



May 27, 2020

To All Concerned Parties

Company name	Mitsubishi Materials Corporation
Representative	Naoki Ono, Chief Executive Officer (Securities code: 5711, First Section, Tokyo Stock Exchange)
Contact for inquiries	Yuji Omura, General Manager, Corporate Communications Dept. (Tel: +81-3-5252-5206)

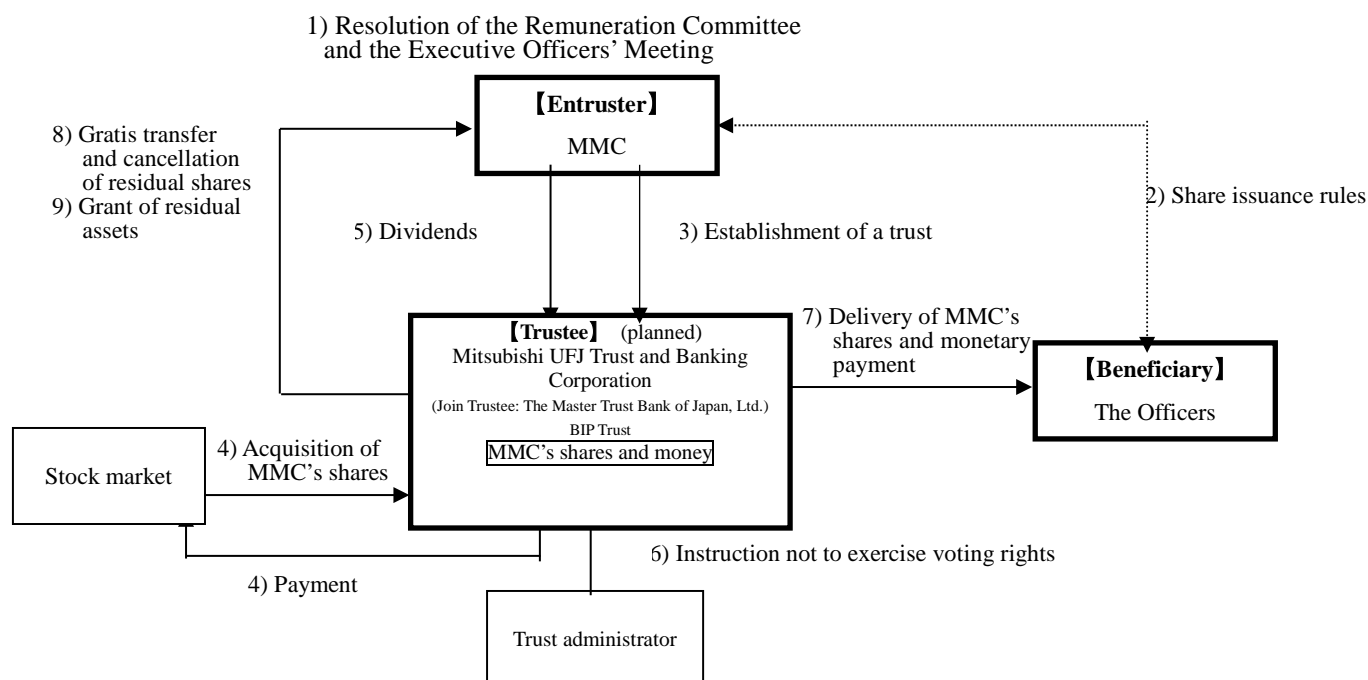
Notice of Introduction of a Stock Compensation Plan

Mitsubishi Materials Corporation (hereinafter “MMC”) hereby announces that the Remuneration Committee and the Executive Officers’ Meeting as of May 27, 2020 resolved to introduce a stock compensation plan (hereinafter “the Plan”) applicable to MMC’s executive officers, corporate officers and fellows (excluding non-domestic residents, hereinafter collectively referred to as the “Officers”). Details are described below.

1. Introduction of the Plan

- (1) MMC has introduced an executive remuneration system for the Officers on April 1, 2020 and its remuneration system consists of a base salary as a fixed compensation, an annual bonus as a performance-based compensation, and a stock-based compensation. Of these compensations above, MMC will introduce the Plan with respect to the stock-based compensation as a compensation for the purpose of enhancing the corporate value in the medium to long-term and align the interests of the Officers with those of the shareholders of MMC.
- (2) The Plan adopts a structure called Board Incentive Plan Trust (hereinafter the “BIP Trust”). The Plan is a plan which offers Officers grant or payment (hereinafter "grant, etc.") of the MMC's shares and money equivalent to the converted value of such shares (hereinafter the "MMC's shares, etc.") according to their individual rank.
- (3) If the trust period of the BIP Trust established for implementation of the Plan (hereinafter “the Trust”) has expired, MMC may continue the Plan by making amendments to the existing Trust for which the trust period has expired and additionally contributing to the Trust.

2. Framework of BIP Trust



- 1) MMC obtains approval for the introduction of the Trust to introduce the Plan at the Remuneration Committee and the Executive Officers' Meeting.
- 2) MMC establishes the share issuance rules with respect to the introduction of the Plan at the Remuneration Committee and the Executive Officers' Meeting.
- 3) MMC entrusts money based on the resolution for approval of the Remuneration Committee and the Executive Officers' Meeting in 1) above and establishes a trust (the Trust) the beneficiary of which is the Officers who meet the beneficiary requirements.
- 4) The Trust follows the instruction of the trust administrator and acquires MMC's shares from the stock market using the money contributed in 3).
- 5) MMC's shares held in the Trust are entitled to receive dividends in the same manner as other MMC's shares.
- 6) No voting rights shall be exercised on MMC's shares held in the Trust during the trust period.
- 7) Following the share issuance rules During the trust period, a certain number of points are granted to the Officers according to their individual rank and such points are accumulated.
The grant, etc. of MMC's shares, etc. corresponding to the number of points are offered to the Officers who meet certain beneficiary requirements after their retirement.
- 8) If there are residual shares at the expiry of the trust period due to a decrease in the number of the Officers during the trust period and MMC will either continuously use the Trust or another stock compensation plan similar thereto as the Trust, such residual shares may be delivered to the Officers.
If the Trust is terminated at the expiry of the trust period, the Trust will transfer such residual shares to MMC without compensation and MMC will cancel them as return to shareholders.
- 9) If there remains dividends after the distribution with respect to MMC's shares within the Trust at the expiry of the trust period and the Trust is continuously used, such residual assets will be utilized as the share acquisition fund. If the Trust is terminated at the expiry of the trust period, any portion in excess of reserve for trust expenses will be donated to organizations with no interest in MMC and the Officers.

(Note) If MMC's shares are exhausted within the Trust due to the grant, etc. of MMC's shares, etc. to the Officers who meet the beneficiary requirements, the Trust shall be terminated prior to the expiry of the trust period. If the number of shares corresponding to accumulated number of points granted to the Officers during the trust period (as defined in 3. (4) below) is likely to be insufficient or if the money in the trust assets is likely to be insufficient for payment of trust fees or trust expenses, MMC may additionally entrust money to the Trust or additionally acquire MMC's shares from the stock market based on the resolution for approval of the Remuneration Committee and the Executive Officers' Meeting

3. Details of the Plan

(1) Outline of the Plan

The Plan is a plan that offers the grant, etc. of MMC's shares, etc. as officer compensation to the Officers after retirement with respect to three consecutive fiscal years from the FY2021 (hereinafter "the Period").

If the Trust is extended (as defined in (3) ii. below), the Period shall be the three consecutive fiscal year thereafter.

(2) Persons subject to the Plan (beneficiary requirements)

The Officers are eligible to receive the grant, etc. after retirement from the Trust for the number of MMC's shares, etc. corresponding to the accumulated number of points based on the term of office until retirement through the prescribed procedures for determining the beneficiary on the condition that they meet the beneficiary requirements.

The beneficiary requirements are as follows:

- 1) To hold office as the Officers during the Period;
- 2) To be a domestic resident;
- 3) To have retired from office as the executive officer, corporate officer or fellow (*);
- 4) Neither resigned due to personal reasons (excluding resignation due to any unavoidable reason such as sickness or injury), nor committed certain illegal conducts during his/her term of office;
- 5) Other requirements deemed necessary for achieving the purpose of the stock compensation plan which are provided in the trust agreement or share issuance rules.

(*). However, in the event of an extension of the trust period as described in (3)(iii) below, and if the person covered under the Plan remains to hold office as the Officers at the expiry of the extension period, the Trust shall terminate at that point, and the person shall receive the grant, etc. of MMC's shares, etc. during his/her term of office.

(3) Trust period

i. Initial trust period

Approximately three years from June 2020 (planned) to May 2023 (planned)

ii. Extension of the Trust

At the expiry of the trust period, MMC may continuously operate the Trust as an incentive plan similar to the Plan by making amendments to the trust agreement and making additional contribution to the Trust. In such case, the trust period of the Trust is extended for a further three years and MMC makes additional contribution of trust money approved by the Remuneration Committee and the Executive Officers' Meeting through a resolution for each extended trust period and continues to grant points to the Officers during the extended trust period. The extension of the trust period is not limited only once and the trust period may be re-extended thereafter.

iii. Treatment of termination of the Trust (extension of trust period without additional contribution)

Despite the termination of the Trust, if the Officers who may meet the beneficiary requirements remain in office at the expiry of the trust period (or extended period if the Trust in ii. above is extended), although no points shall be granted to them after the expiry, the trust period of the Trust may be extended for a certain period until the retirement of such Officers and the completion of grant, etc. of MMC's shares, etc. to such Officers.

(4) MMC's shares to be delivered as the grant, etc. to the Officers

Number of MMC's shares, etc. to be delivered as the grant, etc. to the Officers shall be determined by the number of points granted to the Officers each year during the trust period. The points are granted to the Officers at a certain time of each year and in the number predetermined based on the ranks. MMC's shares, etc. are delivered as grant, etc. to the Officers in the number according to the accumulated points for terms of office until retirement (hereinafter the "Accumulated Points").

Annually granted points (truncated after decimal point)

= Amount of stock compensation by rank / Average unit price of MMC's shares acquired in Trust
(truncated after decimal point)

One point shall equal to one common share of MMC's and in the event of a share split or share consolidation of MMC's shares held in the Trust, MMC shall make an adjustment to the number of MMC's shares per point in accordance with the ratio of split or ratio of consolidation.

(5) Method and timing of the grant, etc. of MMC's shares, etc. to the Officers

If the Officers meeting the beneficiary requirements retire from office (excluding the case of their death), the Officers shall be granted MMC's shares corresponding to 70% of the Accumulated Points (any fraction less than one unit is rounded down) and MMC's shares corresponding to the remaining Accumulated Points shall be converted into cash within the Trust and the money equivalent to the converted value shall be paid to the Officers.

In the event of death of the Officer meeting the beneficiary requirements during his/her term of office, MMC's shares corresponding to the number of the Accumulated Points shall be converted to money within the Trust and paid to his/her heirs from the Trust.

- (6) Trust money scheduled to be contributed to the Trust and the maximum number of MMC's shares, etc. scheduled to be delivered as the grant, etc. from the Trust

MMC is scheduled to contribute the following money to the Trust as compensation to the Officers during the initial Period.

The scheduled amount of trust money to be contributed to the Trust during the initial Period: 688 million yen in total (*)

The maximum number of points granted to the Office during the initial Period: 350 thousand points

(*) The scheduled amount of trust money shall be calculated by adding the trust fees and the trust expenses to the share acquisition fund taking into account the current compensation standard of the Officers.

- (7) Method for the acquisition of MMC's shares by the Trust

Initial acquisition of MMC's shares by the Trust shall be planned to be from the stock market within the ceiling for the share acquisition fund in (6) above and the number of shares corresponding to the points to be granted.

- (8) Exercise of voting rights for MMC's shares held in the Trust

For the purpose of ensuring neutrality in management, no voting rights shall be exercised for MMC's shares held in the Trust (MMC's shares before grant, etc. to the Officers based on (5) above) during the trust period.

- (9) Treatment of dividends associated with MMC's shares held within the Trust

Dividends associated with MMC's shares held within the Trust shall be received by the Trust and appropriated to the trust fees and trust expenses for the Trust.

- (10) Treatment at the expiry of the trust period

If there are residual shares at the expiry of the Period due to a decrease in the number of the Officers during the trust period and MMC will either continuously use the Trust or another stock compensation plan similar thereto as the Trust, such residual shares will be subject to grant to the Officers. If the Trust is terminated at the expiry of the trust period, the Trust will transfer such residual shares to MMC without compensation and MMC will cancel them through the prescribed procedures as return to shareholders.

If there remains any dividends after the distribution with respect to MMC's shares within the Trust at the expiry of the trust period and the Trust is continuously used, such residual assets will be utilized as the share acquisition fund. If the Trust is terminated at the expiry of the trust period, any portion in excess of reserve for trust expenses will be donated to organizations with no interest in MMC and the Officers.

(Reference)

[Outline of the trust agreement of the Plan]

(1) Type of trust	Monetary trust other than a specified solely-administered monetary trust (third-party benefit trust)
(2) Purpose of trust	Providing incentives to the Officers
(3) Entruster	MMC
(4) Trustee	Mitsubishi UFJ Trust and Banking Corporation (planned) (Joint Trustee: The Master Trust Bank of Japan, Ltd.)
(5) Beneficiary	Retired Officers who meet the beneficiary requirements
(6) Trust administrator	A third party with no interest in MMC (certified public accountant)
(7) Date of trust agreement	June 1, 2020 (planned)
(8) Trust term	From June 1, 2020 (planned) to May 31, 2023 (planned)
(9) Commencement date of the plan	June 1, 2020 (planned)
(10) Exercise of voting rights	Voting rights will not be exercised
(11) Class of shares to be acquired	Common stock of MMC
(12) Amount of trust	688 million yen (planned) (including the trust fees and the trust expenses)
(13) Timing for acquiring shares	June 2, 2020 (planned) to June 19, 2020 (planned)
(14) Method of share acquisition	Acquisition from the stock market
(15) Rights holder	MMC
(16) Residual assets	MMC, as the rights holder, may receive residual assets within the scope of reserve for trust expenses after deducting share acquisition fund from trust money.

[Details of administration relating to the trust and shares]

(1) Trust-related administration	Mitsubishi UFJ Trust and Banking Corporation and The Master Trust Bank of Japan, Ltd. are to be the trustees of the BIP Trust and will conduct trust-related administration.
(2) Share-related administration	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. will conduct administration related to the delivery of MMC's shares to beneficiaries based on the administration service agreement.