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Press Release

Company name: SMC Corporation

Representative: Katsunori Maruyama, President

(Code no.: 6273 TSE First Section)

Contact: Corporate Communications Office

disclosure@smcjp.co.jp

Abolition of Directors' Retirement Benefits Plan and Introduction of a Stock Compensation Plan

The Company announces that, after deliberations by the Nomination and Compensation Committee, it passed a resolution at its Board of Directors meeting held today, to abolish directors' retirement benefits with the introduction of a new stock compensation plan (hereinafter the "Plan") for the Company's directors (excluding directors who do not execute business and outside directors, and hereinafter the same, unless otherwise specified). This proposal will be submitted for approval at the 61st Ordinary General Meeting of Shareholders to be held on June 26, 2020 (hereinafter the "Shareholders Meeting").

1. The Abolition of the Directors' Retirement Benefits Plan

As a part of its revision of the compensation plan for directors, the Company shall abolish the current directors' retirement benefits plan (in Section 1, including directors who do not execute business but excluding outside directors) effective at the close of the Shareholders Meeting.

In addition, with respect to directors who continue to be in office after the close of the Shareholders Meeting, the Company shall submit an agenda at the Shareholders Meeting for the final payment of directors' retirement benefits which will correspond with their time in office until the close of the Shareholders Meeting. The timing of payments shall be when he or she ceases to be a director.

Since the Company has long accrued required amounts based on certain standards as provisions for directors' retirement benefits in case of any future directors' retirement benefits, the impact on the Company's business performance will not be material.

2. Introduction of the Plan

- (1) The Company shall introduce the Plan to clarify the linkage between compensation for directors and stock value, and for the purpose of contributing to and enhancing awareness of Directors to increase the Company's medium to long-term corporate value by sharing with shareholders the merits of increase and the risks of decrease in stock value.

- (2) The introduction of the Plan shall be on the condition of gaining approval at the Shareholders Meeting with respect to the amount and content of compensation in conjunction with the introduction of the Plan.
- (3) Compensation for directors currently consist of “basic compensation” and “retirement benefits”, but will consist of “basic compensation” and “stock compensation” as a result of abolishment of the directors’ retirement benefits plan and the introduction of the Plan.

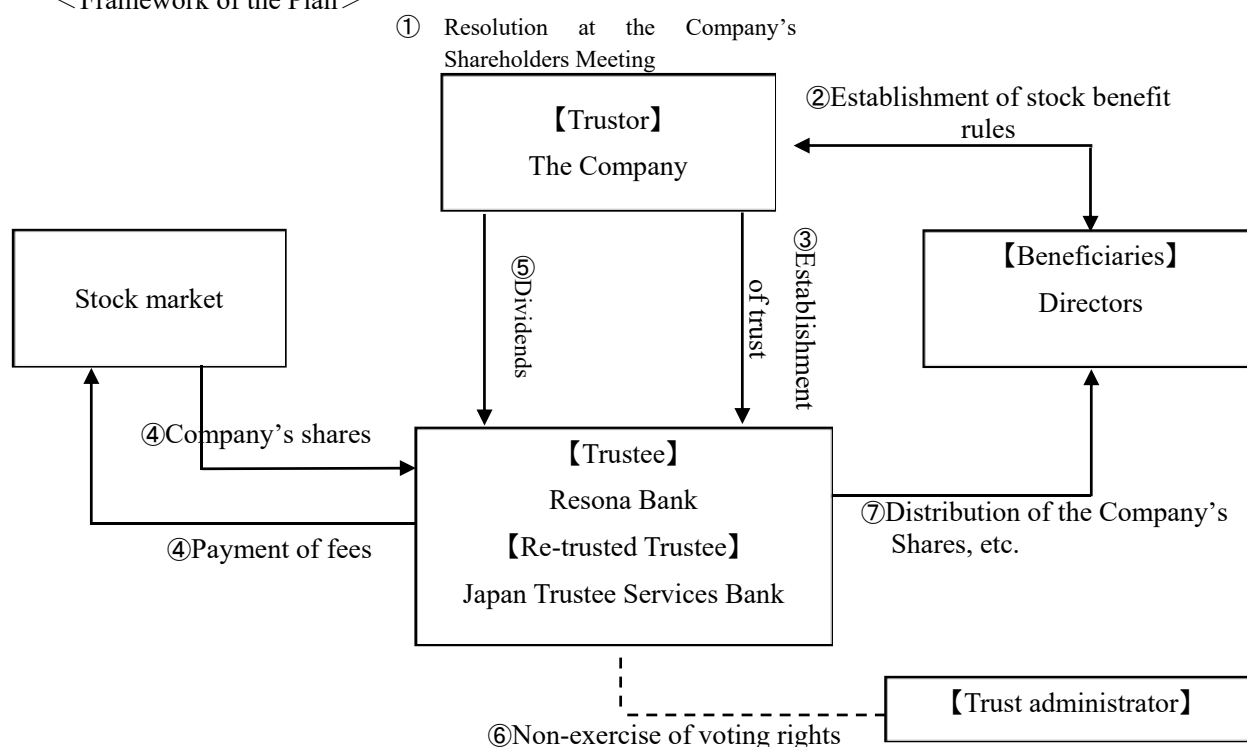
3. Amount and Content of Compensation, etc. of the Plan

(1) Outline of the Plan

The Plan is a stock compensation plan under which a trust established by money contributed by the Company (hereinafter the “Trust”) acquire the Company’s shares, and in accordance with stock benefit rules established by the Company through deliberation at the Nomination and Compensation Committee, the Company’s shares equivalent to points granted to each director and the money equivalent to the amount converted from the market price of the Company’s shares (hereinafter collectively the “Company’s Shares, etc.”) are provided to each director through the Trust.

In addition, Directors shall receive the Company’s Shares, etc. in principle at the time of retirement (refer to (8) below for further information).

<Framework of the Plan>



- ① The Company shall pass a resolution on compensation of directors with respect to the introduction of the Plan at the Shareholders Meeting.
- ② The Company shall, after deliberation at the Nomination and Compensation Committee, at the Board of Directors meeting establish stock benefit rules on the provision of Company’s Shares, etc. based on the Plan.

- ③ The Company shall contribute funds and establish a trust where those subject to the Plan are can be prospective beneficiaries (the Trust), within the amount approved at the Shareholders Meeting as set forth in ① above. In addition, the Company may make additional contributions of funds within the amount approved at the Shareholders Meeting as set forth in ① above.
- ④ The Trust shall acquire the Company's shares through the stock market with the entrusted money used as funds, as set forth in ③ above.
- ⑤ Dividends shall also be paid in the same manner as the other Company's shares with respect to the Company's shares held in the Trust.
- ⑥ The Trust shall not exercise voting rights represented by the Company's shares held in the Trust without any exception during the course of the trust period, in order to ensure neutrality in the management.
- ⑦ During the trust period, based on the stock benefit rules as set forth in ② above, points shall be provided to Directors every business year, in accordance with the level of their ranks and achievement in business performance, and Directors that meet certain requirements stipulated in the stock benefit rules, such as at the time of their retirement etc., shall receive Company's Shares, etc. based on the number of points granted to them.

(2) Individuals Subject to the Plan

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

(3) Period Covered by the Plan

The periods of three business years from the business year ending March 2021 to the business year ending March 2023 (hereinafter the "First Covered Period") and each 3 business years after the First Covered Period (or if the Board of Directors otherwise resolves a period over 3 business years, such period) (hereinafter each period together with the First Covered Period is called "Covered Period").

(4) Period of the Trust

From August 2020 (tentative) to until the Trust ends. (The Trust shall continue without a specific ending period, continuing as long as the Plan continues. The Plan shall end if the Company's shares are delisted and the stock benefit rules are discontinued.)

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

On the condition that the introduction of the Plan is approved at the Shareholders Meeting, in order to provide Company's Shares, etc. to each Director for the First Covered Period based on the Plan, the Company shall contribute 300 million yen as the upper limit (*) to the Trust as funds to acquire the Company's shares. In addition, during the First Covered Period, the Company may make entrust additional funds to acquire the Company's shares to the extent that the total contribution amount including the initial contribution shall be within the upper limit described above.

In addition, even after the First Covered Period, and during the time until the Plan ends, the Company shall for each Covered Period make an additional contribution to the Trust of 300 million yen as the upper limit. However, in the case where the remaining Company shares (excluding Company shares equivalent to the number of points provided to Directors during each Covered Period before the concerned Covered Period, that have not been provided to the Directors) and the money (hereinafter collectively the “Remaining Shares, etc.”) are available in the Trust immediately before the Covered Period when an additional contribution is made, the value of such Remaining Shares, etc. (the remaining shares shall be of the market price immediately before the start date of the concerned Covered Period) and the total amount of entrusted money for additional contribution shall be kept within the upper limit as described above.

* The funds to acquire the Company’s shares include the expected necessary expenses of trust fees, etc.

- (6) Acquisition Method and the Upper Limit of the Company’s Shares acquisition by the Trust
- The acquisition of the Company’s shares by the Trust shall be carried out through purchase from stock markets within the upper limit as described in (5) above, using money contributed by the Company to acquire funds as described in (5) above. Details of the acquisition method shall be determined and disclosed after the Shareholders Meeting.

In addition, with respect to the First Covered Period, 3,000 shares shall be acquired as the upper limit without delay after the establishment of the Trust. The upper limit for such acquired shares is set based on the upper limit of the trust money as described in (5) above.

- (7) Calculation Method and Upper Limit for the Company’s Shares to be provided to Directors
- The Company shall, with respect to each business year, provide Directors with points calculated in accordance with the level of their ranks and achievement in business performance targets, based on the stock benefit rules (*). The upper limit of points that may be granted per one business year during the Covered Period is planned to be a total of 1,000 points.

In addition, the points granted shall be converted at 1 share of Company’s shares for 1 point when providing shares to Directors (fractions below 1 point shall be round off). However, in the event of a stock split, an allotment of shares without contribution or a stock consolidation, etc. of the Company’s shares, the Company will undergo a rational adjustment using a conversion rate of the Company’s shares for 1 point based on that ratio.

* Business performance targets during the Covered Period shall be the ratio of operating income to net sales on a consolidated basis for each business year, and no points shall be granted if such target is not achieved.

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

In the case any Director meets the beneficiary requirements established under the stock benefit rules by retirement, etc., the Director concerned shall receive Company's shares in response to the points granted, through established procedures for the designated beneficiaries. However, Directors shall receive money equivalent in place of a certain portion of the Company's stock benefit converted at the market price, from the perspective of obtaining funds for tax payment. For this monetary benefit to be provided, there may be cases when the Company will sell Company's shares held in the Trust.

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

The voting rights represented by the Company's shares held in the Trust shall not be exercised without any exception during the trust period, in order to ensure neutrality in the management.

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

The Trust shall receive dividends from the Company's shares held in the Trust and shall use them for payment to acquire the Company's shares and for trust fees, etc. of the Trust.

(11) Treatment upon Termination of the Trust Period

Of the remaining assets in the Trust upon termination of the Trust, the Company plans to acquire the remaining Company shares at no charge and to retire at the corporate resolution. The remaining amount of money is planned to be distributed on a pro rata basis to those subject to the Plan in office at that time, in accordance with the points granted to them.

(12) Malus or Clawback

If any person subject to the Plan is dismissed or if the Company finds that illegal acts have been committed to a certain extent during their term of office, such person shall not acquire the right to receive any Company's Shares, etc.

In addition, if any error is found in the calculation of the business performance index on which the points were granted or if the subject concerned is found to have committed illegal acts to a certain extent, after the Company's Shares, etc., have been provided based on the Plan, the subject concerned shall bear the obligation to return to the Company any Company's Shares, etc., that were paid in excess of the original provision amount.

(13) Other Contents of the Plan

Other contents of the Plan shall be established at the Board of Directors after deliberation at the Nomination and Compensation Committee, at every establishment of the Trust, change to the trust agreement and additional contribution 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 Japan Trustee Services Bank, Ltd., and Japan Trustee Services Bank, 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 rules

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

⑥ Date of trust agreement : August 2020 (tentative)

⑦ Date when money is entrusted : August 2020 (tentative)

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

(The Trust shall continue without a specific ending period, continuing as long as the Plan continues.)

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