

To our shareholders

As a comprehensive manufacturer of automatic control equipment, we supply products and solutions that help our customers reduce their CO₂ emissions.

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

The year ended March 31, 2025 saw the world affected by a number of severe weather disasters, including torrential downpours, flooding, droughts, and large-scale wildfires.

The global average temperature in the year 2024 hit the highest in recorded history, rising more than 1.5°C above pre-industrial levels.

We will need to fortify our measures to climate change.

Meanwhile, the war between Russia and Ukraine and conflicts in the Middle East show no signs of abating, and the conflict between the U.S. and China is intensifying.

The world is becoming increasingly divided and chaotic, with political instability in major western countries as the ruling party loses elections one after another, and protectionist policies and radical nationalism are on the rise. Under such circumstances, there are even greater expectations being placed on the role of the private sector in helping to resolve social issues.

As a comprehensive manufacturer of automatic control equipment that supports automation and labor-saving operations in industry, we supply products with high environmentally-friendly features and solutions that help customers reduce their CO₂ emissions. We will also continue making aggressive capital investments and securing excellent human resources with the aim of establishing a system allowing us to fulfill our responsibility for supplying products to our customers around the world, even if various risks become apparent.

Through activities like these, we believe that securing the unwavering trust of our customers is the key to achieving sustainable growth of the Group.



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

June 2025

Yoshiki Takada, President

Notice of the 66th Annual General Meeting of Shareholders

We would like to inform you that we will hold the 66th Annual General Meeting of Shareholders as follows. In holding this General Meeting of Shareholders we have taken measures for sending reference documents for the General Meeting of Shareholders in writing to all shareholders, and electronic provision of other materials for the General Meeting of Shareholders. Visit the following websites for detail.

<p>The Company's website address</p> <p>https://www.smcworld.com/ir/en-jp/</p>	
<p>Tokyo Stock Exchange ("TSE") website address</p> <p>https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show</p>	

Note: In the TSE website "Listed Company Search", enter "SMC" into "Issue name (company name)" or "6273" into "Code" and click "Search". Then, click "Basic Information", "Documents for public inspection/PR information", and "[Notice of General Shareholders Meeting / Informational Materials for a General Shareholders Meeting]" to view matters subject to measures for electronic provision (General Meeting of Shareholders materials provided electronically).

For those unable to attend, we would encourage you to exercise your voting right in writing or via the Internet by 5:00 p.m., on June 26, 2025 (Thursday) after studying the attached "Reference Documents for the General Meeting of Shareholders".

Sincerely,

Notes

1 Date and Time	June 27, 2025 (Friday) 10:00 a.m. (Reception starts at 9:00 a.m.)
2 Venue	1-5-5, Kyobashi, Chuo-ku, Tokyo Conference Room (4F), SMC Corporation Please note that the venue has changed due to the relocation of the head office. There are no souvenirs available for shareholders attending the shareholders' meeting.
3 Agenda	<p>Matters to be reported</p> <p>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 66th fiscal year (April 1, 2024 to March 31, 2025)</p> <p>Matters to be resolved</p> <p>Proposal 1 Dividend of Surplus</p> <p>Proposal 2 Election of 12 Directors</p>

4 Matters decided upon convening

(1) Providing informational materials for the General Meeting of Shareholders in electronic format

- Following revisions to the Companies Act enacted on September 1, 2022, the Notice of Convocation of General Meetings of Shareholders and other appended materials shall, in principle, be posted on the Company's website, instead of being sent out in writing.
- In accordance with laws and regulations, and the Articles of Incorporation of the Company, among the matters subject to measures for electronic provision, 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 not included in the written documents sent to shareholders who request written copies. The above-mentioned documents have been audited by the Accounting Auditor and the Corporate Auditors.
- If there is a revision to the matters subject to measures for electronic provision, details of such shall be posted on the Company's website and TSE website listed before.

(2) Exercising voting rights in writing or via the Internet

- If you do not indicate approval or disapproval of each proposal in the sent voting form, it will be considered a vote for approval.
- If voting rights are exercised both in writing and via the Internet, the vote via the Internet shall be considered effective.
- If voting rights are exercised via the Internet multiple times, the last vote shall be considered effective.

[Attendance at meeting venue]

- ◎ If attending the meeting in person, please present the voting form sent out with this Notice at the reception desk. If attending as a proxy for another shareholder, please submit along with proxy authorization letter.

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 purchase 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

500 yen per share on the Company's common shares

Total amount: 31,872,512,500 yen

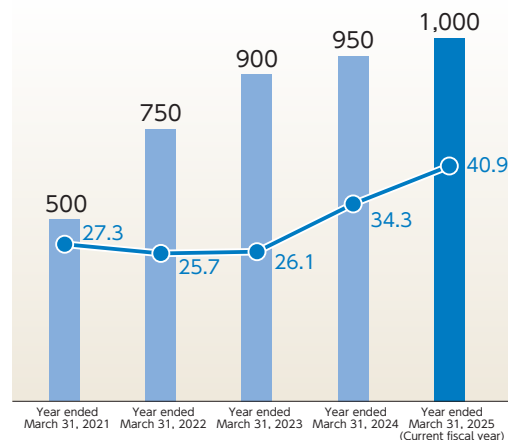
2

Effective date of the dividends from surplus

June 30, 2025

Should the aforementioned proposal for the year-end dividend be approved, the annual dividend per share including the interim dividend will be 1,000 yen, a 50 yen increase compared to the same period as the previous year.

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



Proposal 2 Election of 12 Directors

The term of office of all current 12 Directors will expire at the conclusion of this Annual General Meeting of Shareholders. It is, therefore, proposed that 12 Directors (including 4 Outside Directors) be elected (all Directors being reappointed).

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	Years served as Director	Attendance at the Board of Directors meetings
1	Yoshiki Takada Reappointed	President/Senior General Manager of Sales Headquarters	31 years	6/6
2	Yoshitada Doi Reappointed	Director and Managing Executive Officer/Senior General Manager of Engineering Headquarters	4 years	6/6
3	Toshio Isoe Reappointed	Director and Executive Officer/Assistant to President (Special Mission)/In charge of ESG	6 years	6/6
4	Masahiro Ota Reappointed	Director and Executive Officer/General Manager of Finance & Accounting Division	6 years	6/6
5	Samuel Neff Reappointed	Director and Executive Officer/In charge of Supply Chain Management/General Manager of Integrated SCM Division	5 years	6/6
6	Koji Ogura Reappointed	Director and Executive Officer/Vice Senior General Manager of Sales Headquarters	3 years	6/6
7	Kelley Stacy Reappointed	Director and Executive Officer/In charge of GHR/In charge of GIT (President of SMC U.S.)	3 years	6/6
8	Hidemi Houjyou Reappointed	Director and Executive Officer/Senior General Manager of Production Headquarters	1 year	4/4
9	Masanobu Kaizu Reappointed Independent Outside	Outside Director	11 years	6/6
10	Toshiharu Kagawa Reappointed Independent Outside	Outside Director	10 years	6/6
11	Yoshiko Iwata Reappointed Independent Outside	Outside Director	4 years	6/6
12	Kyoichi Miyazaki Reappointed Independent Outside	Outside Director	4 years	6/6



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 U.S.
June 1994	Director of the Company
June 2002	Managing Director
July 2003	In charge of Overseas Operations
April 2004	President, SMC U.S.
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 U.S. (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)

[Reason for selection as a candidate for Director]

Mr. Yoshiki Takada served as President of SMC U.S. for many years, and as Senior General Manager of Sales Headquarters since 2018. He has led 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.

Years served as Director	31 years
Attendance at the Board of Directors meetings	6/6
Number of the Company's shares held	0 shares (*)

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



Candidate
No.

2

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 (Incumbent)
June 2021	Executive Officer
June 2021	Senior General Manager of Engineering Headquarters (Incumbent)
May 2023	Managing Executive Officer (Incumbent)

[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. From 2022, he has been located in Germany, where he has worked to strengthen the structure of the German Technical Centre and technology centers from different countries, as well as reinforce the cooperation between technology centers. He is currently back in Japan and is also working on setting up a new technical center that is under construction in Kashiwa City, Chiba Prefecture. With the expectation that he can continuously contribute to the management of the Company, he has been selected as a candidate for Director.

Years served as Director	4 years
Attendance at the Board of Directors meetings	6/6
Number of the Company's shares held	0 shares



Candidate
No.

3

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 (Incumbent)
June 2019	General Manager of Administration Division
November 2021	In charge of HR
July 2024	Assistant to President (Special Mission) and in charge of ESG (Incumbent)

[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, and as Assistant to President (Special Mission) and the officer in charge of ESG since 2024 where he has been in charge of support for European group companies, quality assurance, and addressing ESG issues. With the expectation that he can continuously contribute to the management of the Company, he has been selected as a candidate for Director.

Years served as Director	6 years
Attendance at the Board of Directors meetings	6/6
Number of the Company's shares held	100 shares



Candidate
No.

4

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)

[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.

Years served as Director	6 years
Attendance at the Board of Directors meetings	6/6
Number of the Company's shares held	100 shares



Candidate
No.

5

Samuel Neff

(March 30, 1982)

Reappointed

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 U.S.
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)
April 2025	General Manager of Integrated SCM Division (Incumbent)

Years served as Director	5 years
Attendance at the Board of Directors meetings	6/6
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

Koji Ogura

(January 8, 1954)

Reappointed

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	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
July 2020	General Manager of Marketing Division
June 2022	Director and Executive Officer (Incumbent)

Years served as Director	3 years
Attendance at the Board of Directors meetings	6/6
Number of the Company's shares held	27 shares

[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 overall Sales Division, 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 continuously contribute to the management of the Company, he has been selected as a candidate for Director.



Candidate
No.

7

Kelley Stacy

(April 27, 1962)

Reappointed

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

August 1994	Joined SMC U.S.
September 2007	Director of SMC U.S.
July 2012	Executive Vice-president of SMC U.S.
December 2019	President of SMC U.S. (Incumbent)
June 2022	Director and Executive Officer of the Company (Incumbent)
November 2023	In charge of GHR and in charge of GIT (Incumbent)

[Reason for selection as a candidate for Director]

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

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

Years served as Director	3 years
Attendance at the Board of Directors meetings	6/6
Number of the Company's shares held	0 shares



Candidate
No.

8

Hidemi Houjyou

(July 8, 1968)

Reappointed

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

January 2003	Joined the Company
September 2020	Executive Officer
September 2020	General Manager of Production Headquarters
April 2021	General Manager of Tono Factory
August 2021	Vice Senior General Manager of Production Headquarters
June 2023	Senior General Manager of Production Headquarters (Incumbent)
June 2024	Director and Executive Officer (Incumbent)

[Reason for selection as a candidate for Director]

Mr. Hidemi Houjyou served as the person in charge of the Production Headquarters since joining the Company. He has served as the Senior General Manager of the Production Headquarters since 2023 and as a Director and Executive Officer since 2024, and has fulfilled his responsibilities as the person in charge of the overall Production Headquarters.

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

Years served as Director	1 year
Attendance at the Board of Directors meetings	4/4
Number of the Company's shares held	10 shares



Candidate
No.

9

Masanobu Kaizu

(December 27, 1951)

Reappointed

Outside

Independent

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
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)
December 2022	Retires from Nomura Securities Co., Ltd.

Years served as Director	11 years
Attendance at the Board of Directors meetings	6/6
Number of the Company's shares held	0 shares

[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 (currently Institute of Science Tokyo)
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)

Years served as Director	10 years
Attendance at the Board of Directors meetings	6/6
Number of the Company's shares held	0 shares

[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

Years served as Director	4 years
Attendance at the Board of Directors meetings	6/6
Number of the Company's shares held	0 shares

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 Technimetrics (currently Thomson Reuters), 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.
November 2014	Outside Director, Yamato International Inc.
June 2021	Outside Director of the Company (Incumbent)
June 2021	Outside Director, Fund Corporation for the Overseas Development of Japan's ICT and Postal Services Inc.
January 2022	Member of the Sustainability Committee of the Company (Incumbent)
September 2022	Outside Director, Lasertec Corporation (Incumbent)
April 2023	Chairperson, Member of the Board, J-Eurus IR Co., Ltd. (Incumbent)

[Important concurrent duties]

Chairperson, Member of the Board, J-Eurus IR Co., Ltd.
Outside Director, Lasertec Corporation

[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, 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.

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

Years served as Director	4 years
Attendance at the Board of Directors meetings	6/6
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, 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.

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 Director are insured under this agreement. An outline of the details of this contract is included in the chart below.
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.

[Outline of a liability insurance agreement for Directors, etc.]

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 borne 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 Directors, 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. 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 TSE, and registered them as such with the TSE.

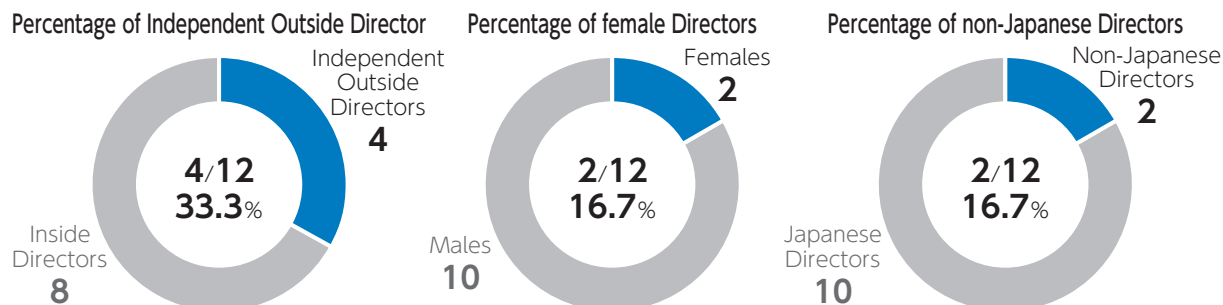
[Reference 1] Criteria on independence of Outside Directors and Outside Corporate Auditors

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 TSE and other relevant legal requirements.

◆ Any of the following items must not be applicable in the most recent 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% or more 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] Structure of the Board of Directors as of the conclusion of this Annual General Meeting of Shareholders (scheduled)



[Reference 3] 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 Annual General Meeting of Shareholders is as follows.

Name		Position and Assignment of Work in the Company	Skill									
			Corporate Management	Economic Analysis	Technology Development	Sales and Marketing	SCM	Finance Accounting	Legal Risk Management	IR	ESG/SDGs	Internationalism
1		Yoshiki Takada	President/Senior General Manager of Sales Headquarters/Member of the Nomination and Compensation Committee/Member of the Sustainability Committee	●			●		●			●
2		Yoshitada Doi	Director and Managing Executive Officer/Senior General Manager of Engineering Headquarters			●		●				●
3		Toshio Isoe	Director and Executive Officer/Assistant to President (Special Mission) and in charge of ESG						●	●		●
4		Masahiro Ota	Director and Executive Officer/General Manager of Finance & Accounting Division						●		●	●
5		Samuel Neff	Director and Executive Officer/In charge of Supply Chain Management and General Manager of Integrated SCM Division					●		●		●
6		Koji Ogura	Director and Executive Officer/Vice Senior General Manager of Sales Headquarters				●					
7		Kelley Stacy	Director and Executive Officer/In charge of GHR and in charge of GIT	●			●					●
8		Hidemi Houjyou	Director and Executive Officer/Senior General Manager of Production Headquarters			●		●				
9	Independent Outside	Masanobu Kaizu	Outside Director/Lead Independent Outside Director/Chairman of the Nomination and Compensation Committee		●				●		●	
10	Independent Outside	Toshiharu Kagawa	Outside Director/Member of the Nomination and Compensation Committee			●						
11	Independent Outside	Yoshiko Iwata	Outside Director/Member of the Sustainability Committee	●							●	●
12	Independent Outside	Kyoichi Miyazaki	Outside Director/Chairman of the Sustainability Committee							●		●
13		Takemasa Chiba	Full-time Corporate Auditor					●	●			
14	Independent Outside	Arata Toyoshi	Outside Corporate Auditor						●			
15	Independent Outside	Haruya Uchikawa	Outside Corporate Auditor							●		

1 Matters pertaining to the present status of the Group

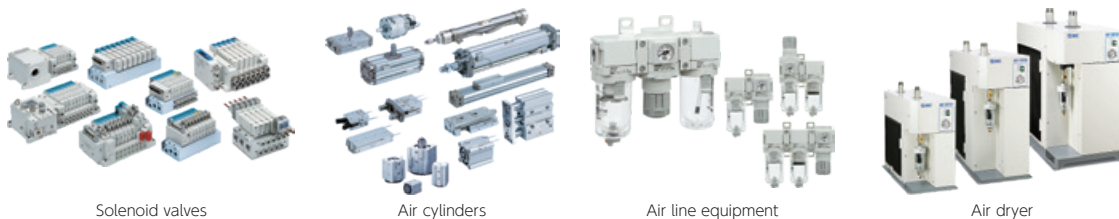
① Main business activities

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



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.

Industrial robots

Machine tools

Agriculture

Medical equipment, analyzer

Automobile

Electronics

Semiconductor

Food

HOSPITAL

STORE

Global Network (for reference purposes)

Europe (Percentage of sales) **17.7%**

Net sales **140,052** Million yen YoY change **-2.6%**

Business conditions remained weak in general as the slowdown in the Chinese and German economies had an impact throughout Europe. In semiconductor-related industries, it has taken time for users to consume their inventories, and demand in automobile-related industries remained tough as competition with Chinese manufacturers and the termination of subsidies by governments in various countries put a sudden break to the production of EV bodies and batteries.

Greater China (Percentage of sales) **28.0%**

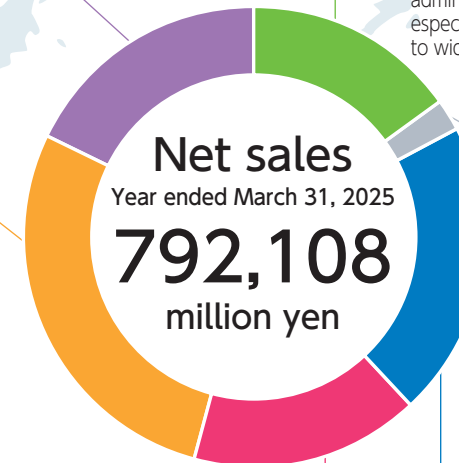
Net sales **222,017** Million yen YoY change **+10.7%**

In China, in addition to growth in exports to Southeast Asia, there was also an increase in exports to the U.S. toward the end of the fiscal year in anticipation of the implementation of U.S. tariff measures. While domestic demand was also strong, supported by government stimulus measures, sales prices continued to fall due to increasing competition, including from competitors within China. In Taiwan, semiconductor-related capital investments recovered strongly, and exports of machine tools also increased, partly reflecting a rebound from the previous fiscal year.

Other Asia (Percentage of sales) **16.1%**

Net sales **127,208** Million yen YoY change **+6.6%**

In South Korea, demand was sluggish in core industries such as semiconductors, rechargeable batteries and automobiles. In Singapore and Malaysia, where semiconductor-related industries account for a large share of business, demand remained strong, but concerns remain about its sustainability. In India, business conditions remained positive, supported by capital investments in the automobile and semiconductor industries.

North America (Percentage of sales) **15.1%**

Net sales **119,533** Million yen YoY change **-6.9%**

In the U.S., the slowing appetite for capital investment continued, shifting from taking a wait-and-see approach in anticipation of presidential election results to uncertainty about the economic outlook due to rapid policy changes following the change in the administration. The amount of capital investments in automobile-related industries, especially EVs, dropped significantly. Concerns about changes in U.S. policies also led to widespread restraint and postponed capital investments in Mexico.

Other (Percentage of sales) **2.4%**

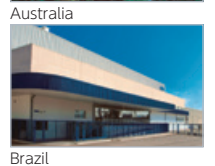
Net sales **19,463** Million yen YoY change **+1.6%**

In other regions such as South America and Oceania, sales increased year on year due to strong capital investments in the automobile and resource extraction-related industries.

Japan (Percentage of sales) **20.7%**

Net sales **163,832** Million yen YoY change **-1.1%**

In semiconductor-related industries, export demand, particularly to China, decreased significantly due to increasing friction between the U.S. and China, and capital investments in Japan were also postponed in many cases. In the automobile-related industry, the trend of restraining or postponing capital investments continued, from finished vehicle manufacturers to parts suppliers, and demand also remained sluggish for machine tools.



② Business progress and results

During the fiscal year, although the inflationary pressures have eased in the key countries, the outlook of the global economy increased uncertainty due to the prolonged conflicts in Ukraine and in the Middle East, rapid policy change by the new U.S. administration, and concerns about recession in the Chinese economy, which led to continued restraint on capital investments in a wide range of industries.

As for the demand for automatic control equipment, in the semi-conductor and electrical machinery-related industries, even though a sign of demand recovery saw in the second half of the fiscal year for the electrical machinery-related industry in Greater China (China, Hong Kong, and Taiwan), the demand did not reach a full-scale

recovery for the semi-conductor-related industry in the regions including Japan, North America, and Korea. In the automotive-related industry, capital investments continued to hold back in North America, Japan and in Europe, due to the U.S. presidential election and other factors. Machine tool related industry showed strength in Greater China, however, other regions remained to be in an adjustment phase. Sales to medical equipment-related, food machinery-related, and other industries remained sluggish, despite new post-covid demand for automation.

Under these circumstances, the SMC Group has continued to make aggressive worldwide capital investments to strengthen its product supply capability. The

Group has also continued developing new products with high energy-saving features and providing solutions to realize lowering and reducing the air pressure used throughout the factory which contribute to a significant CO₂ emission reduction at customers, establishing a BCP system, and utilizing its global human resources.

As a consequence, the summary of consolidated business results for the fiscal year ended March 31, 2025 is as follows:

Net sales were 792,108 million yen (increased by 2.0%, yoy). From the geographic point of view, Greater China increased by 10.7%, yoy, despite Japan decreased by 1.1% and North America decreased by 6.9%. Operating profit was 190,244 million yen (decreased by 3.0%, yoy), mainly

due to the increases in cost ratio, and sales and administration costs such as personnel and repair expenses.

Ordinary profit was 209,921 million yen (decreased by 16.4%, yoy), mainly due to the increase in foreign exchange losses.

Profit before income taxes was 211,068 million yen (decreased by 16.5%, yoy), mainly due to the decrease in gain on sale of non-current assets and the increase in loss on retirement of non-current assets, in addition to the above effect.

Profit attributable to owners of parent was 156,344 million yen (decreased by 12.3%, yoy).

ROE became 8.2%, decreased by 1.8 points from the previous fiscal year end.

③ Issues to be addressed

We have set out the following management philosophy and is addressing key issues to achieve sustainable growth.

[Management Philosophy]

- (1) Contributing to automated, labor-saving operations
The Company considers that its social mission is to “contribute 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.

[Key issues]

(1) Business strategy leveraging the Group's strengths

We believe that we can achieve even further sales growth and boost our share of sales, particularly in regions and product areas with low market shares, by leveraging the following strengths of our group.

• Extensive global footprint

Our group's products have excellent versatility and are used in a wide variety of applications across all industrial fields as well as in semiconductors, electronics, automobiles, and machine tools. With 700,000 customer accounts and a low dependence on specific industries and regions, we have superior resistance to sudden changes in demand.

Our group comprises a network of more than 500 offices in more than 80 countries and regions around the world, with more than 7,000 sales staff. We also strive to provide attentive services to our customers in partnership with our distributors. We have more than 2,000 technical staff located at our technical centers in five countries around the world, and while enhancing coordination between centers, we are conducting research and development, collecting technical information, and providing technical support to our customers.

The information collected and accumulated through our extensive global footprint is a source of added value for our customers, and our group also make use of various IT tools to share this information and apply it to our business strategies.

• Rich lineup of 700,000 items

We provide customers with a range of products that encompass not only our mainstay products, but also a complete range of automation control equipment in general. With our wide range of products accounting for 700,000 items and a strategy of keeping a large inventory, we are able to meet the various needs of our customers through the “one-stop shop” service, where customers can order any kind of automatic control equipment.

(2) Steady capital investment

We are committed to steadily implement capital investments from the following perspectives. Although in the short term these investments will lead to a decline in profitability due to the burden of depreciation and amortization, in the medium to long term they will increase our competitiveness and contribute to improving our corporate value.

• Ensuring production capacity

Social issues such as global warming and the shrinking workforce are becoming more serious, and demand for automatic control equipment capable of helping to resolve these issues through automation and labor saving is expected to grow over the medium to long term. With steady implementation of capital investments to secure production capacity even during the time of recession, we have remained a step ahead of our competitors in securing orders and increasing sales share as demand recovered.

Under the current circumstances where there is a declining trend in the appetite for capital investments in light of the uncertain political and economic situation, we are expanding our production facilities, distribution centers, and R&D sites.

- **Multi-located production**

In the past, we have promoted thorough cost reductions through centralized production and location saving (production in countries and regions with low production costs, mainly labor costs), but in anticipation of various risks such as natural disasters, infectious diseases and trade conflicts, we have been working to establish a system to fulfil its responsibility to supply products to customers in the event of any circumstance. In order to establish a system that can fulfil our responsibility to supply products to customers even in the event of any circumstance, we are promoting the multi-located production (building a system that enables one product to be produced at multiple sites), centered on mass production sites in six countries around the world.

- **Human capital investment**

We are working to create a pleasant working environment with the aim of becoming “a company that its employees are proud of and attached to”. The recently completed new factories and the new head office, the new technology center and the Tono Supplier Park which are under construction have been equipped with facilities designed to improve the wellbeing of employees and promote interaction with customers, suppliers and the employees of the Group’s companies.

By developing such environment, we are striving to improve productivity and secure talented human resources.

(3) Proposing products and solutions contributing to CO₂ emission reductions

We have traditionally developed and supplied customers with products that are smaller, lighter and with improved energy-saving performance. We aim to drive our sales growth by promoting the high environmental performance of our products to customers.

- **Proposals for lowering pressure used at factories**

It is estimated that approximately 20% of the electricity consumed in the manufacturing industry is due to the operation of compressors that generate compressed air. By reducing air consumption and lowering the pressure of the air used in customers’ plants, CO₂ emissions can be significantly reduced.

We focus on proposing products that help reduce pressure, such as the “AMS (Air Management System)”, which constantly monitors air consumption and automatically reduces pressure according to equipment operating conditions, and “low air consumption booster regulator”, which enables to locally increase pressure only where necessary on the line while realizing the low pressure used throughout the factory.

- **Energy-saving optimization proposals**

Our dedicated team visits customers’ plants to carry out detailed checks on air consumption and makes comprehensive “energy-saving optimization proposals”, combining products and know-how to reduce air consumption and lower pressure used at sites.

We have appointed approx. 200 sales staff in charge in more than 50 countries around the world, and make more than 350 proposals a year to our customers.

- **“Environmentally Friendly Products”**

We have classified our products by series and carried out an 11-item assessment of the reduction of environmental impact in the entire process from the procurement of raw materials, production and sales to the use and disposal of the products by the customer. Of these items, products falling under any of the four categories (energy-saving, resource-saving, air-saving and newly designed environmentally friendly products) that can directly contribute to the reduction of CO₂ emissions by customers were positioned as “environmentally friendly products”.

Sales of environmentally friendly products account for approximately 80% of our total sales.

- **Collaboration with governments and local authorities**

We have been registered as an “energy-saving assessment agency” for the “Energy-Saving Assessment Expansion Project for Small and Medium Enterprises” run by the Sustainable open Innovation Initiative, as part of policies of the Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry, and carry out energy-saving assessments for our customers’ production facilities and equipment.

In addition to this, we are working with governments and local authorities in other countries to consider measures to widely reduce CO₂ emissions through the use of our products and solutions.

④ Status of capital expenditures

We have steadily upgrading our production facilities, distribution centers and R&D sites with the aim of securing production capacity to meet medium- and long-term increases in demand, and establishing a system that will allow us to fulfill our responsibility for supplying products to customers under any circumstances that could occur.

In addition, we also introduced new equipment and updated molds, etc., in order to reduce our environmental burden and for further rationalization and cost reduction. The total amount of capital expenditures during the fiscal year ended March 31, 2025 was 107,803 million yen (2.2% increase year on year).

Listed below are the main capital expenditures during the fiscal year 2024.

(1) Completed facilities



SMC (Vietnam) Manufacturing Factory No. 1, No. 2, No. 3 (Dong Nai Province)



SMC Korea Daejeon Factory No. 2 (Daejeon)



SMC Czech Factory (Vychkov)



New SMC Head Office
(Kyobashi, Tokyo)

(2) Facilities under construction



SMC (Tianjin) Manufacturing (Tianjin)



SMC China, Changzhou Warehouse (Changzhou)



SMC New Japan Technical Center
(Kashiwa city, Chiba Prefecture)



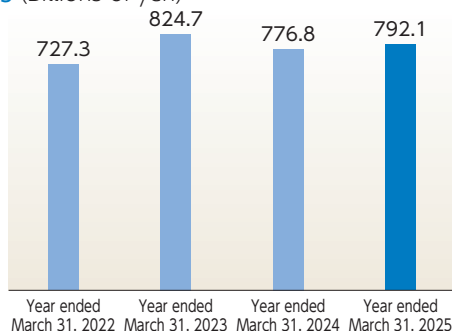
SMC Tono Supplier Park (Tono city, Iwate Prefecture)

5 Changes in assets and financial results

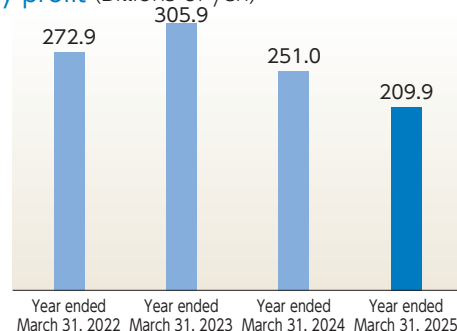
(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2024	Year ended March 31, 2025
Net sales	727,397	824,772	776,873	792,108
Ordinary profit	272,981	305,980	251,008	209,921
Profit attributable to owners of parent	192,991	224,609	178,321	156,344
Net income per share (yen)	2,923.76	3,444.55	2,766.92	2,444.61
Total assets	1,769,951	1,927,940	2,094,559	2,100,767
Net assets	1,559,274	1,702,325	1,885,871	1,928,306
Net assets per share (yen)	23,808.08	26,331.72	29,338.63	30,255.22
Return on equity (ROE)	13.2%	13.8%	10.0%	8.2%

Net sales (Billions of yen)

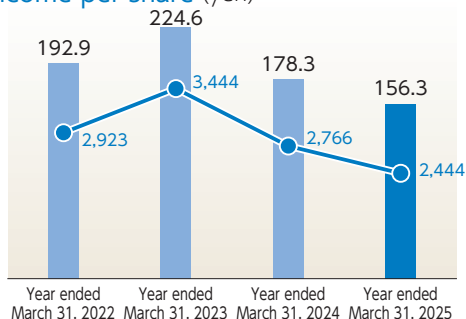


Ordinary profit (Billions of yen)



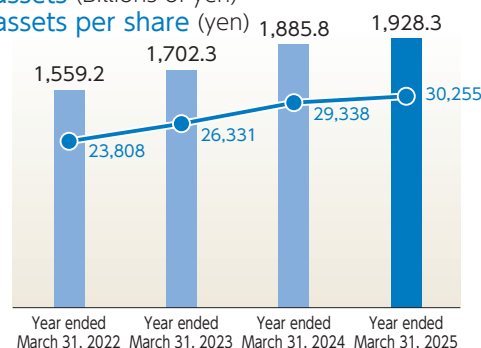
Profit attributable to owners of parent (Billions of yen)

Net income per share (yen)



Net assets (Billions of 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	100.0	Sales of automatic control equipment
Seigyo Kizai Corporation	¥ 100 million	100.0	Sales of automatic control equipment
SMC Corporation of America (SMC U.S.)	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 Corporation (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.U. (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 6,185 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 3,000 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 23,612,929 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

(Notes) 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 43 consolidated subsidiaries including the abovementioned 18 principal subsidiaries.

Nihon Kizai Co., Ltd. became a wholly owned subsidiary of the Company after receiving a transfer of shares from other shareholders.

SMC Investment Management and SMC (Vietnam) Manufacturing increased the share capital to be allocated to capital expenditures.

⑦ Status of employees

Number of employees	23,114	Decrease from the previous year	13
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- (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 5,481 temporary staff (average during the year; increased by 110 persons from the previous year).

⑧ Status of main lending banks

Names of lending banks	Outstanding balance of borrowings
Resona Bank, Limited	¥5,000 million

⑨ Major bases

(1) SMC Corporation

Head office	1-5-5, Kyobashi, Chuo-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)
Logistics Centers	East Japan Logistics Center (Joso-shi, Ibaraki prefecture), West Japan Logistics Center (Ryuo-cho, Shiga prefecture)

(Note) The Company relocated its Head Office to Kyobashi in Chuo-ku, Tokyo on March 3, 2025.

(2) Subsidiary

As described in “⑥ Status of principal subsidiaries”.

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

None

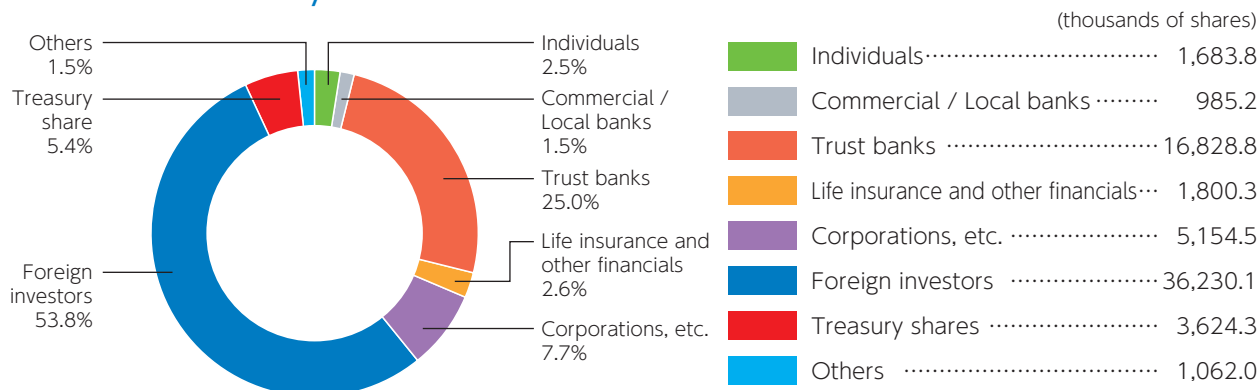
2 Matters pertaining to the Company's shares

- ① **Total number of shares outstanding:** 67,369,359 (including 3,624,334 shares of treasury shares)
 ② **Number of shareholders:** 7,052
 ③ **Major shareholders (Top 10)**

Shareholder	Number of shares held (thousand shares)	Percentage of voting rights (%)
Master Trust Bank of Japan (Trust account)	10,215.2	16.02
Custody Bank of Japan, Ltd. (Trust account)	4,181.1	6.55
Takada International LLC	3,793.0	5.95
JP Morgan Chase Bank 385632	3,520.8	5.52
TON Finance B.V.	3,443.5	5.40
The Bank of New York Mellon as Depositary Bank for Depositary Receipt Holders	2,045.7	3.20
State Street Bank and Trust Company 505001	1,898.1	2.97
JP Morgan Chase Bank 380055	1,713.3	2.68
State Street Bank and Trust Company 505103	1,313.9	2.06
The Nomura Trust and Banking Co., Ltd. (Trust account 2052208)	1,239.4	1.94

- (Notes) 1. The Company holds 3,624,334 shares as treasury shares. 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 63,745,025 shares (excluding treasury shares) and are indicated by rounding down figures to two decimal places.

Distribution of share by shareholders



④ Other significant matters pertaining to the Company's shares

(1) Purchase of treasury shares

1. The Company repurchased its treasury shares pursuant to the resolution at the Board of Directors meeting held on August 9, 2024, as follows.

(1) Purpose of the repurchase

To enhance returns to shareholders and improve capital efficiency

(2) Total number of shares repurchased

399,200 common shares of the Company

(3) Total amount of repurchase

24,993 million yen

(4) Period of repurchase

From August 26, 2024 to March 24, 2025

(5) Method of repurchase

Market purchase

2. The Company resolved to repurchase its treasury shares at the Board of Directors meeting held on May 14, 2025, as follows.

(1) Purpose of the repurchase

To enhance returns to shareholders and improve capital efficiency

(2) Total number of shares to be repurchased

750,000 common shares of the Company

(3) Total amount of repurchase

30,000 million yen

(4) Period of repurchase

From May 19, 2025 to March 24, 2026

(5) Method of repurchase

Market purchase

(2) Cancellation of treasury shares

The Company resolved to cancel its treasury shares at the Board of Directors meeting held on May 14, 2025, as follows.

(1) Number of shares to be cancelled

3,500,000 common shares of the Company

(2) Scheduled cancellation date

May 30, 2025

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

① Directors and Corporate Auditors (as of March 31, 2025)

Name	Position, assignment of work and significant concurrent position	
Yoshiki Takada	President	Senior General Manager of Sales Headquarters (Member of the Nomination and Compensation Committee) (Member of the Sustainability Committee) Chairman, SMC U.S.
Yoshitada Doi	Director and Managing Executive Officer	Senior General Manager of Engineering Headquarters
Toshio Isoe	Director and Executive Officer	Assistant to President (Special Mission) and in charge of ESG
Masahiro Ota	Director and Executive Officer	General Manager of Finance & Accounting Division
Samuel Neff	Director and Executive Officer	In charge of Supply Chain Management
Koji Ogura	Director and Executive Officer	Vice Senior General Manager of Sales Headquarters
Kelley Stacy	Director and Executive Officer	In charge of GHR and in charge of GIT President of SMC U.S.
Hidemi Houjyou	Director and Executive Officer	Senior General Manager of Production Headquarters
Masanobu Kaizu	Outside Director	(Lead Independent Outside Director) (Chairman of the Nomination and Compensation Committee)
Toshiharu Kagawa	Outside Director	(Member of the Nomination and Compensation Committee)
Yoshiko Iwata	Outside Director	(Member of the Sustainability Committee) Chairperson, Member of the Board, J-Eurus IR Co., Ltd. Outside Director, Lasertec Corporation
Kyoichi Miyazaki	Outside Director	(Chairman of the Sustainability Committee) Representative Director, Zen Asset Management Co., Ltd.
Takemasa Chiba	Full-time Corporate Auditor	
Arata Toyoshi	Outside Corporate Auditor	Certified Public Accountant (Representative, CPA Toyoshi Arata Office)
Haruya Uchikawa	Outside Corporate Auditor	Lawyer (Partner, Midosuji Legal Profession Corporation)

- (Notes) 1. Mr. Masanobu Kaizu, Mr. Toshiharu Kagawa, Ms. Yoshiko Iwata, Mr. Kyoichi Miyazaki, Mr. Arata Toyoshi and Mr. 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, Mr. Arata Toyoshi is a certified public accountant and certified public tax accountant and has abundant knowledge in finance and accounting.
3. Mr. Hidemi Houjyou was newly nominated and elected as a Director at the 65th Annual General Meeting of Shareholders held on June 27, 2024.
4. Changes in titles and responsibilities of Directors during the fiscal year ended March 31, 2025.

Date of change	New title	Name	Previous title
July 5, 2024	Director and Executive Officer/ Assistant to President (Special Mission) and in charge of ESG	Toshio Isoe	Director and Executive Officer, General Manager of Administration Division

② Outline of contracts for the limitation of liability, etc.

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 Directors, etc.

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 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 2025.

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 borne 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 Directors, 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) Total amount of compensation, etc. for the fiscal year ended March 31, 2025

	Total amount of compensation	Total amount of compensation by type of remuneration			Number of eligible Directors/Corporate Auditors
		Basic compensation	Performance-linked remuneration	Stock compensation	
Directors (Outside Directors)	¥560 million (¥53 million)	¥385 million (¥53 million)	—	¥174 million (—)	12 (4)
Corporate Auditors (Outside Corporate Auditors)	¥39 million (¥19 million)	¥39 million (¥19 million)	—	—	3 (2)
Total (Outside Directors/Corporate Auditors)	¥599 million (¥72 million)	¥424 million (¥72 million)	—	¥174 million (—)	15 (6)

(2) Matters related to performance-linked remuneration, etc.

The Company has introduced a performance-linked remuneration system for Directors (excluding Outside Directors and Non-executive Directors), where a bonus is paid in cash in an amount determined for each position according to the achievement of performance indicators.

The performance indicator is the net sales growth rate of the current year against the previous fiscal year, with the results for FY2023 being -5.8%. This remuneration was not granted in FY2024 as the net sales growth rate was negative.

The reason that net sales growth rate was selected as a performance indicator was that the Group set "net sales of one trillion yen by fiscal year 2026" as the current target and has aimed to achieve sales growth of around 10% annualized in the medium-term.

(3) Details of non-monetary compensation, etc.

The Company established the “Board Benefit Trust” for the stock compensation plan for Directors (excluding Outside Directors and Non-executive Directors).

In conjunction with the expiration of the initial trust period of the “Board Benefit Trust”, we received approval at the 64th Annual General Meeting of Shareholders held on June 29, 2023 to triple the size of the trust with the aim of enhancing the long-term incentive function of remuneration for Directors.

Points are granted to persons eligible for this “Board Benefit Trust” for achieving a set level of performance each fiscal year (consolidated operating profit ratio) after being confirmed by the Nomination and Compensation Committee and the Board of Directors meeting. At the time of retirement, the Company will provide each eligible person with shares of the Company equivalent to the accumulated points granted and cash equivalent to the market value of the Company's shares.

The status of points granted for the fiscal year ended March 31, 2025 is equivalent to 2,700 shares for eight eligible persons.

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).

(4) Matters pertaining to resolutions at the General Meeting of Shareholders related to compensation for Directors and Corporate Auditors

- ① Total amounts of monetary 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 Directors / Corporate Auditors 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 (3) 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 The continuation and expansion of the stock compensation plan described in (3) and (4) ③ above was approved at the 64th Annual General Meeting of Shareholders held on June 29, 2023. 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 3,000 shares and 300 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 64th Annual General Meeting of Shareholders were eight Directors (excluding Outside Directors).

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

At the Board of Directors meeting held on February 12, 2021, the decision-making policy on compensation, etc. for individual Directors was 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.

At the Board of Directors meeting held on May 14, 2024, a statement was added to the effect that the basic

compensation for Executive Directors was determined by evaluating their individual contributions for the achievement of the Company's important issues (materiality) aimed at solving social problems (ESG issues, etc.).

An overview of this policy is stated below.

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, performance-linked remuneration, and stock 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.
- The basic compensation for Executive Directors shall be determined by evaluating their individual contributions towards the achievement of the Company's important issues (materiality) aimed at solving social problems (ESG issues, etc.).

c. Decision-making policy on performance-linked remuneration

- For performance-linked remuneration for Directors (excluding Outside Directors and Non-executive Directors), the payment amount is decided by role based on the achievement of performance indicators decided by the Board of Directors meeting for each fiscal year after deliberation of the Nomination and Compensation Committee.
- The above performance-linked remuneration is paid as a defined monetary remuneration within a range of an annual limit for monetary compensation to Directors decided by decision of the General Meeting of Shareholders.

d. 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 meeting after deliberations at the Nomination and Compensation Committee.

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

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

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

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

(6) 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 meeting, 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 and achievement of the Company's important issues (materiality) aimed at solving social problems (ESG issues, etc.), 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 meeting has determined that the decision has been made in accordance with the decision-making policy described in (5) 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 meeting	Board of Corporate Auditors	
Masanobu Kaizu Outside Director	6/6 (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 meeting. He led deliberations related to the revision of the structure of the Board of Directors meeting and the system of remuneration for 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 Lead Independent Outside Director. He relayed these dialogues to the Nomination and Compensation Committee and the Board of Directors meeting and deepened debate.
Toshiharu Kagawa Outside Director	6/6 (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	6/6 (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. And 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. In addition to participation in dialogues with shareholders and investors, as a member of the Sustainability Committee, she supervised initiatives to address the sustainability issues faced by the Company, and deepened debate within the Sustainability Committee and the Board of Directors meeting.
Kyoichi Miyazaki Outside Director	6/6 (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. And 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. In addition, as the Chairman of the Sustainability Committee, he supervised initiatives to address the sustainability issues faced by the Company, proactively provided recommendations for human capital management, and led debate within the Sustainability Committee and the Board of Directors meeting. Furthermore, he played an important role in discussing with investors regarding the progress of the Company's initiatives on sustainability issues and the status of oversight by the Sustainability Committee and the Board of Directors.
Arata Toyoshi Outside Corporate Auditor	6/6 (100.0%)	14/14 (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. Further, utilizing his experience as a partner at major auditing firms, he fulfilled a leadership role in facilitating the collaboration between the Accounting Auditor and the Board of Corporate Auditors.
Haruya Uchikawa Outside Corporate Auditor	6/6 (100.0%)	14/14 (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 by offering recommendations on the management of the Board of Directors meetings, etc.

(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

Ernst & Young ShinNihon LLC

② Remuneration amount payable to Accounting Auditor in the fiscal year 2024

	Amount payable
Remuneration as Accounting Auditor in the fiscal year	¥89 million
Total amount of remuneration (monies and other assets) the Company and its subsidiaries are liable to pay	¥104 million

(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 Nihon Kizai Co., Ltd. and Seigyo Kizai Corporation, audits for the 16 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 same as the Company’s Accounting Auditor. The Company pays 94 million yen as compensation based on statutory audit work to these auditing firms.

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 and other internal 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.
- 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.

(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.
 - 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 Office in order to improve the auditing environment and strengthen the liaison among Auditors.
 - The Internal Audit Office directly under the President may directly report to the Board of Corporate Auditors or the Board of Directors.

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 officers 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.
 - The Company has disclosed its “Procurement Policy”, “Procurement Guidelines”, “Human Rights Policy”, “Basic Anti-Corruption Policy”, and “Tax Policy” on its website.
 - 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 meeting and Nomination and Compensation Committee. In addition, Outside Directors and Outside Corporate Auditors are loaned dedicated personal computers or tablets that can be remotely operated by the Company for security purposes; these terminals are used for communications with the Company.
- (3) Framework to ensure that duties of the Directors are efficiently executed
 - With the expansion of our business, the Company has raised the basis amount for consideration at meetings of the Board of Directors concerning the “acquisition and disposal of important assets” from “¥1 billion or more per account” to “¥5 billion yen or more per account”.
 - 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 meeting.
- (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 capital investments, etc., conducted by a subsidiary alone need to be approved by the Board of 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.

(For reference purpose) [Cross-shareholdings]

① Policy on cross-shareholdings

We hold shares in companies on a policy basis only when it will enhance our corporate value by maintaining and strengthening of business relationships with the companies in which we hold shares.
As of the end of the current fiscal year, there were no shares held solely for investment purposes.

② Cross-shareholdings

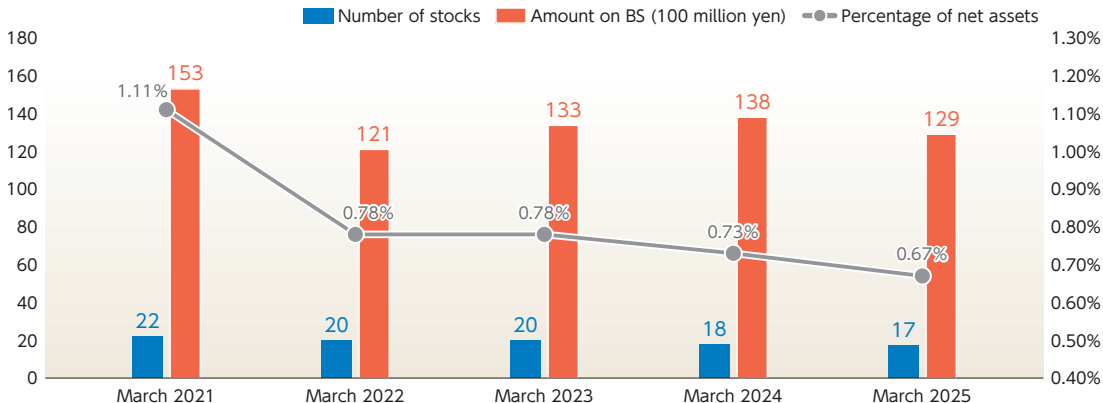
(1) Details of verifications regarding shareholding appropriateness

The Finance & Accounting Division regularly verifies the merits and risks of cross-shareholdings, including the status of transactions and financial conditions with the companies in which we hold shares, valuation gains/losses on the shares held, dividend yields, and share price trends, as well as the overall perspective, including a comparison with our cost of shareholders' equity.

Our policy is basically to reduce cross-shareholdings, and we are proceeding with the sale of stocks for which we have determined that there are no impediments to sale after verifying the intentions of the companies in which we hold shares of and obtaining the approval of the President and CEO.

Once a year, the Board of Directors meeting reviews the appropriateness of all cross-shareholdings with reference to verification documents provided by the Finance & Accounting Division.

(2) Number of stocks and amount on balance sheet (listed stocks)



③ Policy on responding to intentions to sell the Company's shares

If a company holding the Company's shares expresses its intention to sell them, we will not take any action to prevent the sale.

(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, 2025)

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
(Assets)		
Current assets	1,307,990	1,421,842
Cash and deposits	511,257	655,779
Notes and accounts receivable - trade	217,671	207,969
Securities	33	29,770
Merchandise and finished goods	197,300	173,938
Work in process	37,236	31,245
Raw materials and supplies	285,021	284,477
Other	60,500	39,896
Allowance for doubtful accounts	(1,030)	(1,236)
Non-current assets	786,568	678,925
Property, plant and equipment	413,558	478,717
Buildings and structures, net	148,360	176,837
Machinery, equipment and vehicles, net	68,166	75,144
Tools, furniture and fixtures, net	21,288	23,555
Land	90,484	105,475
Construction in progress	85,258	97,703
Intangible assets	17,332	16,110
Leasehold interests in land	11,719	11,018
Other	5,612	5,091
Investments and other assets	355,677	184,097
Investment securities	172,436	145,267
Retirement benefit asset	17,492	23,816
Insurance funds	147,188	—
Deferred tax assets	10,868	10,983
Other	9,366	5,496
Allowance for doubtful accounts	(1,675)	(1,466)
Total assets	2,094,559	2,100,767

	As of March 31, 2024	As of March 31, 2025
(Liabilities)		
Current liabilities	164,600	135,639
Notes and accounts payable - trade	58,818	46,898
Short-term borrowings	7,342	5,041
Income taxes payable	29,316	18,223
Provision for bonuses	5,162	3,730
Other	63,960	61,745
Non-current liabilities	44,088	36,821
Long-term borrowings	5,728	—
Deferred tax liabilities	21,802	20,054
Provision for retirement benefits for directors	720	620
Provision for share awards for directors	265	440
Retirement benefit liability	8,034	7,957
Other	7,538	7,749
Total liabilities	208,688	172,461
(Net assets)		
Shareholders' equity	1,655,906	1,724,298
Share capital	61,005	61,005
Capital surplus	73,342	74,473
Retained earnings	1,716,354	1,808,633
Treasury shares	(194,795)	(219,814)
Accumulated other comprehensive income	225,680	203,983
Valuation difference on available-for-sale securities	14,777	14,492
Foreign currency translation adjustment	203,508	178,700
Remeasurements of defined benefit plans	7,394	10,789
Non-controlling interests	4,284	25
Total net assets	1,885,871	1,928,306
Total liabilities and net assets	2,094,559	2,100,767

Consolidated Statements of Income (April 1, 2024 to March 31, 2025) (Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Net sales	776,873	792,108
Cost of sales	413,796	429,069
Gross profit	363,077	363,038
Selling, general and administrative expenses	166,851	172,793
Operating profit	196,226	190,244
Non-operating income	54,963	24,388
Interest income	18,461	20,237
Gain on sale of securities	6,114	—
Foreign exchange gains	24,486	—
Other	5,900	4,151
Non-operating expenses	180	4,711
Interest expenses	82	74
Foreign exchange losses	—	4,468
Commission for purchase of treasury shares	19	20
Other	79	147
Ordinary profit	251,008	209,921
Extraordinary income	1,968	1,816
Gain on sale of non-current assets	732	374
Gain on sale of investment securities	1,236	1,441
Extraordinary losses	324	669
Loss on retirement of non-current assets	315	626
Other	8	43
Profit before income taxes	252,653	211,068
Income taxes - current	75,995	58,048
Income taxes - deferred	(1,695)	(3,439)
Profit	178,353	156,459
Profit attributable to non-controlling interests	32	115
Profit attributable to owners of parent	178,321	156,344

Non-consolidated Financial Statements

Non-consolidated Balance sheets (As of March 31, 2025)

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
(Assets)		
Current assets	531,328	671,803
Cash and deposits	109,643	224,917
Notes receivable - trade	23,415	20,177
Accounts receivable - trade	75,915	83,403
Securities	—	29,741
Merchandise and finished goods	52,542	49,563
Work in process	18,286	14,767
Raw materials and supplies	190,736	198,155
Accounts receivable - other	48,885	34,634
Other	11,938	16,584
Allowance for doubtful accounts	(34)	(141)
Non-current assets	797,691	713,025
Property, plant and equipment	197,380	232,920
Buildings and structures, net	50,095	61,838
Machinery, equipment and vehicles, net	21,598	23,209
Tools, furniture and fixtures, net	6,897	7,347
Land	67,525	79,317
Construction in progress	51,263	61,206
Intangible assets	3,020	2,699
Software	2,941	2,619
Other	79	79
Investments and other assets	597,290	477,406
Investment securities	152,329	124,768
Shares of subsidiaries and associates	112,011	115,540
Investments in capital of subsidiaries and associates	168,175	216,141
Prepaid pension costs	6,950	8,789
Deferred tax assets	7,167	9,797
Insurance funds	147,137	—
Other	3,557	2,410
Allowance for doubtful accounts	(39)	(40)
Total assets	1,329,020	1,384,829

	As of March 31, 2024	As of March 31, 2025
(Liabilities)		
Current liabilities	116,500	92,058
Accounts payable - trade	60,516	47,619
Short-term borrowings	5,000	5,000
Accounts payable - other	6,293	6,453
Income taxes payable	18,783	7,788
Accrued expenses	14,577	14,672
Other	11,328	10,524
Non-current liabilities	11,003	11,245
Provision for retirement benefits	4,297	4,307
Provision for share awards for directors	265	440
Other	6,440	6,497
Total liabilities	127,503	103,303
(Net assets)		
Shareholders' equity	1,187,312	1,267,382
Share capital	61,005	61,005
Capital surplus	73,271	73,271
Legal capital surplus	72,576	72,576
Other capital surplus	694	694
Retained earnings	1,247,831	1,352,920
Legal retained earnings	15,251	15,251
Other retained earnings	1,232,580	1,337,668
Reserve for special depreciation	151	231
Reserve for tax purpose reduction entry of assets	427	405
General reserve	150,250	150,250
Retained earnings brought forward	1,081,750	1,186,781
Treasury shares	(194,795)	(219,814)
Valuation and translation adjustments	14,204	14,143
Valuation difference on available-for-sale securities	14,204	14,143
Total net assets	1,201,517	1,281,525
Total liabilities and net assets	1,329,020	1,384,829

Non-consolidated Statements of Income (April 1, 2024 to March 31, 2025) (Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Net sales	446,070	425,859
Cost of sales	298,691	296,118
Gross profit	147,379	129,740
Selling, general and administrative expenses	47,804	49,622
Operating profit	99,575	80,118
Non-operating income	127,715	124,459
Interest and dividend income	93,629	120,211
Gain on investments in insurance funds	1,038	625
Gain on sale of securities	6,114	—
Foreign exchange gains	23,034	—
Dividend income of insurance	577	540
Royalty income	1,672	2,287
Other	1,648	794
Non-operating expenses	40	3,921
Interest expenses	13	29
Foreign exchange losses	—	3,861
Commission for purchase of treasury shares	19	20
Other	6	10
Ordinary profit	227,250	200,657
Extraordinary income	1,089	1,497
Gain on sale of investment securities	995	1,441
Other	94	55
Extraordinary losses	44	510
Loss on retirement of non-current assets	40	499
Other	3	11
Profit before income taxes	228,295	201,643
Income taxes - current	50,067	35,329
Income taxes - deferred	(1,789)	(2,839)
Profit	180,018	169,154

(Note) In the Consolidated and 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 21, 2025

To the Board of Directors of
SMC Corporation

Ernst & Young ShinNihon LLC
Tokyo Office

Designated and Engagement Partner
Certified Public Accountant

Hirofumi Harashina

Designated and Engagement Partner
Certified Public Accountant

Mamoru Wakino

Designated and Engagement Partner
Certified Public Accountant

Yuki Hashimoto

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 equity and notes to consolidated financial statements of SMC Corporation (the "Company") applicable to the fiscal year from April 1, 2024 to March 31, 2025.

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, 2025, 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 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 the 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.
- Plan and perform an audit of the Consolidated Financial Statements to obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to provide a basis for our opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and inspection 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, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, convey details of any measures taken in order to eliminate obstruction factors or any safeguards applied in order to reduce obstruction factors to an acceptable level.

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.

Note to the Readers of Independent Auditor's Report :

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the convenience of the reader of the business report.

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

Independent Auditor's Report

May 21, 2025

To the Board of Directors of
SMC Corporation

Ernst & Young ShinNihon LLC
Tokyo Office

Designated and Engagement Partner
Certified Public Accountant

Hirofumi Harashina

Designated and Engagement Partner
Certified Public Accountant

Mamoru Wakino

Designated and Engagement Partner
Certified Public Accountant

Yuki Hashimoto

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the Non-consolidated Financial Statements, that is, the non-consolidated balance sheets, the non-consolidated statements of income, the non-consolidated statement of changes in equity, the notes to non-consolidated financial statements and the supplementary schedules of SMC Corporation (the "Company") (hereinafter, the "Non-consolidated Financial Statements, etc.") applicable to the 66th fiscal year from April 1, 2024 to March 31, 2025.

In our opinion, the Non-consolidated 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, 2025, 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 Non-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 Non-consolidated Financial Statements, etc. and we do not express an opinion on this other information.

Our responsibility for the Non-consolidated 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 Non-consolidated 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 Non-consolidated 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 Non-consolidated Financial Statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the Non-consolidated Financial Statements, etc., management is responsible for assessing whether it is appropriate to prepare the Non-consolidated 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 Non-consolidated 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 Non-consolidated 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 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 Non-consolidated 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 Non-consolidated Financial Statements, etc. or, if the notes to the Non-consolidated Financial Statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the Non-consolidated Financial Statements, etc. 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 Non-consolidated 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 Non-consolidated Financial Statements, etc., including the related notes thereto, and whether the Non-consolidated 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, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, convey details of any measures taken in order to eliminate obstruction factors or any safeguards applied in order to reduce obstruction factors to an acceptable level.

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.

Note to the Readers of Independent Auditor's Report :

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the convenience of the reader of the business report.

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 66th fiscal year, which lasted from April 1, 2024 to March 31, 2025 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 meeting 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 Regulations 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), 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 meeting 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 Ernst & Young ShinNihon LLC, 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 Ernst & Young ShinNihon LLC, the Accounting Auditor are appropriate..

May 22, 2025

Board of Corporate Auditors of SMC Corporation

Full-time Corporate Auditor **Takemasa Chiba**

Corporate Auditor (Outside Corporate Auditor)

Arata Toyoshi

Corporate Auditor (Outside Corporate Auditor)

Haruya Uchikawa

END

To Our Shareholders

66th Annual General Meeting of Shareholders

Other matters subject to measures for electronic provision

(Matters omitted from written materials)

Consolidated Statement of Changes in Equity

Notes to Consolidated Financial Statements

Non-consolidated Statement of Changes in Equity

Notes to Non-consolidated Financial Statements

<p>Based on laws and regulations and the Articles of Incorporation of the Company, the above matters are not included in written materials sent to shareholders who request written copies.</p>

SMC Corporation

Consolidated Statement of Changes in Equity

(April 1, 2024 to March 31, 2025)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	61,005	73,342	1,716,354	(194,795)	1,655,906
Changes during period					
Dividends of surplus			(64,065)		(64,065)
Profit attributable to owners of parent			156,344		156,344
Purchase of treasury shares				(25,018)	(25,018)
Change in ownership interest of parent due to transactions with non-controlling interests		1,131			1,131
Net changes in items other than shareholders' equity					
Total changes during period	—	1,131	92,278	(25,018)	68,392
Balance at end of period	61,005	74,473	1,808,633	(219,814)	1,724,298

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	14,777	203,508	7,394	225,680	4,284	1,885,871
Changes during period						
Dividends of surplus				—		(64,065)
Profit attributable to owners of parent				—		156,344
Purchase of treasury shares				—		(25,018)
Change in ownership interest of parent due to transactions with non-controlling interests						1,131
Net changes in items other than shareholders' equity	(284)	(24,808)	3,395	(21,696)	(4,259)	(25,956)
Total changes during period	(284)	(24,808)	3,395	(21,696)	(4,259)	42,435
Balance at end of period	14,492	178,700	10,789	203,983	25	1,928,306

Notes to Consolidated Financial Statements

[Notes on significant matters constituting the basis for preparing the Consolidated Financial Statements]

1. Scope of consolidation

(1) Number of consolidated subsidiaries and names of major consolidated subsidiaries

(i) Number of consolidated subsidiaries: 43

(ii) Names of major consolidated subsidiaries:

Nihon Kizai Co., Ltd.	SMC Automation China Co., Ltd.
SMC Corporation of America	SMC (China) Co., Ltd.
SMC Deutschland GmbH	SMC (Beijing) Manufacturing Co., Ltd.
SMC Korea Co., Ltd.	

(2) Names of major non-consolidated subsidiaries, etc.

(i) Names of major non-consolidated subsidiaries

SC SMC Romania S.r.l.	SMC Corporation (Chile) S.A.
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(ii) Reasons for exclusion from the scope of consolidation

The 29 non-consolidated subsidiaries are excluded from the scope of consolidation since they are all small in size and their aggregate total assets, net sales, net income (amount corresponding to equity) and retained earnings (amount corresponding to equity) do not significantly impact the Consolidated Financial Statements.

2. Scope of equity method application

Non-consolidated subsidiaries (SC SMC Romania S.r.l. and 28 other subsidiaries) that are not accounted for using the equity method are excluded from the scope of equity method application since their effect on the Consolidated Financial Statements is considered to be immaterial and insignificant overall in terms of net income or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity).

3. Matters pertaining to the fiscal year of consolidated subsidiaries

The Consolidated Financial Statements were prepared based on the preliminary financial statements as of March 31, 2025 for the following nine subsidiaries whose fiscal year-end date is December 31.

SMC Investment Management China Co., Ltd.	Nihonkizai (Shanghai) Co., Ltd.
SMC Automation China Co., Ltd.	SMC Corporation (Mexico), S.A. de C.V.
SMC (China) Co., Ltd.	SMC Pneumatik LLC
SMC (Beijing) Manufacturing Co., Ltd.	SMC Automação do Brasil Ltda.
SMC (Tianjin) Manufacturing Co., Ltd.	

4. Accounting policies

(1) Valuation standards and methods for significant assets

(i) Securities

Securities held to maturity: valued using the amortized cost method.

Available-for-sale securities

a. Stocks other than those for which a market price is not available: stated at fair value

(All unrealized holding gains and losses are included in net assets and cost of sales is principally calculated based on the moving average method.)

b. Stocks for which a market price is not available: stated at cost using the moving average method.

(ii) Inventories: principally stated at cost using the gross average method (with book value written down on the balance sheet based on decreased profitability of assets).

(2) Depreciation methods for significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)

Depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is calculated principally under the declining balance method. However, buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings) and facilities attached to buildings and structures acquired on or after April 1, 2016 are calculated with the straight-line method. In addition, foreign consolidated subsidiaries calculate depreciation in accordance with the straight-line method pursuant to applicable accounting standards in their countries of domicile.

Primary useful lives are as described below.

Buildings and structures: 3-50 years

Machinery, equipment and vehicles: 2-17 years

Tools, furniture and fixtures: 2-20 years

(ii) Intangible assets (excluding leased assets)

Amortization of intangible assets of the Company and its domestic consolidated subsidiaries is calculated in accordance with the straight-line method and that of foreign consolidated subsidiaries is determined in accordance with the straight-line method pursuant to applicable accounting standards in their countries of domicile.

(iii) Leased assets

Leased assets related to finance leases that do not transfer ownership of the leased assets to the lessee are depreciated in accordance with the straight-line method using the lease term as the useful life with a residual value of zero.

(3) Basis for significant allowances and provisions

(i) Allowance for doubtful accounts

The Company and its consolidated domestic subsidiaries provide an allowance for possible loan losses upon assessing the amount deemed uncollectible by applying the historical bad-debt ratio for general claims and by individually estimating such amount for specific doubtful claims. Foreign consolidated subsidiaries provide an allowance for possible loan losses in the amount deemed uncollectible based on an individual assessment of each claim.

(ii) Provision for bonuses

Some of the Company's consolidated subsidiaries provide a reserve of the estimated amount to prepare for bonus payment to employees.

(iii) Provision for retirement benefits for directors (and other officers)

Some of the Company's consolidated subsidiaries provide a reserve for retirement benefits for officers to prepare for the necessary payment amount as of the end of the current fiscal year in accordance with the internal rules.

(iv) Provision for share awards for directors (and other officers)

For the purpose of preparing for share benefits as remuneration to Directors, the projected amount of share benefits at the end of the current fiscal year is recorded.

(4) Basis for translating significant foreign currency denominated assets and liabilities into Japanese yen

Foreign currency denominated assets and liabilities are translated into Japanese yen at exchange rates prevailing at the balance sheet date and the difference resulting from the translation is recognized as gains or losses. Meanwhile, assets and liabilities held by foreign consolidated subsidiaries are translated into Japanese yen at exchange rates prevailing at the balance sheet date, while revenues and expenses are translated into Japanese yen at average rates of exchange during the current fiscal year and the difference resulting from the translation is recognized in foreign currency translation adjustments and non-controlling interests under net assets.

(5) Basis for recognizing significant revenues and expenses

(i) Contents of main performance obligations in major businesses

The Group is engaged in the manufacturing and sale of automatic control equipment, including pneumatic instruments, that is essential for automated, labor-saving operations in various industry sectors, and is under the obligation to deliver products to customers in accordance with sales agreements, etc.

- (ii) At the usual point at which the Company fulfills its performance obligation (at the usual point at which it recognizes revenue)

The Group sells automatic control equipment, including pneumatic instruments, to customers. For these product sales, the performance obligation is satisfied when the customer has acquired control over the products in accordance with the terms of the contract, and revenue is recognized when the products are delivered to the customer or when the risk is transferred to the customer based on the trade terms and conditions.

(6) Method of accounting for retirement benefits

For the purpose of preparing employees' retirement benefit payments, retirement benefit liabilities and assets are recorded based on the projected amounts for pension assets and retirement benefit obligations at the end of the fiscal year at the consolidated level.

- (i) Method of attributing expected retirement benefits for the period

For the calculation of consolidated retirement benefit obligations, the retirement benefit formula is used to attribute expected retirement benefits for the period until the end of the current fiscal year.

- (ii) Method of amortizing actuarial net gain or loss and prior service cost

Prior service cost is amortized on a straight-line basis over a fixed number of years (10 years) within the average remaining service periods at the time of recognition.

Actuarial net gain or loss is recognized on a straight-line basis over certain years (10 years) within the average remaining service period at the time of recognition of each fiscal year, starting from the succeeding period.

- (iii) Method of treating unrecognized actuarial net gains or losses and unrecognized prior service cost

Unrecognized actuarial net gains or losses and unrecognized prior service cost are included, after adjusting for tax effects, in the remeasurements of defined benefit plans under accumulated other comprehensive income in the net asset section.

- (iv) Application of simplified accounting method

Some of the Company's consolidated subsidiaries adopt the simplified accounting method for the calculation of their net defined retirement benefit assets, net defined retirement benefit liabilities and retirement benefit expenses. Within this calculation, the amount payable to employees retiring due to personal reasons at year end is recognized as the amount of retirement benefit obligations.

[Notes on changes in accounting policy]

Application of the "Accounting Standard for Current Income Taxes", etc.

The "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter, "2022 Revised Accounting Standard") and other related standards were applied since the beginning of the current fiscal year.

Revisions regarding the classification of income taxes (taxation on other comprehensive income) are in accordance with the transitional treatment set forth in the proviso of paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment set forth in the proviso of paragraph 65-2(2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; hereinafter, “2022 Revised Applicable Guidance”). This had no impact on the consolidated financial statements.

In addition, the 2022 Revised Applicable Guidance is effective from the beginning of the current fiscal year with respect to revisions related to the treatment in the consolidated financial statements of losses (gains) on the sale of shares of subsidiaries and other securities arising from the sale of such securities between consolidated companies that are deferred for tax purposes. This had no impact on the consolidated financial statements.

[Notes on revenue recognition]

1. Information on disaggregated revenue arising from contracts with customers

(Millions of yen)

	Fiscal year ended March 31, 2025
Net sales by region	
Japan	158,116
United States	88,937
China	208,690
Asia (excluding China)	151,612
Europe	144,414
Other	40,336
Revenue from contracts with customers	792,108
Other revenue	—
Net sales to external customers	792,108

2. Basic information for understanding revenue from contracts with customers

(1) Information on calculating transaction prices

The amount of revenue recorded consists of the consideration promised in the agreement with the customer, from which returns and discounts have been deducted. For returns and discounts, the Company uses a method to estimate the amount of returns and discounts that could occur based on past experience.

Furthermore, rebates are deducted from revenues as consideration paid to customers. Rebates are reasonably assessed based on evaluation criteria such as the volume of purchases by distribution agents and the sales activities for the Company’s products.

Consideration for transactions is received generally within six months after the fulfillment of the performance obligation, according to terms specified for each customer, and there is no significant financing component.

(2) Information on the point at which performance obligations are fulfilled

Information on the point at which performance obligations are fulfilled is as stated in “Notes on significant matters constituting the basis for preparing the Consolidated Financial Statements 4. Accounting policies (5) Basis for recognizing significant revenues and expenses”.

3. Information about the relationship between the fulfillment of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue from contracts with customers existing at the end of the current fiscal year expected to be recognized from the following fiscal year onward

(1) Balance of contract assets and contract liabilities, etc.

	(Millions of yen)
	Fiscal year ended March 31, 2025
Claims arising from contracts with customers (balance at beginning of period)	217,671
Claims arising from contracts with customers (balance at end of period)	207,969
Contract assets (balance at beginning of period)	—
Contract assets (balance at end of period)	—
Contract liabilities (balance at beginning of period)	931
Contract liabilities (balance at end of period)	771

Contract liabilities are consideration received from customers prior to the delivery of products and are included in other under current liabilities on the consolidated balance sheet.

Changes in contract liabilities resulted from the receipt of consideration prior to the delivery of products (increase in contract liabilities) and revenue recognition (decrease in contract liabilities).

Revenue recognized in the current fiscal year from performance obligations satisfied in prior periods was not material.

(2) Transaction price allocated to remaining performance obligations

The Company and its consolidated subsidiaries omitted the transaction price allocated to remaining performance obligations because there were no material performance obligations that exceeded one year at the beginning of the contract.

Furthermore, there are no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

[Notes on accounting estimates]

Valuation of inventories

1. Amounts recognized in the Consolidated Financial Statements for fiscal year ended March 31, 2025

	(Millions of yen)
	Fiscal year ended March 31, 2025
Inventories (before recording loss on valuation)	578,905
Loss on valuation of inventories	89,244
Inventories (consolidated balance sheet amount)	489,661

Loss on valuation of inventories included in cost of sales (after offsetting the reversal amount by the reversal method) was 10,359 million yen.

2. Information on the details of material accounting estimates for identified items

(i) Calculation method

The Group, in principle, applies a regular method of discounting the book value of inventories according to the classification of inventory turnover rate based on sales of products, etc. and the use of raw materials, etc. over a fixed period in the past.

(ii) Major assumptions

Automatic control equipment, including pneumatic instruments, which are the Group's main products, are component parts incorporated into production and transport lines at customers' plants, semiconductor manufacturing equipment, machine tools, industrial robots, etc., and immediate delivery with short lead times is required to avoid line stoppages and operational delays, while the same products tend to be sold continuously over long periods of time. In addition, the main materials used in the Group's products are resistant to corrosion and not susceptible to deterioration over time. Given these factors, in making such estimates, the Group has made the assumption that trends in the sale and use of inventories will remain unchanged in the future.

(iii) Impact on the Consolidated Financial Statements for the following fiscal year

Further, it is possible for this estimation to be impacted if there is a change in trends of sale or use of inventories due to changes in the product lifecycle, etc. If a revision to the estimate using a valuation of inventories is required, it may have a material impact on cost of sales or on the balance of inventories at the end of the following fiscal year.

[Notes on Consolidated Balance Sheet]

(Millions of yen)

1. Accumulated depreciation of property, plant and equipment	334,915
2. For non-consolidated subsidiaries	
Investment securities	17,427

[Notes on Consolidated Statements of Income]

(Millions of yen)

1. Principal items included in selling, general and administrative expenses	
Salaries and allowances	60,715
Bonuses	8,676
Retirement benefit expenses	2,915
Provision of allowance for doubtful accounts	480
2. Research and development expenses included in general and administrative expenses as well as manufacturing costs	33,351
3. Loss on valuation of inventories	10,359

[Notes on Consolidated Statement of Changes in Equity]

1. Type and number of outstanding shares and treasury shares

(Shares)

	Type	At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year
Outstanding shares	Common stock	67,369,359	—	—	67,369,359
Treasury shares	Common stock	3,235,951	399,583	—	3,635,534

Notes:

1. Treasury shares include shares of the Company held by the “Board Benefit Trust” (11,200 shares at the beginning of the current fiscal year and the end of the current fiscal year).
2. Of the 399,583 share increase in the number of treasury shares, 399,200 shares were due to purchase of treasury shares based on the resolution of the Board of Directors, while 383 shares were due to the purchase of shares of less than one full unit.

2. Dividends

(1) Dividend amount

Resolved at	Type	Total dividend amount	Dividend per share	Record date	Effective date
Annual General Meeting of Shareholders held on June 27, 2024	Common stock	¥32,072 million	¥500	March 31, 2024	June 28, 2024
Board of Directors meeting held on November 14, 2024	Common stock	¥31,993 million	¥500	September 30, 2024	December 2, 2024

Note: The “Total dividend amount” resolved at the Annual General Meeting of Shareholders held on June 27, 2024 includes a dividend of ¥5 million for the Company’s shares held by the “Board Benefit Trust”.

The “Total dividend amount” resolved at the meeting of the Board of Directors held on November 14, 2024 includes a dividend of ¥5 million for the Company’s shares held by the “Board Benefit Trust”.

(2) Dividends whose record date is within the term and effective date in the succeeding term

The following is to be proposed at the Annual General Meeting of Shareholders scheduled to be held on June 27, 2025.

Type	Source	Total dividend amount	Dividend per share	Record date	Effective date
Common stock	Retained earnings	¥31,872 million	¥500	March 31, 2025	June 30, 2025

Note: The “Total dividend amount” includes a dividend of ¥5 million for the Company’s shares held by the “Board Benefit Trust”.

[Notes on financial instruments]

1. Status of financial instruments

(1) Policy on financial instruments

The Group procures funds through self-financing and external sources mainly in the form of loans from financial institutions including banks.

The Company invests temporary surplus funds in financial instruments with high levels of safety while its consolidated subsidiaries are prohibited from investing such funds in securities in principle and instead, are limited to invest in short-term bank deposits, etc.

We limit the derivative transactions within the range of actual demand and do not make speculative transactions, based on internal rules.

(2) Contents and risk of financial instruments

Notes and accounts receivable-trade, which are trade receivables, are subject to the credit risk of customers. Foreign currency denominated notes and accounts receivable-trade are also subject to the risk of exchange rate fluctuations.

Securities and investment securities, which consist mainly of stocks of companies that have business relationships with the Company, government bonds, and securities investment trusts, are subject to market price volatility risk and other risks.

Notes and accounts payable-trade, which are trade payables, have a due date of one year or less. Foreign currency denominated notes and trade payables drawn for imports of raw materials, etc. are subject to the risk of exchange rate fluctuations.

Short-term borrowings are mainly fund procurement for general purpose working capital.

(3) Risk management system for financial instruments

(i) Credit risk management (risk relating to contract default by customers)

Regarding credit risk management for trade receivables, we manage the due date and balance of receivables by customer, and have established a system in which we collect customers' credit status information on a daily basis. As part of this system, we perform risk assessment regularly to ensure receivables are protected. Furthermore, the Company receives guarantee deposits from its principal distribution agents.

(ii) Market risk management (risk of fluctuations in exchange rates and interest rates)

For foreign currency denominated trade receivables and trade payables, the Company and some of its consolidated subsidiaries may engage in foreign exchange forward contract transactions when required. The balance of foreign currency denominated trade payables is constantly within the balance of foreign currency denominated trade receivables.

We regularly keep track of the fair values and financial conditions of the issuers of securities and investment securities.

(iii) Liquidity risk management relating to financing (risk of inability to repay on the due date)

We manage liquidity risk by methods such as creating a cash flow plan.

(4) Supplementary explanation on matters relating to fair value of financial instruments and others

Since certain assumptions and others are adopted for calculating the fair value of financial instruments, they may differ when adopting different assumptions and others.

2. Fair value of financial instruments and others

The following are the consolidated balance sheet amounts, fair values and their differences.

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
Securities and investment securities			
(i) Securities held to maturity	1,734	1,667	(66)
(ii) Available-for-sale securities	155,432	155,432	—
Total assets	157,166	157,100	(66)

Notes:

- Notes on cash are omitted. Presentation of deposits, notes and accounts receivable-trade, notes and accounts payable-trade, and short-term borrowings has been omitted because they are settled in a short period of time and their fair value approximates their book value.
- Stocks, etc. for which a market price is not available are not included in “Securities and investment securities” above. The following are the consolidated balance sheet amounts for these financial instruments.

(Millions of yen)

Category	Consolidated balance sheet amount
Shares of subsidiaries	17,427
Unlisted stocks	444

3. Breakdown etc. for each level of fair value for financial instruments

Fair value for financial instruments is categorized into one of the following three levels, depending on the observability and significance of inputs used in the calculation of fair value.

Level 1 fair value: Fair value calculations with observable inputs, in which fair value is calculated using quoted prices formed in an active market for the assets or liabilities that are the subject of the fair value calculation.

Level 2 fair value: Fair value calculations with observable inputs, in which fair value is calculated using inputs other than those used as inputs in Level 1.

Level 3 fair value: Fair values calculated using unobservable inputs.

In cases where multiple inputs with a significant impact on the calculation of fair value are used, the fair value is categorized to the level, among those to which the various inputs belong, that has the lowest priority in the fair value calculation.

(1) Financial instruments recorded on the consolidated balance sheet at fair value

(Millions of yen)

Category	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	14,280	—	—	14,280
Government bonds	137,608	—	—	137,608
Other	3,543	—	—	3,543
Total assets	155,432	—	—	155,432

(2) Financial instruments other than financial instruments recorded on the consolidated balance sheet at fair value

(Millions of yen)

Category	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Securities held to maturity				
Government bonds	29	—	—	29
Bonds payable	—	1,638	—	1,638
Total assets	29	1,638	—	1,667

Note: Explanation of valuation techniques and inputs used for fair value calculations.

Securities and investment securities

Listed stocks, government bonds, corporate bonds and other investment trusts are valued using quoted market prices. Since listed stocks, government bonds and other investment trusts are traded in active markets, their fair values are classified as at Level 1. Corporate bonds held by consolidated subsidiaries are classified at Level 2 because their trade frequency in the market is low and their fair value is not considered to be their quoted market price in an active market.

[Notes on real estate for rent]

1. Status of real estate for rent

The Company and some of its consolidated subsidiaries own land for company housing, land for parking lots, and office buildings for lease. In addition, a factory that will be leased to suppliers in Tono City, Iwate Prefecture (Tono Supplier Park) is under construction for the purpose of strengthening our supply chain's business continuity plan.

2. Fair value of real estate for rent

(Millions of yen)

Consolidated balance sheet amount	Fair value
2,752	5,048

(Notes)

- 1 The consolidated balance sheet amounts are the amounts determined by deducting accumulated depreciation from the acquisition cost.
- 2 Concerning fair values at the end of the period, in the case of depreciable assets such as buildings, the carrying amount is deemed to be the fair value, and in the case of land that lacks materiality, the amount is calculated by the Company mainly based on "Assessed value of the inheritance tax based on the roadside land rating" (including adjustments based on certain indices).
- 3 The fair value of Tono Supplier Park is not included in the above table because it is difficult to assess the fair value of assets that are currently under construction. The consolidated balance sheet amount stated for Tono Supplier Park in the current fiscal year is 28,167 million yen.

[Notes on per share information]

1. Net assets per share: 30,255.22 yen
2. Net income per share: 2,444.61 yen

[Notes to significant subsequent events]

(Purchase of treasury shares)

The Company resolved to repurchase its treasury shares at the Board of Directors meeting held on May 14, 2025, as follows.

- | | |
|--|---|
| (1) Purpose of the repurchase | To enhance returns to shareholders and improve capital efficiency |
| (2) Total number of shares to be repurchased | 750,000 common shares of the Company |
| (3) Total amount of repurchase | 30,000 million yen |
| (4) Period of repurchase | From May 19, 2025 to March 24, 2026 |
| (5) Method of repurchase | Market purchase on the Tokyo Stock Exchange |

(Cancellation of treasury shares)

The Company resolved to cancel its treasury shares at the Board of Directors meeting held on May 14, 2025, as follows.

- | | |
|--------------------------------------|--|
| (1) Number of shares to be cancelled | 3,500,000 common shares of the Company |
| (2) Scheduled cancellation date | May 30, 2025 |

Note: In the Consolidated Statement of Changes in Equity and Notes to Consolidated Financial Statements, amounts are rounded down to match the unit in which they are presented.

Non-consolidated Statement of Changes in Equity

(April 1, 2024 to March 31, 2025)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						Reserve for special depreciation	Reserve for tax purpose reduction entry of assets	General reserve
Balance at beginning of period	61,005	72,576	694	73,271	15,251	151	427	150,250
Changes during period								
Provision of reserve for special depreciation				—		119		
Reversal of reserve for special depreciation				—		(39)		
Reversal of reserve for tax purpose reduction entry of assets				—			(22)	
Dividends of surplus				—				
Profit				—				
Purchase of treasury shares				—				
Net changes in items other than shareholders' equity				—				
Total changes during period	—	—	—	—	—	79	(22)	—
Balance at end of period	61,005	72,576	694	73,271	15,251	231	405	150,250

(Millions of yen)

	Shareholders' equity				Valuation and translation adjustments		Total net assets
	Retained earnings		Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Other retained earnings	Total retained earnings					
	Retained earnings brought forward						
Balance at beginning of period	1,081,750	1,247,831	(194,795)	1,187,312	14,204	14,204	1,201,517
Changes during period							
Provision of reserve for special depreciation	(119)	—		—			—
Reversal of reserve for special depreciation	39	—		—			—
Reversal of reserve for tax purpose reduction entry of assets	22	—		—			—
Dividends of surplus	(64,065)	(64,065)		(64,065)			(64,065)
Profit	169,154	169,154		169,154			169,154
Purchase of treasury shares		—	(25,018)	(25,018)			(25,018)
Net changes in items other than shareholders' equity		—		—	(61)	(61)	(61)
Total changes during period	105,031	105,088	(25,018)	80,070	(61)	(61)	80,008
Balance at end of period	1,186,781	1,352,920	(219,814)	1,267,382	14,143	14,143	1,281,525

Notes to Non-consolidated Financial Statements

[Notes on significant matters pertaining to accounting policies]

1. Standards and methods for valuation of securities

(1) Shares of subsidiaries and affiliates

Stated at cost using the moving average method.

(2) Available-for-sale securities

(i) Stocks other than those for which a market price is not available

Stated at fair value (all unrealized holding gains and losses are included in net assets and cost of sales is principally calculated based on the moving average method).

(ii) Stocks for which a market price is not available

Stated at cost using the moving average method.

2. Valuation standards and methods for inventories

Principally stated at cost using the gross average method (with book value written down on the balance sheet based on decreased profitability of assets).

3. Depreciation methods of non-current assets

(1) Property, plant and equipment (excluding leased assets)

Depreciation of property, plant and equipment (excluding leased assets) is calculated in accordance with the declining balance method.

However, buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings) and facilities attached to buildings and structures acquired on or after April 1, 2016 are in accordance with the straight-line method.

Primary useful lives are as described below.

Buildings and structures: 3-50 years

Machinery, equipment and vehicles: 2-17 years

Tools, furniture and fixtures: 2-20 years

(2) Intangible assets (excluding leased assets)

Intangible assets (excluding leased assets) are amortized in accordance with the straight-line method.

Internal-use software is amortized on a straight-line basis over the useful life period (5 years) specified by the Company.

(3) Leased assets

Leased assets related to finance leases that do not transfer ownership of the leased assets to the lessee are depreciated in accordance with the straight-line method using the lease term as the useful period with a residual value of zero.

4. Basis for allowances and provisions

(1) Allowance for doubtful accounts

An allowance is provided for possible loan losses upon assessing the amount deemed irrecoverable by applying the historical bad-debt ratio for general claims and by individually estimating such amount for specific doubtful claims.

(2) Provision for retirement benefits

A reserve is provided for employee retirement benefits based on the projected amount of retirement benefit obligations and pension plan assets in the fiscal year.

(i) Method of attributing expected retirement benefits for the period

For the calculation of retirement benefit obligations, the retirement benefit formula is used to attribute expected retirement benefits to the period until the current fiscal year.

(ii) Method of amortizing actuarial net gain or loss and prior service cost

Prior service cost is amortized on a straight-line basis over certain years (10 years) within the average remaining service periods at the time of recognition.

Actuarial net gain or loss is recognized on a straight-line basis over certain years (10 years) within the average remaining service periods at the time of recognition of each fiscal year, starting from the succeeding period.

(3) Provision for share awards for directors (and other officers)

For the purpose of preparing for share benefits as remuneration to Directors, projected amount of share benefits at the end of the current business year is recorded.

5. Basis for recognizing significant revenues and expenses

(1) Contents of main performance obligations in major businesses

The Company is engaged in the manufacturing and sale of automatic control equipment, including pneumatic instruments, that is essential for automated, labor-saving operations in various industry sectors, and is under the obligation to deliver products to customers in accordance with sales agreements, etc.

(2) At the usual point at which the Company fulfills its performance obligation (at the usual point at which it recognizes revenue)

The Company sells automatic control equipment, including pneumatic instruments, to customers. For these product sales, the performance obligation is satisfied when the customer has acquired control over the products in accordance with the terms of the contract, and revenue is recognized when the products are delivered to the customer or when the risk is transferred to the customer based on the trade terms and conditions.

6. Other significant matters constituting the basis for preparing the Financial Statements

Accounting procedures for retirement benefits

The accounting procedures for unrecognized actuarial net gains or losses and unrecognized prior service cost related to retirement benefits are different from those adopted to prepare the Consolidated Financial Statements.

[Notes on changes in accounting policy]

Application of the “Accounting Standard for Current Income Taxes”, etc.

Notes on changes in accounting policy have been omitted because the same information is presented in “Notes on changes in accounting policy” for the Consolidated Financial Statements.

[Notes on revenue recognition]

Basic information for understanding revenue

Notes on revenue recognition have been omitted because the same information is presented in “Notes on revenue recognition” for the Consolidated Financial Statements.

[Notes on accounting estimates]

Valuation of inventories

1. Amounts recorded in the Non-consolidated Financial Statements for fiscal year ended March 31, 2025

	(Millions of yen)
	Fiscal year ended March 31, 2025
Inventories (before recording loss on valuation)	302,736
Loss on valuation of inventories	40,249
Inventories (non-consolidated balance sheet amount)	262,486

Loss on valuation of inventories included in cost of sales (after offsetting the reversal amount by the reversal method) was 10,953 million yen.

2. Information on the details of material accounting estimates for identified items

(i) Calculation method

The Company, in principle, applies a regular method of discounting the book value of inventories according to the classification of inventory turnover rate based on sales of products, etc. and the use of raw materials, etc. over a fixed period in the past.

(ii) Major assumptions

Automatic control equipment, including pneumatic instruments, which are the Company's main products, are component parts incorporated into production and transport lines at customers' plants, semiconductor manufacturing equipment, machine tools, industrial robots, etc., and immediate delivery with short lead times is required to avoid line stoppages and operational delays, while the same products tend to be sold continuously over long periods of time. In addition, the main materials used in the Company's products are resistant to corrosion and not susceptible to deterioration over time. Given these factors, in making such estimates, the Company has made the assumption that trends in the sale and use of inventories will remain unchanged in the future.

(iii) Impact on the Non-consolidated Financial Statements for the following fiscal year

It is possible for this estimation to be impacted if there is a change in trends of sale or use of inventories due to changes in the product lifecycle, etc. If a revision to the estimate using a valuation of inventories is required, it may have a material impact on cost of sales or on the balance of inventories at the end of the following fiscal year.

[Notes on Non-consolidated Balance Sheets]

	(Millions of yen)
1. Accumulated depreciation of property, plant and equipment	146,169
2. Receivables and payables in relation to subsidiaries and affiliates	
Short-term receivables	98,380
Short-term payables	15,689

[Notes on Non-consolidated Statements of Income]

Transactions with subsidiaries and affiliates	(Millions of yen)
Net sales	312,101
Purchase amount	83,864
Selling, general and administrative expenses	3,255
Non-operating transaction amount	114,440

[Notes on Non-consolidated Statement of Changes in Equity]

Type and number of treasury shares		(Shares)			
	Type	At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year
Treasury shares	Common stock	3,235,951	399,583	—	3,635,534

Notes:

1. Treasury shares include 11,200 shares of the Company held by the "Board Benefit Trust".

2. Of the 399,583 shares increase in the number of treasury shares, 399,200 shares were due to purchase of treasury shares based on the resolution of the Board of Directors, while 383 shares were due to purchase of shares less than one full unit.

[Notes on tax effect accounting]

Significant components of deferred tax assets and deferred tax liabilities

(Millions of yen)

	Fiscal year ended March 31, 2025
Deferred tax assets	
Loss on valuation of investment securities	0
Loss on valuation of inventories	12,631
One-time depreciable assets	276
Loss on valuation of shares of subsidiaries and associates	193
Allowance for doubtful accounts	55
Accounts payable - other	338
Accrued enterprise taxes, accrued business office taxes	603
Accrued expenses	3,237
Provision for retirement benefits	1,357
Provision for share awards for directors (and other officers)	138
Asset retirement obligations	152
Other	378
Total deferred tax assets	19,364
Deferred tax liabilities	
Retirement costs for asset retirement obligations	(25)
Prepaid pension costs	(2,770)
Reserve for special depreciation	(105)
Reserve for tax purpose reduction entry of assets	(186)
Valuation difference on available-for-sale securities	(6,479)
Total deferred tax liabilities	(9,566)
Net deferred tax assets	9,797

[Notes on transactions with related parties]

(Millions of yen)

Type	Name	Percentage of voting rights	Relationship	Transaction	Amount	Account title	Balance at the end of period
Subsidiary	SMC Automation China Co., Ltd.	(Indirect) 100.0%	Distributor of the Company's products and supplier	Sales of the Company's product (*1)	86,900	Accounts receivable - trade	20,811
Subsidiary	SMC Corporation of America	(Direct) 100.0%	Distributor of the Company's products and supplier	Sales of the Company's product (*1)	45,131	Accounts receivable - trade	9,683

Note: Transaction conditions and policies on determining such conditions

(*1) The sales price of the Company's products is determined in consideration of the prevailing market price.

[Notes on per share information]

1. Net assets per share: 20,107.47 yen
 2. Net income per share: 2,644.91 yen

[Notes to significant subsequent events]

(Purchase of treasury shares)

The Company resolved to repurchase its treasury shares at the Board of Directors meeting held on May 14, 2025, as follows.

- | | |
|--|---|
| (1) Purpose of the repurchase | To enhance returns to shareholders and improve capital efficiency |
| (2) Total number of shares to be repurchased | 750,000 common shares of the Company |
| (3) Total amount of repurchase | 30,000 million yen |
| (4) Period of repurchase | From May 19, 2025 to March 24, 2026 |
| (5) Method of repurchase | Market purchase on the Tokyo Stock Exchange |

(Cancellation of treasury shares)

The Company resolved to cancel its treasury shares at the Board of Directors meeting held on May 14, 2025, as follows.

- | | |
|--------------------------------------|--|
| (1) Number of shares to be cancelled | 3,500,000 common shares of the Company |
| (2) Scheduled cancellation date | May 30, 2025 |

Note: In the Non-consolidated Statement of Changes in Equity and Notes to Non-consolidated Financial Statements, amounts are rounded down to match the unit in which they are presented.