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Notice Concerning Renewal and Partial Revision of Performance-linked Share-based Remuneration Plan for Directors, etc. of Tokuyama Corporation

Tokuyama Corporation (hereinafter the “Company,” “Tokuyama” or “we”) hereby announces that the Board of Directors of the Company, at its meeting held today, decided to submit a proposal concerning the renewal and partial revision of the performance-linked share-based remuneration plan (the “Plan”) for Directors (excluding Directors who are Audit and Supervisory Committee Members, non-executive Directors, External Directors, and persons not resident in Japan; hereinafter the same applies) and Executive Officers (excluding non-residents of Japan; hereinafter the same applies; hereinafter collectively referred to with Directors as “Directors, etc.”) of the Company to the 157th Ordinary General Meeting of Shareholders (hereinafter the “Ordinary General Shareholders’ Meeting”) to be held on June 25, 2021 as follows.

1. Renewal of the Plan

- (1) The Company will renew the Plan for Directors, etc., as an officer remuneration plan closely linked to the corporate performance and having high transparency and objectivity, with the objective of heightening their awareness toward making contributions to improving Tokuyama's performance and to increasing its corporate value over the medium-to-long term.
- (2) The Plan employs a framework called Board Incentive Plan trust (hereinafter referred to as the “BIP Trust”). As with performance shares and restricted shares in Europe and North America, a BIP trust is a system whereby shares in the Company and cash equivalent to the conversion amount of the Company's shares (hereinafter “the Company's shares, etc.”) will be delivered or paid in accordance with business

performance and the recipient's rank.

- (3) Tokuyama will, upon the renewal of the Plan, extend the trust period of the trust that it has already created (hereinafter the "Trust") while making partial revisions to the Plan, subject to the approval at the Ordinary General Shareholders' Meeting as provided in 2. below.
- (4) Renewal and partial revision of the Plan was introduced after deliberations at the Human Resources Committee of which the majority of committee members are External Directors.

2. Partial revisions to the Plan

Tokuyama will, upon renewal of the Plan, extend the trust period of the Trust while making partial revisions to the System, subject to the approval at the Ordinary General Shareholders' Meeting. The Plan after the revisions is as follows.

(1) View on the revisions to the Plan

Recognizing the need to undertake a fundamental review of conventional strategies that have been based on its own coal-fired thermal power as a source of competitiveness, as well as the importance of building and growing businesses that are not merely extensions of the past, Tokuyama has put in place the five-year "Medium-Term Management Plan 2025", which begins in April 2021, guided by its newly established vision.

The proposed revisions review aspects of performance-linked share-based remuneration such as the evaluation criteria and make required changes associated with renewal of the Plan, with the objective of further increasing the motivation of Directors, etc. to achieve the targets under "Medium-Term Management Plan 2025" and make contributions to improving Tokuyama's performance and increasing its corporate value over the medium-to-long term.

(2) Overview of the Plan

The Plan is a scheme under which the Company's shares, etc., will be delivered or paid as officer remuneration in accordance with the rank of Directors, etc., the level of achievement of business performance targets in the Medium-Term Management Plan, and other factors, over the five fiscal years covered by the Medium-Term Management Plan set forth by the Company, from the fiscal year ending March 31, 2022 until the fiscal year ending March 31, 2026 (hereinafter "the Plan Period"). Furthermore, if the Trust is continued (as defined in item (3) below; hereinafter the same applies), the fiscal years corresponding to subsequent medium-term management plans shall each be Plan Periods.

(3) Trust period after extension

The trust period of the Trust after extension will be the period of five fiscal years from September 1, 2021 (planned) to the end of August 2026 (planned).

When the trust period after extension expires, the Company may continue the Trust by amending the trust agreement and making additional entrustments. In this case, a number of years corresponding to the medium-term management plan formulated by the Company at that time shall be the new Plan Period, the trust period of the Trust will be extended by the same length of period as the new Plan Period, and the Company will make additional contributions within the range of the total maximum amount of trust money to be contributed to the Trust, as approved by resolution at the Ordinary General Shareholders' Meeting, and continue granting points to Directors, etc., during the extended trust period. However, when making these additional contributions, if there are shares in the Company (excluding shares in the Company corresponding to points granted to Directors, etc., whose delivery or payment is incomplete) and money remaining in the trust assets on the final day of the trust period prior to extension (hereinafter "Remaining Shares, etc."), the total amount of the monetary amount of the Remaining Shares, etc., and any trust money additionally contributed shall be within the range of the maximum amount of trust money to be contributed to the Trust in the new Plan Period, as approved by resolution at this Ordinary General Shareholders' Meeting. Such extensions of the trust period shall not be limited to one time only, and the trust period may subsequently be similarly re-extended.

(4) The Company's shares, etc. to be delivered or paid to eligible persons

At a certain time every year during the trust period, points calculated based on the following calculation formula (hereinafter "Base Points") shall be granted to Directors, etc., in accordance with their rank, and at a certain time immediately following the final day of the final fiscal year in the Plan Period (scheduled for June 2026 for the first Plan Period after extension), the number of the Company's shares to be delivered, etc. shall be determined based on the number of points (hereinafter "Number of Share Conversion Points") calculated by multiplying the Base Points accumulated during the trust period (hereinafter "Accumulated Number of Points") by the performance-linked coefficient. Provided, however, that the Company will not grant Base Points for fiscal years for which it did not pay dividends.

The performance-linked coefficient shall be determined within the range of 0 to 150%, based on the level of achievement of targets for accumulated consolidated operating profit in the Plan Period and other performance evaluation criteria. The target for accumulated operating profit over the five fiscal years up to and including the fiscal year ending March 31, 2026 is 162 billion yen based on "Medium-term Management Plan 2025". The target for fiscal years ending March 31, 2027 and thereafter will be determined by the Board of Directors separately based on the medium-term management plan at the time.

(Calculation formula for Base Points)

Base amount of share-based remuneration determined by rank ÷ Average closing price of the Company's shares on the Tokyo Stock Exchange during the month before the first month of the Plan Period (any fractions less than one shall be discarded)

One (1) point shall equal one (1) share in the Company, and fractions less than one point shall be discarded. However, if a share split, share consolidation, etc., of the Company's shares is conducted during the trust period, the number of the Company's shares per point and the total maximum number of the Company's shares to be delivered, etc. from the Trust (as defined in the below item (6)) shall be adjusted in accordance with the split ratio, consolidation ratio, etc., of the Company's shares.

Furthermore, if a Director, etc., retires (excludes retirement due to death) partway through the trust period, the number of shares, etc. to be delivered or paid shall be determined by multiplying the number of points accumulated by a performance-linked coefficient according to the level of achievement of performance targets at that time to calculate the Number of Share Conversion Points, and if a Director, etc. retires due to death or is transferred overseas, the number of shares, etc. to be delivered or paid shall be determined by taking the number of points accumulated at that time as the Number of Share Conversion Points.

(5) Method and timing of delivery or payment of the Company's shares, etc., to Directors, etc.

Directors, etc., who fulfill certain beneficiary requirements (being an eligible person on the final day of the last fiscal of the Plan period; retiring from the office of Director, etc. due to expiration of term of office; having died whilst in office; becoming a non-resident of Japan; having no record of any legal violations or wrongdoing, etc.) shall receive delivery from the Trust of a number of the Company's shares corresponding to 70% of the Number of Share Conversion Points (shares less than one unit will be discarded) basically around July immediately following the final day of the final fiscal year of the Plan Period (however, if a Director, etc., retires during the trust period, it shall be after a certain period of time from the retirement), and shall receive payment of cash equivalent to the conversion amount of the number of the Company's shares corresponding to the remaining Number of Share Conversion Points, after conversion in the Trust. In the event that a Director, etc., dies during the trust period, his or her heir shall receive payment from the Trust of cash equivalent to the conversion amount of the number of the Company's shares corresponding to the Number of Share Conversion Points calculated at that point, after conversion in the Trust. In addition, if a Director, etc., is transferred overseas during the trust period, he or she shall receive payment from the Trust by the date of his or her transfer overseas of cash equivalent to the conversion amount of the number of the Company's shares corresponding to the Number of Share Conversion Points calculated at that point, after conversion in the Trust.

(6) Total maximum amount of trust money to be contributed to the Trust and total maximum number of the Company's shares, etc. to be delivered or paid from the Trust

The total maximum amount of trust money to be contributed to the Trust during the trust period and the total maximum number of the Company's Shares, etc. to be delivered or paid from the Trust shall be within the following limits, subject to resolution at the Ordinary General Shareholders' Meeting.

(i) Total maximum amount of trust money to be contributed to the Trust

An amount equivalent to 120 million yen multiplied by the number of years in the new Plan Period (*1)

(*1) This shall be the total amount, including funds for the acquisition of shares by the Trust during the trust period, and trust fees and trust expenses

(ii) Total maximum number of the Company's shares, etc. to be delivered or paid from the Trust during the trust period

A number of shares equivalent to 40,000 shares multiplied by the number of years in the new Plan Period (*2)

(*2) The total maximum number of the Company's shares, etc. to be delivered or paid shall be established based on the above total maximum amount of trust money, taking into consideration the share price at the time of introduction of the Plan, etc.

(7) Method of acquisition of the Company's shares by the Trust

The Company intends for the Trust to acquire the Company's shares from the stock market, within the range of the funds for the acquisition of shares and the total maximum number of the Company's shares to be delivered from the Trust described in the above item (6).

(8) Exercise of voting rights of the Company's shares in the Trust

In order to ensure neutrality toward management, voting rights of the Company's shares in the Trust will not be exercised during the trust period.

(9) Treatment of dividends of the Company's shares in the Trust

Dividends from the Company's shares in the Trust shall be received by the Trust and used for the trust fees and trust expenses of the Trust.

(10) Treatment of residual shares and residual dividends at the expiration of the trust period

If residual shares occur upon expiration of the trust period owing to the failure to achieve business performance targets during the Plan Period, etc., the Company may, by amending the trust agreement and making additional contribution to the Trust, continue to use the Trust as part of the Plan as it is, or as a similar share-based remuneration plan.

In addition, any residual dividends pertaining to the Company's shares in the Trust when the trust period expires will be utilized as acquisition funds for shares if the Trust continues to be used, but if the Trust ends upon the expiration of the trust period, the portion in excess of the trust expense reserve after deduction of share acquisition funds from the trust money will be donated to organizations that have no interest in the Company and eligible persons.

(Reference)

[Trust Agreement Content]

1) Type of trust	Trust of money other than money trust (third-party benefit trust)
2) Trust objective	To provide incentive to Directors, etc.
3) Settlor	The Company
4) Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.)
5) Beneficiaries	Directors, etc., who fulfill the beneficiary requirements
6) Trust administrator	Third party with no special interests with the Company (Certified Public Accountant)
7) Date of trust agreement	September 2018 (to be amended to August 2021)
8) Trust period	September 3, 2018 to August 2021 (to be extended to the end of August 2026 due to the above revision)
9) Plan Period after extension	April 2021 to March 2026
10) Exercise of voting rights	Voting rights will not be exercised
11) Class of shares to be acquired	Common shares of the Company
12) Upper limit of trust money	600 million yen (planned) (including trust fees and trust expenses)
13) Timing of share acquisition	August 3, 2021 (planned) to August 30, 2021 (planned)
14) Method of share acquisition	Acquisition from the stock market
15) Rights holder	The Company
16) Residual assets	Residual assets that may be received by the Company, the rights holder, shall be within the range of the reserve fund for trust expenses after deducting share acquisition funds from the trust money.