



May 13, 2022

Company: TODA CORPORATION

Representative: Seisuke Otani, President and Representative Director

(Securities Code: 1860 TSE Prime Market)

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## Notice of Continuation and Partial Revision of the Performance-linked Share-based Compensation System for the Company's Directors and Executive Officers

TODA CORPORATION (the "Company") announces that it resolved at its Board of Directors meeting held today to submit the proposal (hereinafter "the Proposal") of continuation and partial revision of the performance-linked share-based compensation system that was introduced in FY2016 (hereinafter "the System") targeted at the Company's directors and the executive officers who conclude an entrustment contract with the Company (excluding outside directors and non-residents of Japan) to the 99th Annual General Meeting of Shareholders of the Company to be held on June 29, 2022 (hereinafter "the General Meeting").

### 1. Continuation of the System

- (1) The Company decided at its Board of Directors meeting held today to continue the System after partially revising it as detailed in Paragraph 2. below, aimed at further increasing motivation to attain medium- to long-term business performance enhancement and corporate value growth, and modifying its evaluation and compensation system to increase management's awareness of putting shareholders first.
- (2) Continuation of the System is subject to approval of the Proposal at the General Meeting.
- (3) The System, which uses the directors' compensation Board Incentive Plan (BIP) trust (hereinafter "the BIP trust"), is a share-based compensation system linked to the Company's medium- to long-term business performance. The BIP trust is an incentive plan for directors based on the Performance Share and the Restricted Stock compensation systems in the United States and European countries.

## 2. Partial Revision of the System

Regarding the System for which the trust period is set to expire on September 30, 2022, the Company will continue the System by revising the trust contract and making additional contributions to the trust to extend the trust period by three (3) years. As such, the System's target period will be three (3) fiscal years from the fiscal year ending March 31, 2023, to the fiscal year ending March 31, 2025. Subject to approval of the General Meeting, the following changes will be made to the conventional System for its continuation.

The System is a share-based compensation system where the money contributed by the Company is used to acquire shares of the Company via the trust company, and shares of the Company and the amount equivalent to the cash converted from shares of the Company (hereinafter "the shares of the Company, etc.") are delivered/paid to the target beneficiaries. Except for the matters detailed below, the content of the System that was set in FY2016 remains effective.

For details, please refer to the Notice of Introduction of the Performance-linked Share Allocation System for the Company's Directors and Executive Officers, dated May 13, 2016.

### Revisions to the System

Item	Before Revision	After Revision
Target beneficiaries of the System	The Company's directors and the executive officers (excluding outside directors and non-residents of Japan) who conclude an entrustment contract with the Company	The Company's directors and the executive officers who conclude an entrustment contract with the Company (excluding non-residents of Japan; hereinafter "the directors, etc.") Considering the function of outside directors to not only supervise but also provide advice to the management from the perspective of increasing the Company's medium- to long-term corporate value, outside directors are subject to the System. However, they will be paid only the part not linked to business performance because they do not engage in the execution of business.
Upper limit of money contributed by the Company	¥245 million in total for three (3) fiscal years	¥1,400 million in total for three (3) fiscal years (including ¥15 million for outside directors)

Item	Before Revision	After Revision
Upper limit of the number of shares of the Company to be acquired by the directors, etc.	Upper limit of the total number of points per year: 140,000 points (140,000 shares)	Upper limit of the total number of points per year: 800,000 points (800,000 shares) (including 8,600 points (8,600 shares) for outside directors)
Method of calculating the shares of the Company, etc., to be acquired by the directors, etc.	At certain timing each year, points calculated based on the position and the degree of attainment of the Company's business performance targets for the year are issued, and the issued points are accumulated each year until the directors, etc., retire from office, when shares of the Company, etc., according to the accumulated number of points are delivered/paid to them.	<p>The points issued to the directors, etc., shall be calculated based on two factors:</p> <p>performance-linked factors aimed at raising motivation to increase the medium-term business performance, and non-performance-linked factors aimed at raising awareness to increase the corporate value over the long term.</p> <p>The points based on the performance-linked factors are issued according to the position of each beneficiary at certain timing each year, and shares of the Company, etc., are delivered/paid according to the number of points calculated based on the degree of attainment of the Company's business performance targets three (3) years after the issuance. The points based on the non-performance-linked factors are issued according to the position of each beneficiary at certain timing each year, and the issued points are accumulated each year until the directors, etc., retire from office, when shares of the Company, etc., according to the accumulated number of points are delivered/paid to them.</p>

Item	Before Revision	After Revision
Criteria for the achievement of business targets	There is a range of variation from 0 to 157.5% according to the degree of attainment of the Company's business performance targets for each fiscal year (of consolidated net sales, consolidated operating income, consolidated profit for the year attributable to owners of the parent and CO <sub>2</sub> emissions).	There is a range of variation from 0 to 165.0% according to the degree of attainment of the targets of the companywide performance evaluation (consolidated net sales, consolidated operating income and ROE) and the ESG evaluation (CO <sub>2</sub> emissions, Total frequency rate).
Percentage of the amount equivalent to the cash converted from shares of the Company	Shares of the Company equivalent to 80% of the points issued (shares less than one unit are disregarded) are delivered, while the remaining shares are converted to cash by the trust and the amount equivalent to the cash is paid to the beneficiary.	Shares of the Company equivalent to 50% of the points issued (shares less than one unit are disregarded) are delivered, while the remaining shares are converted to cash by the trust and the amount equivalent to the cash is paid to the beneficiary.

Note1: Total frequency rate = total occupational accidents ÷ total working hours (1,000,000 hours)

Note2: A review of the ESOP trust system already introduced for executive officers who have employment contracts with the Company is currently under consideration. Details will be announced as soon as they are determined.

Reference: Content of the Trust Contract

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|---------------------------------------|--|
| ① Type of the trust:                  | Nonmonetary trust using a designated and single method of investment (third-party-benefit trust)   |
| ② Purpose of the trust:               | Provision of incentives to the directors, etc.   |
| ③ Settlor:                            | The Company  |
| ④ Trustee:                            | Mitsubishi UFJ Trust and Banking Corporation<br>(Co-trustee: The Master Trust Bank of Japan, Ltd.)   |
| ⑤ Beneficiary:                        | Those who are subject to the BIP trust and satisfy the requirement as a beneficiary  |
| ⑥ Trust administrator:                | A third party who has no conflicts of interest with the Company (Certified Public Accountant)  |
| ⑦ Trust contract date:                | August 29, 2016  |
| ⑧ Trust period:                       | From August 29, 2016, to September 30, 2022<br>The trust period will be extended to September 30, 2025, by revising the trust contract in August 2022) |
| ⑨ Date of commencement of the System: | September 1, 2016  |
| ⑩ Exercise of voting rights:          | Not exercised  |
| ⑪ Type of shares acquired:            | The Company's common shares  |

- ⑫ Upper limit of the trust money:                   ¥ 1,400 million (including trust fees and cost)
- ⑬ Holder of vested rights:                           The Company
- ⑭ Residual assets: The amount of residual assets that the Company as a holder of the vested rights may receive shall be within the range of the reserve for the cost of the trust, or an amount deducting the fund for acquisition of shares from the trust money.

End