will acquire the allotted shares for which the restriction period has not been removed at no consideration as a matter of course at the end of the restriction period or other prescribed time set forth in other agreements.

(4) Management of the shares

The allotted shares will be managed in a dedicated account for restricted shares opened at Daiwa Securities Co., Ltd. by the Grantees during the restriction period so that the allotted shares are not transferred, established a security interest on, or otherwise disposed of during the restriction period.

(5) Handling of organizational restructuring, etc.

During the restriction period, in the event the Company enters into a merger agreement as the dissolving company, the Company enters into a share exchange agreement to become a wholly-owned subsidiary, or matters concerning a share transfer plan or organizational restructuring are approved by the Company's annual general meeting of shareholders (however, the Company's Board of Directors, in cases where the approval of the Company's annual general meeting of shareholders is not required for the applicable organizational restructuring, etc.), the restriction related to this will be removed at the time immediately prior to the business day prior to the effective date of the organizational restructuring for the allotted shares calculated based on the result of multiplying the number of months from the month including the payment date until the month including the date of the loss of status divided by 11 (if this number exceeds 1, then 1) by the number of allotted shares owned at that point (fractional shares shall be rounded off).

3. Basis for calculation of payment amount and specific details

This disposal of treasury shares is conducted whereby the monetary remuneration receivables paid to the planned Grantees pursuant to the System will be carried out as investment assets. The payment amount of such shall be 1,300 yen, which is the closing price of the Company's common stock traded on the Tokyo Stock Exchange on April 16, 2021 to ensure the price does not contain any arbitrariness. This is the market price immediately prior to the day of the resolution by the Board of Directors. With the absence of special circumstances indicating that the most recent share price cannot be relied upon, this is believed to be a price that is not particularly beneficial to the Grantees as it is a reasonable and appropriate reflection of the Company's corporate value.