



May 23, 2023



Notice on continuity and partial revision of Stock Compensation Plan for Directors (board benefit trust)

Company name:	SMC Corporation
Stock exchange listing:	Tokyo Stock Exchange, Prime Market
Security code:	6273
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SMC Corporation hereby announces that after deliberations by the Nomination and Compensation Committee, its Board of Directors held today approved to partially revise and continue the stock compensation plan (hereinafter the "Plan") for Directors (excluding directors who do not execute business and outside directors, and hereinafter the same, unless otherwise specified) introduced in FY2020.

The Company's Board of Directors also resolved to submit a proposal (the "Proposal") for this partial revision and continuation of the Plan for the 64th Annual General Meeting of Shareholders scheduled to be held on June 29, 2023 (the "AGM"). Details are as follows.

1. Partial Revision of the Plan

The Company introduced this plan in FY2020 to clarify the linkage between Directors' remuneration and the Company's stock value and to motivate Directors to contribute to the enhancement of the Company's medium- to long-term corporate value by sharing with shareholders the benefits of an increase in the stock price and the risks of a decline in the stock price.

To further strengthen the commitment of the Directors to the medium- and long-term corporate value, we are now proposing to our shareholders that the Plan be continued after partial revision by tripling its size. Please refer to the "Abolition of Directors' Retirement Benefits Plan and Introduction of a Stock Compensation Plan" released on May 21, 2020, for the details of this plan before the revision.

< Main items to be revised >

Item	Before Revision	After Revision
Maximum amount of trust fund	300 million yen per subject period (3 fiscal years)	300 million yen per fiscal year (900 million yen for the three subject fiscal years)

Item	Before Revision	After Revision
Maximum number of shares of the Company's stock to be granted to Directors	1,000 points per fiscal year	3,000 points per fiscal year (9,000 points for the three subject fiscal years)
Acquisition of our shares	Acquisition from the stock market	Acquisition from the stock market or from the Company (disposition of treasury stock)

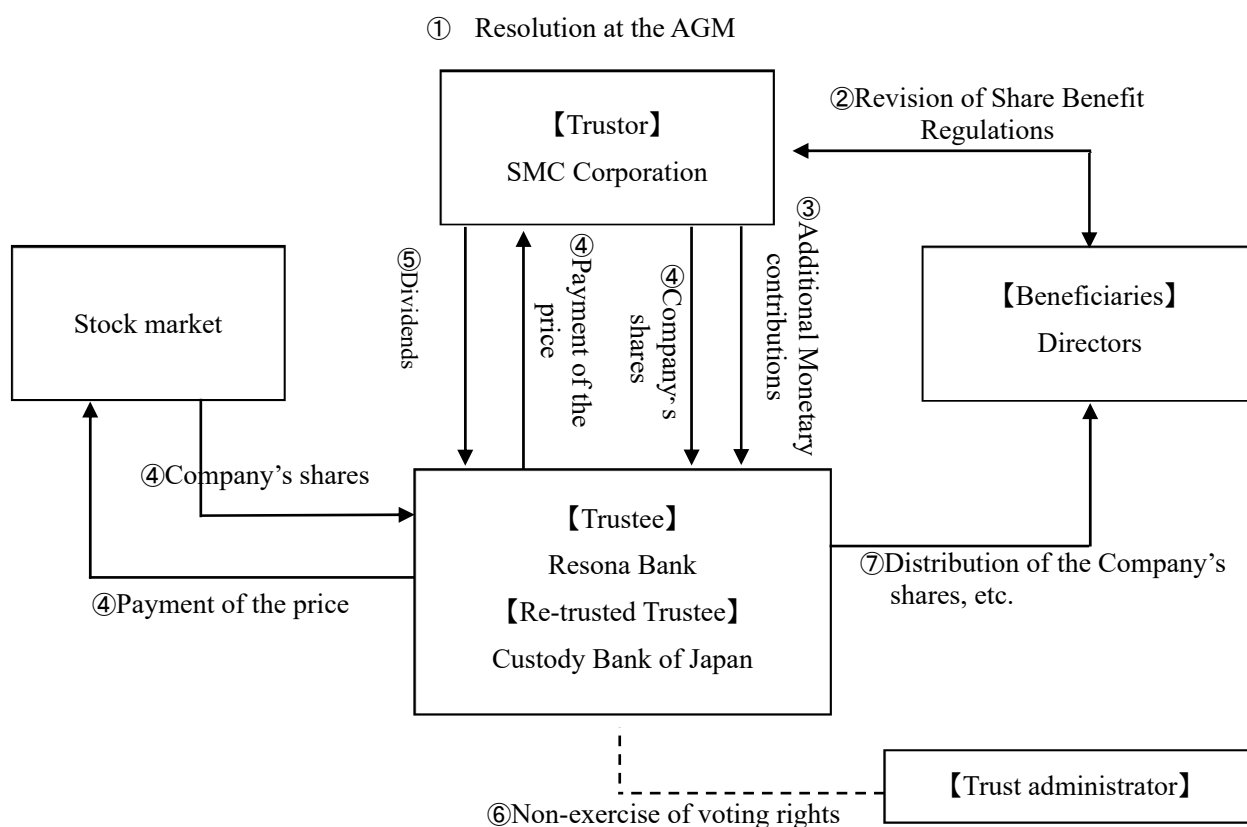
2. Details of the Plan after the Revision

(1) Outline of the Plan

Under the Plan, as compensation for Directors, a trust (the "Trust") established with funds contributed by the Company will acquire the Company's shares. The Trust is a stock-based compensation plan under which the Company's shares are acquired by the Trust (the "Trust"), which is established by the Company by contributing funds as compensation for Directors, and the Company's shares, etc. equivalent to the points to be granted to each Director are transferred to each Director through the Trust in accordance with the Stock Benefit Rules determined by the Board of Directors after deliberation by the Nomination and Compensation Committee of the Company.

In principle, the time when Directors receive the Company's shares, etc. is when they retire from the Company (details are as described in (8) below).

< Framework of the Plan >



- ① The Company will obtain a resolution at the AGM to approve the Directors' remuneration for the revised Plan.
- ② After deliberation by the Nomination and Compensation Committee, the Board of Directors of the Company will revise the Share Benefit Regulations pertaining to the delivery of the Company's shares, etc. under the Plan.
- ③ The Company will make an additional monetary contribution within the scope of the resolution approved in ① above.
- ④ The Trust will acquire the Company's shares from the stock market or the Company (disposition of treasury stock) using the funds entrusted in ③ above as the source of funds.
- ⑤ Dividends are paid to the Company's shares in the Trust in the same manner as other Company shares.
- ⑥ Voting rights pertaining to the Company's shares in the Trust shall not be exercised uniformly throughout the Trust period in order to ensure neutrality toward management.
- ⑦ During the trust period, in accordance with the share benefit regulations described in ② above, points are granted to Directors each fiscal year in accordance with their position and achievement of business performance, and the Company's shares, etc. in the number corresponding to the points granted will be paid to Directors who satisfy certain beneficiary requirements stipulated in the share benefit regulations, such as retirement.

(2) Individuals Subject to the Plan

Directors (excluding outside directors and directors who do not execute business)

(3) Period Covered by the Plan

The period will be for each of the three fiscal years from the fiscal year ending March 31, 2024, to the fiscal year ending March 31, 2026, and the three fiscal years beginning after the end of such three fiscal years (or such period if a separate period is resolved by the Board of Directors).

(4) Period of the Trust

The period will be from August 11, 2020, until the termination of the Trust (no specific termination date will be set, and the Trust will continue as long as the Plan continues). The Trust shall terminate upon delisting of the Company's shares, abolition of the Share Benefit Regulations, etc.

(5) The Upper Limit of Trust Money to be Contributed to the Trust as Funds to Acquire Shares

The Company will contribute up to 300 million yen per fiscal year multiplied by the number of fiscal years included in the subject period (900 million yen for the three subject fiscal years) to fund the acquisition of the Company's shares to provide each Director with the Company's shares and other benefits under this plan. (*)

During the subject period, the Company may additionally place funds in trust for the acquisition of the Company's shares to the extent that the total amount of contributions, including the initial contribution amount, reaches the above maximum amount.

However, if there are any residual shares, etc. of the Company (excluding the Company shares equivalent to the points granted to Directors) and money (collectively, the "Residual Shares, etc."), the total amount of such Residual Shares, etc. (the market value of the residual shares as of the day before the start of the relevant

subject period) and additional trust money to be contributed shall be within the above maximum amount.

- (*) The amount of money that the Company will actually contribute to the Trust will be the total of the above-mentioned funds for acquisition of the Company's shares and the estimated amount of necessary expenses such as trust fees and trust administrator fees.

(6) Acquisition Method and the Upper Limit of the Company's Shares acquisition by the Trust

Directors are granted points for each fiscal year, which are calculated based on their position and achievement of performance targets in accordance with the Share Benefit Regulations(*). The maximum number of points to be granted during the applicable period is 3,000 points per fiscal year multiplied by the number of fiscal years included in the applicable period (9,000 points in total for the three fiscal years that are the applicable period).

Each point granted shall be converted into one share of the Company's stock (fractions of less than one point shall be rounded down) when the Company grants stock to Directors. However, in the event of a stock split, gratis allotment of shares, or reverse stock split of the Company's shares, the Company will make reasonable adjustments to the conversion ratio per point in accordance with such ratio, etc.

- (*) The performance target during the subject period shall be the ratio of operating income to net sales on a consolidated basis for each fiscal year, if not achieved, no points will be awarded.

(7) Calculation Method and Upper Limit for the Company's Shares to be provided to Directors

The acquisition of the Company's shares by the Trust shall be made by means of purchasing from the stock market or subscribing to the Company's disposal of treasury stock within the limit of the amount described in (5) above, using the funds for share acquisition contributed by the Company in accordance with (5) above as the source of funds. A maximum of 9,000 shares shall be repurchased for each subject period. The maximum number of such shares to be acquired is set based on the upper limit of the trust fund in (5) above. Details of the acquisition method will be determined and disclosed after this AGM.

(8) Distribution of Company's Shares, etc. to Directors

When a Director retires or otherwise satisfies the requirements for beneficiaries stipulated in the Share Benefit Regulations, the Company will, through procedures to determine beneficiaries, pay the Director the number of Company shares corresponding to the points granted to that Director. However, for a certain percentage of those points, the Company will pay cash equivalent to the market value of the Company's shares in lieu of the payment of the Company's shares, in order to secure funds for tax payments. In the event of the death of a Director, the Company will pay cash equivalent to the market value of the Company's shares in lieu of payment of all of the Company's shares. In some cases, the Trust may sell the Company's shares to provide monetary benefits.

(9) Exercise of Voting Rights Represented by the Company's Shares Held in the Trust

Voting rights pertaining to the Company's shares in the Trust shall be uniformly non-exercised during the Trust period to ensure neutrality toward management.

(10) Treatment of Dividends from the Company's Shares Held in the Trust

Dividends on the Company's shares in the Trust will be received by the Trust and will be used to fund the acquisition of the Company's shares and trust fees related to the Trust.

(11) Treatment upon Termination of the Trust Period

Of the remaining assets of the Trust at the time of termination of the Trust, the Company plans to acquire all of the Company's shares without compensation and then cancel them by a resolution of the Board of Directors of the Company. The Company plans to distribute cash to the eligible employees of the Plan who are in office at the time of the termination of the Trust in proportion to the number of points granted to each of them.

(12) Malus or Claw back

If a person eligible for this plan is dismissed or if the Company recognizes that the person has committed a certain act of misconduct during his/her term of office, the person in question shall not acquire the right to receive the benefits of the Company's shares, etc.

In addition, if it is found that there was an error in the calculation of the performance index on which the point award was based or if it is found that the eligible person concerned committed a certain act of misconduct after the Company's shares, etc. were granted under this plan, the eligible person concerned shall be obliged to return to the Company the shares, etc. that were granted in excess of the amount that should have been originally granted to the eligible person. The Company shall be obliged to return the Company's shares, etc. that have been granted in excess of the amount originally granted.

(13) Other Contents of the Plan

Other details of the Plan shall be determined by the Board of Directors after deliberation by the Nominating and Compensation Committee each time the Trust is established, the trust agreement is amended, or additional contributions are made to the Trust.

【Outline of the Trust】

① Name of trust : Board Benefit Trust (BBT) for Directors

② Trustor : The Company

③ Trustee : Resona Bank, Limited.

Resona Bank, Limited shall enter into a Specific Comprehensive Trust Agreement with Custody Bank of Japan, Ltd., and Custody Bank of Japan, Ltd. shall consequently be the re-trusted Trustee of Resona Bank, Limited.

④ Beneficiaries : Directors who meet requirements as beneficiaries as stipulated in the stock benefit regulations

⑤ Trust administrator : A third party having no conflicts of interest with the Company

⑥ Types of trust : Money trust other than a specified cash trust (Third party benefit trust)

⑦ Date of trust agreement : August 2020

⑧ Period of trust : From August 2020 to until the Trust ends.

(The Trust shall continue without a specific ending period, continuing as long

as the Plan continues.)

- ⑨ Date of change of agreement : August 2023 (tentative)
- ⑩ Date of additional contribution : August 2023 (tentative)

= End =