Reference Translation

May 27, 2026

Notice Regarding Revision of the Performance-linked Compensation for Directors

Company name :	**SMC Corporation**
Stock exchange listing :	Tokyo Stock Exchange Prime Market
Security code :	6273
URL :	https://www.smcworld.com/ir/en-jp/
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SMC Corporation (SMC) hereby announces that its Nomination and Compensation Committee and Board of Directors have decided to revise the Performance-linked Compensation system for Directors (excluding Outside Directors and Members of the Audit and Supervisory Committee; unless otherwise noted, the same applies hereinafter) (hereinafter referred to as the "This Plan") as follows.

【Current Performance-linked Compensation System】

The current system for performance-linked bonuses (fixed monetary compensation) for directors (excluding outside directors and non-executive directors) was established at the Board of Directors meeting held on May 13, 2022, and remains in effect today. Under this system, such bonuses are paid within the total annual monetary compensation limit for directors, which is set at 900 million yen.

The performance metric used is the year-over-year sales growth rate compared to the previous fiscal year.

【Purpose of the System Revision】

This plan was adopted by the Board of Directors based on a recommendation from the Nomination and Compensation Committee, which consists of two outside directors and one representative director, with an outside director serving as chair. We have determined that this system is necessary, reasonable, and appropriate in light of the objective of further clarifying the link between directors' compensation and the Company's performance and stock value, and of strengthening directors' commitment to improving the Company's medium- to long-term performance and increasing corporate value by enhancing the extent to which directors share the benefits of rising stock prices and the risks of falling stock prices with our shareholders.

【Amounts and Details of Compensations under the Revised System】

(1) Overview of This Plan

Performance-linked compensation for Directors after revision will consist of cash bonuses, stock compensation and stock options.

After the end of each fiscal year, the total amount of performance-linked compensation for each Director shall be calculated as the amount obtained by multiplying the amount of the performance indicator (consolidated operating profit) by (i) the achievement level of the performance target (consolidated operating profit margin on a consolidated basis) and (ii) a coefficient corresponding to the Director's position, in accordance with a calculation formula predetermined by the Board of Directors based on a recommendation from the Nomination and Compensation Committee. The total amount so calculated shall be capped at JPY 5.0 billion per year, separately from the basic compensation for which an annual compensation limit of JPY 2.0 billion is established under Proposal No. 5.

The total amount of performance-linked compensation determined for each Director shall be allocated among cash bonuses, stock compensation and stock options at the ratios shown in the table below. However, the total number of shares to be provided to all Directors as stock compensation shall be capped at 50,000 shares per year, and the total number of Stock Acquisition Rights to be granted to all Directors as stock options shall be capped at 1,500 rights per year (equivalent to 150,000 shares). Any amount corresponding to the portion exceeding such caps shall be paid by adding it to the cash bonuses.

The allocation ratios may be changed by resolution of the Board of Directors after deliberation by the Nomination and Compensation Committee.

[Allocation Ratios]

Cash Bonuses	Stock Compensation	Stock Options
40%	40%	20%

(2) Cash Bonuses

Each Director shall be paid, as a cash bonus constituting performance-linked compensation, the amount obtained by multiplying the total amount of performance-linked compensation determined for such Director pursuant to (1) above by the allocation ratio applicable to cash bonuses. The compensation limit for such cash bonuses shall be set separately from the basic compensation for which an annual compensation limit.

(3) Stock Compensation (Board Benefit Trust)

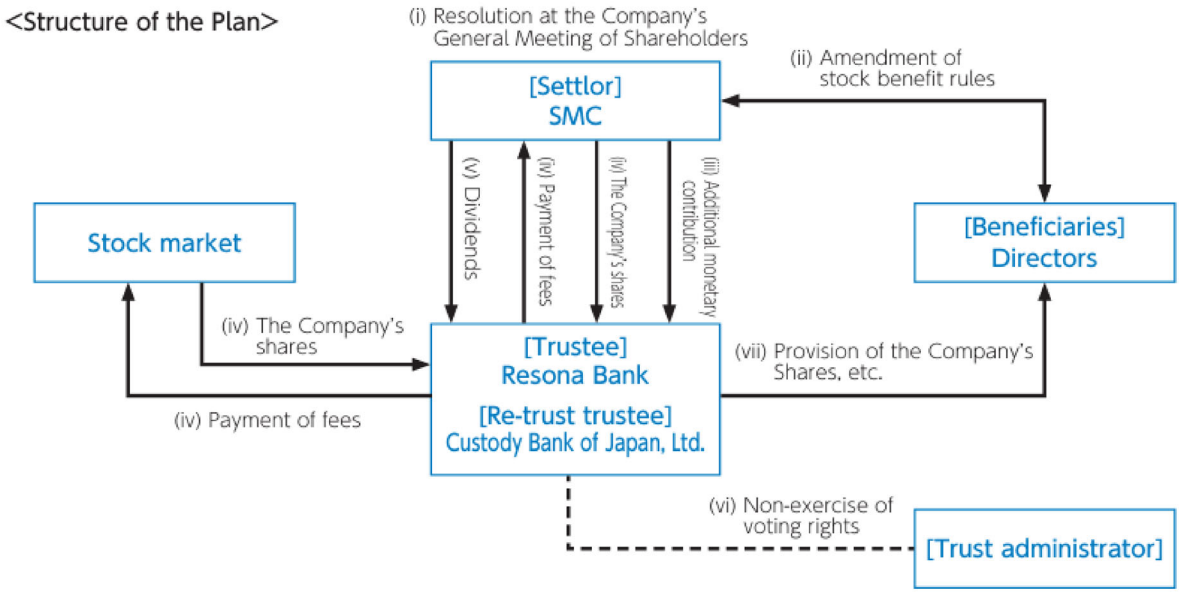
1. Overview

Each Director shall receive, as stock compensation, the Company's shares and cash in an amount equivalent to the market value of the Company's shares (hereinafter collectively, "the Company's Shares, etc.") corresponding to the amount allocated as stock compensation among performance-linked compensation.

A trust established by the Company contributing funds by the Company (hereinafter, the "Trust") shall acquire shares of the Company, and, in accordance with the stock benefit rules established by the Board of Directors after deliberation by the Nomination and Compensation Committee, the Company's Shares, etc. corresponding to the points

granted to each Director shall be provided to each eligible Director through the Trust.
Directors shall receive the Company's Shares, etc. upon their retirement, in principle.

<Structure of the Plan>



(i) The Company will obtain, at this General Meeting of Shareholders, a resolution approving the introduction of the new performance-linked compensation plan for Directors.
(ii) The Company will establish the stock benefit rules relating to the provision of the Company's Shares, etc. under this system by resolution of the Board of Directors ,after deliberation by the Nomination and Compensation Committee.
(iii) Within the scope approved at the General Meeting of Shareholders described in (i) above, the Company will make an additional monetary contribution.
(iv) The Trust will acquire the Company's shares from the stock market or from the Company (disposal of treasury shares) using the funds entrusted under (iii) above as its source of funds.
(v) Dividends will also be paid on the Company's shares held in the Trust in the same manner as other shares of the Company.
(vi) With respect to voting rights pertaining to the Company's shares held in the Trust, such voting rights shall uniformly not be exercised throughout the Trust Period in order to ensure neutrality in management.
(vii) During the Trust Period, points will be granted each fiscal year to eligible Directors in accordance with the achievement level of performance targets and position, pursuant to the stock benefit rules described in (ii) above, and the Company's Shares, etc. corresponding to the number of points granted will be provided to Directors who satisfy certain beneficiary requirements prescribed in the stock benefit rules due to retirement, etc.

2. Applicable Period

The Applicable Period shall be each three-fiscal-year period, beginning with the three fiscal years from the fiscal year ending March 31, 2027 to the fiscal year ending March 31, 2029, and each subsequent three-fiscal-year period thereafter (or, if the Board of Directors resolves another period, such period).

3. Trust Period

The Trust Period shall be from August 11, 2020 until the termination of the Trust (the date of termination of the Trust shall not be specified, and the Trust will continue as long as this system continues). This plan shall terminate upon delisting of the Company's shares, abolition of the stock benefit rules, etc.

4. Upper Limit of Trust Money to Be Contributed to the Trust as Share Acquisition Funds

In order to acquire the Company's shares for provision of the Company's Shares, etc. to Directors, the Company will contribute money to the Trust, for each Applicable Period, up to a maximum of JPY 6.0 billion (Note).

During the Applicable Period, the Company may additionally entrust share acquisition funds within the scope such that the total amount of contributions, including the initial contribution amount, does not exceed the maximum amount stated above.

However, if there are remaining shares and cash (collectively, "Remaining Shares, etc.") in the trust assets of the Trust immediately before the start date of the Applicable Period for which an additional contribution is to be made—being (i) the Company's shares remaining in the trust assets (excluding those corresponding to points granted to Directors in each Applicable Period up to the prior Applicable Period for which provision to Directors has not yet been completed), and (ii) cash—then the total amount of (a) the value of such Remaining Shares, etc. (with respect to remaining shares, the market value as of the day immediately preceding the start date of the Applicable Period) and (b) the trust money additionally contributed shall be within the maximum amount stated above.

(Note) The money actually entrusted by the Company to the Trust will be an amount that includes, in addition to the share acquisition funds described above, the estimated amount of necessary expenses such as trust fees and trust administrator fees.

5. Method for Calculating and Upper Limit of the Company's Shares to Be Granted to Directors

For Directors, the amount allocated to each Director as stock compensation pursuant to (1) above will be divided by the closing price of the Company's common shares on the Tokyo Stock Exchange as of the last day of the month two months after each fiscal year-end (or, if no trade is executed on such day, the closing price on the most recent trading day prior thereto), and the number of points so calculated will be granted (any fraction of less than 100 points shall be rounded down). The granted points shall be converted into the Company's shares at a rate of one (1) share per one (1) point upon provision of shares to Directors. Cash corresponding to the fractional points rounded down shall be paid by adding it to the amount of cash bonuses.

If the Company conducts a stock split, allotment of shares without contribution, consolidation of shares, etc. with respect to the Company's shares, the Company will make a reasonable adjustment to the conversion ratio per point in accordance with the ratio, etc. thereof.

The total number of points to be granted to Directors during the Applicable Period shall be capped at 50,000 points per fiscal year in total (for the three (3) fiscal years constituting the Applicable Period, 150,000 points in total).

6. Method of Acquisition of the Company's Shares by the Trust and Upper Limit of the Number of Shares to Be Acquired

The Trust will acquire the Company's shares, for each Applicable Period, within the range of 150,000 shares, by purchasing them from the stock market or by subscribing to the Company's disposal of treasury shares, using the share acquisition funds contributed by the Company pursuant to 4. above as the source of funds. Details of the acquisition method will be determined and disclosed after this General Meeting of Shareholders.

7. Provision of the Company's Shares, etc. to Directors

If a Director satisfies the beneficiary requirements set forth in the stock benefit rules due to retirement, etc., then, following procedures for determination of beneficiary status, the Trust will provide to such Director the Company's shares corresponding to the number of points granted. However, with respect to a certain portion thereof, from the perspective of securing funds for tax payment, cash in an amount equivalent to the market value of the Company's shares will be provided in lieu of provision of the Company's shares. In addition, if a Director dies, all of the benefit will be provided in cash in an amount equivalent to the market value of the Company's shares. The Trust may sell the Company's shares in order to make cash provision.

8. Exercise of Voting Rights Pertaining to the Company's Shares in the Trust

Voting rights pertaining to the Company's shares held in the Trust shall uniformly not be exercised during the Trust Period in order to ensure neutrality in management.

9. Treatment of Dividends Pertaining to the Company's Shares in the Trust

Dividends pertaining to the Company's shares held in the Trust shall be received by the Trust and used for share acquisition funds and for trust fees, etc. related to the Trust.

10. Treatment upon Expiration of the Trust Period

Among residual trust assets upon termination of the Trust, all of the Company's shares are expected to be acquired by the Company without consideration and then canceled by resolution of the Board of Directors. Cash is expected to be provided to those persons who are then in office and are subject to this system, distributed on a pro rata basis in accordance with their respective granted points.

11. Malus and Clawback Provisions

If the person subject to this system is dismissed, or if the Company determines that such person committed a certain illegal act while in office, such person shall not acquire the right to receive provision of the Company's Shares, etc.

In addition, if, after provision of the Company's Shares, etc. under this system has been made, it is found that there was an error in the calculation of performance indicators that formed the basis for granting points, or if it is found that such person committed a certain illegal act, such person shall be obligated to return to the Company the Company's Shares, etc. provided in excess of the scope that should have been provided.

12. Other Contents of This System

Other contents of this system shall be determined by the Board of Directors after deliberation by the Nomination and Compensation Committee each time the Trust is

established, the trust agreement is amended, or an additional contribution to the Trust is made.

(4) Stock Options

1. Overview

Each Director shall be granted Stock Acquisition Rights in the number corresponding to the amount allocated as stock options among performance-linked compensation.

The amount per share to be paid upon exercise of such Stock Acquisition Rights (hereinafter, the "Exercise Price") shall be the same as the closing price of the Company's common shares on the Tokyo Stock Exchange as of the last day of the month two months after each fiscal year-end (or, if no trade is executed on such day, the closing price on the most recent trading day prior thereto).

The Company believes that, with such compensation design, Directors can further increase the degree to which they share with shareholders both the benefits of stock price increases and the risks of stock price decreases, and can enhance their motivation to contribute to the Company's medium- to long-term enhancement of corporate value.

2. Method for Calculating the Number of Stock Acquisition Rights

For each Director, for each fiscal year, Stock Acquisition Rights in the number obtained by dividing the amount allocated as stock options among performance-linked compensation by the payment amount for Stock Acquisition Rights set forth in "3. Overview of Stock Acquisition Rights" below (any fraction of less than one (1) right shall be rounded down) shall be granted. Cash corresponding to the number of Stock Acquisition Rights rounded down shall be paid by adding it to the amount of cash bonuses.

The total number of Stock Acquisition Rights to be granted to all Directors in each fiscal year shall be capped at 1,500 rights per year (equivalent to 150,000 shares), and any amount corresponding to the portion exceeding such cap shall be paid by adding it to the cash bonuses.

The Company may, by resolution of the Board of Directors, determine that for Directors who retire at the Annual General Meeting of Shareholders immediately after determination of performance-linked compensation, the portion allocated as stock options among performance-linked compensation will be paid in cash in lieu of Stock Acquisition Rights.

3. Overview of Stock Acquisition Rights

As follows:

a. Total number of Stock Acquisition Rights

The number of Stock Acquisition Rights to be issued within one (1) year from the date of the Annual General Meeting of Shareholders for each fiscal year shall be capped at 1,500 rights (equivalent to 150,000 shares).

b. Class and number of shares that are the subject of Stock Acquisition Rights

The class of shares that are the subject of Stock Acquisition Rights shall be the Company's common shares, and the number of shares that are the subject of one (1) Stock Acquisition Right (hereinafter, the "Granted Shares") shall be one hundred (100) shares.

If, after the date of allotment of Stock Acquisition Rights (hereinafter, the "Allotment Date"), the Company conducts a stock split (including allotment of the Company's

common shares without contribution; the same shall apply hereinafter) or a consolidation of shares with respect to the Company's common shares, the number of Granted Shares shall be adjusted pursuant to the following formula:

Adjusted Granted Shares = Pre-adjustment Granted Shares × Split/Consolidation RatioIn addition, if, after the Allotment Date, the Company conducts a merger, company split, share exchange, or share transfer, or otherwise if adjustment of the number of Granted Shares becomes necessary, the Company may adjust the number of Granted Shares within a reasonable range.

The above adjustments shall be made only with respect to the number of shares that are the subject of Stock Acquisition Rights that have not been exercised at that time, and any fraction of less than one (1) share resulting from the adjustment shall be rounded down.

c. Payment amount for Stock Acquisition Rights

The payment amount per one (1) Stock Acquisition Right shall be an amount determined by the Company's Board of Directors based on the fair value of Stock Acquisition Rights calculated at the time of allotment of Stock Acquisition Rights using a fair valuation method such as the Black-Scholes model.

The person who receives the allotment of Stock Acquisition Rights (hereinafter, a "Holder of Stock Acquisition Rights") shall offset the payment amount by way of setoff with compensation claims against the Company in lieu of paying the payment amount, and no cash payment shall be required.

d. Value of property to be contributed upon exercise of Stock Acquisition Rights or method for calculating such value

The subject matter of contribution upon exercise of Stock Acquisition Rights shall be cash, and the value thereof shall be the amount obtained by multiplying (i) the amount per share to be paid upon exercise of Stock Acquisition Rights (hereinafter, the "Exercise Price") by (ii) the number of Granted Shares pertaining to the Stock Acquisition Rights. The Exercise Price shall be the same as the closing price of the Company's common shares on the Tokyo Stock Exchange as of the last day of the month two months after each fiscal year-end (or, if no trade is executed on such day, the closing price on the most recent trading day prior thereto).

If, after the Allotment Date, the Company conducts a stock split or a consolidation of shares with respect to the Company's common shares, the Exercise Price shall be adjusted pursuant to the following formula, and any fraction of less than one (1) yen resulting from the adjustment shall be rounded up:

$$\text{Adjusted Exercise Price} = \text{Pre-adjustment Exercise Price} \times \frac{1}{\text{Split/Consolidation Ratio}}$$

If the Company issues new shares or disposes of treasury shares at a price lower than market price (excluding cases of exercise of Stock Acquisition Rights and conversion of securities that are convertible or may be converted into the Company's common shares), the Exercise Price shall be adjusted pursuant to the following formula, and any fraction of less than one (1) yen resulting from the adjustment shall be rounded up:

$$\text{Adjusted Exercise Price} = \text{Pre-adjustment Exercise Price} \times \frac{\text{Number of outstanding shares} + \dfrac{\text{Number of newly issued shares} \times \text{Payment amount per share}}{\text{Stock price before new issuance}}}{\text{Number of outstanding shares} + \text{Increase in shares due to the new issuance}}$$

In the above formula, “Number of outstanding shares” means the number obtained by subtracting the number of treasury shares held by the Company from the total number of issued shares of the Company, and in the case of disposal of treasury shares, “Number of newly issued shares” shall be deemed to be “Number of treasury shares to be disposed,” and “Stock price before new issuance” shall be deemed to be “Stock price before disposal,” respectively.

In addition to the above, if, after the Allotment Date, the Company conducts a merger or a company split, or otherwise if adjustment of the Exercise Price becomes necessary, the Exercise Price may be adjusted within a reasonable range by resolution of the Board of Directors.

e. Period during which Stock Acquisition Rights may be exercised

The period shall be a period to be determined by the Company’s Board of Directors, within ten (10) years from the day after the Allotment Date.

f. Matters regarding the amount of capital and capital reserves to be increased

(a) The amount of capital to be increased in the case where shares are issued upon exercise of Stock Acquisition Rights shall be one-half (1/2) of the maximum amount of increase in stated capital calculated in accordance with Article 17, paragraph (1) of the Ordinance on Accounting of Companies; if a fraction of less than one (1) yen arises as a result of the calculation, such fraction shall be rounded up.

(b) The amount of capital reserves to be increased in the case where shares are issued upon exercise of Stock Acquisition Rights shall be the amount obtained by subtracting the amount of capital to be increased set forth in (a) above from the maximum amount of increase in stated capital, etc. described in (a) above.

g. Restriction on acquisition of Stock Acquisition Rights by transfer

Acquisition of Stock Acquisition Rights by transfer shall require a resolution approving such transfer by the Board of Directors.

h. Conditions for exercise of Stock Acquisition Rights

Within the period set forth in e. above, a Holder of Stock Acquisition Rights may exercise all Stock Acquisition Rights only in a lump sum, and only during the period from the day after the date on which the Holder loses the position of Director of the Company (excluding cases where the Holder is reappointed) until the date when ten (10) days have elapsed (if the 10th day falls on a holiday, the next business day) from such date.

Other exercise conditions of Stock Acquisition Rights shall be determined by the Board of Directors which determines the subscription requirements of Stock Acquisition Rights.

i. Matters regarding acquisition of Stock Acquisition Rights

If, before a Holder of Stock Acquisition Rights exercises rights, such Holder becomes unable to exercise Stock Acquisition Rights pursuant to the provisions set forth in h. above, the Company may acquire Stock Acquisition Rights without consideration upon the arrival of a date separately determined by the Company’s Board of Directors.

j. Malus/Clawback Provisions

If it is found that there was an error in the calculation of performance indicators that formed the basis for calculation of the number of Stock Acquisition Rights, or if the Company determines that a certain illegal act occurred while the person was in office, such person shall not acquire the right to receive the allotment of Stock Acquisition Rights.

In addition, if, after allotment of Stock Acquisition Rights has been made, it is found

that there was an error in the calculation of performance indicators that formed the basis for allotment, or if it is found that such person committed a certain illegal act, such person shall be obligated to return to the Company an amount of money equivalent to the Stock Acquisition Rights, the shares acquired through exercise of Stock Acquisition Rights, or the economic benefit obtained through exercise of Stock Acquisition Rights.

k. Treatment of Stock Acquisition Rights in organizational restructuring transactions

If the Company conducts a merger (limited to cases where the Company is dissolved as a result of the merger), an absorption-type split, an incorporation-type split, a share exchange, or a share transfer (collectively, "Organizational Restructuring Transactions"), then, for each case, Stock Acquisition Rights of the stock company set forth in Article 236, paragraph (1), item (8), sub-items (i) through (v) of the Companies Act (hereinafter, the "Restructured Company") shall be delivered, under the following conditions, to the Holders of Stock Acquisition Rights of Stock Acquisition Rights remaining as of the effective date of the Organizational Restructuring Transaction (hereinafter, "Remaining Stock Acquisition Rights"). In this case, the Remaining Stock Acquisition Rights shall be extinguished and the Restructured Company shall newly issue Stock Acquisition Rights; provided, however, that this shall apply only when the relevant agreement or plan (merger agreement, incorporation-type merger agreement, absorption-type split agreement, incorporation-type split plan, share exchange agreement, or share transfer plan) provides that Stock Acquisition Rights of the Restructured Company will be delivered in accordance with the following conditions.

(a) Number of Stock Acquisition Rights of the Restructured Company to be delivered

The same number as the number of Stock Acquisition Rights held by each Holder of Remaining Stock Acquisition Rights shall be delivered.

(b) Class of shares of the Restructured Company that are the subject of Stock Acquisition Rights

Common shares of the Restructured Company.

(c) Number of shares of the Restructured Company that are the subject of Stock Acquisition Rights

To be determined in accordance with b. above, taking into account the conditions of the Organizational Restructuring Transaction.

(d) Value of property to be contributed upon exercise of Stock Acquisition Rights

The value of property to be contributed upon exercise of each Stock Acquisition Right to be delivered shall be the amount obtained by multiplying the Exercise Price after restructuring, which is obtained by adjusting the Exercise Price determined under d. above in consideration of the conditions of the Organizational Restructuring Transaction, by the number of shares of the Restructured Company that are the subject of such Stock Acquisition Right determined pursuant to (c).

(e) Period during which Stock Acquisition Rights may be exercised

From the later of (i) the first day of the exercise period set forth in e. above and (ii) the effective date of the Organizational Restructuring Transaction, until the last day of the exercise period set forth in e. above.

(f) Matters regarding the amount of capital and capital reserves to be increased in the case where shares are issued upon exercise of Stock Acquisition Rights

To be determined in accordance with f. above.

(g) Restriction on acquisition of Stock Acquisition Rights by transfer

Acquisition by transfer shall require approval by the Restructured Company.

(h) Other conditions for exercise of Stock Acquisition Rights

To be determined in accordance with h. above.

(i) Grounds and conditions for acquisition of Stock Acquisition Rights

To be determined in accordance with i. and j. above.

(j) Other conditions

Other conditions shall be determined in accordance with the conditions of the Restructured Company.

l. Other contents, etc. of Stock Acquisition Rights

Other matters regarding Stock Acquisition Rights shall be determined by resolution of the Board of Directors.

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