

Company name: ALCONIX CORPORATION
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Listing: Tokyo Stock Exchange, First Section
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Announcement of Issuance of New Shares as Restricted Stock Compensation

Note: The original announcement in Japanese was released on July 16, 2021.

Pursuant to the provisions of Article 370 of the Companies Act and Article 23 of the ALCONIX Articles of Incorporation (a written resolution in lieu of a resolution by the Board of Directors), ALCONIX CORPORATION approved a resolution to issue new shares as follows.

1. Summary of issuance of new shares

(1) Deadline	August 6, 2021
(2) Type and number of shares	Common stock of ALCONIX: 25,200 shares
(3) Issue price	1,470 yen per share
(4) Total issue price	37,044,000 yen
(5) Recipients of restricted stock and number of shares to be allotted	5 Directors of ALCONIX (except Outside Directors): 19,600 shares 3 Executive Officers of ALCONIX who are not concurrently Directors: 5,600 shares
(6) Other	ALCONIX has submitted the Securities Registration Statement regarding this issuance of new shares in accordance with the Financial Instruments and Exchange Act.

2. Reasons for the issuance of new shares

At the 37th Ordinary General Meeting of Shareholders held on June 20, 2018, shareholders approved a resolution to introduce a new Compensation Plan for Directors of ALCONIX other than Outside Directors (the “Directors Covered by the Plan”) namely, a remuneration system for shares with transfer restrictions. In addition, at the 38th Ordinary General Meeting of Shareholders held on June 21, 2019, shareholders approved a resolution to cap the remuneration to be paid to Directors Covered by the Plan for the grant of restricted stock at 40 million yen to 80 million yen per year, excluding employee salaries for Directors who concurrently serve as ALCONIX employees, and to revise the total number of shares of the Company’s common stock to be issued or disposed of from 25,000 shares per year to 50,000 shares per year, with the entire amount of the monetary compensation claims payable to be paid as property in kind.

The following section is a summary of the terms of the Compensation Plan.

Overview of the Compensation Plan

Directors Covered by the Plan use all monetary compensation claims received from ALCONIX through the Compensation Plan as payment for receiving newly issued or existing common stock of ALCONIX. The annual limit for newly issued or existing common stock of ALCONIX that can be distributed through the Compensation Plan is 50,000 shares. The amount to be paid per share shall be determined based on the closing price of the common stock of ALCONIX in the First Section of the Tokyo Stock Exchange on the business day immediately prior to the date of the corresponding resolution of the Board of Directors (if the ALCONIX’s shares were not traded that day, the closing price on the most recent preceding trading day).

When newly issued or existing common stock of ALCONIX is distributed through the Compensation Plan, a Director Covered by the Plan must sign a restricted stock allocation contract with ALCONIX that includes the following terms: (1) During the designated period, the common stock of ALCONIX allocated in accordance with the restricted stock allocation cannot be sold, pledged as collateral or transferred to another owner in any way; (2) In certain specified events, ALCONIX may acquire the common stock under the Compensation Plan at no cost.

With the aim of providing further motivation for each of the Directors Covered by the Plan, the Company has decided to make the following changes. The total amount of monetary compensation claims, which is 37,044,000 yen, and the number of shares of common stock to be distributed by the Compensation Plan, which is 25,200 shares, were determined based on the purposes of this plan, the performance of ALCONIX, the scope of duties of the Directors Covered by the Plan and other applicable items.

In accordance with the terms of the Compensation Plan, the eight Directors Covered by the Plan will use all of the monetary compensation claims received in order to purchase the ALCONIX common stock allocated for this purpose (the "Compensation Plan Stock").

3. Summary of the Compensation Plan Stock contract

(1) Mandatory holding period: August 6, 2021 to August 5, 2051

(2) Conditions for end of restriction on sale

For each Director Covered by the Plan, the restriction on the sale of all Compensation Plan Stock will end upon the completion of the mandatory holding period if, during this entire period, the person holding this stock is continuously a Director, Audit & Supervisory Board Member, Executive Officer who is not concurrently a Director, employee, advisor or executive advisor or in a similar position at ALCONIX or one of its subsidiaries.

(3) When a Director Covered by the Plan retires during the mandatory holding period due to reaching the end of a term as director or mandatory retirement age or for another legitimate reason

1) Time of end of restriction on sale

When a Director Covered by the Plan resigns or retires due to reaching the end of a term as director or mandatory retirement age or for another legitimate reason (excluding in the event of death) as a Director, Audit & Supervisory Board Member, Executive Officer who is not concurrently a Director, employee, advisor or executive advisor or in a similar position at ALCONIX or one of its subsidiaries, the restriction on the sale of the Compensation Plan Stock ends immediately after the resignation or retirement. In the event of the death of a Director Covered by the Plan, the restriction on the sale of that stock will end at a time to be determined by the Board of Directors.

2) Number of shares to which the end of the restriction applies

The number of shares to which the end of the restriction applies is calculated by multiplying the number of shares of the Compensation Plan Stock held at the time of the resignation or retirement explained in the preceding section 1) by the number obtained by dividing by 12 the number of months the person who resigned or retired was a Director Covered by the Plan (including the month of the allotment resolution date and the month of the retirement or resignation). However, the number of shares is multiplied by one if this division results in a number larger than one. Any fraction of one share resulting from this calculation is rounded down.

(4) Acquisition of restricted stock by ALCONIX at no cost

Upon the completion of the mandatory holding period or the end of the restriction on sale explained in the preceding item (3), ALCONIX naturally has the right to acquire at no cost any Compensation Plan Stock for which the restriction on sale is still valid.

(5) Custody of restricted stock

During the mandatory holding period, the Compensation Plan Stock will be placed in accounts established by the Directors Covered by the Plan specifically for this purpose at Nomura Securities Co., Ltd. These accounts ensure that the Directors Covered by the Plan do not sell, pledge as collateral or transfer to another owner in any way the Compensation Plan Stock. To ensure the effectiveness of the stock sale restrictions, ALCONIX signed contracts with Nomura Securities concerning the management of the accounts used for the custody of the Compensation Plan Stock held by each Director Covered by the Plan. Also, the Directors Covered by the Plan have agreed to the terms for managing these accounts.

(6) Measures in the event of a reorganization or similar action

The Board of Directors may approve a resolution that ends the restriction on the sale of restricted stock immediately prior to the business day before the effective date of reorganization, etc. in the event that, during the mandatory holding period, the General Meeting of Shareholders (or Board of Directors if the approval of shareholders is not required) approves a resolution for a merger in which ALCONIX is dissolved, an exchange of stock, stock transfer plan or other reorganization or similar action that makes ALCONIX a wholly owned subsidiary. Based on the Board of Directors' resolution, the number of shares of Compensation Plan Stock held when a reorganization, etc. is approved that can be sold is calculated by multiplying the total number of these shares held on the approval date by the number obtained by dividing by 12 the number of months including the month of the allotment resolution date and the month in which the reorganization, etc. was approved. However, the number of shares is multiplied by one if this division results in a number larger than one. Any fraction of one share resulting from this calculation is rounded down. Immediately after the restriction on the sale of these shares ends, ALCONIX naturally has the right to acquire at no cost any Compensation Plan Stock for which the restriction on sale is still valid.

4. Basis of calculation and information about the price per share

Individuals who are to receive the Compensation Plan Stock obtained through the sale of treasury shares will use monetary compensation claims received from ALCONIX as the payment for the restricted stock compensation for the fiscal year ending in March 2022 in accordance with the Compensation Plan. To eliminate any ambiguity about the issuance price of these treasury shares, the price is 1,470 yen, the closing price of ALCONIX common stock on the first section of the Tokyo Stock Exchange on July 15, 2021, which is the business day prior to the Board of Directors resolution concerning the sale of treasury shares. ALCONIX believes this is a reasonable price that is not significantly advantageous because the issuance price is the market price immediately prior to the Board of Directors resolution.