

March 30, 2023

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Code number : 4045
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Toagosei Co., Ltd. Announces the Disposal of Treasury Stock with a Third-party Allocation Accompanying the Introduction of an Employee Stock Compensation Plan

Toagosei Co., Ltd. hereby announces as follows that we resolved at a meeting of our Board of Directors held today to dispose of treasury stock (hereinafter “the Treasury Stock Disposal”) accompanying the introduction of an employee stock compensation plan.

1. Overview of the Disposal

(1) Date of the disposal	April 18, 2023
(2) Type and number of shares to be disposed	The Company’s common stock: 388,000 shares
(3) Disposal price	1,228 yen per share
(4) Total disposal amount	476,464,000 yen
(5) Planned disposal destination	Sumitomo Mitsui Trust Bank, Limited (trust account) (Re-entrusted consignee: Custody Bank of Japan, Ltd. (trust account))
(6) Other	The Treasury Stock Disposal is subject to the validity of the notification under the Financial Instruments and Exchange Act.

2. Purpose and Reason for the Disposal

We resolved to introduce an employee stock compensation plan (hereinafter “the Plan”) at a meeting of our Board of Directors held on January 31, 2023. The purpose of introducing the Plan is to enhance the welfare and benefits plan for the Company’s employees (hereinafter, the “Employees”), to further promote the execution of business operations aiming to improve business performance by further increasing the Employees’ awareness toward the Company’s business performance and increasing the share price, and to enhance the Company’s corporate value over the medium to long term. We resolved the details of the Plan at a meeting of our Board of Directors held today.

Please refer to the “Toagosei Co., Ltd. Announces Introduction of Employee Stock Compensation Plan” dated today for an overview of the Plan.

We will perform the Treasury Stock Disposal for Sumitomo Mitsui Trust Bank, Limited (trust account) (re-entrusted consignee: Custody Bank of Japan, Ltd. (trust account)) which will be the consignee of the trust established to introduce the Plan (hereinafter “the Trust”).

The volume of shares to be disposed is equivalent to the number of shares expected to be granted

to our Employees upon taking into consideration the position of the Employees during the period of the Trust based on the Share Granting Regulations we will enact when introducing the Plan. This degree of this stock dilution will be 0.32% with respect to our 122,100,000 total number of outstanding shares as of December 31, 2022. (The rate is 0.32% is with respect to the 1,205,874 total number of voting rights as of December 31, 2022. We have rounded both of these rates to the second decimal place.)

We believe the Plan will lead to an improvement in our corporate value in the medium- to long-term. We have determined that the volume of shares to be disposed and the degree of this stock dilution due to the Treasury Stock Disposal are reasonable and that the impact on the secondary market will be minor.

Reference: Overview of the Trust Contract Pertaining to the Trust

Consignor	Toagosei Co., Ltd.
Consignee	Sumitomo Mitsui Trust Bank, Limited (Re-entrusted consignee: Custody Bank of Japan, Ltd.)
Beneficiaries	Employees satisfying the beneficiary requirements
Trust administrator	Plan to select a third party independent from the Company and its officers
Exercising of voting rights	The consignee will exercise voting rights throughout the period of the trust based on instructions from the trust administrator
Type of trust	Trust of money excluding money held in trust (third-party trust)
Trust contract date	April 18, 2023
Period of the Trust	April 18, 2023 to March 31, 2026 (planned)
Purpose of the Trust	To grant shares of Toagosei Co., Ltd. to the beneficiaries based on the Share Granting Regulations

3. Basis for the Calculation of the Disposal Price and the Concrete Details of That

We have set the disposal price at 1,228 yen. That is the closing price on the Tokyo Stock Exchange on March 29, 2023 (the business day immediately before the date of the resolution by the Board of Directors). The reason for that is to set a price which eliminates arbitrariness in light of recent stock price movements.

The deviation rate for this price from the average closing price of 1,241 yen (rounded down to the nearest yen) in the most recent month (March 1 to 29, 2023) of the business day immediately before the date of the resolution by the Board of Directors is -1.05%. The deviation rate for this price from the average closing price of 1,186 yen (rounded down to the nearest yen) in the most recent three months (December 30, 2022 to March 29, 2023) of the business day immediately before the date of the resolution by the Board of Directors is 3.54%. Furthermore, the deviation rate for this price from the average closing price of 1,161 yen (rounded down to the nearest yen) in the most recent six months (September 30, 2022 to March 29, 2023) of the business day immediately before the date of the resolution by the Board of Directors is 5.77%. (We have rounded the deviation rate in all three instances to the second decimal place.)

As a result of taking the above into consideration, we believe the disposal price pertaining to the Treasury Stock Disposal is not especially advantageous to the planned disposal destination and so is thereby reasonable.

Moreover, our Audit & Supervisory Committee (comprised of five members of whom four are Outside Directors) has expressed an opinion on the above disposal price to the effect that the basis for the calculation of the disposal price is reasonable and that it is not a price especially advantageous to the planned disposal destination and so is thereby lawful.

4. Matters Relating to the Procedures in the Corporate Code of Conduct

The Treasury Stock Disposal (1) has a stock dilution rate of less than 25% and (2) will not involve a change in our controlling shareholder. Therefore, we do not need to obtain an opinion from an independent third party or to undergo procedures to confirm the intentions of our shareholders as stipulated in Article 432 of the Securities Listing Regulations by the Tokyo Stock Exchange.