

## To our shareholders

**As a comprehensive manufacturer of automatic control equipment to support automated, labor-saving operations in industry, we are working on BCP to fulfill our responsibility to supply products.**

We would like to express our sincere gratitude to all our shareholders for your exceptional support.

In the fiscal year ended March 31, 2022, the spread of COVID-19 showed signs of slowing, and demand for capital investments across all industrial sectors increased sharply.

Due in part to the tailwind provided by the intensified conflict between the U.S. and China, which caused countries to begin onshoring their semiconductor production, semiconductor-related demand grew significantly. On the other hand, shortages of materials, particularly semiconductors and electronic components, soaring prices for raw materials, and logistics disruption became increasingly serious.

Furthermore, the Russian invasion of Ukraine in February 2022 has left the world facing a major crisis of conflict and division.

As a comprehensive manufacturer of automatic control equipment that supports automated, labor-saving operations in industry, as well as contributing to reductions in CO<sub>2</sub> emissions, SMC intends to fulfill its responsibility to supply products under any circumstances, anywhere in the world.

To that end, SMC will further refine its strengths, which include a global network across more than 80 countries, 21,000 employees, an extensive product lineup of more than 700,000 items and abundant inventory, product development capabilities to respond to customer requests, and a solid financial base. We are also making capital investments to expand production capacity and create multi-location production centers and boosting security measures to protect customer information from the threat of cyberattacks.

We would like to ask our shareholders for your continued support and guidance.

June 2022

Yoshiki Takada, President



(Security Code: 6273)  
June 6, 2022

Yoshiki Takada  
President

**SMC Corporation**

4-14-1, Soto-Kanda, Chiyoda-ku, Tokyo

## Notice of the 63rd Annual General Meeting of Shareholders

We would like to inform you that we will hold the 63rd Annual General Meeting of Shareholders as follows.

To avoid the risk of infection with the COVID-19, all the shareholders are kindly requested to refrain from attending the meeting in person. Instead, we would encourage you to exercise your voting right in writing or via the Internet by 5:00 p.m., on June 28, 2022 (Tuesday) after studying the attached “Reference Documents for the General Meeting of Shareholders”.

Sincerely,

### Notes

- |          |                      |  |
|----------|----------------------|--|
| <b>1</b> | <b>Date and Time</b> | June 29, 2022 (Wednesday) 10:00 a.m. (Reception starts at 9:00 a.m.)   |
| <b>2</b> | <b>Venue</b>         | Akihabara UDX Building (15F), 4-14-1, Soto-Kanda, Chiyoda-ku, Tokyo<br>Conference Room, SMC Corporation<br><i>There are no souvenirs available for shareholders attending the shareholders' meeting.</i>   |
| <b>3</b> | <b>Agenda</b>        | <b>Matters to be reported</b><br>Business Report, Consolidated and Non-consolidated Financial Statements, and Audit Report for Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors, for the 63rd fiscal year (April 1, 2021 to March 31, 2022)<br><b>Matters to be resolved</b><br>Proposal 1 Dividend of Surplus<br>Proposal 2 Partial Amendments to the Articles of Incorporation<br>Proposal 3 Election of 12 Directors |

#### Regarding Reference Documents for the General Meeting of Shareholders and Appendix Attached to this Notice

- In accordance with laws and regulations, and the Articles of Incorporation of the Company, the Consolidated Statement of Changes in Equity, Non-Consolidated Statement of Changes in Equity, Notes to Consolidated Financial Statements and Notes to Non-Consolidated Financial Statements are made available on the Company's website, and are not attached in written form to this Notice.
- The above-mentioned documents that have been disclosed on the internet have been audited by the Accounting Auditors and the Corporate Auditors.
- Should it become necessary to revise the Appendix or Reference Documents for the General Meeting of Shareholders attached to this Notice, those revisions will be shown on the Company's website.

The Company's website address ► <https://www.smcworld.com/ir/en/>

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### Proposal 1 Dividend of Surplus

#### [Basic capital policy]

The Company considers that its highest priority issue is to maximize shareholder value through corporate value improvement accompanied by mid- to long-term profit growth.

The Company will also strive to further increase shareholders' equity, aiming to maintain a solid financial base that will not be affected by financial and economic turmoil and rapid fluctuations in foreign exchange rates.

In addition, the Company will continue to maintain its competitive advantage, positively make necessary investments in production facilities, research and development systems, IT infrastructure, sales force resources, etc., for sustained operations, and keep adequate cash on hand to meet relevant capital requirements.

Concerning the return of profit to our shareholders, we are adopting a basic policy of maintaining stable dividend payment. At the same time, we will strive to enhance the profit return even further by combining this with the flexible acquisition of treasury shares depending on the situation.

#### [Matters related to year-end dividend]

This is to propose that the dividend of surplus for the fiscal year to be made as described below, based on the above-mentioned basic capital policy and in consideration of the latest operating results and financial positions.

1

Allocation of divisible assets payable to shareholders and total amount

450 yen per share on the Company's common shares

Total amount: 29,404,325,700 yen

2

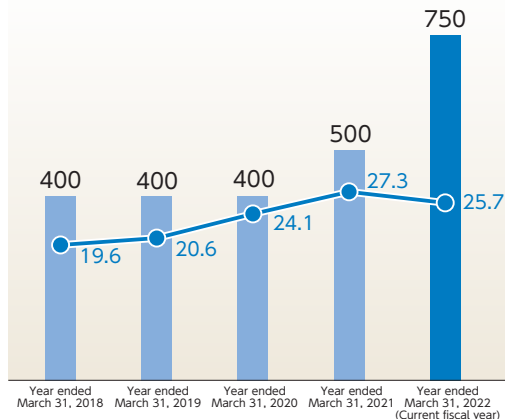
Effective date of the dividends from surplus

June 30, 2022

Should the aforementioned proposal for the year-end dividend be approved, the annual dividend per share including the interim dividend will be 750 yen, a 250 yen increase compared to the same period as the previous year.

#### [Reference]

Changes in dividend per share (yen)  
Consolidated payout ratio (%)



## Proposal 2

## Partial Amendments to the Articles of Incorporation

### 1. Reason for amendments

Because the revised provisions set forth in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation in preparation for the introduction of the system for providing informational materials for the General Meeting of Shareholders in electronic format.

- (1) Stipulating that information that constitutes the content of Reference Documents for the General Meeting of Shareholders, etc. shall be provided in electronic format. (Proposed amendment to Article 16, paragraph 1)
- (2) Limiting the scope of items to be stated in paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents. (Proposed amendment to Article 16, paragraph 2)
- (3) Deleting provisions related to internet disclosure and deemed provision of Reference Documents for the General Meeting of Shareholders, etc. (Article 16 of the current Articles of Incorporation), which will no longer be necessary.
- (4) Establishing of supplementary provisions regarding the effective date, etc. of the above-mentioned amendments.

### 2. Details of amendments

The details of the amendments are as follows.

Current Articles of Incorporation	Proposed Amendments
(Internet Disclosure and Deemed Distribution of Supplementary Information for the General Meeting of Shareholders Etc.) Article 16 For convocation of the General Meeting of Shareholders, the Company may deem to have disclosed to shareholders, information concerning matters to be stated or expressed in supplementary information for the General Meeting of Shareholders, business reports, accounting statement and consolidated accounting statements, by disclosing those by way of using the Internet in such manner as set forth in the ministerial ordinance of Ministry of Justice.	<Deleted>
<Newly established>	(Measures, etc. for Providing Information in Electronic Format) Article 16 For convocation of the General Meeting of Shareholders, information that constitutes the content of supplementary information for the General Meeting of Shareholders, etc. shall be provided in electronic format.

Current Articles of Incorporation	Proposed Amendments
<Newly established>	(2) Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from being stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.
<Newly established>	<p>(Supplementary Provisions)</p> <ol style="list-style-type: none"> <li>1. The amendments to Article 16 shall come into effect on September 1, 2022, which is the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the "Date of Enforcement").</li> <li>2. Notwithstanding the provision of the preceding paragraph, Article 16 (Internet Disclosure and Deemed Distribution of Supplementary Information for the General Meeting of Shareholders Etc.) of the pre-amended Articles of Incorporation shall remain effective in regard to any General Meeting of Shareholders held on a date within six months from the Date of Enforcement.</li> <li>3. These Supplementary Provisions shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the General Meeting of Shareholders in the preceding paragraph, whichever is later.</li> </ol>

## Proposal 3 Election of 12 Directors

The term of office of all current 10 Directors will expire at the conclusion of this Annual General Meeting of Shareholders. It is proposed that the number of Directors be increased by 2 in order to strengthen its business execution function and that 12 Directors (including 4 Outside Directors) be elected.

The names and profiles of the candidates for Directors are as follows.

Candidate No.	Candidate Name	Current Position and Assignment of Work in the Company	Number of years served as Director	Attendance at the Board of Directors meetings
1	Yoshiki Takada <span>Reappointed</span>	President/Senior General Manager of Sales Headquarters	28 years	10/10
2	Toshio Isoe <span>Reappointed</span>	Director and Executive Officer/General Manager of Administration Division/In charge of HR	3 years	10/10
3	Masahiro Ota <span>Reappointed</span>	Director and Executive Officer/General Manager of Finance & Accounting Division	3 years	10/10
4	Susumu Maruyama <span>Reappointed</span>	Director and Executive Officer/In charge of Business Management/General Manager of Presidential Office	2 years	10/10
5	Samuel Neff <span>Reappointed</span> <span>U.S. citizen</span>	Director and Executive Officer/In charge of Supply Chain Management	2 years	10/10
6	Yoshitada Doi <span>Reappointed</span>	Director and Executive Officer/Senior General Manager of Engineering Headquarters	1 year	7/7
7	Koji Ogura <span>Newly-appointed</span>	Executive Officer/Vice Senior General Manager of Sales Headquarters	—	—
8	Kelley Stacy <span>Newly-appointed</span> <span>Female</span> <span>U.S. citizen</span>	(President of SMC US)	—	—
9	Masanobu Kaizu <span>Reappointed</span> <span>Independent</span> <span>Outside</span>	Outside Director	8 years	10/10
10	Toshiharu Kagawa <span>Reappointed</span> <span>Independent</span> <span>Outside</span>	Outside Director	7 years	10/10
11	Yoshiko Iwata <span>Reappointed</span> <span>Independent</span> <span>Female</span> <span>Outside</span>	Outside Director	1 year	7/7
12	Kyoichi Miyazaki <span>Reappointed</span> <span>Independent</span> <span>Outside</span>	Outside Director	1 year	7/7



Candidate No.

1

## Yoshiki Takada

(June 6, 1958)

Reappointed

### Brief personal profile, position, assignment of work and important concurrent position at other organization

April 1987	Joined the Company
June 1991	On loan to SMC US
June 1994	Director of the Company
June 2002	Managing Director
July 2003	In charge of Overseas Operations
April 2004	President, SMC US
June 2014	In charge of Management for North America, Central and South America Zone of the Company
June 2017	Director and Managing Executive Officer
July 2018	Director and Senior Managing Executive Officer
July 2018	Senior General Manager of Sales Headquarters (Incumbent)
September 2019	Executive Vice-president
December 2019	Chairman, SMC US (Incumbent)
April 2020	Member of the Nomination and Compensation Committee of the Company (Incumbent)
April 2021	President (Incumbent)
January 2022	Member of the Sustainability Committee (Incumbent)

Number of years served as Director	28 years
Attendance at the Board of Directors meetings	10/10
Number of the Company's shares held	0 shares (*)

### [Reason for selection as a candidate for Director]

Mr. Yoshiki Takada served as President of SMC US for many years, and as Senior General Manager of Sales Headquarters since 2018. He has presided over global business operations for the entire Group. He was appointed Executive Vice-president in 2019 and President in April 2021. He is leading the overall management of the entire Group and proceeding with drastic structural reforms. With the expectation that he can continuously contribute to the management of the Company, he has been selected as a candidate for Director.

(\*) Mr. Yoshiki Takada holds SMC's shares through a share holding company.



Candidate No.

2

## Toshio Isoe

(May 26, 1961)

Reappointed

### Brief personal profile, position, assignment of work and important concurrent position at other organization

July 2014	Retired from Resona Bank, Limited
August 2014	Joined the Company
May 2019	Deputy General Manager of Administration Division
June 2019	Director and Executive Officer, General Manager of Administration Division (Incumbent)
November 2021	In charge of HR (Incumbent)

Number of years served as Director	3 years
Attendance at the Board of Directors meetings	10/10
Number of the Company's shares held	100 shares

### [Reason for selection as a candidate for Director]

Mr. Toshio Isoe has been engaged in the operations of the administration for the Company, the management of subsidiaries, the administration for sales, etc. since joining the Company in 2014, and has fulfilled his responsibilities as General Manager of HR and Administration Division since 2019. With the expectation that he can continuously contribute to the management of the Company, he has been selected as a candidate for Director.





Candidate No.

## 3 Masahiro Ota

(December 24, 1963)

Reappointed

### Brief personal profile, position, assignment of work and important concurrent position at other organization

April 2015	Retired from Resona Bank, Limited
May 2015	Joined the Company
May 2019	Deputy General Manager of Finance & Accounting Division
June 2019	Director and Executive Officer, General Manager of Finance & Accounting Division (Incumbent)

Number of years served as Director	3 years
Attendance at the Board of Directors meetings	10/10
Number of the Company's shares held	100 shares

#### [Reason for selection as a candidate for Director]

Mr. Masahiro Ota has been mainly engaged in the management of subsidiaries since joining the Company in 2015 and has fulfilled his responsibilities as General Manager of Finance & Accounting Division since 2019.

With the expectation that he can continuously contribute to the management of the Company, he has been selected as a candidate for Director.



Candidate No.

## 4 Susumu Maruyama

(February 14, 1963)

Reappointed

### Brief personal profile, position, assignment of work and important concurrent position at other organization

April 1986	Joined Ministry of International Trade and Industry
June 2014	Director-General, Business Support Department, The Small and Medium Enterprise Agency
July 2015	Deputy Director-General for Policy Evaluation of Minister's Secretariat, Ministry of Economy, Trade and Industry
June 2016	Retired from Ministry of Economy, Trade and Industry
October 2016	Special Chief Researcher of Institute for International Socio-Economic Studies
July 2018	Joined the Company, Corporate Advisor
November 2019	Executive Officer, In charge of Management Reform Project
June 2020	Director and Executive Officer, In charge of Business Management, General Manager of Presidential Office (Incumbent)

#### [Reason for selection as a candidate for Director]

Mr. Susumu Maruyama has held important positions at central government agencies, and has a high level of knowledge related to economic conditions in Japan and overseas, and organizational management.

He has fulfilled his responsibilities as the officer in charge of Management Reform Project from 2019 and the officer supervising information systems, quality management, and internal auditing divisions from 2020, and as the person responsible for compiling and coordinating BCP response.

With the expectation that he can continuously contribute to the management of the Company, he has been selected as a candidate for Director.

Number of years served as Director	2 years
Attendance at the Board of Directors meetings	10/10
Number of the Company's shares held	0 shares





Candidate No.

5

**Samuel Neff**

(March 30, 1982)

Reappointed

U.S. citizen

**Brief personal profile, position, assignment of work and important concurrent position at other organization**

May 2006	Joined the Company
August 2008	Attended Georgetown University Law Center
July 2011	Joined New York Bar Association
January 2012	Joined SMC US
January 2013	Project Manager of SMC Singapore
May 2016	Joined the Company, General Manager of Management Planning Office
June 2020	Director and Executive Officer, In charge of Supply Chain Management (Incumbent)
May 2021	General Manager in charge of SCM

Number of years served as Director	2 years
Attendance at the Board of Directors meetings	10/10
Number of the Company's shares held	0 shares

**[Reason for selection as a candidate for Director]**

After devoting himself to learning at various companies in the Group, Mr. Samuel Neff has fulfilled his responsibilities as General Manager of Management Planning Office from 2016 and the officer in charge of Supply Chain Management from 2020.

With the expectation that he can continuously contribute to the management of the Company, he has been selected as a candidate for Director.



Candidate No.

6

**Yoshitada Doi**

(February 21, 1962)

Reappointed

**Brief personal profile, position, assignment of work and important concurrent position at other organization**

April 1984	Joined the Company
July 2018	Executive Officer, General Manager of Product Development Division 8
April 2020	Vice Senior General Manager of Engineering Headquarters
June 2021	Director and Executive Officer, Senior General Manager of Engineering Headquarters (Incumbent)

Number of years served as Director	1 year
Attendance at the Board of Directors meetings	7/7
Number of the Company's shares held	0 shares

**[Reason for selection as a candidate for Director]**

After joining the company in 1984, Mr. Yoshitada Doi has worked in R&D for company products and has fulfilled his responsibilities for supervising the entire R&D Division as Vice Senior General Manager of Engineering Headquarters since 2020, and as Senior General Manager of Engineering Headquarters since 2021.

With the expectation that he can continuously contribute to the management of the Company, he has been selected as a candidate for Director.



Candidate No.

7

**Koji Ogura**

(January 8, 1954)

Newly-appointed

**Brief personal profile, position, assignment of work and important concurrent position at other organization**

February 1980	Joined the Company
November 2007	Head of Hamamatsu Sales Office
June 2010	Director
July 2010	Deputy General Manager of Sales Headquarters
June 2017	Resigned as Director
June 2017	Executive Officer
June 2019	Resigned as Executive Officer
April 2020	Vice Senior General Manager of Sales Headquarters (Incumbent)
May 2020	Executive Officer (Incumbent)
July 2020	General Manager of Marketing Division

**[Reason for selection as a candidate for Director]**

After joining the Company in 1980, Mr. Koji Ogura has been engaged with the front line of sales activities, and from 2010 he has planned and developed sales strategies in the Sales Headquarters as a Director, while also being in charge of support for sales activities. With the full-scale implementation of the executive officer system in 2017 he temporarily resigned his position, subsequently becoming Vice Senior General Manager of Sales Headquarters in 2020, in charge of the Sales Division as a whole, while also fulfilling his duties as assistant to the President, who is also the Senior General Manager of Sales Headquarters.

With the expectation that he can contribute to the management of the Company, he has been selected as a candidate for Director.

Number of years served as Director	—
Attendance at the Board of Directors meetings	—
Number of the Company's shares held	27 shares



Candidate No.

8

**Kelley Stacy**

(April 27, 1962)

Newly-appointed

Female

U.S. citizen

**Brief personal profile, position, assignment of work and important concurrent position at other organization**

August 1994	Joined SMC US
September 2007	Director of SMC US
July 2012	Executive Vice-president of SMC US
December 2019	President of SMC US (Incumbent)

**[Reason for selection as a candidate for Director]**

After joining SMC US in 1994, Ms. Kelley Stacy engaged in a variety of duties including Director Assistant, purchasing, HR, and becoming a Director of SMC US in 2007 and Executive Vice-president of that company in 2012. In 2019 she became President of SMC US, and has not only managed the U.S. subsidiary but also been involved in driving sales strategy at the global level for the SMC Group.

With the expectation that she can contribute to the management of the Company, she has been selected as a candidate for Director.

Number of years served as Director	—
Attendance at the Board of Directors meetings	—
Number of the Company's shares held	0 shares



Candidate No.

9

**Masanobu Kaizu**

(December 27, 1951)

Reappointed

Outside

Independent

Number of years served as Outside Director	8 years
Attendance at the Board of Directors meetings	10/10
Number of the Company's shares held	0 shares

**Brief personal profile, position, assignment of work and important concurrent position at other organization**

April 1975	Joined Nomura Research Institute, Ltd.
June 1994	General Manager of Investment Research Division
April 1997	General Manager of Investment Research Division, Nomura Securities, Co., Ltd. Financial Research Center
June 2000	Vice President and General Manager of Corporate Research Division, Nomura Securities, Co., Ltd. Financial Research Center
April 2002	Executive Officer, Nomura Securities, Co. Ltd. and President of Financial Research Center
July 2007	Executive Officer, Nomura Securities, Co. Ltd. and Chief Research Officer of Financial and Economic Research Center
January 2012	Senior Research Fellow and Adviser, Nomura Securities Co., Ltd. Financial and Economic Research Center (Incumbent)
June 2013	Director, Financial Accounting Standards Foundation
August 2013	Vice Chairman, The Securities Analysts Association of Japan
June 2014	Outside Director of the Company (Incumbent)
April 2020	Chairman of the Nomination and Compensation Committee (Incumbent)

**[Important concurrent duties]**

Senior Research Fellow and Adviser, Nomura Securities, Co., Ltd. Financial and Economic Research Center

**[Reason for selection as a candidate for Outside Director and summary of expected roles]**

- Mr. Masanobu Kaizu is a distinguished economist and securities analyst having a superb personality, insights, and abundant knowledge of economic situations, financial market conditions, corporate management and financial accounting, with broad experience in relevant business activities. He has made proposals on management policies based on his own professional knowledge from the standpoint of protecting the interests of general shareholders and investors in particular, monitoring the Company's management activities from a neutral and objective point of view, further enhancing management transparency, and improving corporate value in the medium- and long-run by promoting continuous corporate growth. He also has strived to enhance the fairness, transparency and objectivity to the nomination and compensation process of Directors by serving as Chairman of Nomination and Compensation Committee since 2020. With the expectation that he can continuously fulfill these roles, he has been appointed as a candidate for Outside Director.
- According to the Company's judgment, Mr. Kaizu is capable of carrying out his duties as Outside Director for the abovementioned reasons and considering his experience as the Company's Outside Director although he has not directly been involved in corporate management before, except the said experience.



Candidate No.

10

**Toshiharu Kagawa**

(November 12, 1950)

Reappointed

Outside

Independent

**Brief personal profile, position, assignment of work and important concurrent position at other organization**

May 1996	Professor, Precision and Intelligence Laboratory, Tokyo Institute of Technology
May 2012	President, The Japan Fluid Power System Society
January 2014	Professor, Interdisciplinary Graduate School of Science and Engineering, Tokyo Institute of Technology
June 2015	Outside Director of the Company (Incumbent)
April 2016	Institute Professor, Tokyo Institute of Technology
April 2018	Professor Emeritus at Tokyo Institute of Technology
April 2020	Member of the Nomination and Compensation Committee of the Company (Incumbent)

Number of years served as Outside Director	<b>7 years</b>
Attendance at the Board of Directors meetings	<b>10/10</b>
Number of the Company's shares held	<b>0 shares</b>

**[Reason for selection as a candidate for Outside Director and summary of expected roles]**

- Mr. Toshiharu Kagawa is a Doctor of Engineering specializing in flow measurement and control and has a superb personality and insights. His specialization and the Company's business areas are very closely related. He has made proposals on management policies mainly in relation to research and development activities and measures for the training of engineers based on his own specialized knowledge and wide experience as a researcher and educator. He also monitored the Company's management activities from a neutral and objective point of view, further enhanced management transparency, and improved corporate value in the medium- and long-run by promoting continuous corporate growth. He also has strived to enhance the fairness, transparency and objectivity to the nomination and compensation process of Directors by serving as a member of the Nomination and Compensation Committee since 2020. With the expectation that he can continuously fulfill these roles, he has been appointed as a candidate for Outside Director.
- According to the Company's judgment, Mr. Kagawa is capable of carrying out his duties as Outside Director for the abovementioned reasons and considering his experience as the Company's Outside Director although he has not directly been involved in corporate management before, except the said experience.



Candidate No.

11

**Yoshiko Iwata**

(July 15, 1956)

Reappointed

Outside

Independent

Female

**Brief personal profile, position, assignment of work and important concurrent position at other organization**

April 1979	Joined Bank of America, Tokyo Branch
June 1989	Joined Visa International
January 1992	Joined Dewe Rogerson Japan
November 1994	Joined Technometrics (currently Thomson Financial), Tokyo Branch, Senior Director in charge of Japan/Korea
February 2001	Joined J-Eurus IR Co., Ltd.
May 2001	President of J-Eurus IR Co., Ltd. (Incumbent)
November 2014	Outside Director, Yamato International Inc. (Incumbent)
June 2021	Outside Director of the Company (Incumbent)
June 2021	Outside Director of the Fund Corporation for the Overseas Development of Japan's ICT and Postal Services Inc. (Incumbent)
January 2022	Member of the Sustainability Committee of the Company (Incumbent)

Number of years served as Outside Director	1 year
Attendance at the Board of Directors meetings	7/7
Number of the Company's shares held	0 shares

**[Important concurrent duties]**

President, J-Eurus IR Co., Ltd.  
 Outside Director, Yamato International Inc.  
 Outside Director, Fund Corporation for the Overseas Development of Japan's ICT and Postal Services Inc.

**[Reason for selection as a candidate for Outside Director and summary of expected roles]**

· Ms. Yoshiko Iwata possesses expertise and a wealth of experience related to corporate governance as well as dialogues between investors and companies. She is a pioneer of the IR Consulting Business field in Japan who has a wealth of international experience as well as a superb personality, insights, and managerial experience.

She has made proposals on management policies, primarily on policies related to information disclosure and dialogues with investors, based on her own professional knowledge from the standpoint of protecting the interests of general shareholders and investors in particular, monitor the Company's management activities from a neutral and objective point of view, further enhance management transparency, and improve corporate value in the medium- and long-run by promoting continuous corporate growth.

Moreover, since becoming a member of the Sustainability Committee in 2022, she has done her utmost to supervise the Company's sustainability initiatives for appropriateness and monitor their progress.

With the expectation that she can continuously fulfill these roles, she has been appointed as a candidate for Outside Director.



Candidate No.

12

**Kyoichi Miyazaki**

(October 11, 1962)

Reappointed

Outside

Independent

Number of years served as Outside Director	1 year
Attendance at the Board of Directors meetings	7/7
Number of the Company's shares held	0 shares

### Brief personal profile, position, assignment of work and important concurrent position at other organization

April 1986	Joined Morgan Stanley, Tokyo Branch
July 1987	Joined Wood Gundy Inc., Tokyo Branch
January 1993	Joined Salomon Brothers Asia, Tokyo Branch
August 1995	Joined Morgan Stanley, Tokyo Branch
February 1997	Joined Deutsche Securities Inc., Tokyo Branch
September 2004	Joined Deutsche Bank AG, New York Branch
April 2006	Established Zen Asset Management Co., Ltd., Representative Director (Incumbent)
June 2021	Outside Director of the Company (Incumbent)
January 2022	Chairman of the Sustainability Committee of the Company (Incumbent)

### [Important concurrent duties]

Representative Director, Zen Asset Management Co., Ltd.

### [Reason for selection as a candidate for Outside Director and summary of expected roles]

· Mr. Kyoichi Miyazaki has amassed a wealth of knowledge and experience related to market risk management and investment portfolio management utilizing cutting-edge financial engineering in international financial institutions. He possesses superb insights and personality as he established and manages his own asset management company. He has made proposals on management policies, primarily policies related to international business, risk management, and corporate governance, based on his own professional knowledge, monitor the Company's management activities from a neutral and objective point of view, further enhance management transparency, and improve corporate value in the medium- and long-run by promoting continuous corporate growth. Moreover, since becoming Chairman of the Sustainability Committee in 2022, he has done his utmost to supervise the Company's sustainability initiatives for appropriateness and monitor their progress. With the expectation that he can continuously fulfill these roles, he has been appointed as a candidate for Outside Director.

### (Notes)

1. No special interests exist between the candidates and the Company.
2. The Company has made a contract with Outside Directors Mr. Masanobu Kaizu, Mr. Toshiharu Kagawa, Ms. Yoshiko Iwata, and Mr. Kyoichi Miyazaki for the limitation of liability in accordance with Article 427, Paragraph 1 of the Companies Act and Article 27 of the Company's articles of incorporation (a contract limiting the amount of liability under Article 423, Paragraph 1 of the Companies Act to the maximum amount stipulated by law). If the reelection of the candidates is approved, the Company plans to renew this contract.
3. The Company has entered into a liability insurance agreement for directors, etc. with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. All candidates for reappointment as Director and candidates for new appointment, Mr. Koji Ogura and Ms. Kelley Stacy, are included among the insured under this agreement. An outline of the details of this contract is included on page 32 of the Business Report. At the Board of Directors meeting after the conclusion of this Annual General Meeting of Shareholders, the Company plans to approve the renewal of the same contract under the same terms.
4. The Company has also designated Outside Directors Mr. Masanobu Kaizu, Mr. Toshiharu Kagawa, Ms. Yoshiko Iwata and Mr. Kyoichi Miyazaki as independent directors as stipulated by the Tokyo Stock Exchange, Inc. ("TSE"), and registered them as such with the TSE.

### [Reference 1] Criteria on independence of Outside Directors and Outside Corporate Auditors

Described below are the criteria for judging independence of Outside Directors and Outside Corporate Auditors. The Company has set these criteria by adding the Company's unique essence on to those issued by the Tokyo Stock Exchange and other relevant legal requirements.

◆ Any of the following items must not be applicable in the most recent consolidated fiscal year (year-end).

- (1) A person conducting business operations of the Company's group (e.g. Executive Director, Executive Officer or employee; hereinafter the same applies)
- (2) A main account (\*) of the Company's group, or a person conducting business operations for the account  
(\* ) A main account means any of the following persons or organizations.
  - A customer to which the Company's group makes 2% or more of its consolidated net sales
  - A supplier or a service provider that makes 2% or more of its consolidated net sales to the Company's group
  - A lender from which the Company's group has gotten a loan amounting to 2% or more of its consolidated total assets
- (3) A major shareholder of the Company (who holds 10% of the total voting rights) or a person conducting business operations of the shareholder
- (4) A certified public accountant or a person who belongs to an audit corporation that undertakes statutory audit work for the Company's group
- (5) A person who conducts business operations of a company that has interlocking Executives or Executive Officers with the Company's group
- (6) A professional (e.g. lawyer, certified public accountant, registered tax accountant, or consultant) who receives compensation, etc., amounting to 10 million yen or more, in addition to Director compensation, from the Company's group (If such professional is a corporation or another organization, a person who belongs to such corporation or organization is applicable)
- (7) An individual, organization or a person who conducts business operations for such individual or organization and receives a contribution of 100 million yen or more from the Company's group
- (8) A person who used to be applicable to (1) above in the past 10 years or a person who used to be applicable to any of (2) through (7) above in the past 3 years
- (9) The spouse or a relative within the second degree of a person described in (1) through (8) above. However, a "person conducting business operations" is limited to an important person conducting such operations (i.e. Executive Director, Executive Officer, or high-ranking employee receiving the same treatment as Executive Officer)



## [Reference 2] Skills matrix for Directors and Corporate Auditors

A list of experience and expertise possessed by the Directors and Corporate Auditors (skills matrix) as of the (scheduled) conclusion of this General Meeting of Shareholders is as follows.

	Name	Position and Assignment of Work in the Company	Skill									
			Corporate Management	Economic Analysis	Technology Development	Sales & Marketing	SCM	Finance Accounting	Legal Risk Management	IR	ESG SDGs	Internationalism
1	<b>Yoshiki Takada</b>	President/Senior General Manager of Sales Headquarters/Member of the Nomination and Compensation Committee/Member of the Sustainability Committee	●			●		●				●
2	<b>Toshio Isoe</b>	Director and Executive Officer/General Manager of Administration Division/In charge of HR						●	●		●	●
3	<b>Masahiro Ota</b>	Director and Executive Officer/General Manager of Finance & Accounting Division						●		●		●
4	<b>Susumu Maruyama</b>	Director and Executive Officer/In charge of Business Management/General Manager of Presidential Office		●					●			
5	<b>Samuel Neff</b>	Director and Executive Officer/In charge of Supply Chain Management					●		●			●
6	<b>Yoshitada Doi</b>	Director and Executive Officer/Senior General Manager of Engineering Headquarters			●		●					
7	<b>Koji Ogura</b>	Director and Executive Officer/Vice Senior General Manager of Sales Headquarters				●						
8	<b>Kelley Stacy</b>	Director and Executive Officer	●			●						●
9	Independent Outside <b>Masanobu Kaizu</b>	Outside Director/Lead independent Director/Chairman of the Nomination and Compensation Committee		●				●		●	●	
10	Independent Outside <b>Toshiharu Kagawa</b>	Outside Director/Member of the Nomination and Compensation Committee			●							
11	Independent Outside <b>Yoshiko Iwata</b>	Outside Director/Member of the Sustainability Committee	●							●	●	●
12	Independent Outside <b>Kyoichi Miyazaki</b>	Outside Director/Chairman of the Sustainability Committee							●		●	●
13	<b>Naoto Moriyama</b>	Full-time Corporate Auditor							●			
14	Independent Outside <b>Arata Toyoshi</b>	Outside Corporate Auditor						●				
15	Independent Outside <b>Haruya Uchikawa</b>	Outside Corporate Auditor							●			

END

# 1 Matters pertaining to the present status of the Group

## 1 Main business activities

Manufacturing and sales of automatic control equipment, including pneumatic instruments

**1 Pneumatic instruments** Instruments that utilize the pressure of compressed air as core energy source and perform automatic operations such as pressing, gripping and turning the objects in place of the manual work by human hands

**Key products** Air cylinders, Air grippers, Rotary actuators, Solenoid valves, Air line equipment, One-touch fittings, Vacuum units

Solenoid valves      Air cylinders      Air line equipment      Air dryer

**2 Electric instruments**

**Key products** Electric actuators

**3 Sensor**

**Key products** Pressure switch, Flow switch

**4 Temperature control equipment**

**Key products** Thermo-chiller, Thermo-controller

SMC Group's products are making contributions to automation and labor-saving in all industry sectors.

**Machine tools**

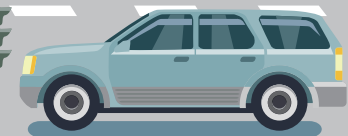
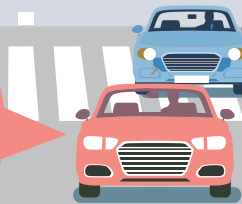
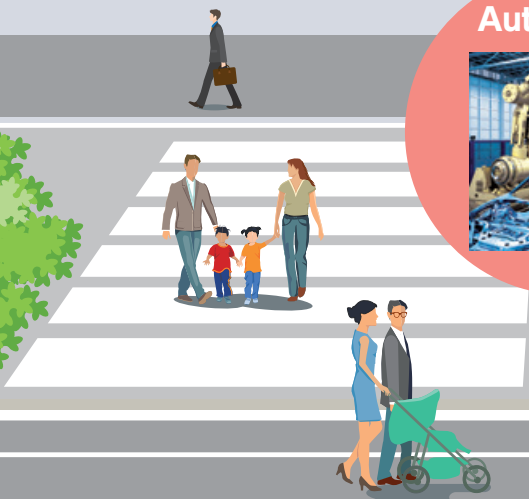
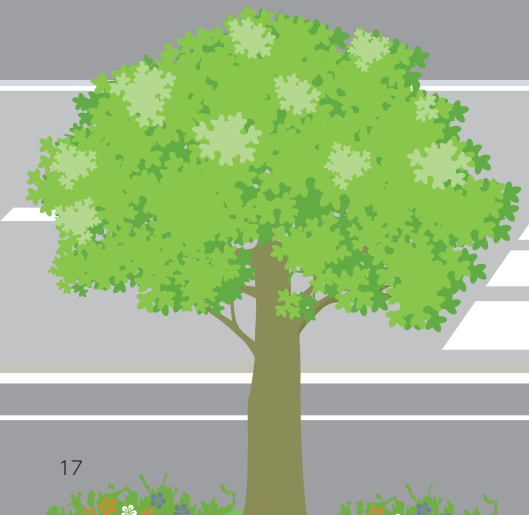
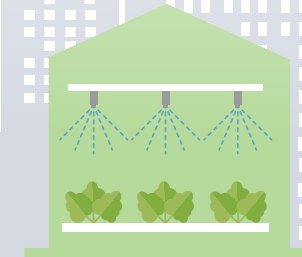
**Agriculture**

**Medical**

**Automobile**

**Food**

**Semiconductor**



Global Network (for reference purpose)



Europe 16.3%

Net sales 118,475 million yen YoY change +30.2%

After falling in response to the impact of COVID-19, demand recovered sharply in the second half of the fiscal year, primarily in areas related to semiconductors, electronics, and machine tools. Automobile-related demand was affected by the semiconductor shortage, but due in part to EV-related investments it exceeded the level of the previous fiscal year. The Russian invasion of Ukraine had only a limited impact.

Greater China 27.8%

Net sales 202,280 million yen YoY change +41.3%

In China, due to the impact of both U.S.-China trade friction and policy support, there was a sharp increase in demand in areas related to semiconductors and rechargeable batteries. Investments related to EV were brisk, and automobiles and machine tools also performed well. In Taiwan, capital investments for semiconductors remained strong. On the other hand, there are some remaining concerns about the impact of lockdowns caused by the spread of COVID-19, and other factors.

Other Asia 14.9%

Net sales 108,180 million yen YoY change +32.7%

In the first half of the fiscal year there was an impact from the spread of COVID-19, but this switched to recovery in the second half. Demand recovered in South Korea, Singapore, and Malaysia, primarily in semiconductor-related areas. In Thailand and India, automobile-related industry was affected by the shortage of semiconductors, but sales were higher year on year.

North America 14.5%

Net sales 105,225 million yen YoY change +40.6%

Due in part to the trade friction between the U.S. and China, customers in the U.S. took a proactive approach to capital investments, and sales to the semiconductor-related industry were particularly strong. In an automobile-related industry, which is a key industry, there were some impact from the shortage of semiconductors, but EV-related investments were brisk, and demand recovered across a broad range of industries, including the related area of machine tools.

Other 1.7%

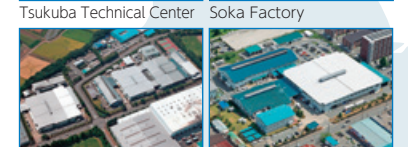
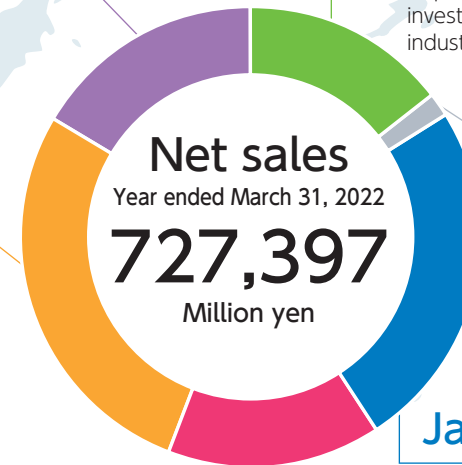
Net sales 12,771 million yen YoY change +28.0%

With the recovery from COVID-19 progressing, South America, Oceania and other regions posted year-on-year increases in sales.

Japan 24.8%

Net sales 180,463 million yen YoY change +19.0%

With capital investments that were postponed due to the impact of COVID-19 resuming, sales of semiconductors and machine tools recorded a significant increase. Automobile-related industry was affected by cuts in production, but net sales rose year on year. Industries related to medical equipment, food machinery, and other performed well, boosted by new demand for labor-saving and automation post-COVID-19.



2 Business progress and results

During the fiscal year 2021, economic activity in multiple countries began to rebound from COVID-19, and manufacturing industry in general saw a recovery in appetite for capital investment. However such factors as supply chain disruptions, including semiconductor shortages, sharp increases in raw materials and logistics costs, and the Russian invasion of Ukraine have led to a continuation of the uncertain outlook. Demand for automatic control equipment in areas related to semiconductors and electronics remains at high levels across all regions, including North America, Europe, and Asia, but particularly in China and Japan. Areas related to

the automobile industry continued to be affected by cuts in production caused by shortages of semiconductors and other parts, but there was growth in demand related to electric vehicles and rechargeable batteries. Machine tools were generally strong, primarily in overseas. In areas related to medical equipment, food machinery, and other industries, saw strong demand for labor-saving and automation post-COVID-19 resulted in robust performance. In this environment, the Group implemented a variety of initiatives aimed at moving to multiple sources of supply and enhancing quality in order to avoid the impact on production of shortages in parts procurement. The Group

also continued an aggressive program of capital investments, aiming to ensure adequate product supply capacity to meet growing demand, and creating manufacturing bases in multiple locations to enhance the sustainability of production. In addition, the Group continued to aggressively promote sales activities by interacting directly with global manufacturers to elicit their needs, and by offering new products that are smaller, lighter, and offer superior energy-saving performance, or enhanced durability. As a result, consolidated net sales for this fiscal year were 727,397 million yen (31.7% increase year on year), and although selling, general and administrative expenses

increased mainly in personnel expenses, the effect of revenue increase resulted in operating profit of 227,857 million yen (48.6% increase year on year). Interest income declined, but foreign exchange gains increased due to the weaker yen, and ordinary profit ended up 272,981 million yen (58.9% increase year on year) while profit before income taxes was 272,851 million yen (58.2% increase year on year), and profit attributable to owners of parent was 192,991 million yen (58.5% increase year on year). ROE became 13.2%, increased by 3.9 points from the previous fiscal year.



### ③ Issues to be addressed

SMC Group declared its “Management Philosophy” as follows. And issues that SMC Group needs to deal with toward the future are clarified as the “Long-term management vision”.

#### (1) Management Philosophy

1) Contributing to automated, labor-saving operations	The Company considers that its social mission is to “contributing to automated, labor-saving operations in industries” through the manufacturing and sales of automatic control equipment, including pneumatic instruments.
2) Focusing on the main business	As a manufacturer of component parts “contributing to automated, labor-saving operations in industries”, the Company fulfills its objectives and strives to improve its competitive advantages by concentrating its management resources on the automatic control equipment business, its main business.
3) Supplying products globally	The Company will supply products that can meet the rules and needs of different countries and regions and are accepted in all the markets of the world.

#### (2) Long-term management vision

1) The Company strives to develop products required by customer and to create a framework which can respond to customer requiring for delivery dates, quality, prices, etc.
2) The Company focuses on newly expanding production facilities and replacing existing facilities, establishes a globally optimal production system with future vision in mind, and accelerates rationalization and cost reduction.
3) The Company aims to survive competitions in the global markets and to acquire higher market shares.

### ④ Status of capital investments

The Company focuses on new construction and expansion of production facilities, and acquisition of land for production facilities in order to establish production capabilities with the future in mind and create a system capable of maintaining global production supply even during emergencies. The Company also introduced new equipment and updated molds, etc., in order to achieve further rationalization and cost reduction.

With the delays in progress caused by COVID-19 beginning to be recaptured, total capital investments during this fiscal year came to 83.499 million yen (204.3% increase year on year), which included the acquisition of land for the construction of a new head office.

Listed below are the main capital investments during the fiscal year 2021.



① SMC (Tianjin) Manufacturing



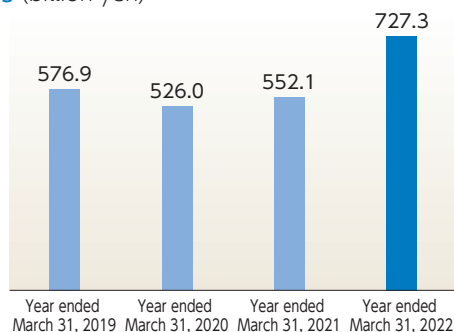
② Shimotsuma Factory No.2

## ⑤ Changes in assets and financial results

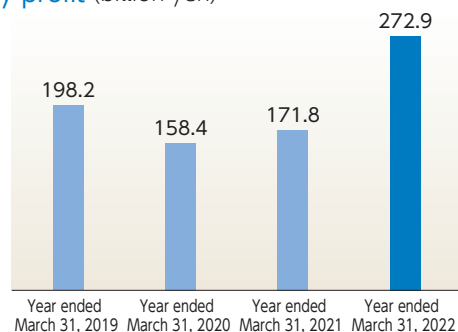
(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022
Net sales	576,948	526,000	552,178	<b>727,397</b>
Ordinary profit	198,201	158,450	171,827	<b>272,981</b>
Profit attributable to owners of parent	130,631	110,500	121,790	<b>192,991</b>
Net income per share (yen)	1,943.35	1,656.44	1,831.98	<b>2,923.76</b>
Total assets	1,389,308	1,390,539	1,539,871	<b>1,769,951</b>
Net assets	1,243,252	1,253,266	1,379,987	<b>1,559,274</b>
Net assets per share (yen)	18,447.39	18,794.58	20,835.47	<b>23,808.08</b>
Return on equity	10.9%	8.9%	9.3%	<b>13.2%</b>

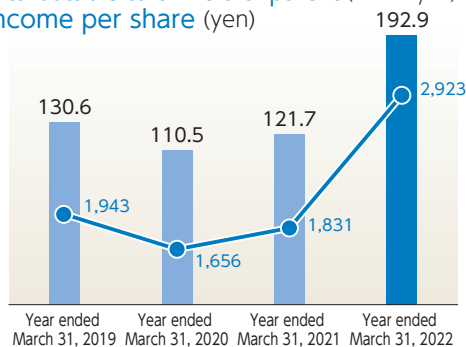
Net sales (billion yen)



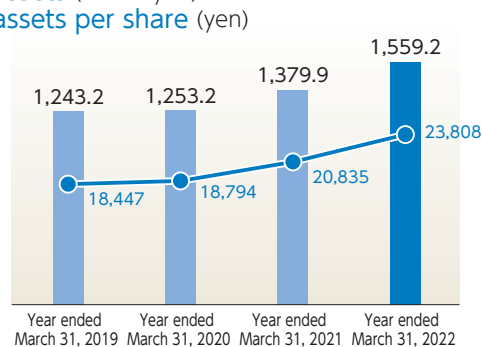
Ordinary profit (billion yen)



■ Profit attributable to owners of parent (billion yen)  
● Net income per share (yen)



■ Net assets (billion yen)  
● Net assets per share (yen)



## 6 Status of principal subsidiaries

Company name	Share capital	Percentage of voting rights (%)	Major business
Nihon Kizai Co., Ltd.	¥ 304 million	47.3	Sales of automatic control equipment
Seigyo Kizai Corporation	¥ 100 million	100.0	Sales of automatic control equipment
SMC Corporation of America (SMC US)	US\$ 172,700 thousand	100.0	Manufacturing and sales of automatic control equipment
SMC Deutschland GmbH (SMC Germany)	EUR 84,101 thousand	100.0	Manufacturing and sales of automatic control equipment
SMC Pneumatics (U.K.) Ltd. (SMC U.K.)	£ 14,500 thousand	100.0	Manufacturing and sales of automatic control equipment
SMC Italia S.p.A. (SMC Italy)	EUR 18,145 thousand	99.9	Manufacturing and sales of automatic control equipment
SMC Espana S.A. (SMC Spain)	EUR 3,305 thousand	100.0	Manufacturing and sales of automatic control equipment
SMC Corporation (Singapore) Pte. Ltd. (SMC Singapore)	S\$ 5,600 thousand	100.0	Manufacturing and sales of automatic control equipment
SMC Automation (Taiwan) Co., Ltd. (SMC Taiwan)	NT\$ 420,840 thousand	100.0	Manufacturing and sales of automatic control equipment
SMC Korea Co., Ltd. (SMC Korea)	KRW 46,500 million	100.0	Manufacturing and sales of automatic control equipment
SMC Investment Management China Co., Ltd. (SMC Investment Management)	CNY 5,685 million	100.0	Management of subsidiaries in China
SMC Automation China Co., Ltd. (SMC China)	CNY 100 million	(Note) 100.0	Sales of automatic control equipment
SMC (China) Co., Ltd. (SMC (China) Manufacturing)	CNY 1,504 million	(Note) 100.0	Manufacturing and sales of automatic control equipment
SMC (Beijing) Manufacturing Co., Ltd. (SMC (Beijing) Manufacturing)	CNY 1,716 million	(Note) 100.0	Manufacturing of automatic control equipment
SMC (Tianjin) Manufacturing Co., Ltd. (SMC (Tianjin) Manufacturing)	CNY 2,000 million	(Note) 100.0	Manufacturing of automatic control equipment
SMC Manufacturing (Singapore) Pte. Ltd. (SMC (Singapore) Manufacturing)	S\$ 10,000 thousand	100.0	Manufacturing of automatic control equipment
SMC Manufacturing (Vietnam) Co., Ltd. (SMC (Vietnam) Manufacturing)	VND 8,038,304 million	100.0	Manufacturing of automatic control equipment
SMC Automacao do Brasil Ltda. (SMC Brazil)	BRL 332,525 thousand	(Note) 100.0	Manufacturing and sales of automatic control equipment

(Note) The Company's percentages of voting rights in SMC China, SMC (China) Manufacturing, SMC (Beijing) Manufacturing, SMC (Tianjin) Manufacturing, and SMC Brazil include those indirectly held by the Company's wholly-owned subsidiaries.

There are 44 consolidated subsidiaries including the abovementioned 18 principal subsidiaries.

## ⑦ Status of employees

Number of employees	21,620	Increase from the previous year	1,001
---------------------	--------	---------------------------------	-------

(Notes) 1. The number of employees represents the number of the actual workforce (i.e., excludes staff seconded to non-Group companies from Group companies and includes staff seconded to Group companies from non-Group companies).

2. In addition to the above, we employ 5,630 temporary staff (average during the year; increased by 569 persons from the previous year).

## ⑧ Status of main lending banks

Names of lending banks	Outstanding balance of borrowings
Resona Bank, Limited	¥ 8,738 million

## ⑨ Major bases

### (1) SMC Corporation

Head office	Akihabara UDX Building, 4-14-1, Soto-Kanda, Chiyoda-ku, Tokyo
Sales offices	Sendai, Omiya (Saitama), Kofu, Tokyo, Atsugi, Hamamatsu, Toyota, Nagoya, Kanazawa, Kyoto, Osaka, Okayama, Hiroshima, Fukuoka
Production facilities	Soka, Tsukuba (Ibaraki), Yamatsuri, Kamaishi, Tono, Shimotsuma
R&D centers	Tsukuba Technical Center (Ibaraki)

### (2) Subsidiaries

As described in “⑥ Status of principal subsidiaries”.

## ⑩ Other significant matters pertaining to the present status of the Group

None



## 2 Matters pertaining to the Company's shares

① Total number of shares outstanding: 67,369,359 (including 2,026,413 shares of treasury share)

② Number of shareholders: 4,537

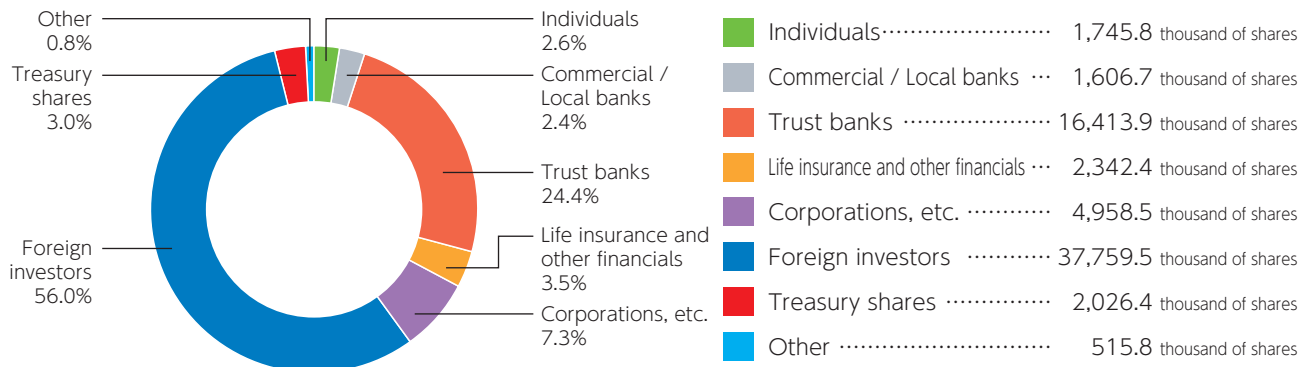
③ Major shareholders (Top 10)

Shareholder	Number of shares held (Thousand shares)	Percentage of voting rights (%)
Master Trust Bank of Japan (Trust account)	9,402.0	14.38
Custody Bank of Japan, Ltd. (Trust account)	4,009.0	6.13
Takada International LLC	3,793.0	5.80
TON Finance B.V.	3,443.5	5.26
JP Morgan Chase Bank 385632	3,165.9	4.84
The Bank of New York Mellon 140042	1,717.7	2.62
State Street Bank and Trust Company 505223	1,460.6	2.23
The Bank of New York Mellon as Depository Bank for Depository Receipt Holders	1,438.7	2.20
Resona Bank, Limited	1,322.8	2.02
SSBTC CLIENT OMNIBUS ACCOUNT	1,243.7	1.90

(Notes) 1. The Company holds 2,026,413 shares as treasury share. However, this is excluded from the above list of major shareholders.

2. Percentages of voting rights are calculated based on the number of shares outstanding of 65,342,946 shares (excluding treasury shares) and are indicated by rounding down figures to two decimal places.

### Distribution of share by shareholders



#### ④ Status of shares granted to the Company's Directors and Corporate Auditors as remuneration for executing duties during the fiscal year

	Number of shares	Number of persons granted shares
Directors (excluding Outside Directors)	700 shares	6 persons
Outside Director	—	—
Corporate Auditors	—	—

(Note) The above number is the number of shares equivalent to the points to be granted to Directors (excluding Outside Directors and Directors who do not execute business) through a stock benefit trust as stock compensation.

#### ⑤ Other significant matters pertaining to the Company's shares

The Company repurchased its treasury shares pursuant to the resolution at the Board of Directors' Meeting held on February 14, 2022, as follows.

(1) Purpose of the repurchase

To enhance returns to shareholders and improve capital efficiency

(2) Total number of shares repurchased

Common shares of the Company 734,700

(3) Total amount of repurchase

49,996 million yen

(4) Period of repurchase

From February 16, 2022 to March 4, 2022

(5) Method of repurchase

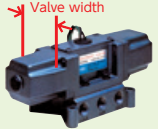



Market purchase

## Eco-Products

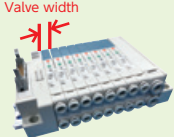




### Evolution of SMC Products

Since its establishment, SMC has been developing automatic control equipment, including pneumatic instruments, and has increased product variations to meet the needs of its customers. In addition, based on the methodology of "topology optimized design process", SMC is developing products smaller and lighter, with more air and power-savings, thereby achieving a significant reduction in CO<sub>2</sub> emissions during its manufacturing and usage.

### Solenoid Valves (Directional Control Valves)

Year	1971	1983	1984	1993
Series	VS4000	VF	VZ	SY
Valve width	36mm	26.4mm	15mm	10mm
Power consumption	5.5W	2W	2W	0.55W
	 Weight: 375g <sup>*1</sup>			

\*1 Without sub-plate  
\*2 With energy-saving circuitry

Year	1998	2005	2009	2019	2020
Series	SZ	SJ2000	New-SY	JSY	SJ1000
Valve width	10mm	7.5mm	10mm	6.4mm	6.5mm
Power consumption	0.6W	0.23W <sup>*2</sup>	0.4W	0.2W <sup>*2</sup>	0.23W <sup>*2</sup>
	 Weight: 17g				

#### \* Topology optimized design process

Topology optimization is a methodology for finding the optimal shape and form of a structure based on mathematical and mechanical evidence.

#### Eco-products made by eco-products

We use our own products that have significant CO<sub>2</sub>-reducing effects in our own production lines.

Year

1970

1980

1990

2000

2010

2020

Downsizing and weight reduction realized with topology optimized design process

### Actuators (Motive Equipment)

Steel-bodied cylinder



1970

Japan's first aluminum-bodied cylinder



1974

Cylinder with auto switch



1976

Non-tube cylinder



Today

#### Pursuit of base models / product expansion

- Product development to meet customer requirements
- Product improvement and product expansion
- Product quality improvement and cost reduction

Base models: 50

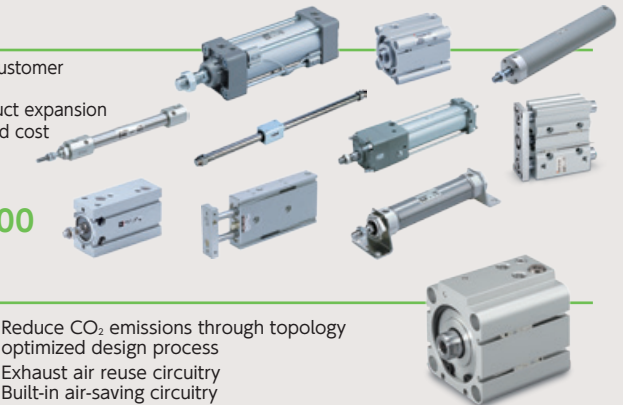
Total no. of items: 600,000

#### Initiatives to reduce CO<sub>2</sub> emissions and product development

Compact and lightweight

Air-saving

- Reduce CO<sub>2</sub> emissions through topology optimized design process
- Exhaust air reuse circuitry
- Built-in air-saving circuitry





» **BCP** Risk diversification for mass production and distribution bases

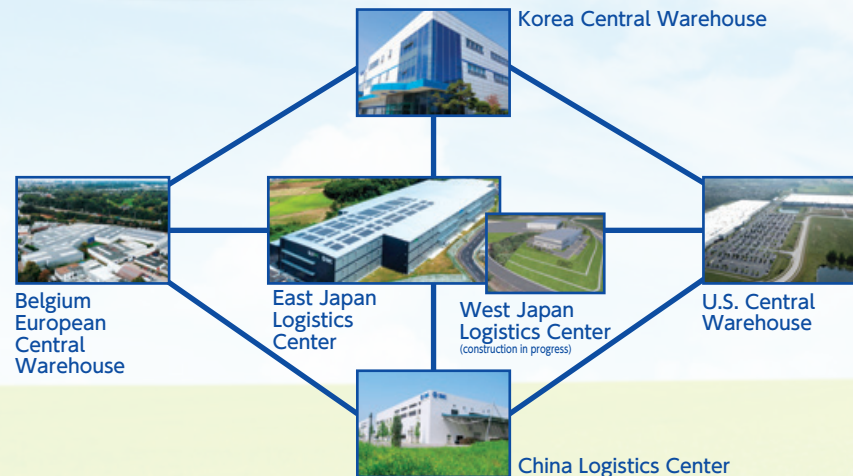
In order to prepare for emergencies such as large-scale disasters or outbreaks of conflict, SMC is promoting the duplication of production, and has established a system in which major mass production facilities in six countries around the world can complement each other. In addition, SMC maintains an ample inventory level at its distribution bases in five countries around the world, and are highly resistant to transportation disruptions.

Backup production system in case of disaster    Secure supply capability through a worldwide distribution and inventory network

Mass Production Factories

	Dryer/Temperature control equipment	Air line equipment	Fittings/Tubing	Solenoid valves	Flow Controls	Actuators	Auto switches	Other
Soka Factory		●		●				
Tsukuba Factory		●	●	●		●	●	
Shimotsuma Factory						●	●	
Yamatsuri Factory	●	●	●			●		
Kamaishi Factory		●	●	●				
Tono Factory					●		●	●
China Factory	●	●	●			●		
Vietnam Factory			●	●		●		
Singapore Factory	●		●					
India Factory					●	●		
Czech Factory	●	●				●		

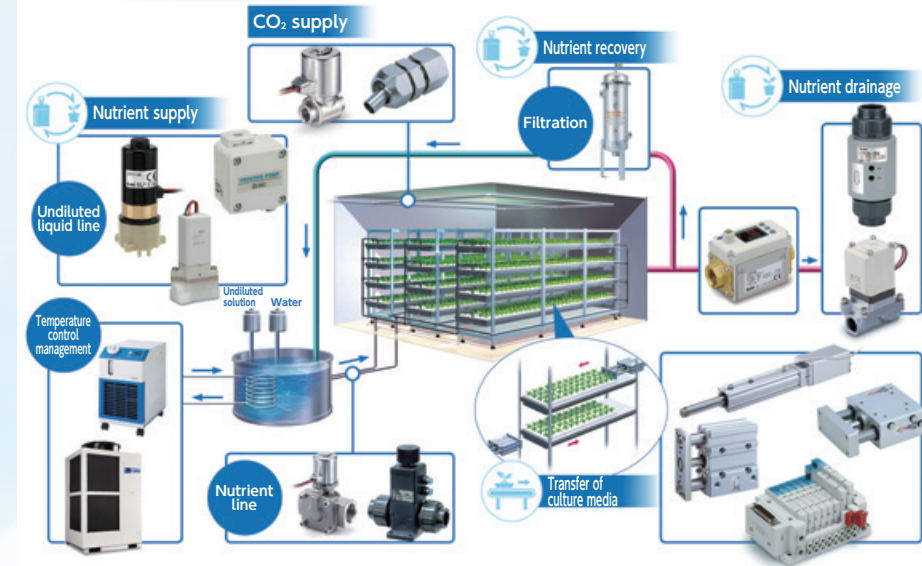
Distribution Centers



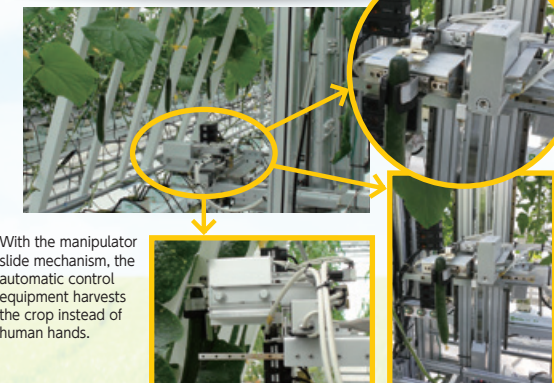
Possibilities of Automatic Control Equipment  
Agriculture

SMC's automatic control equipment is used for labor-saving and automation in a wide range of industries because of its simple design, ease of handling, and versatility. As a leading manufacturer of automatic control equipment, SMC is working to further expand its applications, and in recent years has been focusing on the agricultural field. By utilizing the characteristics of these products, which are compact, lightweight, and suitable for replacing manual work in the agricultural field, SMC hopes to contribute to solving social issues such as the declining birthrate and aging population, the decrease in the working population, climate change, and also supporting the increase in production and stable supply of food.

Application Examples of Automatic Control Equipment in Plant Factories



Cucumber Harvesting Robot  
(photo courtesy of Ehime University)



With the manipulator slide mechanism, the automatic control equipment harvests the crop instead of human hands.

8th Next Generation Agriculture Expo Tokyo

We participated in the 8th Next Generation Agriculture Expo Tokyo (AGRINEXT TOKYO) during October 13-15, 2021.



### 3 Matters pertaining to the Company's Directors and Corporate Auditors

#### ① Directors and Corporate Auditors (As of March 31, 2022)

Name	Position, assignment of work and significant concurrent position	
Yoshiki Takada	President	Senior General Manager of Sales Headquarters/Chairman, SMC US (Member of the Nomination and Compensation Committee) (Member of the Sustainability Committee)
Toshio Isoe	Director and Executive Officer	General Manager of Administration Division and in charge of HR
Masahiro Ota	Director and Executive Officer	General Manager of Finance & Accounting Division
Susumu Maruyama	Director and Executive Officer	In charge of Business Management and General Manager of Presidential Office
Samuel Neff	Director and Executive Officer	In charge of Supply Chain Management
Yoshitada Doi	Director and Executive Officer	Senior General Manager of Engineering Headquarters
Masanobu Kaizu	Outside Director	(Chairman of the Nomination and Compensation Committee) Senior Research Fellow and Adviser, Nomura Securities, Co., Ltd. Financial and Economic Research Center
Toshiharu Kagawa	Outside Director	(Member of the Nomination and Compensation Committee)
Yoshiko Iwata	Outside Director	(Member of the Sustainability Committee) President, J-Eurus IR Co., Ltd. Outside Director, Yamato International Inc. Outside Director, Fund Corporation for the Overseas Development of Japan's ICT and Postal Services Inc.
Kyoichi Miyazaki	Outside Director	(Chairman of the Sustainability Committee) Representative Director, Zen Asset Management Co., Ltd.
Naoto Moriyama	Full-time Corporate Auditor	
Arata Toyoshi	Outside Corporate Auditor	Certified Public Accountant (Representative, CPA Toyoshi Arata Office) Outside Director (Audit Committee Member), NIHON CHOZAI Co., Ltd.
Haruya Uchikawa	Outside Corporate Auditor	Lawyer (Partner, Midosuji Legal Profession Corporation)

- (Notes) 1. Mr./Ms. Masanobu Kaizu, Toshiharu Kagawa, Yoshiko Iwata, Kyoichi Miyazaki, Arata Toyoshi and Haruya Uchikawa are Independent Directors/Corporate Auditors, which TSE has required listed companies to have in order to protect the interests of general shareholders.
2. Outside Corporate Auditor Arata Toyoshi is a certified public accountant and certified public tax accountant and has abundant knowledge in finance and accounting.
3. The Company voluntarily established the Sustainability Committee as an advisory body of the Board of Directors on January 7, 2022, and Outside Director Kyoichi Miyazaki assumed the position of Chairman of this committee.
4. Upon the conclusion of the 62nd Annual General Meeting of Shareholders held on June 29, 2021, Mr. Katsunori Maruyama, Mr. Seiji Kosugi, and Mr. Masahiko Satake retired upon expiration of their terms of office. At the same Annual General Meeting of Shareholders, Mr. Yoshitada Doi was newly appointed as Director, and Ms. Yoshiko Iwata and Mr. Kyoichi Miyazaki were both newly appointed as Outside Directors and assumed their respective positions.

5. Changes in the responsibilities of Directors during the fiscal year 2021 were as follows.

Name	Before change	After change	Date of change
Toshio Isoe	Director and Executive Officer General Manager of Administration Division	Director and Executive Officer General Manager of Administration Division and in charge of HR	November 1, 2021
Samuel Neff	Director and Executive Officer In charge of Supply Chain Management	Director and Executive Officer In charge of Supply Chain Management and General Manager in charge of SCM	May 20, 2021
	Director and Executive Officer In charge of Supply Chain Management and General Manager in charge of SCM	Director and Executive Officer In charge of Supply Chain Management	January 1, 2022

## ② Outline of a limitation of liability contract

The Company has made a contract with each of the Outside Directors and Outside Corporate Auditors for the limitation of liability in accordance with Article 427, Paragraph 1 of the Companies Act and Articles 27 and 37 of the Company's articles of incorporation (a contract limiting the amount of liability under Article 423, Paragraph 1 of the Companies Act to the maximum amount stipulated by law).

## ③ Outline of a liability insurance agreement for executive officers, etc.

The Company has entered into a liability insurance agreement for executive officers, etc. with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act and will renew this agreement each year. An outline of this liability insurance agreement is as follows. The Company plans to renew this agreement under the same conditions at the next renewal period in June 2022.

Scope of those covered under insurance agreement	Executives, management, and all employees who become co-defendants of executives of the Company and Company's subsidiaries
Burden of insurance premiums	Those covered under this agreement will not bear the cost of insurance premiums (the Company will bear all costs)
Outline of insured incidents eligible for compensation	Damages bore by the insured for liability of damages related to the execution of one's duties. Damages that occur due to claims received from pursuing such responsibility (litigation expenses, etc.)
Mechanism to prevent interference with the proper execution of duties by executives, etc. of the Company, who are insured under this insurance agreement	This agreement includes a disclaimer stating that it will not cover any intentional damages and claims for compensation resulting from criminal behavior, violations of laws and regulations, and personal interests gained through illegal means by the insured

## ④ Compensation amounts payable to Directors and Corporate Auditors

### (1) Policy regarding the determination of details of compensation payable to Directors

#### i. Method of determining such policies

The Company resolved at the Board of Directors' meeting held on February 12, 2021 on a method for determining compensation for individual Directors.

The Company has voluntarily established a Nomination and Compensation Committee as an advisory body of the Board of Directors. The decision-making policy on compensation, etc. for individual Directors is determined by the Board of Directors after deliberation by the Nomination and Compensation Committee. The Board of Directors and the President respect the report of the Nomination and Compensation Committee.



## ii. Overview of these policies

## a. Basic policy

- The Company's basic policy is to ensure that the compensation of Directors functions appropriately as an incentive to achieve sustainable growth of the Company and medium- to long-term enhancement of the Company's corporate value, and that the level of compensation is appropriate to the responsibilities of each Director.
- Compensation for Executive Directors shall consist of basic compensation and stock compensation, and the Company continues to consider the introduction of performance-based compensation. Non-executive Directors shall be paid only basic compensation.

## b. Decision-making policy on basic compensation

- The basic compensation for Directors shall be determined by thoroughly considering the earnings forecast, employees' salary levels, contribution of each Director to earnings, position, assignment to work and term of office and the like.

## c. Decision-making policy on non-monetary compensation

- Non-monetary compensation for Directors (excluding Outside Directors and Non-executive Directors) shall be stock compensation ( "Board Benefit Trust" ). The details, calculation method of the number, and timing of the granting of compensation shall be in accordance with the "stock benefit rules" established by the Board of Directors after deliberations at the Nomination and Compensation Committee.

## d. Decision-making policy on the ratio of monetary and non-monetary compensation to total individual compensation, etc.

- The Board of Directors shall decide the ratio of monetary and non-monetary compensation to total individual compensation, etc. after deliberation by the Nomination and Compensation Committee.

## e. Matters pertaining to the determination of the details of compensation, etc. for individual Directors

- The Board of Directors shall determine the specific amount, timing and method of payment of compensation, etc. for individual Directors. However, by resolution of the Board of Directors, such determination may be delegated to the President.

## (2) Total amount of compensation, etc. for the fiscal year 2021

	Total amount of compensation	Total amount of compensation by type of remuneration		Number of Directors apply
		Basic compensation	Stock compensation	
Directors (Outside Directors)	¥341 million (¥47 million)	¥310 million (¥47 million)	¥30 million (—)	13 (4)
Corporate Auditors (Outside Corporate Auditors)	¥33 million (¥15 million)	¥33 million (¥15 million)	—	3 (2)

(Notes) 1. The above amounts include compensation for three Directors who retired during the current fiscal year.

2. Details of non-monetary compensation, etc.

The Company established "Board Benefit Trust" as a stock compensation plan for Directors (excluding Outside Directors and Directors who do not execute business).

For three business years from the fiscal year ended March 31, 2021, points will be granted to persons eligible for this "Board Benefit Trust" for achieving a set level of performance each fiscal year (consolidated operating income ratio) after being confirmed by the Nomination and Compensation Committee and the Board of Directors. At the time of retirement, the Company will provide each eligible person with shares of the Company equivalent to the points granted and cash equivalent to the market value of the Company's shares. The status of points awarded in the current fiscal year is equivalent to 700 shares for the six eligible persons, as described in [2] "Matters pertaining to the Company's shares ④ Status of shares granted to the Company's Directors and Corporate Auditors as remuneration for executing duties during the fiscal year".

In addition, if a person eligible for the plan is deemed by the Company to have committed a certain illegal act in the event of



dismissal or during his/her service, the right to receive the Company's shares and monetary benefits under the plan will not arise. Furthermore, if circumstances such as an error was found in the calculation of the performance target on which the granting of points is based and granting of the company's shares, etc. are unjustifiable, the person eligible for the plan shall be obligated to return to the Company the Company's shares, etc. received in the past (Malus and Clawback provisions).

3. Matters pertaining to resolutions at the General Meeting of Shareholders related to compensation for Directors and Corporate Auditors

① Total amounts of basic compensation for Directors and Corporate Auditors were determined to be no more than 900 million yen and 100 million yen per annum, respectively, at the 48th Annual General Meeting of Shareholders held on June 28, 2007. The number of incumbent officers at the conclusion of the 48th Annual General Meeting of Shareholders was nineteen Directors and five Corporate Auditors.

② The retirement benefit plan for Directors was abolished at the 61st Annual General Meeting of Shareholders held on June 26, 2020. The termination payment of retirement benefits based on the old system was approved for Directors who were reelected at this same General Meeting of Shareholders. The Directors eligible for the termination payment at the conclusion of the 61st Annual General Meeting of Shareholders were the six Directors (excluding Outside Directors) who were reelected at the 61st Annual General Meeting of Shareholders.

③ The introduction of the stock compensation plan described in (Notes) 2. above was approved at the 61st Annual General Meeting of Shareholders held on June 26, 2020. The number of shares corresponding to the points to be granted within the said "Board Benefit Trust" and the acquisition price thereof are limited to 1,000 shares and 100 million yen per year, which is separate from the annual maximum limit of 900 million yen of the total amount of basic compensation described in ① above. Note that the Directors eligible for the plan at the conclusion of the 61st Annual General Meeting of Shareholders were eight Directors (excluding Outside Directors).

4. Matters pertaining to the delegation of responsibility for determining the details of compensation, etc. for individual Directors  
The specific amount, timing and method of payment of compensation, etc. for individual Directors are left to Yoshiki Takada, President, by resolution of the Board of Directors, and there are no restrictions on the scope of his discretion.

The authority to make these decisions is delegated to the President because the President has the greatest amount of information on the earnings forecast, employees' salary levels, and contribution of each Director to earnings, factors which form the basis of determining the details of compensation, etc. for individual Directors. Thus, the President is in the position to make the fairest evaluation based on the management policy.

Furthermore, the President shall report to the Chairman of the Nomination and Compensation Committee on the specific amount of compensation, etc. for individual Directors determined by himself based on the above discretionary resolution. With this, the Board of Directors has determined that the decision has been made in accordance with the decision-making policy described in ④(1) above.

## 5 Matters pertaining to Outside Directors and Outside Corporate Auditors

### (1) Main activities during this fiscal year

Name and position	Meeting attendance		Main activities and overview of performed duties in expected roles
	Board of Directors	Board of Corporate Auditors	
Masanobu Kaizu Outside Director	10/10 (100.0%)	—	As an economist and securities analyst, he has supervised the management of the Company and worked for further improving the transparency of management based on his professional knowledge of economic situations, financial market conditions, corporate management and financial accounting with neutral and objective viewpoints, in particular, focusing on protecting the interests of general shareholders and investors. He has also made proposals on management policies in light of urging the Company's sustainable growth and improving corporate value in the medium- and long-term. He also has provided the latest information related to economics and financial market conditions to the Board of Directors. He led deliberations related to the revision of the structure of the Board of Directors as the Chairman of the Nomination and Compensation Committee. He also strove to enhance the fairness, transparency, and objectivity to the nomination and compensation process of Directors by fulfilling a central role in selecting candidates for Outside Directors. Furthermore, he engaged in dialogue with shareholders and investors as the top independent Outside Director. Based on these dialogues, he deepened debate within the Nomination and Compensation Committee and the Board of Directors.

Name and position	Meeting attendance		Main activities and overview of performed duties in expected roles
	Board of Directors	Board of Corporate Auditors	
Toshiharu Kagawa Outside Director	10/10 (100.0%)	—	As a researcher and educator specialized in flow measurement and control, an area quite closely related to the Company's business domain, he has supervised the management of the Company and worked for improving the transparency of management based on his professional knowledge and broad experience with neutral and objective viewpoints. He has also made proposals on management policies, in particular, measures centered on R&D activities and the development of engineers in light of urging the Company's sustainable growth and enhancing corporate value in the medium- and long-term. He also strove to enhance the fairness, transparency and objectivity to the nomination and compensation process of Directors by serving as a member of the Nomination and Compensation Committee.
Yoshiko Iwata Outside Director	7/7 (100.0%)	—	She has made proposals based on her expertise and a wealth of experience related to corporate governance and to dialogue between investors and companies, as well business corporate and management experience accumulated in international finance institutions, from the standpoint of protecting the interests of general shareholders and investors in particular, and of further enhancing management transparency. In addition, from the perspective of encouraging the Company's sustainable growth and enhancing corporate value in the medium- and long-term, she has provided advice on the Company's management policies, especially in relation to corporate governance, information disclosure, and measures for dialogue with investors. Furthermore, as a member of the Sustainability Committee that was established in this fiscal year, she supervised initiatives to address the sustainability issues faced by the Company, and deepened debate within the Sustainability Committee and the Board of Directors.
Kyoichi Miyazaki Outside Director	7/7 (100.0%)	—	He has made proposals based on his expertise and a wealth of experience related to market risk management and investment portfolio management utilizing cutting-edge financial engineering, from the standpoint of further enhancing management transparency. In addition, from the perspective of encouraging the Company's sustainable growth and enhancing corporate value in the medium- and long-term, he has provided advice on the Company's management policies, especially in relation to measures for international business, risk management, and corporate governance. Furthermore, as the Chairman of the Sustainability Committee that was established in this fiscal year, he supervised initiatives to address the sustainability issues faced by the Company, and led debate within the Sustainability Committee and the Board of Directors.
Arata Toyoshi Outside Corporate Auditor	10/10 (100.0%)	13/13 (100.0%)	As a certified public accountant, he has monitored the Company's management activities based on his professional knowledge and broad experience on business accounting and auditing from a neutral and objective point of view, focusing, in particular, on ensuring the fairness of financial accounting and timely disclosure. He has also made proposals on the overall management of the Company. He also fulfilled a central role in deliberation and coordination among the Accounting Auditors, Board of Corporate Auditors, and Finance & Accounting Division.
Haruya Uchikawa Outside Corporate Auditor	10/10 (100.0%)	13/13 (100.0%)	As a lawyer, he has monitored the Company's management activities based on his professional knowledge and broad experience on the Companies Act, the Financial Instruments and Exchange Act, other laws and regulations as well as compliance required for listed companies from a neutral and objective point of view, focusing, in particular on legal risk management and compliance. He has also made proposals on the overall management of the Company. In addition to identifying risks and points of caution as a legal expert in deliberations of the Board of Directors, he played an important role in ensuring the appropriateness and legality of business execution of Directors during the current fiscal year.

(2) Relationships between the Company and organizations to which Outside Directors and Outside Corporate Auditors concurrently belong

There is no special relationship to report.

## 4 Status of Accounting Auditor

### ① Name of Accounting Auditor

Seiyo Audit Corporation

### ② Remuneration amount payable to Accounting Auditor in the fiscal year 2021

	Amount payable
Remuneration as Accounting Auditor in the fiscal year	¥76million
Total amount of remuneration (monies and other assets) the Company and its subsidiaries are liable to pay	¥76million

(Notes) 1. Since the auditing agreement between the Company and its Accounting Auditor does not segregate the amount of remuneration to Auditors pursuant to the Companies Act and that pursuant to the Financial Instruments and Exchange Law (including internal control audit) as it is substantially difficult to do so, the amount recorded above is the total of these two types of remuneration.

2. Reasons for the consent on remuneration for the Accounting Auditor by the Board of Corporate Auditors  
The Board of Corporate Auditors examined the performance of duties of the Accounting Auditor, details of the auditing plans and the basis of calculation of the estimated remuneration based on submitted materials and reports received from Directors, relevant internal parties, and the Accounting Auditor. As a result, the Board of Corporate Auditors concluded that the remuneration paid to the Accounting Auditor was appropriate and provided consent thereto.

### ③ Matters pertaining to audits for subsidiaries

Excluding Seiyo Kizai Corporation, audits for the 17 subsidiaries of the 18 principal subsidiaries listed in “[1]. Matters pertaining to the present status of the Group ⑥ Status of principal subsidiaries” are performed by auditing firms other than the Company’s Accounting Auditor.

The audits for some foreign consolidated subsidiaries are performed by auditing firms which belong to the global network (Baker Tilly International) same as Company’s Accounting Auditor. The Company pays 36 million yen as compensation based on statutory audit work and 24 million yen as compensation based on non-auditing tasks to these auditing firms.

The total amount of compensation consolidated subsidiaries pay to auditing firms for statutory audit work is 135 million yen.

### ④ Policies on the dismissal or non-reappointment of Accounting Auditor

If any of the dismissal causes stipulated in Article 340 of the Companies Act, such as the breach of the aforementioned obligations, neglect of duties, or misconduct as an Accounting Auditor, is applicable to the Accounting Auditor, the Board of Corporate Auditors shall dismiss the Accounting Auditor by obtaining consent from all Corporate Auditors.

Moreover, the Board of Corporate Auditors shall propose an agenda item concerning the dismissal or non-reappointment of the Accounting Auditor to Shareholders’ Meeting if it is deemed difficult for the Accounting Auditor to execute its duties adequately.

## 5 Framework to ensure the properness of operations

### ① Framework to ensure that execution of duties by Directors complies with applicable laws and regulations as well as the Articles of Incorporation, other framework to ensure the properness of operations

- (1) Framework to ensure that execution of duties by Directors and employees complies with applicable laws and regulations as well as the Articles of Incorporation
  - The Company has established the “SMC Group Ethical and Corporate Principles” and “SMC Group Code of Conduct” and clarified its stance of striving to become a company that is trusted not only by customers and business partners but also by society at large by performing fair corporate activities in compliance with applicable laws and regulations and ethical standards.
  - The Company has voluntarily established the Nomination and Compensation Committee to enhance the fairness, transparency and objectivity to the nomination and compensation process of Directors. The majority of the Nomination and Compensation Committee consists Independent Outside Directors. The Chairman of the Committee is appointed from among the members who are Independent Outside Directors.
  - Develop an internal reporting system as well as a structure to report conduct constituting a conflict of interest throughout the Group to help prevent and correct improper conduct. Our internal rules protect whistleblowers and prohibit any detrimental treatment or harassment of those who made a legitimate report.
  - Do not become involved with antisocial forces and organizationally take a resolute attitude toward undue claims in close collaboration with lawyers, police, and others.
- (2) Framework for information storage and management with regards to the execution of duties by Directors
  - Formulate information management rules to develop a system to prevent leakage of important information.
  - Under the direction of the person in charge of information handling, we strive to promote timely and appropriate information disclosure.
- (3) Framework and rules relating to risk of loss management
  - Establish a department or committee specializing in the management of important risks including those relating to quality, environmental measures, disaster prevention, etc.
  - Information regarding complaints against quality will be reported to the President, and actions as well as recurrence prevention measures will be verified.
- (4) Framework to ensure that duties of the Directors are efficiently executed
  - Establish the Executive Officers Meeting to facilitate information-sharing among department heads.
  - Establish long-term management plans as well as annual policies and budgets for each Group company and department, thereby implement adequate business management.

- (5) **Framework to ensure the properness of operations of the corporate group consisting of the Company and its subsidiaries**
- Contracts made with subsidiaries obligates them to report to the Company when there is any advance discussion regarding significant matters, any regular reports and discussions on business plans, financial closing, etc., any operational losses, losses caused by disaster, etc., and any occurrence of important events such as the violation of law.
  - Organize and operate a framework to conduct risk management (internal control related to financial reporting) necessary for ensuring the reliability of financial reporting, and improve its effectiveness through regular assessment.
  - Properly manage subsidiaries and promote integrated and efficient group strategies throughout organizing management rules for subsidiaries, dispatching directors, exercising shareholder rights, and having regular discussions with subsidiaries.
- (6) **Framework to ensure that auditing activities conducted by employees to assist Corporate Auditors are efficiently executed**
- Assign full-time audit staff persons who assist Corporate Auditors in executing their duties, and have knowledge of internal audit, financial accounting and other areas.
  - These audit staff persons are authorized to conduct necessary examinations to support Corporate Auditors' audit, under the direction of Corporate Auditors.
  - Personnel changes announcement or disciplinary actions are taken upon consulting Corporate Auditors.
- (7) **Framework in which Directors and employees give reports to Corporate Auditors/Framework to give other reports to Corporate Auditors**
- Directors and employees report the status of business execution to Corporate Auditors regularly and at the request of Corporate Auditors.
  - In the case that a Director or employee discovers a fact that may cause significant damage to the Company, he or she shall report it immediately to Corporate Auditors.
  - In the case that a Director or employee receives a report on a subsidiary's significant matters from the subsidiary's Director, employee, or other persons, he or she shall report it to Corporate Auditors in a timely and appropriate manner.
  - It is prohibited to unfairly treat Directors and employees of the Company and its subsidiaries on the grounds that relevant matters have been reported to Corporate Auditors.
- (8) **Matters pertaining to the processing of costs incurred in connection with the execution of duties by Corporate Auditors**
- Costs necessary for the execution of duties by Corporate Auditors are immediately processed whenever requested, including prepayments.
- (9) **Framework to ensure that other audit work by Corporate Auditors is effectively performed**
- Corporate Auditors hold meetings periodically with the President, the Accounting Auditor and the internal audit department in order to improve the auditing environment and strengthen the liaison among Auditors.

## ② Overview of the operation status of the said frameworks

### (1) Framework to ensure that execution of duties by Directors and employees complies with applicable laws and regulations as well as the Articles of Incorporation

- The Company has disclosed the “SMC Group Ethical and Corporate Principles” and “SMC Group Code of Conduct” on its website and further clarified its stance of striving to become a company that is trusted not only by customers and business partners but also by society at large by performing fair corporate activities in compliance with applicable laws and regulations and ethical standards.
- Under the “SMC Group Ethical and Corporate Principles”, the Company has established the “SMC Group Code of Conduct” which specifically describes what the Group’s Directors and employees should comply with, and distributed an English translation of the Japanese version to the Group companies.

As part of the procedures for evaluating the internal control system pertaining to financial reports, the Company confirms every year that the SMC Group Code of Conduct is well acknowledged among the consolidated subsidiaries.

- In addition to the internal reporting system, the Company has established a contact point outside the Company as a reporting system which can respond to illegal or inappropriate acts engaged in by Directors or Corporate Auditors. An external law firm versed in practical operations for whistle-blowing processes serves as the contact point.

### (2) Framework for information storage and management with regards to the execution of duties by Directors

- The Company has implemented a file sharing system with high levels of security in order to safely and efficiently share materials used in the Board of Directors and Nomination and Compensation Committee.

### (3) Framework to ensure that duties of the Directors are efficiently executed

- With the introduction of an executive officer system, detailed matters related to operation execution are examined in the Executive Officers Meeting, and deliberation of the management strategy and investment project of high importance is performed at the Board of Directors.

### (4) Framework to ensure the properness of operations of the corporate group consisting of the Company and its subsidiaries

- The Board of Directors Regulations clearly provide to the effect that all matters of particular importance including the investment projects, etc., conducted by a subsidiary alone need to be approved by the Board of Directors. During the fiscal year 2021, the Board of Directors deliberated several numbers of projects in detail and had lively discussions together with Outside Directors.

### (5) Framework to ensure that other audit work by Corporate Auditors is effectively performed

- Continued to take efforts to strengthen collaboration among the Board of Corporate Auditors, the Accounting Auditor and the internal audit department.

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(Note) In the Business Report, amounts are rounded down to match the unit in which they are presented.

# Consolidated Financial Statements

## Consolidated Balance Sheets (As of March 31, 2022)

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022		As of March 31, 2021	As of March 31, 2022
<b>(Assets)</b>			<b>(Liabilities)</b>		
<b>Current assets</b>	<b>1,096,953</b>	<b>1,258,406</b>	<b>Current liabilities</b>	<b>118,043</b>	<b>169,403</b>
Cash and deposits	629,291	684,834	Notes and accounts payable-trade	44,091	62,101
Notes and accounts receivable-trade	174,934	211,939	Short-term borrowings	1,465	6,987
Securities	11,256	12,219	Income taxes payable	30,029	44,783
Merchandise and finished goods	112,131	130,829	Provision for bonuses	3,055	5,350
Work in process	21,314	25,574	Other	39,402	50,179
Raw materials and supplies	115,306	147,141	<b>Non-current liabilities</b>	<b>41,839</b>	<b>41,274</b>
Other	33,470	46,769	Long-term borrowings	9,323	4,556
Allowance for doubtful accounts	(751)	(901)	Deferred tax liabilities	17,385	21,463
<b>Non-current assets</b>	<b>442,917</b>	<b>511,545</b>	Provision for retirement benefits for directors	286	270
<b>Property, plant and equipment</b>	<b>198,540</b>	<b>270,584</b>	Provision for share awards for directors	57	65
Buildings and structures	81,450	91,705	Retirement benefit liability	6,674	7,552
Machinery, equipment and vehicles	38,515	41,988	Other	8,112	7,366
Tools, furniture and fixtures	9,024	10,523	<b>Total liabilities</b>	<b>159,883</b>	<b>210,677</b>
Land	38,812	74,775	<b>(Net assets)</b>		
Construction in progress	30,737	51,591	<b>Shareholders' equity</b>	<b>1,352,399</b>	<b>1,455,489</b>
<b>Intangible assets</b>	<b>11,389</b>	<b>15,183</b>	Share capital	61,005	61,005
Leasehold interests in land	8,931	11,766	Capital surplus	73,335	73,335
Other	2,457	3,417	Retained earnings	1,277,198	1,430,285
<b>Investments and other assets</b>	<b>232,987</b>	<b>225,776</b>	Treasury shares	(59,139)	(109,136)
Investment securities	72,383	58,750	<b>Accumulated other comprehensive income</b>	<b>24,304</b>	<b>100,139</b>
Retirement benefit asset	4,828	6,441	Valuation difference on available-for-sale securities	11,404	11,235
Insurance funds	145,373	150,797	Foreign currency translation adjustment	12,056	87,893
Deferred tax assets	5,108	5,715	Remeasurements of defined benefit plans	842	1,010
Other	6,782	5,735	<b>Non-controlling interests</b>	<b>3,283</b>	<b>3,645</b>
Allowance for doubtful accounts	(1,488)	(1,664)	<b>Total net assets</b>	<b>1,379,987</b>	<b>1,559,274</b>
<b>Total assets</b>	<b>1,539,871</b>	<b>1,769,951</b>	<b>Total liabilities and net assets</b>	<b>1,539,871</b>	<b>1,769,951</b>



## Consolidated Statements of Income (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Net sales	552,178	727,397
Cost of sales	286,326	363,545
Gross profit	265,852	363,851
Selling, general and administrative expenses	112,496	135,993
<b>Operating profit</b>	<b>153,355</b>	<b>227,857</b>
<b>Non-operating income</b>	<b>19,709</b>	<b>45,626</b>
Interest income	6,959	6,712
Foreign exchange gains	8,570	33,144
Gain on investments in insurance funds	569	—
Other	3,609	5,769
<b>Non-operating expenses</b>	<b>1,236</b>	<b>502</b>
Interest expenses	174	182
Sales discounts	358	—
Loss on sale of securities	180	—
Loss on investments in insurance funds	—	98
Other	523	221
<b>Ordinary profit</b>	<b>171,827</b>	<b>272,981</b>
<b>Extraordinary income</b>	<b>1,667</b>	<b>581</b>
Gain on sale of non-current assets	650	308
Gain on sale of investment securities	69	243
Gain on sale of shares of subsidiaries and associates	929	—
Other	17	30
<b>Extraordinary losses</b>	<b>1,012</b>	<b>711</b>
Loss on retirement of non-current assets	685	395
Loss on sale of investment securities	5	—
Impairment losses	—	222
Loss on valuation of shares of subsidiaries and associates	104	—
Other	217	93
<b>Profit before income taxes</b>	<b>172,482</b>	<b>272,851</b>
Income taxes-current	53,565	75,731
Income taxes-deferred	(2,909)	3,796
<b>Profit</b>	<b>121,826</b>	<b>193,323</b>
Profit attributable to non-controlling interests	35	331
<b>Profit attributable to owners of parent</b>	<b>121,790</b>	<b>192,991</b>

(For reference purpose)

## Consolidated Statements of Cash Flows (April 1, 2021 to March 31, 2022) (Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
<b>Cash flows from operating activities</b>	<b>120,473</b>	<b>156,093</b>
Profit before income taxes	172,482	272,851
Depreciation	18,585	20,557
Interest and dividend income	(7,371)	(7,350)
Foreign exchange losses (gains)	(4,236)	(25,599)
Decrease (increase) in trade receivables	(20,605)	(16,941)
Decrease (increase) in inventories	(4,457)	(33,777)
Decrease (increase) in other current assets	(1,168)	(10,845)
Increase (decrease) in other current liabilities	4,731	8,966
Other	(4,284)	1,951
<b>Subtotal</b>	<b>153,675</b>	<b>209,812</b>
Interest and dividends received	4,786	8,431
Interest paid	(197)	(180)
Income taxes (paid) refund	(37,790)	(61,969)
<b>Cash flows from investing activities</b>	<b>73,440</b>	<b>(116,215)</b>
Payments into time deposits	(172,628)	(151,867)
Proceeds from withdrawal of time deposits	261,998	107,440
Purchase of property, plant and equipment	(28,281)	(77,588)
Purchase of intangible assets	(1,016)	(3,343)
Purchase of short-term and long-term investment securities	(2,483)	(1,276)
Proceeds from sale and redemption of short-term and long-term investment securities	13,583	14,080
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	6,280	—
Purchase of insurance funds	(9,848)	(9,095)
Proceeds from maturity of insurance funds	4,693	5,705
Other	1,141	(270)
<b>Cash flows from financing activities</b>	<b>(56,009)</b>	<b>(88,933)</b>
Net increase (decrease) in short-term borrowings	(2,286)	200
Proceeds from long-term borrowings	3,200	2,100
Repayments of long-term borrowings	(1,645)	(1,566)
Purchase of treasury shares	(28,706)	(50,020)
Dividends paid	(26,607)	(39,631)
Other	35	(15)
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>24,507</b>	<b>46,811</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>162,411</b>	<b>(2,243)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>399,128</b>	<b>561,540</b>
<b>Cash and cash equivalents at end of period</b>	<b>561,540</b>	<b>559,296</b>

(Note) In the consolidated financial statements, amounts are rounded down to match the unit in which they are presented.

# Non-Consolidated Financial Statements

## Non-consolidated Balance Sheets (As of March 31, 2022)

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022		As of March 31, 2021	As of March 31, 2022
<b>(Assets)</b>			<b>(Liabilities)</b>		
<b>Current assets</b>	<b>576,302</b>	<b>609,295</b>	<b>Current liabilities</b>	<b>89,368</b>	<b>131,644</b>
Cash and deposits	310,082	301,772	Accounts payable-trade	47,009	67,316
Notes receivable-trade	21,067	25,329	Short-term borrowings	—	5,000
Accounts receivable-trade	84,461	89,387	Accounts payable-other	2,692	8,422
Securities	11,256	12,219	Income taxes payable	24,094	34,100
Merchandise and finished goods	33,092	27,022	Accrued expenses	12,839	13,036
Work in process	10,411	11,184	Other	2,733	3,767
Raw materials and supplies	72,206	91,564	<b>Non-current liabilities</b>	<b>15,915</b>	<b>10,764</b>
Accounts receivable-other	32,271	45,849	Long-term borrowings	5,000	—
Other	1,607	5,156	Provision for retirement benefits	4,239	4,222
Allowance for doubtful accounts	(152)	(191)	Provision for share awards for directors	57	65
<b>Non-current assets</b>	<b>505,628</b>	<b>550,465</b>	Other	6,617	6,476
<b>Property, plant and equipment</b>	<b>64,146</b>	<b>114,585</b>	<b>Total liabilities</b>	<b>105,283</b>	<b>142,408</b>
Buildings and structures	26,230	25,618	<b>(Net assets)</b>		
Machinery, equipment and vehicles	13,806	13,267	<b>Shareholders' equity</b>	<b>965,670</b>	<b>1,006,634</b>
Tools, furniture and fixtures	2,363	2,512	<b>Share capital</b>	<b>61,005</b>	<b>61,005</b>
Land	19,510	54,099	<b>Capital surplus</b>	<b>73,271</b>	<b>73,271</b>
Construction in progress	2,235	19,087	Legal capital surplus	72,576	72,576
<b>Intangible assets</b>	<b>758</b>	<b>1,545</b>	Other capital surplus	694	694
Software	678	1,465	<b>Retained earnings</b>	<b>890,533</b>	<b>981,494</b>
Other	79	79	Legal retained earnings	15,251	15,251
<b>Investments and other assets</b>	<b>440,724</b>	<b>434,335</b>	Other retained earnings	875,282	966,243
Investment securities	54,517	40,531	Reserve for special depreciation	159	162
Shares of subsidiaries and associates	104,797	104,719	Reserve for tax purpose reduction entry of assets	263	251
Investments in capital of subsidiaries and associates	123,449	123,449	General reserve	150,250	150,250
Prepaid pension cost	3,460	4,724	Retained earnings brought forward	724,608	815,578
Deferred tax assets	7,072	7,433	<b>Treasury shares</b>	<b>(59,139)</b>	<b>(109,136)</b>
Insurance funds	145,326	150,749	<b>Valuation and translation adjustments</b>	<b>10,976</b>	<b>10,717</b>
Other	2,145	2,768	Valuation difference on available-for-sale securities	10,976	10,717
Allowance for doubtful accounts	(44)	(41)	<b>Total net assets</b>	<b>976,647</b>	<b>1,017,351</b>
<b>Total assets</b>	<b>1,081,931</b>	<b>1,159,760</b>	<b>Total liabilities and net assets</b>	<b>1,081,931</b>	<b>1,159,760</b>

## Non-consolidated Statements of Income (April 1, 2021 to March 31, 2022) (Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
<b>Net sales</b>	<b>347,611</b>	<b>466,970</b>
<b>Cost of sales</b>	<b>226,993</b>	<b>295,245</b>
<b>Gross profit</b>	<b>120,617</b>	<b>171,725</b>
<b>Selling, general and administrative expenses</b>	<b>33,074</b>	<b>43,006</b>
<b>Operating profit</b>	<b>87,542</b>	<b>128,718</b>
<b>Non-operating income</b>	<b>213,376</b>	<b>52,029</b>
Interest and dividend income	199,295	15,329
Gain on investments in insurance funds	569	—
Gain on sale of securities	198	1,272
Foreign exchange gains	10,554	32,114
Dividend income of insurance	485	528
Royalty income	1,509	1,742
Other	763	1,042
<b>Non-operating expenses</b>	<b>376</b>	<b>168</b>
Interest expenses	93	50
Sales discounts	91	—
Loss on sale of securities	180	—
Loss on investments in insurance funds	—	98
Other	10	19
<b>Ordinary profit</b>	<b>300,543</b>	<b>180,580</b>
<b>Extraordinary income</b>	<b>3,510</b>	<b>265</b>
Gain on sale of investment securities	69	243
Gain on sale of shares of subsidiaries and associates	3,440	—
Other	0	21
<b>Extraordinary losses</b>	<b>357</b>	<b>366</b>
Loss on retirement of non-current assets	245	148
Loss on sale of investment securities	5	—
Impairment losses	—	214
Loss on valuation of shares of subsidiaries and associates	104	—
Other	1	4
<b>Profit before income taxes</b>	<b>303,696</b>	<b>180,478</b>
Income taxes-current	41,216	50,043
Income taxes-deferred	(405)	(224)
<b>Profit</b>	<b>262,885</b>	<b>130,658</b>

(Note) In the non-consolidated financial statements, amounts are rounded down to match the unit in which they are presented.

## Audit Report of Accounting Auditor on the Consolidated Financial Statements

### Independent Auditor's Report

May 16, 2022

To the Board of Directors SMC Corporation

Seiyo Audit Corporation  
Minato-ku, Tokyo

Designated and Engagement partner  
Certified Public Accountant

**Takashi Saito**

Designated and Engagement partner  
Certified Public Accountant

**Takahiro Otofuji**

Designated and Engagement partner  
Certified Public Accountant

**Naoto Nakayama**

#### Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheets, the consolidated statements of income, the consolidated statement of changes in net assets and notes to consolidated financial statements of SMC Corporation (the "Company") applicable to the fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and results of operations of the Group, which consisted of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2022, in accordance with accounting principles generally accepted in Japan.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

Other information consists of the business report and the supporting documents. Management is responsible for the preparation and presentation of other information. Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the reporting process for other information.

This other information is not included in our opinion on the consolidated financial statements, and we do not express an opinion on this other information.

Our responsibility for the consolidated financial statements consists of reading the other information and considering during the course of reading whether there are material differences between the other information and the consolidated financial statements or the information we have obtained during the course of the audit, and paying attention to whether there are other significant inaccuracies in the other information other than such material differences.

In the event that we deem there to be material inaccuracies in the other information based on the work we have performed, we are required to report this fact.

We found no matters that should be reported in relation to the other information.

#### Responsibilities of Management, Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with accounting

principles generally accepted in Japan. This includes the maintenance and operation of such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

### **Auditor's Responsibility for the Audit of the Consolidated Financial Statements**

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditors and the Board of Corporate Auditors regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Corporate Auditors and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

### **Conflicts of Interest**

Our firm and engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed pursuant to the provisions of the Certified Public Accountants Act.



## Audit Report of Accounting Auditor on the Non-consolidated Financial Statements

### Independent Auditor's Report

May 16, 2022

To the Board of Directors SMC Corporation

Seiyo Audit Corporation  
Minato-ku, Tokyo

Designated and Engagement partner  
Certified Public Accountant

**Takashi Saito**

Designated and Engagement partner  
Certified Public Accountant

**Takahiro Otofuji**

Designated and Engagement partner  
Certified Public Accountant

**Naoto Nakayama**

#### Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements, that is, the non-consolidated balance sheets, the non-consolidated statements of income, the non-consolidated statement of changes in net assets, the notes to non-consolidated financial statements and the supplementary schedules of SMC Corporation (the "Company") (hereinafter, the "financial statements, etc.") applicable to the 63rd fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the financial statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations of SMC Corporation applicable to the fiscal year ended March 31, in conformity with accounting principles generally accepted in Japan.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements, etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information

Other information consists of the business report and the supporting documents. Management is responsible for the preparation and presentation of other information. Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the reporting process for other information.

This other information is not included in our opinion on the financial statements, etc. and we do not express an opinion on this other information.

Our responsibility for the financial statements, etc. consists of reading the other information and considering during the course of reading whether there are material differences between the other information and the financial statements, etc. or the information we have obtained during the course of the audit, and paying attention to whether there are other significant inaccuracies in the other information other than such material differences.

In the event that we deem there to be material inaccuracies in the other information based on the work we have performed, we are required to report this fact.

We found no matters that should be reported in relation to the other information.

**Responsibilities of Management, Corporate Auditors and the Board of Corporate Auditors for the Financial Statements, etc.**

Management is responsible for the preparation and fair presentation of the financial statements, etc. in accordance with accounting principles generally accepted in Japan. This includes the maintenance and operation of such internal controls as management determines is necessary to enable the preparation and fair presentation of the financial statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the financial statements, etc. with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

**Auditor's Responsibility for the Audit of the Financial Statements, etc.**

Our responsibilities are to obtain reasonable assurance about whether the financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the financial statements, etc. is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the financial statements, etc. and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the financial statements, etc. or, if the notes to the financial statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the financial statements, etc. and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the financial statements, etc., including the related notes thereto, and whether the financial statements, etc. fairly represent the underlying transactions and accounting events.

We communicate with the Corporate Auditors and the Board of Corporate Auditors regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Corporate Auditors and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

**Conflicts of Interest**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

## Audit Report of Board of Corporate Auditors

### Audit Report

We, the Board of Corporate Auditors, have examined and discussed the execution of Directors' duties during the 63rd fiscal year, which lasted from April 1, 2021 to March 31, 2022 based on audit reports prepared by each Corporate Auditor, and prepared our audit report as described below.

#### **1. Auditing Method Employed by Corporate Auditors and Board of Corporate Auditors and Details Thereof**

- (1) The Board of Corporate Auditors formulated an audit policy, apportion of their business activities, and other audit related items, received reports from each Corporate Auditor on the implementation and results of audits. The Board of Corporate Auditors also received reports from the Directors of the Company, the Accounting Auditor, and other parties on the execution of their duties, and requested explanations from them when necessary.
- (2) Based on the standards for auditing defined by the Board of Corporate Auditors, and in line with the audit policy, apportion of their business activities and other related items, each Corporate Auditor effectively communicated with Directors, the internal audit department, and other employees, gathered information, and improved the audit environment, implementing audits with the following methods.
  - a. Each Corporate Auditor attended the Board of Directors' Meetings and other important meetings, received from Directors and employees reports on the execution of their duties, requested explanations from them when necessary, reviewed significant approval documents, and investigated the status of operations and assets at the Company's head office and other principal offices. Regarding auditing of the subsidiaries, each Corporate Auditor ensured sufficient communication and information exchange with Directors and Corporate Auditors of the subsidiaries and received reports from the subsidiaries on their businesses when necessary.
  - b. The Company has a framework to ensure that Directors' duties stated in the business report comply with laws and regulations as well as the Articles of Incorporation of the Company, and other frameworks established based on the substance at the resolutions of the Board of Directors' Meetings and those resolutions concerning the establishment of the frameworks stipulated in Article 100, Paragraph 1 and 3 of the Order for Enforcement of the Companies Act that are necessary for ensuring the appropriateness of operations of a corporate group consisting of a joint-stock company and its subsidiaries (internal control system). Regarding these frameworks, each Corporate Auditor received reports about the formation and the status of their operation on a regular basis, requested explanations from Directors and employees when necessary and expressed opinions.
  - c. The Corporate Auditors monitored and examined whether the Accounting Auditor maintained its independent position and conducted its audits in an appropriate manner. The Corporate Auditors also received from the Accounting Auditor reports on the execution of its duties and requested explanations when necessary. The Corporate Auditors were notified from the Accounting Auditor that the entity has established a "System to Ensure Independent Accountants' Appropriate Execution of Duties" (Item stipulated in Article 131 of the Corporate Calculation Regulations) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005), and requested explanations when necessary.

Through these methods, we reviewed the business report and its related supplementary schedules, the non-consolidated financial statements (the balance sheets, the statements of income, the statements of changes in equity and notes to non-consolidated financial statements) and their related supplementary schedules as well as the consolidated financial statements (the consolidated balance sheets, the consolidated statements of income, the consolidated statements of changes in equity and notes to consolidated financial statements), for the current fiscal year.

## 2. Conclusions of Audit

(1) Results of the audit of the business report, etc.

- a. We confirmed that the business report and its related supplementary schedules fairly present the status of the Company in conformity with applicable laws and regulations as well as the Articles of Incorporation of the Company.
- b. We confirmed that there were no fraudulent acts or material facts that violated the applicable laws and regulations or the Articles of Incorporation of the Company in the course of the performance of the duties of the Directors.
- c. We confirmed that the substance of the resolutions made by the Board of Directors regarding the internal control system is appropriate. We did not recognize any matters that should be pointed out with regard to the details stated in the business report and the performance of the duties of the Directors regarding the said internal control system.

(2) Results of the audit of the non-consolidated financial statements and their supporting documents

We confirmed that the method and the results of the audit conducted by Seiyo Audit Corporation, the Accounting Auditor are appropriate.

(3) Results of the audit of the consolidated financial statements

We confirmed that the method and the results of the audit conducted by Seiyo Audit Corporation, the Accounting Auditor are appropriate.

May 24, 2022

Board of Corporate Auditors SMC Corporation

Full-time Corporate Auditor **Naoto Moriyama**

Corporate Auditor (Outside Corporate Auditor)

**Arata Toyoshi**

Corporate Auditor (Outside Corporate Auditor)

**Haruya Uchikawa**