



May 14, 2020

Company Name: ShinMaywa Industries, Ltd.

Representative: Tatsuyuki Isogawa, President and Chief Executive Officer

(Code number: 7224; Tokyo Stock Exchange, 1st Section)

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## **Notice Regarding Revision of Limit of Amount of Directors' Compensation and Determination of Content of Compensation System of Shares with Restriction on Transfer**

At a meeting of the Board of Directors of ShinMaywa Industries, Ltd. (the "Company") held on December 20, 2019, the Company resolved to introduce a compensation system of shares with restriction on transfer as a new directors' compensation system (the "System"). The Company hereby announces that it was decided at a meeting of the Board of Directors held on May 14, 2020 that a proposal in relation to revision of the limit of directors' compensation and a proposal in relation to the System be submitted for deliberation to the 96th Annual General Meeting of Shareholders scheduled to be held on June 29, 2020 (the "General Meeting of Shareholders").

### 1. Revision of the Limit of Directors' Compensation

The compensation of directors of the Company is comprised of monthly compensation (fixed compensation) and bonuses (performance-based compensation). With regard to monthly compensation, approval was given at the 88th Annual General Meeting of Shareholders held on June 26, 2012 for a monthly amount of compensation of directors of the Company of up to 25 million yen (including up to 2 million yen for outside directors, but not including the employee salary part in the case of directors concurrently serving as employees).

In association with the introduction of the System, it is planned to ask the shareholders at the General Meeting of Shareholders to approve the changing of directors' monthly compensation to yearly compensation, and revision of the amount of the compensation to yearly compensation of up to 520 million yen (including up to 60 million yen for outside directors but not including the employee salary part in the case of directors concurrently serving as employees).

### 2. Introduction of the System

#### (1) Purpose of Introduction of the System

The System applies to directors of the Company excluding outside directors ("Eligible Directors"). It is aimed at providing incentives for achieving sustainable improvement of the Company's corporate value, as well as promoting further sharing of the value with all the shareholders.

It is planned to request the approval of shareholders for newly introducing the System at the General Meeting of Shareholders and, separately from the compensation referred to above, for setting the compensation framework pertaining to the System for Eligible Directors of the Company.

## (2) Outline of the System

Based on the System, the total amount of the monetary compensation claims to be provided to Eligible Directors will be a yearly amount of up to 50 million yen. Eligible Directors will pay in the whole amount of the monetary compensation claims to be provided by the Company as property contributed in kind and receive common shares of the Company to be issued or disposed of by the Company.

Under the System, the total number of common shares newly issued or disposed of by the Company will be up to 75,000 shares per year. However, in the event of a share split (including allotment of the Company's common shares without contribution) or consolidation of shares of the Company's common shares with an effective date after the date of the resolution of the General Meeting of Shareholders, the total number of shares will be adjusted as necessary within a reasonable range from the effective date, depending on the splitting ratio, consolidation ratio, and other factors. The amount to be paid in per share will be determined by the Board of Directors, based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the last business day before the date of the resolutions of the Board of Director (if trading is not effected on that date, the closing price on the last trading day of the Company's shares preceding the resolutions) within a range that is not particularly favorable to the Eligible Directors receiving the common shares. The Board of Directors will determine the specific time of provision and allocation to each Eligible Director.

Also, the issuing or disposition of the Company's common shares (the "Shares") in accordance with the System will be conditional on conclusion of an agreement for allotment of shares with restriction on transfer between the Company and the Eligible Directors who will receive the compensation by shares with restriction on transfer that includes, in the content of the agreement, (1) Prohibition of transfer of the Shares to a third party, creating a security right over the Shares, or any other disposal of the Shares during a prescribed period (the "Period of Restriction of Transfer"), and (2) Gratis acquisition of the Shares by the Company if specified circumstances occur. To ensure that there cannot be any transfer of the Shares, creation of a security right, or other disposal of the Shares during the Period of Restriction of Transfer, the Shares of Eligible Directors will be managed during the Period of Restriction of Transfer in a dedicated account established with Nomura Securities Co., Ltd.

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