

To our shareholders

We aim to become a trusted business partner by providing products and solutions that help solve our customers' challenges.

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

During the year ended March 31, 2026, military and political conflicts intensified around the world, continuing to have a significant negative impact on the global economy through soaring raw material prices, logistics disruptions, and other factors.

Social issues such as climate change and declining labor populations are also becoming increasingly severe.

As a comprehensive manufacturer of automatic control equipment essential for automation and labor-saving operations, SMC recognizes our social responsibility to support industries around the world. Based on this commitment, we continue working to strengthen our business continuity plan (BCP) framework to ensure uninterrupted product supply to customers worldwide under any emergency situation, while also making aggressive capital investments and securing talented personnel.

In fiscal 2025, our long-standing environmental initiatives were recognized with the highest "Double A" rating from the international non-profit organization CDP.

Going forward, we will further strengthen our offering of environmentally friendly products and solutions that help reduce customers' CO₂ emissions.

Through these initiatives, we believe that earning the trust of our customers as a business partner that delivers new value will lead to achieving sustainable growth of SMC.

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





June 2026

Yoshiki Takada, President

Notice of the 67th Annual General Meeting of Shareholders

We would like to inform you that we will hold the 67th Annual General Meeting of Shareholders as follows. In convening this General Meeting of Shareholders, the Company has implemented measures for electronic provision and has posted the matters subject to electronic provision on the following websites.

<p>The Company's website address https://www.smcworld.com/ir/en-jp/</p>	
<p>Tokyo Stock Exchange ("TSE") website address 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]".

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 25, 2026 (Thursday) after studying the attached "Reference Documents for the General Meeting of Shareholders".

Sincerely,

Notes

1	Date and Time June 26, 2026 (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 <i>There are no souvenirs available for shareholders attending the shareholders' meeting.</i>
3	<p>Agenda</p> <p>Matters to be reported 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 67th fiscal year (April 1, 2025 to March 31, 2026)</p> <p>Matters to be resolved</p> <p>Proposal 1 Dividend of Surplus Proposal 2 Partial Amendments to the Articles of Incorporation Proposal 3 Election of 11 Directors (Excluding Directors Who Are Audit and Supervisory Committee Members) Proposal 4 Election of 3 Directors Who Are Audit and Supervisory Committee Members Proposal 5 Approval of the Compensation Limit for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members) Proposal 6 Approval of the Compensation Limit for Directors Who Are Audit and Supervisory Committee Members Proposal 7 Approval of the Amount and Details of Performance-Linked Compensation (Cash Bonuses, Stock Compensation and Stock Options (Stock Acquisition Rights)) for Directors (Excluding Outside Directors and Directors Who Are Audit and Supervisory Committee Members)</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, materials for General Meetings of Shareholders 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, Notes to Consolidated Financial Statements, Non-consolidated Statement of Changes in Equity, 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 websites 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.

If you wish to attend by proxy on the day of the meeting, the proxy must also be a shareholder of the Company. Please submit the voting form for proxy voting, the voting form issued in the proxy's name, and the letter of proxy authorization together at the reception desk.

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]

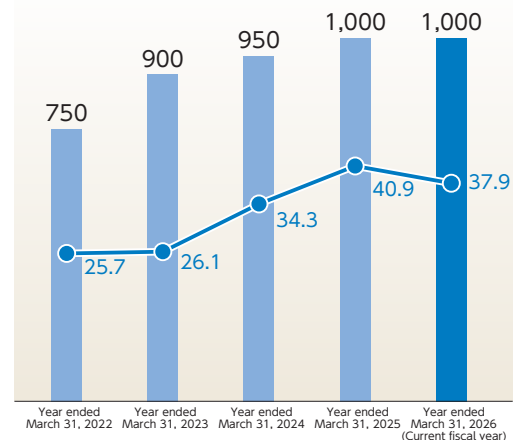
This is to propose that the dividend of surplus for the fiscal year to be made as described below, based on the above-mentioned basic capital policy and in consideration of the latest operating results and financial positions.

1 Allocation of divisible assets payable to shareholders and total amount
500 yen per share on the Company's common shares
Total amount: 31,575,129,500 yen

2 Effective date of the dividends from surplus
June 29, 2026

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, the same amount compared to the same period as the previous year.

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



Proposal 2

Partial Amendments to the Articles of Incorporation

1. Reason for proposal

(1) Changes associated with the transition to a company with an Audit and Supervisory Committee

We seek approval to transition to a company with an Audit and Supervisory Committee in order to strengthen the supervisory functions of the Board of Directors, separate supervisory and business execution functions, and enable faster decision-making.

In connection with this transition, the Company will establish, revise, and abolish relevant provisions, newly establish provisions concerning the delegation of important business execution and provisions allowing dividends of surplus to be determined by resolution of the Board of Directors, and make other necessary changes.

(2) Other amendments

- Following the sale of all shares of subsidiaries engaged in the licensed businesses of “Warehousing businesses” and “Customs broker”, these business purposes will be deleted from the Articles of Incorporation.
- The provision allowing treasury shares to be acquired by resolution of the Board of Directors will be consolidated into the provision stating that dividends of surplus, including year-end dividends, may be determined by resolution of the Board of Directors (new Article 37). Treasury share acquisitions may continue to be carried out flexibly by resolution of the Board of Directors, as before.
- The amendments will also allow General Meetings of Shareholders to be held at the newly established research and development facility, JTC.
- The senior advisor and counselor system will be abolished.

2. Details of amendments

The details of the amendments are as follows. These partial amendments to the Articles of Incorporation shall take effect upon the conclusion of this Annual General Meeting of Shareholders.

(Amendments are underlined)

Current Articles of Incorporation	Proposed Amendments
Chapter I. GENERAL PROVISIONS (Omitted)	Chapter I. GENERAL PROVISIONS (Unchanged)
Article 1. Article 2. (Objects and Purposes)	Article 1. Article 2. (Objects and Purposes)
The objects and purposes of the Company shall be as follows:	The objects and purposes of the Company shall be as follows:
1. Manufacture and sales of sintered filters through the use of powder metallurgy;	1. Manufacture and sales of sintered filters through the use of powder metallurgy;
2. Manufacture and sales of various types of filtration equipment;	2. Manufacture and sales of various types of filtration equipment;
3. Manufacture, processing and sales of automatic control equipment;	3. Manufacture, processing and sales of automatic control equipment; <u>and</u>
4. Warehousing businesses;	(Deleted)
5. Customs broker; and	(Deleted)
6. Any and all businesses related or incidental to the businesses referred to in the foregoing items.	4. Any and all businesses related or incidental to the businesses referred to in the foregoing items.

Reference Documents for the General Meeting of Shareholders

Current Articles of Incorporation	Proposed Amendments
Article 3. (Omitted)	Article 3. (Unchanged)
Article 4. (Organs) The Company shall have a General Meeting of Shareholders and Directors, as well as the following organs: 1. Board of Directors; 2. Corporate Auditors; 3. Board of Corporate Auditors; and 4. Accounting Auditors.	Article 4. (Organs) The Company shall have a General Meeting of Shareholders and Directors, as well as the following organs: 1. Board of Directors; (Deleted) 2. Audit and Supervisory Committee; and 3. Accounting Auditors.
Article 5. (Omitted)	Article 5. (Unchanged)
Chapter II. SHARES	Chapter II. SHARES
Article 6. (Omitted)	Article 6. (Unchanged)
Article 7. (Acquisition of Company's Own Shares) <u>The Company may, under the provision of Article 165, Paragraph 2 of the Company Law, purchase its own shares through market transactions, etc., pursuant to resolution of the Board of Directors.</u>	(Deleted)
Article 8. to Article 10. (Omitted)	Article 7. to Article 9. (Unchanged)
Article 11. (Administrator of Register of Shareholders) (i) The company shall appoint an administrator of register of shareholders. (ii) The selection of the administrator of register of shareholders and its handling office shall be made <u>by resolution of the Board of Directors</u> and such resolution shall be disclosed by the public notice. (iii) (Omitted)	Article 10. (Administrator of Register of Shareholders) (i) The company shall appoint an administrator of register of shareholders. (ii) The selection of the administrator of register of shareholders and its handling office shall be made by resolution of the Board of Directors or by the director(s) delegated by resolution of the Board of Directors, and such resolution shall be disclosed by the public notice. (iii) (Unchanged)
Article 12. (Share Handling Regulations) In addition to what is provided by laws and ordinances or the Articles of Incorporation, the matters concerning the procedures relating to shares, handling charges therefor and the method of exercising rights of shareholders shall be governed by the Share Handling Regulations which shall be prescribed by the Board of Directors.	Article 11. (Share Handling Regulations) In addition to what is provided by laws and ordinances or the Articles of Incorporation, the matters concerning the procedures relating to shares, handling charges therefor and the method of exercising rights of shareholders shall be governed by the Share Handling Regulations which shall be prescribed by the Board of Directors or <u>by the director(s) delegated by resolution of the Board of Directors.</u>
Chapter III. GENERAL MEETING OF SHAREHOLDERS	Chapter III. GENERAL MEETING OF SHAREHOLDERS
Article 13. (Convocation) (i) (Omitted) (ii) The General Meeting of Shareholders may be held at the location of head office, as well as in any of the wards of Tokyo, <u>in the city of Soka, Saitama, or in the city of Tsukubamirai, Ibaraki.</u>	Article 12. (Convocation) (i) (Unchanged) (ii) The General Meeting of Shareholders may be held at the location of the head office, as well as in any of the wards of Tokyo or in the city of Kashiwa, Chiba.
Article 14. to Article 18. (Omitted)	Article 13. to Article 17. (Unchanged)
Chapter IV. DIRECTORS AND BOARD OF DIRECTORS	Chapter IV. DIRECTORS, BOARD OF DIRECTORS AND AUDIT AND SUPERVISORY COMMITTEE
Article 19. (Number) (i) The Company shall have not more than twelve (12) directors.	Article 18. (Number) (i) The Company shall have not more than twelve (12) directors <u>(excluding directors who are Audit and Supervisory Committee Members).</u>

Current Articles of Incorporation	Proposed Amendments
(Newly established)	
Article 20. (Election)	(ii) <u>The Company shall have not more than five (5) directors who are Audit and Supervisory Committee Members.</u> Article 19. (Election)
(i) Directors shall be elected at the General Meeting of Shareholders.	(i) Directors shall be elected at the General Meeting of Shareholders, <u>distinguishing between directors who are Audit and Supervisory Committee Members and other directors.</u>
(ii) to (iii) (Omitted)	(ii) to (iii) (Unchanged)
Article 21. (Term of Office)	Article 20. (Term of Office)
(i) The term of office of directors shall expire at the conclusion of the Ordinary General Meeting of Shareholders on the last business year which finishes within one (1) year from their election of office.	(i) The term of office of directors <u>(excluding directors who are Audit and Supervisory Committee Members)</u> shall expire at the conclusion of the Ordinary General Meeting of Shareholders on the last business year which finishes within one (1) year from their election of office.
(ii) <u>The term of office of any director elected to fill a vacancy due to a retirement of director prior to his/her term of office or due to an increase in number shall expire at the time of expiration of term of office of the <u>existing directors.</u></u>	(ii) The term of office of directors who are Audit and Supervisory Committee Members shall expire at the conclusion of the Ordinary General Meeting of Shareholders on the last business year which finishes within two (2) years from their election of office.
(Newly established)	(iii) <u>The term of office of any director who is an Audit and Supervisory Committee Member elected to fill a vacancy due to a retirement of director who is an Audit and Supervisory Committee Member prior to his/her term of office shall expire at the time of expiration of term of office of the director who is an Audit and Supervisory Committee Member that has left office.</u>
(Newly established)	(iv) <u>The effectiveness of the pre-election of substitute directors who are Audit and Supervisory Committee Member shall expire at the commencement of the Ordinary General Meeting of Shareholders on the last business year which finishes within two (2) years from their election of office.</u>
Article 22. (Directors with Specific Titles and Representative Directors)	Article 21. (Directors with Specific Titles and Representative Directors)
(i) The president shall be selected by resolution of the Board of Directors and the Board of Directors may, by its resolution, elect honorary chairman of the Board of Directors, chairman of the Board of Directors, executive vice president and other directors with specific titles.	(i) The Board of Directors may, by its resolution, <u>appoint the president, and may also elect honorary chairperson of the Board of Directors, chairperson of the Board of Directors, executive vice president and other directors with specific titles from among directors (excluding directors who are Audit and Supervisory Committee Members).</u>
(ii) The president shall be a representative director and other representative directors <u>shall</u> be selected by resolution of the Board of Directors.	(ii) The president shall be a representative director and other representative directors <u>may</u> be selected <u>from among directors (excluding directors who are Audit and Supervisory Committee Members)</u> by resolution of the Board of Directors.
Article 23. (Notice of Meetings of Board of Directors)	Article 22. (Notice of Meetings of Board of Directors)
Notice of a meeting of the Board of Directors shall be given to each director and each Corporate Auditor at least three (3) days prior to the date for such meeting. However, the above period may be shortened in case of urgency.	Notice of a meeting of the Board of Directors shall be given to each director at least three (3) days prior to the date for such meeting. However, the above period may be shortened in case of urgency.
Article 24. (Omission of Resolution of Board of Directors)	Article 23. (Omission of Resolution of Board of Directors)
The agenda items of the Board of Directors shall be deemed to be adopted by resolution of the Board of Directors, when all directors who are able to participate in a resolution of such matter have given their consents thereto in writing or through an electronic method and no Corporate Auditors raise objection against it.	The agenda items of the Board of Directors shall be deemed to be adopted by resolution of the Board of Directors, when all directors who are able to participate in a resolution of such matter have given their consents thereto in writing or through electronic <u>record.</u>

Reference Documents for the General Meeting of Shareholders

Current Articles of Incorporation	Proposed Amendments
(Newly established)	Article 24. (Delegation of Decisions on Execution of Important Operations) Pursuant to the provisions of Article 399-13, Paragraph 6 of the Companies Act, the Company may, by resolution of the Board of Directors, delegate all or a portion of the decisions concerning the execution of important operations (excluding the matters set out in the respective items of Paragraph 5 of that same article) to directors.
Article 25. (Omitted)	Article 25. (Unchanged)
Article 26. (Remunerations, Etc.) Remuneration, bonuses and other compensation which shall be paid by the Company to Directors as consideration for the performance of duties (hereinafter the "Remunerations, Etc.") shall be determined by resolution of the General Meeting of Shareholders.	Article 26. (Remunerations, Etc.) Remuneration, bonuses and other compensation which shall be paid by the Company to Directors as consideration for the performance of duties (hereinafter the "Remunerations, Etc.") shall be determined by resolution of the General Meeting of Shareholders, distinguishing between directors who are Audit and Supervisory Committee Members and other directors.
Article 27. (Omitted)	Article 27. (Unchanged)
(Newly established)	Article 28. (Notice of Meeting of Audit and Supervisory Committee) Notice of meeting of the Audit and Supervisory Committee shall be given to each Audit and Supervisory Committee Member at least three (3) days prior to the date set for such meeting. However, the above period may be shortened in case of urgency.
(Newly established)	Article 29. (Audit and Supervisory Committee's Regulation) In addition to what is provided by laws and ordinances or the Articles of Incorporation, the matters concerning the Audit and Supervisory Committee shall be governed by the Audit and Supervisory Committee's Regulation which shall be enacted by the Audit and Supervisory Committee.
(Newly established)	Article 30. (Full-time Audit and Supervisory Committee Member) The Audit and Supervisory Committee may, by its resolution, select one or more full-time Audit and Supervisory Committee Members.
Article 28. (Senior Advisors and Counselors) The Company may, by resolution of the Board of Directors, select senior advisors and counselors.	(Deleted)
Article 29. (Omitted)	Article 31. (Unchanged)
Chapter V. CORPORATE AUDITORS AND BOARD OF CORPORATE AUDITORS	(Deleted)
Article 30. (Number) The Company shall have not more than five (5) Corporate Auditors.	(Deleted)
Article 31. (Election) (i) Corporate Auditors shall be elected by resolution of the General Meeting of Shareholders. (ii) Corporate Auditors shall be elected by an affirmative vote of a majority of the shareholders present, who hold one-third (1/3) or more of the total number of voting rights of all the shareholders with exercisable voting rights.	(Deleted)
Article 32. (Term of Office) (i) The term of office of the Corporate Auditors shall expire at the conclusion of the Ordinary General Meeting of Shareholders on the last business year which finishes within four (4) years from their election of office. (ii) The term of office of any Corporate Auditor elected to fill a vacancy of his/her predecessor who has retired prior to the expiry shall be the same as the remainder of the term of office of the predecessor.	(Deleted)
Article 33. (Full-Time Auditor) Full-time Corporate Auditors shall be elected by resolution of the Board of Corporate Auditors.	(Deleted)

Current Articles of Incorporation	Proposed Amendments
<p>Article 34. (Notice of Meeting of Board of Corporate Auditors) <u>Notice of meeting of the Board of Corporate Auditors shall be given to each Corporate Auditor at least three (3) days prior to the date set for such meeting. However, the above period may be shortened in case of urgency.</u></p>	(Deleted)
<p>Article 35. (Board of Corporate Auditors' Regulation) <u>In addition to what is provided by laws and ordinances or the Articles of Incorporation, the matters concerning the Board of Corporate Auditors shall be governed by the Board of Corporate Auditors' Regulation which shall be enacted by the Board of Corporate Auditors.</u></p>	(Deleted)
<p>Article 36. (Remunerations, Etc.) <u>Remunerations, etc. for Corporate Auditors shall be determined by resolution of the General Meeting of Shareholders.</u></p>	(Deleted)
<p>Article 37. (Liability Limitation Agreement with Outside Corporate Auditors) <u>Pursuant to Article 427, Paragraph 1 of the Company Law, the Company may conclude agreement with the Outside Corporate Auditors to the effect that the Outside Corporate Auditors' (including ex-Outside Corporate Auditors') liability resulting from their negligence in performing their duties shall be limited, to the extent permitted by law.</u></p>	(Deleted)
<p style="text-align: center;">Chapter VI. ACCOUNTING AUDITORS</p> <p>Article 38. to 39. (Omitted)</p>	<p style="text-align: center;">Chapter V. ACCOUNTING AUDITORS</p> <p>Article 32. to 33. (Unchanged)</p>
<p>Article 40. (Remunerations, Etc.) <u>Remunerations, etc. for Accounting Auditors shall be determined by the representative director with the consent of the Board of Corporate Auditors.</u></p>	<p>Article 34. (Remunerations, Etc.) <u>Remunerations, etc. for Accounting Auditors shall be determined by the representative director with the consent of the Audit and Supervisory Committee.</u></p>
<p style="text-align: center;">Chapter VII. ACCOUNTS</p> <p>Article 41. (Omitted)</p>	<p style="text-align: center;">Chapter VI. ACCOUNTS</p> <p>Article 35. (Unchanged)</p>
<p>Article 42. (Record Date for Dividends of Surplus Fund) (i) The Company's record date for payment of year-end dividends shall be March 31 of each year. (Newly established)</p>	<p>Article 36. (Record Date for Dividends of Surplus Fund) (i) The Company's record date for payment of year-end dividends shall be March 31 of each year. (ii) <u>The Company's record date for payment of interim dividends shall be September 30 of each year.</u></p>
<p>Article 43. (Interim Dividends) <u>The Company may, by resolution of the Board of Directors, make a payment of interim dividends with record date for interim dividends being September 30 of each year.</u></p>	<p>Article 37. (Decision-Making Organ for Dividends of Surplus Fund, etc.) <u>Unless otherwise provided for by laws and ordinances, the Company may, by resolution of the Board of Directors, determine the dividends of surplus fund and other matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act.</u></p>
<p>Article 44. (Omitted)</p>	<p>Article 38. (Unchanged)</p>

Proposal 3

Election of 11 Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

If Proposal 2, "Partial Amendments to the Articles of Incorporation", is approved as originally proposed, the Company will transition to a company with an Audit and Supervisory Committee, and the term of office of all 11 current Directors will expire at the time the amendments to the Articles of Incorporation take effect. Therefore, it is proposed that 11 Directors (excluding Directors who are Audit and Supervisory Committee Members; the same applies hereafter in this proposal), including 4 Outside Directors, be elected.

The candidates for Director were determined by the Board of Directors based on recommendations from the Nomination and Compensation Committee, which consists of 2 Outside Directors and 1 Representative Director and is chaired by an Outside Director.

This proposal shall become effective on the condition that the amendment to the Articles of Incorporation under Proposal 2 becomes effective.

The candidates for Director 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	32 years	6/6
2	Yoshitada Doi Reappointed	Director and Managing Executive Officer/Senior General Manager of Engineering Headquarters	5 years	6/6
3	Samuel Neff Reappointed	Director and Executive Officer/In charge of Supply Chain Management/ General Manager of Integrated SCM Division	6 years	6/6
4	Kelley Stacy Reappointed	Director and Executive Officer/In charge of GHR/In charge of GIT	4 years	6/6
5	Hidemi Houjyou Reappointed	Director and Executive Officer/Senior General Manager of Production Headquarters	2 years	6/6
6	Kyoichi Miyazaki Reappointed	Outside Director	5 years	6/6
7	Shoichi Tomita Newly-appointed	Executive Officer/General Manager of Sales Headquarters/ General Manager of North America Business Support Division/General Manager of Global Promotion Division	—	—
8	Yoshiko Iwata Reappointed Independent Outside	Outside Director	5 years	6/6
9	Wataru Otani Newly-appointed Independent Outside	—	—	—
10	Toshimasa Iue Newly-appointed Independent Outside	—	—	—
11	Tomohiro Murata Newly-appointed Independent Outside	—	—	—



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)

Years served as Director	32 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]

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.

(*) 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, Mr. Yoshitada Doi has worked in R&D 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. After returning to Japan, he also demonstrated strong leadership in launching the new research and development facility, the Japan Technical Center, completed 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	5 years
Attendance at the Board of Directors meetings	6/6
Number of the Company's shares held	0 shares



Candidate No.

3

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)

[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.

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



Candidate No.

4

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
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., 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 division.

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



Candidate
No.

5

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 division 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 for supervising the entire 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	2 years
Attendance at the Board of Directors meetings	6/6
Number of the Company's shares held	110 shares



Candidate No.

6

Kyoichi Miyazaki

(October 11, 1962)

Reappointed

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
June 2021	Outside Director of the Company (Incumbent)
January 2022	Chairman of the Sustainability Committee of the Company (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]

Since 2021, Mr. Kyoichi Miyazaki has supervised the Company's management from a neutral and objective standpoint as an Outside Director. Since 2022, as Chairman of the Sustainability Committee, he has overseen the Group's sustainability initiatives for appropriateness and monitored their progress, and engaged in dialogue with investors. Going forward, he is expected to serve as a Director responsible for business execution and oversee administrative divisions, drawing on his practical experience at international financial institutions. With the expectation that he can contribute to the management of the Company, he has been selected as a candidate for Director.



Candidate
No.

7

Shoichi Tomita

(February 24, 1965)

Newly-appointed

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

April 1988	Joined the Company
June 2001	On loan to SMC U.S.
November 2013	Returned to the Company
April 2021	General Manager of North America Business Support Division (Incumbent)
August 2023	Executive Officer (Incumbent)
October 2023	General Manager of Sales Headquarters (Incumbent)
April 2024	General Manager of Global Promotion Division (Incumbent)

[Reason for selection as a candidate for Director]

Since joining the Company, Mr. Shoichi Tomita has been engaged in the sales division. In 2001, he was on loan to SMC U.S., where he served as head of a local sales base and played a major role in increasing the share in the U.S. market.

After returning to the Company in 2013, he consistently worked to deepen global coordination in sales activities, and since 2023, has participated in the management of the entire Group as an Executive Officer.

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

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



Candidate
No.

8

Yoshiko Iwata

(July 15, 1956)

Reappointed

Outside

Independent

Years served as Director	5 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 Technometrics (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)
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)
February 2026	Outside Director, MORITO CO., LTD. (Incumbent)

[Important concurrent duties]

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

[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 corporate governance, information disclosure and dialogues with investors, based on her own professional knowledge from the standpoint of protecting the interests of general shareholders and investors, 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.

9

Wataru Otani

(January 4, 1959)

Newly-appointed

Outside

Independent

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

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

March 1981	Joined YKK CORPORATION
April 2001	Vice President, General Manager of Corporate Planning Department
April 2004	Senior Vice President
June 2004	Director
April 2009	Director and Executive Vice President, in charge of Strengthening Technical Capabilities
April 2010	Director and Executive Vice President, General Manager of the Machinery & Engineering Technology Headquarters
April 2017	Director and Executive Vice President, in charge of Strengthening Business Competitiveness
June 2018	Director and Executive Vice President, in charge of Renovation Business, YKK AP Inc.
April 2022	Director and Executive Vice President, in charge of Business Reform
April 2023	Director
June 2024	Advisor
June 2025	Full-time Audit & Supervisory Board Member (Incumbent)

[Important concurrent duties]

Full-time Audit & Supervisory Board Member, YKK AP Inc.

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

Mr. Wataru Otani has served in top management positions at major fastener and housing equipment manufacturers and possesses outstanding character and insight.

We expect Mr. Otani, based on his extensive knowledge as a manager of global companies, to monitor the Company's management activities from a neutral and objective point of view with a strong emphasis of protecting the interests of general shareholders and investors, further enhance management transparency, and provide advice on overall management policy from the perspective of promoting the Company's sustainable growth and enhancing medium- to long-term corporate value.

[The fact of illegal acts or violations of laws or the Articles of Incorporation, or other improper business execution at another company where a concurrent position is held]

YKK AP Inc., where Mr. Wataru Otani serves as a full-time Audit & Supervisory Board Member, received a recommendation from the Japan Fair Trade Commission in March 2026, stating that allowing a business partner to store molds and other items free of charge violated the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors.

Mr. Otani was not aware of the facts that were recognized as violations until this matter was revealed. However, he regularly emphasized the importance of compliance at meetings of the Board of Directors and similar occasions, and after the matter was uncovered, he fulfilled his responsibilities as a full-time Audit & Supervisory Board Member by verifying the facts and confirming measures to prevent recurrence.

Candidate
No.

10

Toshimasa Iue

(December 3, 1962)

Newly-appointed

Outside

Independent

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

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

April 1989	Joined SANYO Electric Co., Ltd.
June 2005	President of SANYO Electric Co., Ltd.
February 2010	Executive Vice President, LIXIL Group Corporation
April 2011	Director and Global Company President, LIXIL Corporation
June 2018	Outside Director (Member of the Audit Committee), Enplas Corporation (Incumbent)
August 2019	Outside Corporate Director, TAKARA PRINTING CO., LTD. (currently TAKARA & COMPANY LTD.) (Incumbent)
June 2020	Outside Director, KAMEDA SEIKA CO., LTD. (Incumbent)
June 2020	Outside Director, Torishima Pump Mfg. Co., Ltd. (Incumbent)

[Important concurrent duties]

Outside Director (Member of the Audit Committee), Enplas Corporation
 Outside Corporate Director, TAKARA & COMPANY LTD.
 Outside Director, KAMEDA SEIKA CO., LTD.
 Outside Director, Torishima Pump Mfg. Co., Ltd.

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

Mr. Toshimasa Iue has served in top management positions at major electronics and housing equipment manufacturers and also serves as an outside director at multiple listed companies. He possesses outstanding character and insight.

We expect Mr. Iue, based on his extensive knowledge as a manager of global companies, to monitor the Company's management activities from a neutral and objective point of view with a strong emphasis of protecting the interests of general shareholders and investors, further enhance management transparency, and provide advice on overall management policy from the perspective of promoting the Company's sustainable growth and enhancing medium- to long-term corporate value.



Candidate
No.

11

Tomohiro Murata

(June 17, 1968)

Newly-appointed

Outside

Independent

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

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

April 1991	Joined Daiwa Securities Co. Ltd.
July 1994	Joined Daiwa Institute of Research Ltd.
September 1996	Joined Morgan Stanley
February 2009	Joined Frontier Management Inc.
June 2015	Outside Director, YAMAICHI ELECTRONICS CO., LTD.
June 2021	External Director, Hakuto Co., Ltd. (Incumbent)
March 2025	Established Buhin Daisuki Co., Ltd.; President and Representative Director (Incumbent)
June 2026	Scheduled to assume the position of Outside Director, Gun Ei Chemical Industry Co., Ltd.

[Important concurrent duties]

Advisor, Frontier Management Inc.
 External Director, Hakuto Co., Ltd.
 President and Representative Director, Buhin Daisuki Co., Ltd.

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

Mr. Tomohiro Murata has built a distinguished career as a securities analyst and management consultant, has served as an outside director at multiple listed companies, and founded his own company supporting the management of the parts industry that underpins the manufacturing sector. He possesses outstanding character and insight.

We expect Mr. Murata, based on his extensive knowledge as a management consultant, to monitor the Company's management activities from a neutral and objective point of view with a strong emphasis of protecting the interests of general shareholders and investors, further enhance management transparency, and provide advice on overall management policy from the perspective of promoting the Company's sustainable growth and enhancing medium- to long-term corporate value.

Reference Documents for the General Meeting of Shareholders

(Notes)

1. None of the candidates for Director (excluding Directors who are Audit and Supervisory Committee Members) has any special interest in the Company.
2. The Company has made a contract with all Outside Directors for the limitation of liability in accordance with Article 427, Paragraph 1 of the Companies Act and 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). The Company will not continue such agreement with Mr. Kyoichi Miyazaki, who will become an Executive Director upon the conclusion of this Annual General Meeting of Shareholders, while the agreement with Ms. Yoshiko Iwata, who is to be reappointed as an Outside Director, will remain in effect. The Company will newly enter into such agreements with Mr. Wataru Otani, Mr. Toshimasa Iue, and Mr. Tomohiro Murata.
3. In accordance with the provisions of Article 430-2, Paragraph 1 of the Companies Act, the Company plans to enter into an indemnification agreement with all Directors in which the Company compensates for expenses incurred under Item (i) of the same Paragraph, and any losses incurred under Item (ii) of the same Paragraph, to the extent permitted by laws and regulations, except in cases where a Director has acted with willful misconduct or gross negligence in the performance of their duties.
4. 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. An outline of the details of this contract is included in the chart below.
In addition, the Company plans to resolve at the Board of Directors meeting to be held after the conclusion of this Annual General Meeting of Shareholders to renew the policy with the same terms and include all Director candidates as insured persons under the policy.

[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.

5. The Company has also designated Outside Director Yoshiko Iwata as an Independent Director as stipulated by the TSE, and registered her as such with the TSE. The Company also plans to designate Mr. Wataru Otani, Mr. Toshimasa Iue, and Mr. Tomohiro Murata, who are candidates for Outside Director, as Independent Directors and submit the required notifications accordingly.

Proposal 4

Election of 3 Directors Who Are Audit and Supervisory Committee Members

If Proposal 2, “Partial Amendments to the Articles of Incorporation”, is approved as originally proposed, the Company will transition to a company with an Audit and Supervisory Committee, and the term of office of all 3 current Corporate Auditors will expire at the time the amendments to the Articles of Incorporation take effect. Accordingly, we propose the election of 3 Directors who are Audit and Supervisory Committee Members (all 3 being Outside Directors).

The candidates for Directors who are Audit and Supervisory Committee Members were determined by the Board of Directors based on recommendations from the Nomination and Compensation Committee, which consists of 2 Outside Directors and 1 Representative Director and is chaired by an Outside Director. Regarding this proposal, in view of the purpose of Article 344-2, Paragraph 1 of the Companies Act, the consent of the Board of Corporate Auditors has been obtained.

This proposal shall become effective on the condition that the amendment to the Articles of Incorporation under Proposal 2 becomes effective.

The candidates for Directors who are Audit and Supervisory Committee Members are as follows.



Candidate
No.

1

Keiichi Karatsu

(November 12, 1955)

Newly-appointed

Outside

Independent

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

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

April 1978	Joined Nippon Steel Corporation
May 1987	LL.M., University of Pennsylvania Carey Law School
June 1994	Leader of Domestic Legal Group of Administration Division, Nippon Steel Corporation
July 2003	General Manager of Administration Department, General Manager of Legal and Intellectual Property Department, and Head of Compliance Office, Nippon Steel Chemical Co., Ltd.
April 2006	General Manager of Legal and Intellectual Property Department, NS Solutions Corporation
July 2008	General Manager of MD Division, HOYA CORPORATION (Legal Affairs and Intellectual Property)
September 2010	Professor, Institute of Business Law and Comparative Law and Politics, Graduate Schools for Law and Politics, The University of Tokyo
October 2013	Corporate Auditor, Asahitech Co., Ltd.
April 2021	Professor, School of Law, Tokai University (Incumbent)
June 2021	Professor Emeritus, The University of Tokyo
April 2022	Dean, School of Law, Tokai University (Incumbent)

[Important concurrent duties]

Professor and Dean, School of Law, Tokai University

[Reason for selection as a candidate for Outside Director who is an Audit and Supervisory Committee Member and summary of expected roles]

Mr. Keiichi Karatsu worked in the legal and intellectual property division of a major manufacturer before building a distinguished career as a researcher and university professor, and possesses outstanding character and insight.

We expect him to make proposals on overall management policies, based on his own specialized expertise and extensive knowledge from the standpoint of protecting the interests of general shareholders and investors, audit and supervise the Company's management activities from a neutral and objective point of view, further enhance management transparency, and improve corporate value in the medium- and long-run by promoting continuous corporate growth.

Although Mr. Karatsu has no prior experience directly involved in corporate management, the Company has determined, based on his background and experience described above, that he will be able to appropriately perform his duties as an Outside Director who is an Audit and Supervisory Committee Member.



Candidate No.

2

Kiyoko Totoki (Yokota)

(October 27, 1961)

Newly-appointed

Outside

Independent

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

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

April 1993	Appointed as a Public Prosecutor
April 2008	Counselor and Director of Investigation and Relief Division, Human Rights Bureau, Ministry of Justice
July 2014	Director of Property Taxation Division, National Tax Agency
June 2016	Director of the Trial Division, Kobe District Public Prosecutors Office
April 2017	Deputy Chief Prosecutor, Shizuoka District Public Prosecutors Office
January 2018	Director of the General Affairs Division, Tokyo District Public Prosecutors Office
October 2018	Director of General Affairs Division, Tokyo High Public Prosecutors Office
August 2019	Branch Chief, Odawara Branch, Yokohama District Public Prosecutors Office
January 2021	Chief Prosecutor, Kochi District Public Prosecutors Office
April 2022	Chief Prosecutor, Gifu District Public Prosecutors Office
January 2024	Retired from the Public Prosecutors Office
January 2024	Member of the National Tax Council (Incumbent)
May 2024	Registered as Attorney; joined Tokyo Hatchobori Law Office (Incumbent)

[Important concurrent duties]

Attorney at Law, Tokyo Hatchobori Law Office

[Reason for selection as a candidate for Outside Director who is an Audit and Supervisory Committee Member and summary of expected roles]

Ms. Kiyoko Totoki (Yokota) has built a distinguished career over many years as public prosecutor, serving in a number of senior positions, including at the Ministry of Justice and the National Tax Agency. Following her retirement, she has practiced as an attorney and also serves as a member of the National Tax Council. She possesses outstanding character and insight.

We expect her to make proposals on management policies, primarily on policies related to compliance and legal risk management, based on her own specialized expertise and extensive knowledge from the standpoint of protecting the interests of general shareholders and investors, audit and supervise the Company's management activities from a neutral and objective point of view, further enhance management transparency, and improve corporate value in the medium- and long-run by promoting continuous corporate growth.

For these reasons, Ms. Totoki has been nominated as a candidate for Outside Director.

Although Ms. Totoki has no prior experience directly involved in corporate management, the Company has determined, based on her background and experience described above, that she will be able to appropriately perform her duties as an Outside Director who is an Audit and Supervisory Committee Member.

Ms. Kiyoko Totoki's legal name on the family register is Kiyoko Yokota, but she uses the surname "Totoki" professionally in her legal practice.



Candidate
No.

3

Kenji Ito

(March 2, 1964)

Newly-appointed

Outside

Independent

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

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

September 1990	Joined Asahi Shinwa & Co.
October 1992	Joined Chuo Audit Corporation
March 1995	Registered as Certified Public Accountant (Incumbent)
July 1999	Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
March 2002	Joined Aventis Pharma Ltd.
January 2005	Established ITO CPA Office; Representative (Incumbent)
January 2005	Registered as Certified Public Tax Accountant (Incumbent)
May 2009	Registered as U.S. Certified Public Accountant (Incumbent)
January 2010	Joined Siemens Industry Software K.K. (currently Siemens Aktiengesellschaft)
July 2012	Joined Cisco Systems G.K.
July 2013	Joined KVH Co., Ltd. (currently Colt Technology Services Group Limited)
April 2018	Established Japan-India Partners G.K.; Managing Partner (Incumbent)
May 2021	Representative Member, Team CFO Brain GK (Incumbent)

[Important concurrent duties]

Certified Public Accountant (Representative, ITO CPA Office)
 Representative Member, Team CFO Brain GK
 Managing Partner, Japan-India Partners G.K.

[Reason for selection as a candidate for Outside Director who is an Audit and Supervisory Committee Member and summary of expected roles]

Mr. Kenji Ito holds Certified Public Accountant qualifications in both Japan and the United States, as well as a tax accountant qualification. In addition to his specialized expertise in accounting and taxation, he possesses extensive experience in accounting practices at numerous global companies and consulting services for companies engaged in international business expansion. He possesses outstanding character and insight.

We expect him to make proposals on management policies, primarily on policies related to accounting and taxation, based on his specialized expertise and extensive knowledge from the standpoint of protecting the interests of general shareholders and investors, audit and supervise the Company's management activities from a neutral and objective point of view, further enhance management transparency, and improve corporate value in the medium- and long-run by promoting continuous corporate growth.

Reference Documents for the General Meeting of Shareholders

(Notes)

1. None of the candidates for Directors who are Audit and Supervisory Committee Members has any special interest in the Company.
2. The Company plans to enter a contract with Mr. Keiichi Karatsu, Ms. Kiyoko Totoki, and Mr. Kenji Ito for the limitation of liability in accordance with Article 427, Paragraph 1 of the Companies Act and 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. In accordance with the provisions of Article 430-2, Paragraph 1 of the Companies Act, the Company plans to enter into an indemnification agreement with all Directors who are Audit and Supervisory Committee Members, in which the Company compensates for expenses incurred under Item (i) of the same Paragraph, and any losses incurred under Item (ii) of the same Paragraph, to the extent permitted by laws and regulations, except in cases where a Director who is an Audit and Supervisory Committee Member has acted with willful misconduct or gross negligence in the performance of their duties.
4. 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. An outline of the details of this contract is included in the chart below.

In addition, the Company plans to resolve at the Board of Directors meeting to be held after the conclusion of this Annual General Meeting of Shareholders to renew the policy with the same terms and include all candidates for Outside Directors who are Audit and Supervisory Committee Members as insured persons under the policy.

[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.

5. The Company plans to designate Mr. Keiichi Karatsu, Ms. Kiyoko Totoki, and Mr. Kenji Ito who are candidates for Outside Directors who are Audit and Supervisory Committee Members, as Independent Directors as stipulated by the TSE, and register 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 Directors who are Audit and Supervisory Committee Members. 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

A list of experience and expertise possessed by the Directors (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	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	Executive Vice-president/Senior General Manager of Engineering Headquarters		●		●					●
3	Kelley Stacy	Executive Vice-president /In charge of GHR and in charge of GIT	●		●						●
4	Samuel Neff	Director and Executive Officer/In charge of Supply Chain Management and General Manager of Integrated SCM Division				●		●			●
5	Hidemi Houjyou	Director and Executive Officer/Senior General Manager of Production Headquarters		●		●					
6	Kyoichi Miyazaki	Director and Executive Officer/Senior General Manager of Administration Headquarters						●		●	●
7	Shoichi Tomita	Director and Executive Officer/Vice Senior General Manager of Sales Headquarters			●						●
8	Independent Outside Yoshiko Iwata	Outside Director/Member of the Sustainability Committee	●						●	●	●
9	Independent Outside Wataru Otani	Outside Director/Lead Independent Outside Director/Chairman of the Nomination and Compensation Committee	●	●						●	
10	Independent Outside Toshimasa Iue	Outside Director/Chairman of the Sustainability Committee	●		●		●			●	●
11	Independent Outside Tomohiro Murata	Outside Director/Member of the Nomination and Compensation Committee	●	●	●						
12	Independent Outside Keiichi Karatsu	Outside Director/Chairman of the Audit and Supervisory Committee						●		●	●
13	Independent Outside Kiyoko Totoki (Yokota)	Outside Director/Member of the Audit and Supervisory Committee						●			
14	Independent Outside Kenji Ito	Outside Director/Member of the Audit and Supervisory Committee	●				●				●

Proposal 5

Approval of the Compensation Limit for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

The total amount of monetary compensation for Directors has been set at up to JPY 900 million per year, as resolved at the 48th Annual General Meeting of Shareholders held on June 28, 2007, and has remained in effect to date.

If Proposal 2, "Partial Amendment to the Articles of Incorporation," is approved and adopted as originally proposed, the Company will transition to a Company with an Audit and Supervisory Committee. Accordingly, the existing provision regarding the total amount of monetary compensation for Directors will be abolished, and we request approval to newly set the total amount of monetary compensation (basic compensation) for Directors (excluding Directors who are Audit and Supervisory Committee Members) at up to JPY 2.0 billion per year (of which up to JPY 200 million per year shall be for Outside Directors).

This proposal was determined by the Board of Directors based on a recommendation from the Nomination and Compensation Committee, which is composed of two (2) Outside Directors and one (1) Representative Director and is chaired by an Outside Director, in accordance with the "Policy, etc. Concerning the Determination of the Contents of Officer Compensation, etc." described in the Business Report. The Board of Directors has determined that this proposal is necessary, reasonable and appropriate, also in light of changes in economic conditions from the time the prior provision was established, the expansion of the Company's business scale, and the need to secure excellent management personnel.

If Proposal 3, "Election of Eleven (11) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)," is approved and adopted as originally proposed, the number of Directors who will be subject to this proposal will be eleven (11) (including four (4) Outside Directors).

This proposal shall take effect subject to the effectiveness of the amendment to the Articles of Incorporation under Proposal 2.

Proposal 6

Approval of the Compensation Limit for Directors Who Are Audit and Supervisory Committee Members

The total amount of monetary compensation for Corporate Auditors has been set at up to JPY 100 million per year, as resolved at the 48th Annual General Meeting of Shareholders held on June 28, 2007, and has remained in effect to date.

If Proposal 2, "Partial Amendment to the Articles of Incorporation," is approved and adopted as originally proposed, the Company will transition to a Company with an Audit and Supervisory Committee, and we request approval to newly set the total amount of monetary compensation (basic compensation) for Directors who are Audit and Supervisory Committee Members at up to JPY 200 million per year.

This proposal was determined by the Board of Directors based on a recommendation from the Nomination and Compensation Committee, which is composed of two (2) Outside Directors and one (1) Representative Director and is chaired by an Outside Director. The Board of Directors has determined that this proposal is necessary, reasonable and appropriate, in light of changes in economic conditions from the time the prior provision was established, the expansion of the Company's business scale, and the need to secure excellent management personnel.

If Proposal 4, "Election of Three (3) Directors Who Are Audit and Supervisory Committee Members," is approved and adopted as originally proposed, the number of Directors who are Audit and Supervisory Committee Members and will be subject to this proposal will be three (3) (all of whom are Outside Directors).

This proposal shall take effect subject to the effectiveness of the amendment to the Articles of Incorporation under Proposal 2.

Proposal 7

Approval of the Amount and Details of Performance-Linked Compensation (Cash Bonuses, Stock Compensation and Stock Options (Stock Acquisition Rights)) for Directors (Excluding Outside Directors and Directors Who Are Audit and Supervisory Committee Members)

1. Reasons for the Proposal and Reasons for Considering Such Compensation, etc. to Be Appropriate

The stock compensation (Board Benefit Trust) plan for Directors (excluding Outside Directors and non-executive Directors) was introduced at the 61st Annual General Meeting of Shareholders held on June 26, 2020, and has been continued with certain amendments at the 64th Annual General Meeting of Shareholders held on June 29, 2023, and has been set, separately from the total amount of monetary compensation for Directors of up to JPY 900 million per year as resolved at the 48th Annual General Meeting of Shareholders held on June 28, 2007, at up to 3,000 shares and JPY 300 million per year, and has remained in effect to date. In addition, the performance-linked bonus (fixed-amount monetary compensation) plan for Directors (excluding Outside Directors and Directors who do not execute business) was established by the Board of Directors meeting held on May 13, 2022, as being payable within the scope of the total amount of monetary compensation for Directors of up to JPY 900 million per year resolved at the 48th Annual General Meeting of Shareholders held on June 28, 2007, and has remained in effect to date.

If Proposal 2, “Partial Amendment to the Articles of Incorporation,” is approved and adopted as originally proposed, the Company will transition to a Company with an Audit and Supervisory Committee. Accordingly, subject to this proposal being approved and adopted as originally proposed, the current stock compensation plan and performance-linked bonus plan will be abolished; provided, however, that the existing stock compensation plan will be amended and continued. We therefore request approval to introduce a new performance-linked compensation plan for Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members; the same shall apply hereinafter in this proposal). With respect to the details of this plan, we request that you delegate to the Board of Directors, within the scope set forth in 2. below, the authority to determine the details of this plan by resolution of the Board of Directors after deliberation by the Nomination and Compensation Committee.

This proposal was determined by the Board of Directors based on a recommendation from the Nomination and Compensation Committee, which is composed of two (2) Outside Directors and one (1) Representative Director and is chaired by an Outside Director. The Board of Directors has determined that this proposal is necessary, reasonable and appropriate, in light of the purpose of more clearly linking Directors' compensation with the Company's performance and stock value, and increasing the degree to which Directors share with shareholders both the benefits of stock price increases and the risks of stock price decreases, thereby strengthening commitment to improving the Company's medium- to long-term performance and enhancing corporate value.

If this proposal is approved and adopted as originally proposed, the Company intends to change the Policy regarding the determination of details of compensation payable to Directors” so that it is consistent with the approved contents.

If Proposal 3, “Election of Eleven (11) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members),” is approved and adopted as originally proposed, the number of Directors who will be subject to this proposal will be seven (7), excluding Outside Directors and Directors who are Audit and Supervisory Committee Members.

2. Amount and Details, etc. of Compensation, etc. Relating to This Plan

(1) Overview of This Plan

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

After the end of each fiscal year, the total amount of performance-linked compensation for each Director shall be calculated as the amount obtained by multiplying the amount of the performance indicator (consolidated operating profit) by (i) the achievement level of the performance target (consolidated operating profit margin) and (ii) a coefficient corresponding to the Director's position, in accordance with a calculation formula predetermined by the Board of Directors based on a recommendation from the Nomination and Compensation Committee. The total amount so calculated shall be capped at JPY 5.0 billion per year, separately from the basic compensation for which an annual compensation limit of JPY 2.0 billion is established under Proposal 5.

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

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

[Allocation Ratios]

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

(2) Cash Bonuses

Each Director shall be paid, as a cash bonus constituting performance-linked compensation, the amount obtained by multiplying the total amount of performance-linked compensation determined for such Director pursuant to (1) above by the allocation ratio applicable to cash bonuses. The compensation limit for such cash bonuses shall be set separately from the basic compensation for which an annual compensation limit of JPY 2.0 billion is established under Proposal 5.

(3) Stock Compensation (Board Benefit Trust)

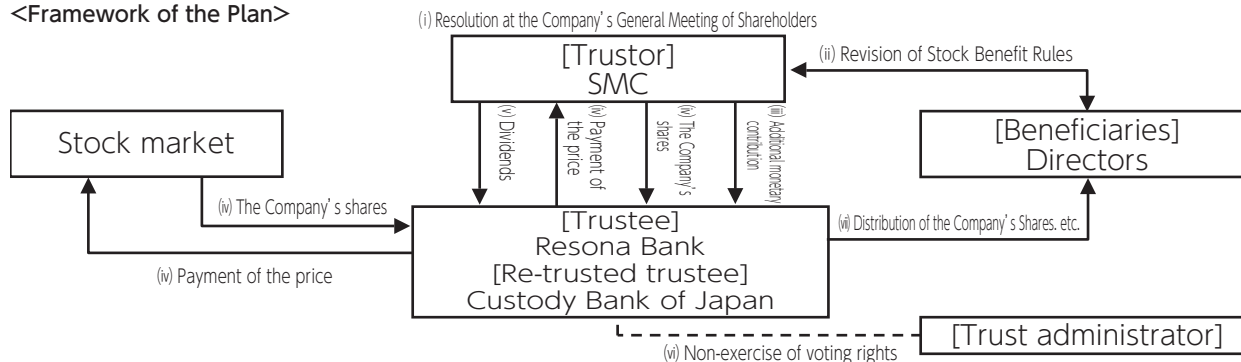
1. Overview

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

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

Directors shall receive the Company's Shares, etc. upon their retirement, in principle.

<Framework of the Plan>



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

2. Applicable Period

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

3. Trust Period

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10. Treatment upon Expiration of the Trust Period

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

11. Malus and Clawback Provisions

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

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

12. Other Contents of This System

Other contents of this system shall be determined by the Board of Directors after deliberation by the Nomination and Compensation Committee each time the Trust is established, the trust agreement is amended, or an additional contribution to the Trust is made.

(4) Stock Options

1. Overview

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

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

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

2. Method for Calculating the Number of Stock Acquisition Rights

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

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

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

3. Overview of Stock Acquisition Rights

As follows:

a. Total number of Stock Acquisition Rights

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

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

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

If, after the date of allotment of Stock Acquisition Rights (hereinafter, the "Allotment Date"), the Company conducts a stock split (including allotment of the Company's common shares without contribution; the same shall apply hereinafter) or a consolidation of shares with respect to the Company's common shares, the number of Granted Shares shall be adjusted pursuant to the following formula:

$$\text{Adjusted Granted Shares} = \text{Pre-adjustment Granted Shares} \times \text{Split/Consolidation Ratio}$$

In addition, if, after the Allotment Date, the Company conducts a merger, company split, share exchange, or share transfer, or otherwise if adjustment of the number of Granted Shares becomes necessary, the Company may adjust the number of Granted Shares within a reasonable range.

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

c. Payment amount for Stock Acquisition Rights

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

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

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

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

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

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

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

Reference Documents for the General Meeting of Shareholders

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

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

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

e. Period during which Stock Acquisition Rights may be exercised

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

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

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

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

g. Restriction on acquisition of Stock Acquisition Rights by transfer

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

h. Conditions for exercise of Stock Acquisition Rights

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

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

i. Matters regarding acquisition of Stock Acquisition Rights

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

j. Malus/Clawback Provisions

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

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

k. Treatment of Stock Acquisition Rights in organizational restructuring transactions

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

- (a) Number of Stock Acquisition Rights of the Restructured Company to be delivered
The same number as the number of Stock Acquisition Rights held by each Holder of Remaining Stock Acquisition Rights shall be delivered.
- (b) Class of shares of the Restructured Company that are the subject of Stock Acquisition Rights
Common shares of the Restructured Company.
- (c) Number of shares of the Restructured Company that are the subject of Stock Acquisition Rights
To be determined in accordance with b. above, taking into account the conditions of the Organizational Restructuring Transaction.
- (d) Value of property to be contributed upon exercise of Stock Acquisition Rights
The value of property to be contributed upon exercise of each Stock Acquisition Right to be delivered shall be the amount obtained by multiplying the Exercise Price after restructuring, which is obtained by adjusting the Exercise Price determined under d. above in consideration of the conditions of the Organizational Restructuring Transaction, by the number of shares of the Restructured Company that are the subject of such Stock Acquisition Right determined pursuant to (c).
- (e) Period during which Stock Acquisition Rights may be exercised
From the later of (i) the first day of the exercise period set forth in e. above and (ii) the effective date of the Organizational Restructuring Transaction, until the last day of the exercise period set forth in e. above.
- (f) Matters regarding the amount of capital and capital reserves to be increased in the case where shares are issued upon exercise of Stock Acquisition Rights
To be determined in accordance with f. above.
- (g) Restriction on acquisition of Stock Acquisition Rights by transfer
Acquisition by transfer shall require approval by the Restructured Company.
- (h) Other conditions for exercise of Stock Acquisition Rights
To be determined in accordance with h. above.
- (i) Grounds and conditions for acquisition of Stock Acquisition Rights
To be determined in accordance with i. and j. above.
- (j) Other conditions
Other conditions shall be determined in accordance with the conditions of the Restructured Company.

l. Other contents, etc. of Stock Acquisition Rights

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

End.

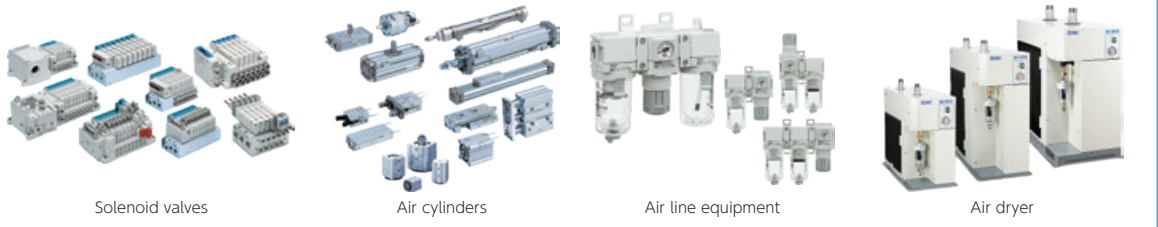
1 Matters pertaining to the present status of the Group

① Main business activities

Manufacturing and sales of automatic control equipment, including pneumatic instruments

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

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



2 Electric instruments



Key products Electric actuators

3 Sensors



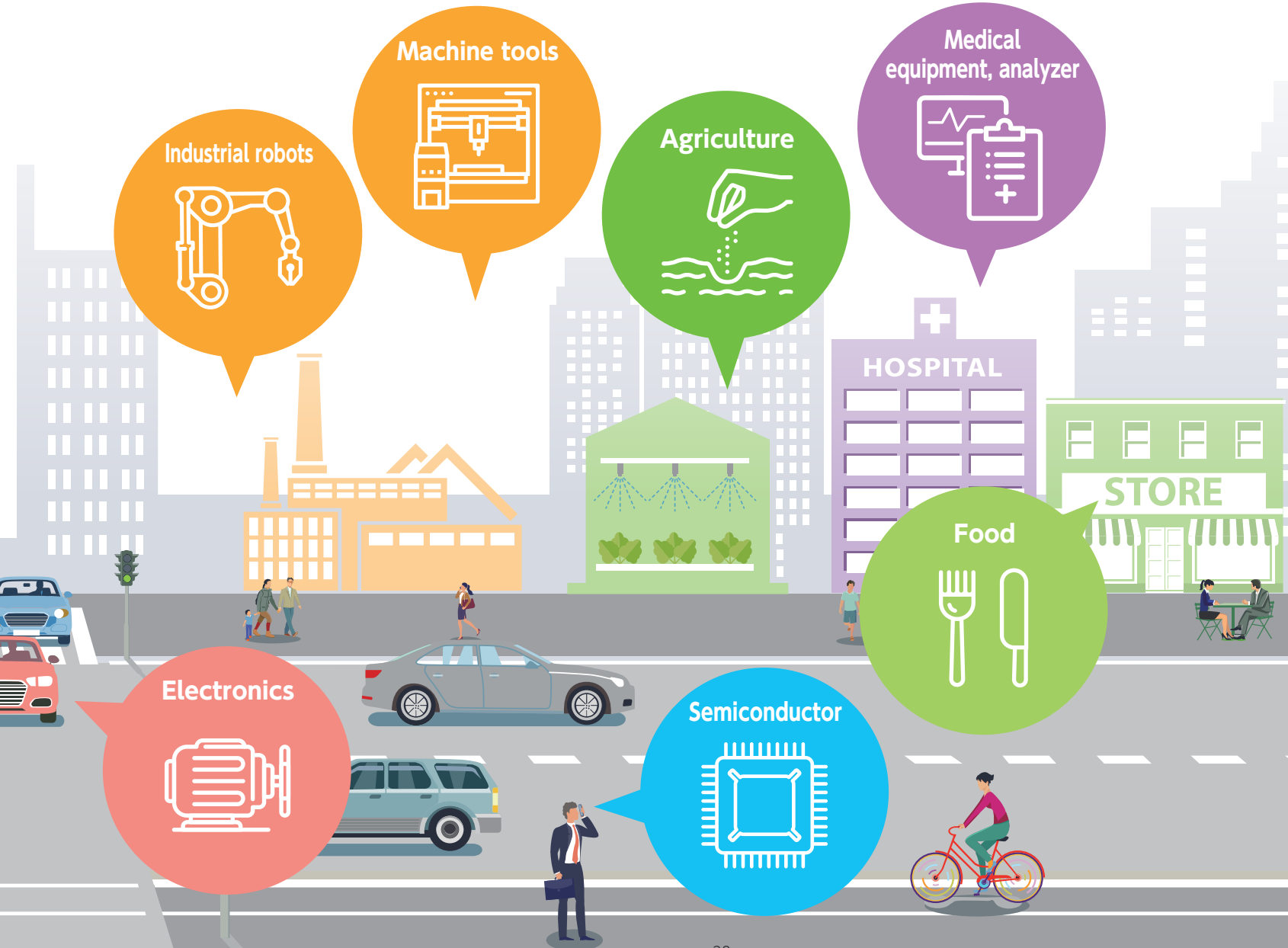
Key products Pressure switches, Flow switches

4 Temperature control equipment

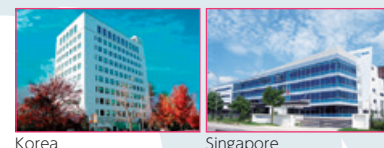
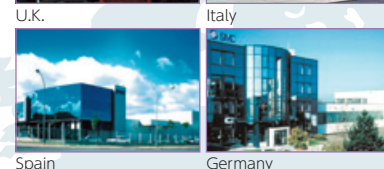


Key products Thermo-chillers, Thermo-controllers

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



Global Network (for reference purposes)



Europe 19.0%
 Net sales 159,689 Million yen YoY change +14.0%

Greater China 30.3%
 Net sales 255,690 Million yen YoY change +15.2%

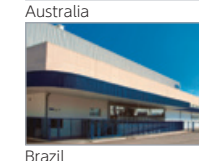
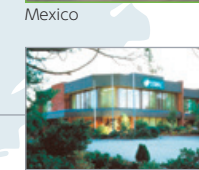
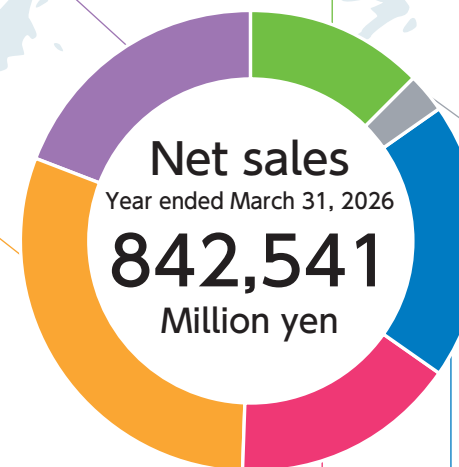
Other Asia 15.8%
 Net sales 133,251 Million yen YoY change +4.8%

North America 12.6%
 Net sales 106,331 Million yen YoY change -11.0%

Other 2.9%
 Net sales 24,621 Million yen YoY change +26.5%

Japan 19.3%
 Net sales 162,956 Million yen YoY change -0.5%

(Note) North America includes Canada, the United States, and Mexico, while Greater China includes China, Hong Kong, and Taiwan.



2 Business progress and results

During the fiscal year, the global economy remained uncertain due to factors including escalating tensions in the Middle East and the impact of U.S. tariff policies.

Looking at the demand environment for automatic control equipment, semiconductor- and electronics-related demand remained strong in Greater China, particularly for digital devices such as home appliances and LCDs, while semiconductor-related demand in Japan, North America, and South Korea recovered from the second half of the fiscal year onward. In the automobile-related industry, EV-related demand in Greater China

remained firm, while capital investments continued to hold back in North America, Japan, and in Europe. Demand related to machine tools remained solid, particularly in Greater China and Japan. Demand related to medical equipment, food machinery, and other industries was sluggish.

Under these circumstances, the Group continued to make aggressive capital investments aimed at expanding product supply capacity, establishing the multi-located production system based on its business continuity plan (BCP), and strengthening development capabilities, while

also continuing efforts to diversify its products and customer base.

As a consequence, the summary of consolidated business results for the fiscal year ended March 31, 2026 is as follows: Net sales were 842,541 million yen (increased by 6.4%, yoy).

Operating profit was 190,558 million yen (increased by 0.2%, yoy), the main factors of which were increases in material costs, depreciation, and personnel expenses.

Ordinary profit was 235,591 million yen (increased by

12.2%, yoy), mainly due to the recording of foreign exchange gains.

Profit before income taxes was 236,989 million yen (increased by 12.3%, yoy), the main factors of which were increases in gain on sale of non-current assets, gain on sale of investment securities, as well as the recording of impairment losses. Profit attributable to owners of parent was 167,302 million yen (increased by 7.0%, yoy).

ROE became 8.3%, a small increase from the previous fiscal year end.

③ Issues to be addressed

We have set out the following management philosophy and are 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 approximately 7,000 sales staff. We also strive to provide attentive services to our customers in partnership with our distributors. We have around 2,000 technical staff 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 880,000 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 880,000 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 stable demand for automatic control equipment capable of helping to resolve these social 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 with a strategy of increasing sales share as demand recovered.

Under the current circumstances where there is suppressed capital investment 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”. At the recently completed new factories and the new head office, the new R&D hub Japan Technical Center (JTC), and Tono Supplier Park, we are creating comfortable working environments with facilities designed to improve the wellbeing of employees and promote interaction with customers, suppliers, and employees across the Group, with the aim of improving productivity and attracting and retaining talented personnel.

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

We have traditionally developed and supplied customers with products that are small, light, and with great energy-saving performance.

We aim to drive our sales growth by promoting the high environmentally-related technologies of our products to customers.

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

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

The Group is strengthening its proposal activities for solutions such as the “4BAR factory”, which reduces pneumatic pressure across customers' entire factories; the “Air Management System (AMS)”, 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.

•**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 approximately 200 sales staff in charge in more than 50 countries around the world, and make more than 600 energy conservation diagnoses a year to our customers.

•**“Environmentally Friendly Products”**

We have classified our products by series and are implementing 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 customers. 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 defined 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

The total amount of capital investments during the fiscal year ended March 31, 2026 was 150,254 million yen (increased by 39.4%, yoy). Listed below are the main capital expenditures.

(1) Completed facilities



Tono Supplier Park (Tono City, Iwate Prefecture)



Japan Technical Center (Kashiwa City, Chiba Prefecture)



SMC China, Changzhou Warehouse (Changzhou)

(2) Facilities under construction



SMC China, New Technology Center (Beijing)



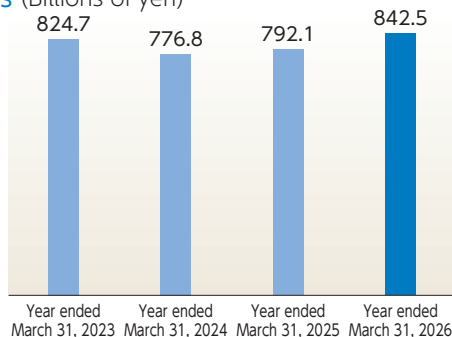
Shimotsuma Warehouse (Shimotsuma City, Ibaraki Prefecture)

5 Changes in assets and financial results

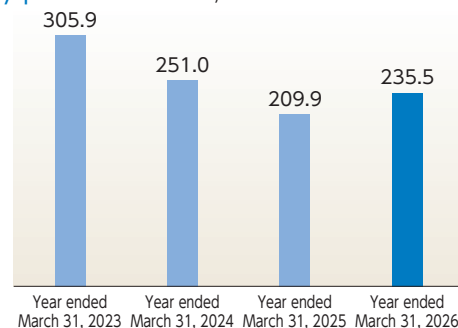
(millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024	Year ended March 31, 2025	Year ended March 31, 2026
Net sales	824,772	776,873	792,108	842,541
Ordinary profit	305,980	251,008	209,921	235,591
Profit attributable to owners of parent	224,609	178,321	156,344	167,302
Net income per share (yen)	3,444.55	2,766.92	2,444.61	2,640.04
Total assets	1,927,940	2,094,559	2,100,767	2,311,835
Net assets	1,702,325	1,885,871	1,928,306	2,115,240
Net assets per share (yen)	26,331.72	29,338.63	30,255.22	33,498.92
Return on equity (ROE)	13.8%	10.0%	8.2%	8.3%

Net sales (Billions of yen)

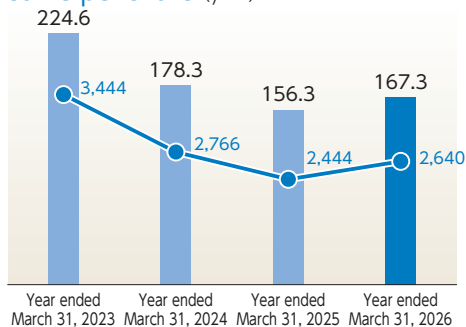


Ordinary profit (Billions of yen)



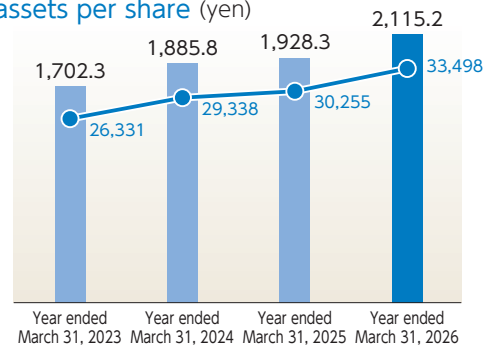
Profit attributable to owners of parent (Billions of yen)

● 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
ACS Co., Ltd.	¥304 million	100.0	Sales of automatic control equipment
SMC Corporation of America (SMC U.S.)	US\$ 173,000 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 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 (U.K.) Ltd. (SMC U.K.)	£ 14,500 thousand	100.0	Manufacturing and sales of automatic control equipment
SMC Industrial Automation CZ s.r.o. (SMC Czech)	CZK 1,713 million	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 Corporation (India) Pvt. Ltd. (SMC India)	INR 2,181 million	(Note) 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

(Note) The Company's percentages of voting rights in SMC India, 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 69 consolidated subsidiaries including the abovementioned 19 principal subsidiaries.

Nihon Kizai Co., Ltd. and Seigyo Kizai Corporation merged and changed the company name to ACS Co., Ltd. SMC India and SMC Czech, which have the functions of mass production plants, were added to principal subsidiaries from this fiscal year.

7 Status of employees

Number of employees	24,773	Increase from the previous year	1,659
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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 5,616 temporary staff (average during the year; increased by 135 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	Japan Technical Center (Kashiwa City, Chiba Prefecture)
Logistics Centers	East Japan Logistics Center (Joso City, Ibaraki Prefecture), West Japan Logistics Center (Ryuo Town, Shiga Prefecture)

(2) Subsidiary

As described in “6 Status of principal subsidiaries”.

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

None

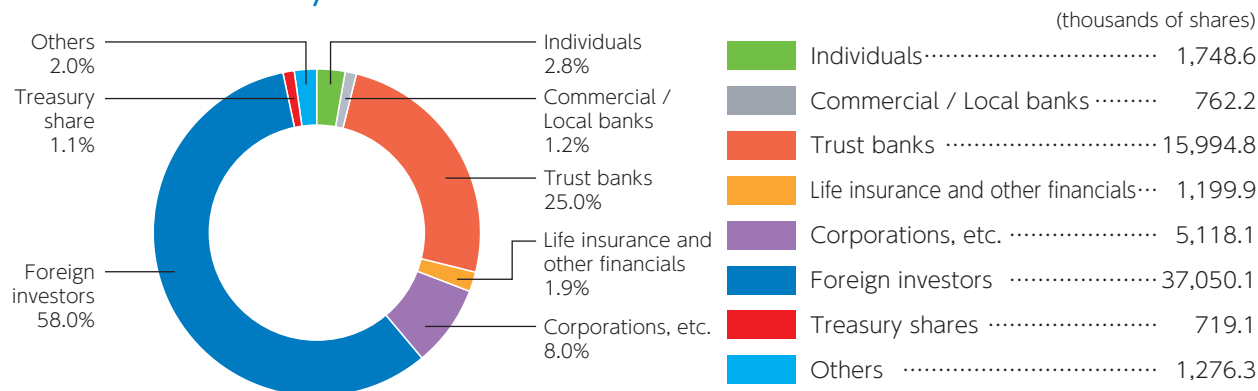
2 Matters pertaining to the Company's shares

- ① Total number of authorized shares: 240,000,000
- ② Total number of shares outstanding: 63,869,359 (including 719,100 shares of treasury shares)
- ③ Number of shareholders: 8,037
- ④ Major shareholders (Top 10)

Shareholder	Number of shares held (thousand shares)	Percentage of voting rights (%)
Master Trust Bank of Japan (Trust account)	9,647.0	15.27
Custody Bank of Japan, Ltd. (Trust account)	4,066.8	6.43
Takada International LLC	3,793.0	6.00
TON Finance B.V.	3,443.5	5.45
JP Morgan Chase Bank 380055	2,750.4	4.35
The Bank of New York Mellon as Depositary Bank for Depositary Receipt Holders	2,148.4	3.40
State Street Bank and Trust Company 505001	1,996.2	3.16
The Bank of New York Mellon 140040	1,504.0	2.38
The Nomura Trust and Banking Co., Ltd. (Trust account 2052208)	1,239.4	1.96
State Street Bank and Trust Company 505103	1,145.5	1.81

(Note) Percentages of voting rights are calculated based on the number of shares outstanding of 63,150,259 shares (excluding treasury shares) and are indicated by rounding down figures to two decimal places.

Distribution of share by shareholders



5 Other significant matters pertaining to the Company's shares

(1) Cancellation of treasury shares

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

Number of shares canceled

3,500,000 common shares of the Company

Cancellation date

May 30, 2025

(2) Purchase of treasury shares

1. The Company repurchased its treasury shares pursuant to the resolution at the Board of Directors meeting held on May 14, 2025, as follows.

Purpose of the repurchase

To enhance returns to shareholders and improve capital efficiency

Total number of shares repurchased

594,400 common shares of the Company

Total amount of repurchase

29,996 million yen

Period of repurchase

From May 19, 2025 to December 3, 2025

Method of repurchase

Market purchase

2. The Company resolved to repurchase its treasury shares at the Board of Directors meeting held on May 14, 2026, as follows.

Purpose of the repurchase

To enhance returns to shareholders, improve capital efficiency, and use as substitute treasury shares

Total number of shares to be repurchased

800,000 common shares of the Company

Total amount of repurchase

50,000 million yen

Period of repurchase

From May 20, 2026 to March 24, 2027

Method of repurchase

Market purchase

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

① Directors and Corporate Auditors (as of March 31, 2026)

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
Masahiro Ota	Director and Executive Officer	General Manager of Finance & Accounting Division
Samuel Neff	Director and Executive Officer	In charge of Supply Chain Management and General Manager of Integrated SCM Division
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
Toshio Isoe	Director	
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 Outside Director, MORITO CO., LTD.
Kyoichi Miyazaki	Outside Director	(Chairman of the Sustainability Committee)
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. Changes in titles and responsibilities of Directors during the fiscal year ended March 31, 2026.

Date of change	New title	Name	Previous title
November 28, 2025	Director	Toshio Isoe	Director and Executive Officer/Assistant to President (Special Mission) and in charge of ESG

4. Mr. Toshio Isoe resigned as Director effective April 30, 2026.

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 at the end of June 2026.

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, 2026

	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)	¥624 million (¥53 million)	¥388 million (¥53 million)	¥45 million (—)	¥190 million (—)	12 (4)
Corporate Auditors (Outside Corporate Auditors)	¥41 million (¥21 million)	¥41 million (¥21 million)	—	—	3 (2)
Total (Outside Directors/ Corporate Auditors)	¥665 million (¥74 million)	¥429 million (¥74 million)	¥45 million (—)	¥190 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 FY2024 being +2.0%. This remuneration will not be granted in a fiscal year where the net sales growth rate is 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, 2026 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 Yoshiaki 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%)	16/16 (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%)	16/16 (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 and deliberating changes to the Accounting Auditor.

(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 ended March 31, 2026

	Amount payable
Remuneration as Accounting Auditor in the current fiscal year	¥94 million
Total amount of remuneration (monies and other assets) the Company and its subsidiaries are liable to pay	¥117 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 ACS Co., Ltd., audits for the 18 subsidiaries of the 19 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 92 million yen as compensation based on statutory audit work to these auditing firms.

④ Description of non-auditing tasks

The Company pays compensation to Ernst & Young ShinNihon LLC for consulting services related to tax affairs, non-financial information disclosure and other services.

⑤ 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 obligate 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 yen or more per account” to “5 billion yen or more per account” in its operations.
 - 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

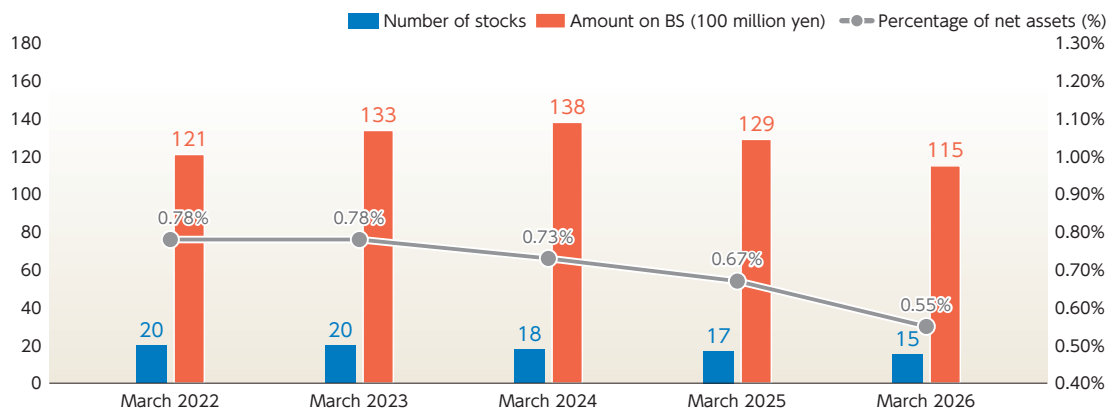
(1) Details of verifications regarding shareholding appropriateness

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 proposals to sell the Company's shares

If a company holding the Company's shares makes a proposal 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, 2026)

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026		As of March 31, 2025	As of March 31, 2026
(Assets)			(Liabilities)		
Current assets	1,421,842	1,504,291	Current liabilities	135,639	145,670
Cash and deposits	655,779	663,870	Notes and accounts payable - trade	46,898	31,822
Notes and accounts receivable - trade	207,969	235,325	Short-term borrowings	5,041	5,092
Securities	29,770	47,832	Income taxes payable	18,223	35,645
Merchandise and finished goods	173,938	198,419	Provision for bonuses	3,730	5,799
Work in process	31,245	33,289	Other	61,745	67,310
Raw materials and supplies	284,477	274,989	Non-current liabilities	36,821	50,925
Other	39,896	51,524	Deferred tax liabilities	20,054	26,834
Allowance for doubtful accounts	(1,236)	(959)	Provision for retirement benefits for directors	620	1,130
Non-current assets	678,925	807,544	Provision for share awards for directors	440	630
Property, plant and equipment	478,717	618,009	Retirement benefit liability	7,957	8,075
Buildings and structures, net	176,837	328,073	Other	7,749	14,253
Machinery, equipment and vehicles, net	75,144	91,195	Total liabilities	172,461	196,595
Tools, furniture and fixtures, net	23,555	27,598	(Net assets)		
Land	105,475	110,110	Shareholders' equity	1,724,298	1,806,207
Construction in progress	97,703	61,030	Share capital	61,005	61,005
Intangible assets	16,110	16,142	Capital surplus	74,473	73,779
Leasehold interests in land	11,018	11,432	Retained earnings	1,808,633	1,709,936
Other	5,091	4,710	Treasury shares	(219,814)	(38,513)
Investments and other assets	184,097	173,392	Accumulated other comprehensive income	203,983	308,883
Investment securities	145,267	121,714	Valuation difference on available-for-sale securities	14,492	20,030
Retirement benefit asset	23,816	34,796	Foreign currency translation adjustment	178,700	271,634
Deferred tax assets	10,983	11,994	Remeasurements of defined benefit plans	10,789	17,218
Other	5,496	6,732	Non-controlling interests	25	149
Allowance for doubtful accounts	(1,466)	(1,844)	Total net assets	1,928,306	2,115,240
Total assets	2,100,767	2,311,835	Total liabilities and net assets	2,100,767	2,311,835

Consolidated Statements of Income (April 1, 2025 to March 31, 2026)

(Millions of yen)

	Year ended March 31, 2025	Year ended March 31, 2026
Net sales	792,108	842,541
Cost of sales	429,069	461,089
Gross profit	363,038	381,452
Selling, general and administrative expenses	172,793	190,893
Operating profit	190,244	190,558
Non-operating income	24,388	45,886
Interest income	20,237	20,463
Gain on sale of securities	—	1,283
Foreign exchange gains	—	19,693
Other	4,151	4,445
Non-operating expenses	4,711	853
Interest expenses	74	508
Foreign exchange losses	4,468	—
Commission for purchase of treasury shares	20	29
Other	147	315
Ordinary profit	209,921	235,591
Extraordinary income	1,816	4,439
Gain on sale of non-current assets	374	1,531
Gain on sale of investment securities	1,441	2,907
Extraordinary losses	669	3,041
Loss on retirement of non-current assets	626	305
Impairment losses	6	2,694
Other	36	41
Profit before income taxes	211,068	236,989
Income taxes - current	58,048	68,636
Income taxes - deferred	(3,439)	1,040
Profit	156,459	167,311
Profit attributable to non-controlling interests	115	9
Profit attributable to owners of parent	156,344	167,302

(Note) In the Consolidated Financial Statements, amounts are rounded down to match the unit in which they are presented.

Non-consolidated Financial Statements

Non-consolidated Balance sheets (As of March 31, 2026)

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026		As of March 31, 2025	As of March 31, 2026
(Assets)			(Liabilities)		
Current assets	671,803	667,443	Current liabilities	92,058	86,057
Cash and deposits	224,917	152,805	Accounts payable - trade	47,619	30,985
Notes receivable - trade	20,177	18,777	Short-term borrowings	5,000	5,494
Accounts receivable - trade	83,403	111,188	Accounts payable - other	6,453	7,641
Securities	29,741	47,803	Income taxes payable	7,788	21,084
Merchandise and finished goods	49,563	49,698	Accrued expenses	14,672	15,325
Work in process	14,767	15,099	Other	10,524	5,526
Raw materials and supplies	198,155	174,292	Non-current liabilities	11,245	11,483
Accounts receivable - other	34,634	89,038	Provision for retirement benefits	4,307	4,277
Other	16,584	8,806	Provision for share awards for directors	440	630
Allowance for doubtful accounts	(141)	(67)	Other	6,497	6,574
Non-current assets	713,025	796,781	Total liabilities	103,303	97,540
Property, plant and equipment	232,920	324,282	(Net assets)		
Buildings and structures, net	61,838	191,351	Shareholders' equity	1,267,382	1,347,480
Machinery, equipment and vehicles, net	23,209	25,594	Share capital	61,005	61,005
Tools, furniture and fixtures, net	7,347	9,554	Capital surplus	73,271	72,576
Land	79,317	77,839	Legal capital surplus	72,576	72,576
Construction in progress	61,206	19,942	Other capital surplus	694	—
Intangible assets	2,699	2,594	Retained earnings	1,352,920	1,252,412
Software	2,619	2,514	Legal retained earnings	15,251	15,251
Other	79	79	Other retained earnings	1,337,668	1,237,160
Investments and other assets	477,406	469,904	Reserve for special depreciation	231	352
Investment securities	124,768	117,784	Reserve for tax purpose reduction entry of assets	405	388
Shares of subsidiaries and associates	115,540	114,871	General reserve	150,250	150,250
Investments in capital of subsidiaries and associates	216,141	216,141	Retained earnings brought forward	1,186,781	1,086,170
Prepaid pension costs	8,789	10,905	Treasury shares	(219,814)	(38,513)
Deferred tax assets	9,797	7,498	Valuation and translation adjustments	14,143	19,203
Other	2,410	2,743	Valuation difference on available-for-sale securities	14,143	19,203
Allowance for doubtful accounts	(40)	(40)	Total net assets	1,281,525	1,366,683
Total assets	1,384,829	1,464,224	Total liabilities and net assets	1,384,829	1,464,224

Non-consolidated Statements of Income (April 1, 2025 to March 31, 2026) (Millions of yen)

	Year ended March 31, 2025	Year ended March 31, 2026
Net sales	425,859	471,116
Cost of sales	296,118	333,643
Gross profit	129,740	137,472
Selling, general and administrative expenses	49,622	51,685
Operating profit	80,118	85,787
Non-operating income	124,459	128,664
Interest and dividend income	120,211	101,413
Gain on investments in insurance funds	625	—
Gain on sale of securities	—	1,283
Foreign exchange gains	—	20,557
Dividend income of insurance	540	405
Royalty income	2,287	2,909
Other	794	2,095
Non-operating expenses	3,921	250
Interest expenses	29	144
Foreign exchange losses	3,861	—
Commission for purchase of treasury shares	20	29
Other	10	76
Ordinary profit	200,657	214,201
Extraordinary income	1,497	3,423
Gain on sale of non-current assets	55	516
Gain on sale of investment securities	1,441	2,907
Extraordinary losses	510	2,409
Loss on retirement of non-current assets	499	207
Impairment losses	6	2,200
Other	4	2
Profit before income taxes	201,643	215,215
Income taxes - current	35,329	41,636
Income taxes - deferred	(2,839)	(61)
Profit	169,154	173,640

(Note) In the Non-consolidated Financial Statements, amounts are rounded down to match the unit in which they are presented.

Audit Report of Accounting Auditor on the Consolidated Financial Statements

Independent Auditor's Report

May 20, 2026

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, 2025 to March 31, 2026.

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, 2026, 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 (including the provisions applicable to audits of financial statements of public interest entities), 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 our auditor's report to the related notes to the Consolidated Financial Statements or, if the notes to the Consolidated Financial Statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the Consolidated Financial Statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the Consolidated Financial Statements and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.
- 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 20, 2026

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 67th fiscal year from April 1, 2025 to March 31, 2026.

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, 2026, 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 (including the provisions applicable to audits of financial statements of public interest entities), 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 67th fiscal year, which lasted from April 1, 2025 to March 31, 2026 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. Conclusion 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 21, 2026

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

67th 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

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.

SMC Corporation

Consolidated Statement of Changes in Equity

(April 1, 2025 to March 31, 2026)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	61,005	74,473	1,808,633	(219,814)	1,724,298
Changes during period					
Dividends of surplus			(63,525)		(63,525)
Profit attributable to owners of parent			167,302		167,302
Purchase of treasury shares				(30,018)	(30,018)
Disposal of treasury shares		(0)		1	1
Cancellation of treasury shares		(211,317)		211,317	-
Transfer from retained earnings to capital surplus		210,622	(210,622)		-
Change in scope of consolidation			8,149		8,149
Net changes in items other than shareholders' equity					
Total changes during period	-	(694)	(98,696)	181,300	81,909
Balance at end of period	61,005	73,779	1,709,936	(38,513)	1,806,207

	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	14,492	178,700	10,789	203,983	25	1,928,306
Changes during period						
Dividends of surplus						(63,525)
Profit attributable to owners of parent						167,302
Purchase of treasury shares						(30,018)
Disposal of treasury shares						1
Cancellation of treasury shares						-
Transfer from retained earnings to capital surplus						-
Change in scope of consolidation						8,149
Net changes in items other than shareholders' equity	5,537	92,933	6,428	104,899	124	105,024
Total changes during period	5,537	92,933	6,428	104,899	124	186,933
Balance at end of period	20,030	271,634	17,218	308,883	149	2,115,240

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: 69

To further enhance transparency in financial accounting, 27 small-scale subsidiaries previously excluded from the scope of consolidation have been included from the beginning of the current fiscal year.

During the current fiscal year, Seigyo Kizai Corporation, which had been a consolidated subsidiary of the Company, was excluded from the scope of consolidation due to its dissolution through an absorption-type merger in which Nihon Kizai Co., Ltd., also a consolidated subsidiary, was the surviving company. In conjunction with the merger, Nihon Kizai Co., Ltd. changed its trade name to ACS Co., Ltd.

(ii) Names of major consolidated subsidiaries:

ACS 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 non-consolidated subsidiaries, etc.

(i) Names of non-consolidated subsidiaries

NK Automation Pte. Ltd.; NK Automation Malaysia Sdn.Bhd.

(ii) Reasons for exclusion from the scope of consolidation

The 2 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 (NK Automation Pte. Ltd. and NK Automation Malaysia Sdn.Bhd.) 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, 2026 for the following 15 subsidiaries whose fiscal year-end date is December 31.

SMC Investment Management China Co., Ltd.	Automation Component Solutions 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.	SMC Industrial Automation Bulgaria EOOD
LLC “SMC-Rus”	SMC Colombia S.A.S.
SMC Corporation (Chile) S.A.	SMC Corporation Perú, S.A.C.
LLP “SMC Kazakhstan”	

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)

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 (mainly 5 years) specified by the Company.

(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 domestic consolidated subsidiaries provide an allowance for doubtful accounts 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 doubtful accounts 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) 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) Accounting method 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.

- (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) 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.

[Notes on changes in method of presentation]

(Consolidated Statements of Income)

“Impairment losses”, which had been included in “Other” under “Extraordinary losses” in the previous fiscal year, are presented separately from the current fiscal year due to an increase in materiality. “Impairment losses” included in “Other” under “Extraordinary losses” for the previous fiscal year amounted to 6 million yen.

[Notes on revenue recognition]

1. Information on disaggregated revenue arising from contracts with customers

(Millions of yen)

	Fiscal year ended March 31, 2026
Net sales by region	
Japan	158,823
United States	83,708
China	234,939
Asia (excluding China)	158,955
Europe	162,250
Other	43,864
Revenue from contracts with customers	842,541
Other revenue	—
Net sales to external customers	842,541

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 liabilities, etc.

(Millions of yen)

	Fiscal year ended March 31, 2026
Claims arising from contracts with customers (balance at beginning of period)	207,969
Claims arising from contracts with customers (balance at end of period)	235,325
Contract liabilities (balance at beginning of period)	771
Contract liabilities (balance at end of period)	983

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, 2026

(Millions of yen)

	Fiscal year ended March 31, 2026
Inventories (before recording loss on valuation)	597,026
Loss on valuation of inventories	90,327
Inventories (consolidated balance sheet amount)	506,698

Loss (reversal gain) on valuation of inventories included in cost of sales (after offsetting the reversal amount by the reversal method) was (4,123) 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 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	394,478
2. For non-consolidated subsidiaries	
Investment securities	127

[Notes on Consolidated Statements of Income]

	(Millions of yen)
1. Principal items included in selling, general and administrative expenses	
Salaries and allowances	65,096
Bonuses	10,940
Retirement benefit expenses	2,953
Provision of allowance for doubtful accounts	593
2. Research and development expenses included in general and administrative expenses as well as manufacturing costs	39,986
3. Loss (reversal gain) on valuation of inventories	(4,123)
4. Impairment losses	

During the current fiscal year, the Group recorded impairment losses on the following assets.

(Millions of yen)

Location	Use	Type	Amount
Tsukubamirai City, Ibaraki Prefecture (*1)	Assets held for sale	Land	1,467
		Buildings	732
California, United States (*2)	Assets held for sale	Buildings	479

As these assets were held for sale due to the relocation of business sites, their book values were reduced to net realizable value, and the resulting reduction was recorded as impairment losses.

(*1) Net realizable value was calculated based on the estimated sale value.

(*2) Net realizable value was calculated based on the appraised value determined by a real estate appraiser.

[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	–	3,500,000	63,869,359
Treasury shares	Common stock	3,635,534	594,793	3,500,027	730,300

Notes:

1. The decrease of 3,500,000 issued shares was due to the cancellation of treasury shares.
2. 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).
3. Of the 594,793 shares increase in the number of treasury shares, 594,400 shares were due to purchase of treasury shares based on the resolution of the Board of Directors, while 393 shares were due to purchase of shares less than one full unit. Of the decrease in treasury shares, 3,500,000 shares were due to the cancellation of treasury shares, and 27 shares were due to sales 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, 2025	Common stock	¥31,872 million	¥500	March 31, 2025	June 30, 2025
Board of Directors meeting held on November 13, 2025	Common stock	¥31,653 million	¥500	September 30, 2025	December 1, 2025

Note: The “Total dividend amount” resolved at the Annual General Meeting of Shareholders held on June 27, 2025 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 13, 2025 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 26, 2026.

Type	Source	Total dividend amount	Dividend per share	Record date	Effective date
Common stock	Retained earnings	¥31,575 million	¥500	March 31, 2026	June 29, 2026

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	1,715	1,667	(48)
(ii) Available-for-sale securities	167,258	167,258	–
Total assets	168,974	168,926	(48)

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 and associates	127
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	13,658	–	–	13,658
Government bonds	149,877	18	–	149,895
Other	3,704	–	–	3,704
Total assets	167,240	18	–	167,258

(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	212	–	–	212
Corporate bonds	–	1,454	–	1,454
Total assets	212	1,454	–	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

SMC Corporation established a new production base, the Tono Supplier Park (Tono City, Iwate Prefecture), which accommodates approximately 20 major suppliers and establishes an integrated production system with the Company's Tono Factory.

The Tono Supplier Park is a facility designed to shorten delivery lead times, strengthen the business continuity plan (BCP) framework, and promote manufacturing DX. Earning rental income from resident suppliers is not its business purpose.

In addition, the Company and some of its consolidated subsidiaries own rental properties, including land for company housing, parking lots, and office buildings.

Rental income or losses associated with these properties are immaterial.

2. Fair value of real estate for rent

(Millions of yen)

Consolidated balance sheet amount	Fair value
33,043	35,314

Notes:

1. The consolidated balance sheet amounts are the amounts determined by deducting accumulated depreciation from the acquisition cost.
2. For depreciable assets such as buildings, the appropriate book value is deemed to represent fair value. For land, fair value is calculated based on the assessed value for non-current asset tax purposes, inheritance tax valuation based on roadside land prices, and other such indicators.

[Notes on per share information]

1. Net assets per share: 33,498.92 yen
2. Net income per share: 2,640.04 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, 2026, as follows.

(1) Purpose of the repurchase	To enhance returns to shareholders, improve capital efficiency, and use as substitute treasury shares
(2) Total number of shares to be repurchased	800,000 common shares of the Company
(3) Total amount of repurchase	50,000 million yen
(4) Period of repurchase	From May 20, 2026 to March 24, 2027
(5) Method of repurchase	Market purchase on the Tokyo Stock Exchange

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, 2025 to March 31, 2026)

(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	231	405	150,250
Changes during period								
Provision of reserve for special depreciation				-		172		
Reversal of reserve for special depreciation				-		(51)		
Reversal of reserve for tax purpose reduction entry of assets				-			(17)	
Dividends of surplus				-				
Profit				-				
Purchase of treasury shares				-				
Disposal of treasury shares			(0)	(0)				
Cancellation of treasury shares			(211,317)	(211,317)				
Transfer from retained earnings to capital surplus			210,622	210,622				
Net changes in items other than shareholders' equity				-				
Total changes during period	-	-	(694)	(694)	-	120	(17)	-
Balance at end of period	61,005	72,576	-	72,576	15,251	352	388	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	1,186,781	1,352,920	(219,814)	1,267,382	14,143	14,143	1,281,525
Changes during period							
Provision of reserve for special depreciation	(172)	–		–			–
Reversal of reserve for special depreciation	51	–		–			–
Reversal of reserve for tax purpose reduction entry of assets	17	–		–			–
Dividends of surplus	(63,525)	(63,525)		(63,525)			(63,525)
Profit	173,640	173,640		173,640			173,640
Purchase of treasury shares		–	(30,018)	(30,018)			(30,018)
Disposal of treasury shares		–	1	1			1
Cancellation of treasury shares		–	211,317	–			–
Transfer from retained earnings to capital surplus	(210,622)	(210,622)		–			–
Net changes in items other than shareholders' equity		–		–	5,059	5,059	5,059
Total changes during period	(100,611)	(100,507)	181,300	80,097	5,059	5,059	85,157
Balance at end of period	1,086,170	1,252,412	(38,513)	1,347,480	19,203	19,203	1,366,683

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 life 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 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 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 method of presentation]

(Non-consolidated Statements of Income)

1. “Gain on sale of non-current assets”, which had been included in “Other” under “Extraordinary income” in the previous fiscal year, are presented separately from the current fiscal year due to an increase in materiality. “Gain on sale of non-current assets” included in “Other” under “Extraordinary income” for the previous fiscal year amounted to 55 million yen.
2. “Impairment losses”, which had been included in “Other” under “Extraordinary losses” in the previous fiscal year, are presented separately from the current fiscal year due to an increase in materiality. “Impairment losses” included in “Other” under “Extraordinary losses” for the previous fiscal year amounted to 6 million yen.

[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, 2026

(Millions of yen)

	Fiscal year ended March 31, 2026
Inventories (before recording loss on valuation)	275,870
Loss on valuation of inventories	36,780
Inventories (non-consolidated balance sheet amount)	239,090

Loss (reversal gain) on valuation of inventories included in cost of sales (after offsetting the reversal amount by the reversal method) was (3,469) 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 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	157,959
2. Receivables and payables in relation to subsidiaries and affiliates	
Short-term receivables	162,883
Short-term payables	19,043

[Notes on Non-consolidated Statements of Income]

Transactions with subsidiaries and affiliates	(Millions of yen)
Net sales	356,141
Purchase amount	94,594
Selling, general and administrative expenses	3,464
Non-operating transaction amount	95,140

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

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	–	3,500,000	63,869,359
Treasury shares	Common stock	3,635,534	594,793	3,500,027	730,300

Notes:

1. The decrease of 3,500,000 issued shares was due to the cancellation of treasury shares.
2. 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).
3. Of the 594,793 shares increase in the number of treasury shares, 594,400 shares were due to purchase of treasury shares based on the resolution of the Board of Directors, while 393 shares were due to purchase of shares less than one full unit. Of the decrease in treasury shares, 3,500,000 shares were due to the cancellation of treasury shares, and 27 shares were due to sales of shares of 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, 2026
Deferred tax assets	
Loss on valuation of inventories	11,593
One-time depreciable assets	424
Loss on valuation of shares of subsidiaries and associates	193
Allowance for doubtful accounts	34
Accounts payable - other	409
Accrued enterprise taxes, accrued business office taxes	1,354
Accrued expenses	3,391
Provision for retirement benefits	1,348
Provision for share awards for directors (and other officers)	198
Asset retirement obligations	102
Other	1,086
Total deferred tax assets	20,137
Deferred tax liabilities	
Retirement costs for asset retirement obligations	(23)
Prepaid pension costs	(3,437)
Reserve for special depreciation	(161)
Reserve for tax purpose reduction entry of assets	(178)
Valuation difference on available-for-sale securities	(8,838)
Total deferred tax liabilities	(12,639)
Net deferred tax assets	7,498

[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)	109,790	Accounts receivable - trade	32,560
Subsidiary	SMC Corporation of America	(Direct) 100.0%	Distributor of the Company's products and supplier	Sales of the Company's product (*1)	42,393	Accounts receivable - trade	10,567

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:	21,645.61 yen
2. Net income per share:	2,740.06 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, 2026, as follows.

(1) Purpose of the repurchase	To enhance returns to shareholders, improve capital efficiency, and use as substitute treasury shares
(2) Total number of shares to be repurchased	800,000 common shares of the Company
(3) Total amount of repurchase	50,000 million yen
(4) Period of repurchase	From May 20, 2026 to March 24, 2027
(5) Method of repurchase	Market purchase on the Tokyo Stock Exchange

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.