



May 20, 2022

Company Name: ShinMaywa Industries, Ltd.

Representative: Tatsuyuki Isogawa, President and Chief Executive Officer

(Code number: 7224; Tokyo Stock Exchange, Prime Market)

Head Office: 1-1 Shinmeiwa-cho, Takarazuka-shi, Hyogo

Contact: Noriko Jitsuhiro, General Manager, Public Relations Department,
Corporate Planning Division (TEL: +81-798-56-5002)

Notice Regarding the Introduction of Performance-Linked Stock Compensation System

ShinMaywa Industries, Ltd. (the “Company”) hereby announces that, at a meeting of its Board of Directors held today, the Company reviewed its compensation system for officers and resolved to introduce a performance-linked stock compensation system (the “System”). A proposal in relation to the System will be submitted for deliberation to the 98th Annual General Meeting of Shareholders (the “General Meeting of Shareholders”) scheduled to be held on June 24, 2022. Details are as follows.

1. Purpose of Introduction of the System

The compensation for Board Members of the Company (excluding Outside Board Members, hereinafter the “Eligible Board Members”) is currently comprised of monthly compensation (fixed compensation), compensation of shares with restriction on transfer (non-monetary compensation) and bonuses (performance-based compensation).

After consultation with the Nomination and Compensation Committee, the Company decided to review the current compensation system for officers for the purposes of further clarifying the link between compensation for officers and the Company’s performance and stock value, incentivizing the officers to achieve the performance targets set forth in the Company’s Medium-term management plan and contribute to the medium- to long-term improvement of the Company’s corporate value, and promoting the further sharing of the corporate value with all its shareholders.

Under the System to be introduced, monetary compensation claims will be provided as compensation for allotment of common shares of the Company to the Eligible Board Members. Thus, the introduction of the System will be subject to the approval of shareholders at the General Meeting of Shareholders scheduled for June 2022.

With regard to the amount of compensation, etc. for the Company’s Board Members, approval was given at the 96th Annual General Meeting of Shareholders held on June 29, 2020 for an amount of yearly compensation, including bonuses, of up to 520 million yen (including up to 60 million yen per year for Outside Board Members, to whom no bonuses are paid, and not including the employee salary part in the case of Board Members concurrently serving as employees). It was also approved that, apart from this, up to 50 million yen per year (not including the employee salary part in the case of Board Members concurrently serving as employees) of monetary compensation claims would be provided to the Eligible Board Members as the annual compensation of shares with restriction on transfer and that the total number of common shares newly issued or disposed of by the Company would be up to 75,000 shares per year. The Company plans to request the approval of shareholders at the General Meeting of Shareholders for setting the compensation framework pertaining to the System for the Eligible Board Members of the Company, separately from the compensation referred to above.

2. Outline of the System

The System is a performance-linked stock compensation system under which, for the period subject to performance evaluation determined in advance by the Board of Directors (hereinafter the “Performance Evaluation Period.” The

initial Performance Evaluation Period will be the three fiscal years from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2024 in accordance with the Medium-term management plan [SG-2023] with which the Company is now advancing, and in principle, subsequent periods will be the fiscal years that correspond to subsequent Medium-term management plans), performance targets such as consolidated operating profit and ROE will be determined in advance by the Board of Directors and common shares of the Company will be delivered in accordance with the degree of achievement of these targets, etc. after the end of the Performance Evaluation Period.

For delivery of shares, the Eligible Board Members will pay to the Company the whole amount of the monetary compensation claims to be provided by the Company based on the System as property contributed in kind and will receive common shares of the Company to be issued or disposed of by the Company.

Under the System, the total amount of monetary compensation claims provided to the Eligible Board Members (property contributed in kind for delivery of common shares of the Company) will be up to 400 million yen per year (not including the employee salary part in the case of Board Members concurrently serving as employees).

The total number of common shares newly issued or disposed of by the Company after the end of the Performance Evaluation Period will be up to 600,000 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, or any other event that requires an adjustment in the total number of the common shares of the Company to be issued or disposed of under the System, such total number will be adjusted to the extent reasonable.) The total amount and number stated above are planned to be provided in a lump sum as the consideration for duties executed over the Performance Evaluation Period, which consists of several fiscal years (planned to be up to four fiscal years), after the end of the period. Thus, the actual amount of monetary compensation claims to be provided to the Eligible Board Members based on the System is estimated at up to 100 million yen per fiscal year and the number of common shares newly issued or disposed of by the Company is estimated at up to 150,000 per fiscal year.

The specific timing and other matters of provision to each Eligible Board Member under the System will be determined by the Board of Directors. The amount to be paid in per share under the System will also 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 Directors (if trading is not effected on that date, the closing price on the last trading date of the Company's shares preceding the resolutions) within a range that is not particularly advantageous to the Eligible Board Members receiving the common shares.

Under the System, in the event of resignation or retirement of an Eligible Board Member for any legitimate reason, or death, during the Performance Evaluation Period or until the delivery of shares after the end of the period, or if matters in relation to a certain type of reorganization, etc. are approved, a reasonably adjusted amount of money will be paid to the Eligible Board Member, instead of delivery of the Company's common shares.

A system similar to the System for Eligible Board Members will be introduced for the Company's Executive Officers who are not concurrently serving as Board Members, Directors and some of the Board Members of the ShinMaywa Group companies by resolutions of the Board of Directors of the Company or the relevant group companies.

End of document