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August 10, 2022

Company: TODA CORPORATION

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(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 Executive Officers Who Have Employment Contracts with the Company

TODA CORPORATION (the “Company”) announces that it resolved at its Board of Directors meeting held today to continue and partially revise the performance-linked share-based compensation system that was introduced in FY2016 (hereinafter “the System”) targeted at the executive officers who have employment contracts with the Company, as described below.

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) The System, which uses the Employee Stock Ownership Plan (ESOP) trust (hereinafter “the ESOP trust”), is a share-based compensation system linked to the Company’s medium- to long-term business performance. The ESOP trust is an incentive plan for employees based on the ESOP system in the United States.

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. 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
<p>Method of calculating the shares of the Company, etc., to be acquired by the target beneficiaries of the System</p>	<p>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 target beneficiaries of the System retire from office, when shares of the Company, etc., according to the accumulated number of points are delivered/paid to them.</p>	<p>The points issued to the target beneficiaries of the System shall be calculated based on two factors: 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.</p> <p>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 target beneficiaries of the System 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 ₂ 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 ₂ 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.

Note: Total frequency rate = total occupational accidents (4 or more days lost from work) ÷ total working hours (1,000,000 hours)

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 executive officers who have employment contracts with the Company |
| ③ Settlor: | The Company |
| ④ Trustee: | Mitsubishi UFJ Trust and Banking Corporation
(Co-trustee: The Master Trust Bank of Japan, Ltd.) |
| ⑤ Beneficiary: | Those who are subject to the ESOP 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
(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 Total amount of shares acquired: | 21,928,200 yen |

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