

January 30, 2020

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## **Toagosei Co., Ltd. Announces Introduction of Restricted Share Remuneration System and Amendments to Amounts of Directors' Remuneration**

The company hereby announces that the Board of Directors meeting held on January 30, 2020 undertook a review of the officers' remuneration system and resolved to introduce a restricted share remuneration system (hereinafter, the "System"), with details as follows. The proposal regarding the System is scheduled to be submitted for discussion at the 107th Ordinary General Meeting of Shareholders to be held on March 27, 2020 (hereinafter, the "General Meeting of Shareholders").

### **1. Objectives and Conditions of the Introduction of the System**

#### (1) Objectives of the introduction

The System is to be introduced for 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 Officers") to sustainably enhance the company's corporate value, and to further promote the sharing of value with the company's shareholders.

#### (2) Conditions of the introduction

The System will provide monetary remuneration receivables for granting restricted shares as remuneration for Eligible Officers; therefore, the introduction of the System is conditional upon the approval of shareholders at the General Meeting of Shareholders for the payment of said remuneration.

The amount of remuneration for the company's Directors (excluding Directors who act as Audit and Supervisory Committee Members) was approved by resolution of the 103rd Ordinary General Meeting of Shareholders held on March 30, 2016 to be within the amount of ¥300 million per annum including bonuses (however, excluding the amount of employee salary paid to Directors who concurrently serve as employees). The company intends to request shareholders at the General Meeting of Shareholders to approve the introduction of the System and the establishment of a remuneration framework for the company's Eligible Officers in accordance with the System, separate from the above remuneration.

### **2. Overview of the System**

Eligible Officers shall make in-kind contribution of all monetary remuneration receivables paid by the company 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.

The total amount of remuneration paid to Eligible Officers shall be within the amount of ¥100 million per annum separate from the current amount of monetary remuneration, and the total number of shares of the company's common stock that will be issued or disposed of under the System shall be within 80,000 shares per annum (if any adjustment is necessitated by unavoidable circumstances, such as a stock split or reverse stock split of the company's common stock, the number of shares that will be issued or disposed of may be adjusted within a reasonable extent).

In order to realize the sharing of shareholder value over the medium- to long-term, which is one of the objectives of introducing the System, the transfer restriction period shall be from the date the

restricted shares are granted until the date that Eligible Officers resign or retire from the position of Director or executive officer of the company or its subsidiaries or any other position specified by the company's Board of Directors. The specific timing and distribution of payments to each Eligible Officer shall be determined by the Board of Directors.

In addition, the amount paid per share of the company's common stock issued or disposed of under the System shall be determined by the Board of Directors within an extent that is not especially advantageous to the Eligible Officer, based on the closing price of the company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of resolution by the Board of Directors (if no transactions are concluded on that day, the closing price of the immediately preceding date).

When issuing or disposing of the company's common stock under the System, the company and Eligible Officers shall enter into a restricted share allotment agreement (hereinafter, the "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.

### **3. Application to the Company's Executive Officers and Others, and Directors and Executive Officers of the Company's Subsidiary**

Provided that the introduction of the System is approved at the General Meeting of Shareholders, the same system for the granting of restricted shares shall be introduced for the company's executive officers and others, and the Directors and executive officers of the company's subsidiary, Aron Kasei Co., Ltd.